

HYDRATE

Hydrate Drinks Group

Q1 FY25 Results and Profit & Loss Summary

Ian Minton, CEO of Hydrate Drinks Group, commented:

Over the past quarter, Hydrate has made significant strides as we continue to build on the progress made in 2024. This period has been defined by operational improvements, commercial expansion, and ongoing investment in innovation as we execute our Mission 2030 strategy.

Our focus for Q1 FY25 has been clear: stabilise our core operations, optimise production efficiency, and deliver consistent, profitable growth. We rebranded from Happy Drinks Group to Hydrate Drinks Group, aligning our corporate identity with our commitment to clean-label innovation and category leadership. This strategic shift has already started to pay dividends, with improved brand recognition and a sharper focus on our core mission.

Commercially, we have continued to strengthen our retail partnerships, including significant progress with Marks & Spencer, Asda and now Aldi. Our partnership with Aldi has rapidly evolved into a multi-category opportunity, with launches planned across flavoured waters, sodas, kombuchas, and more.

Operationally, our transition to a 24/7 production model has been challenging but necessary. We acted decisively, shifting to a 24/7 production schedule, investing in process improvements, and building a more resilient manufacturing team and engineering support structure. These issues are not yet fully resolved, but the results in Q1 FY25 confirm that our decisions are working. Revenue reached £1.9m, up 14% year-on-year for the same period, with gross margin stable at 47%. Most notably, March 25 marked our strongest month to date, delivering a positive EBITDA of £102k and setting the tone for sustainable profitability.

Innovation remains central to our mission. Our focus on removing sugar, artificial sweeteners, and chemical preservatives from soft drinks continues to drive our product development. I am particularly excited about the upcoming launch of NuVia™, our proprietary natural sweetening solution. NuVia™ represents a breakthrough in clean-label sweetening, delivering the taste profile consumers expect without compromise, and without the use of sugar or artificial alternatives. This innovation places Hydrate at the forefront of the next wave of health-driven soft drink innovation.

We are in the process of establishing TRICAN™, our in-house can supply. TRICAN™ gives Hydrate the ability to source, and supply our cans directly, significantly reducing our reliance on other third-party can suppliers. This strategic investment not only strengthens our operational resilience and flexibility but also enhances our margin control by bringing this critical part of our supply chain under our control.

Looking ahead, our focus is now on unlocking operational capacity to deliver to the increasing demand of our existing customers and interest from new customers, and delivering consistent, sustainable shareholder value.

Thank you for your continued support and belief in our mission as we enter the next phase of growth.

Ian Minton

Chief Executive



David Salkeld, Chairman of Hydrate Drinks Group, commented:

As Chairman, I want to echo Ian's comments and reaffirm the Board's full support for the strategy to deliver Mission 2030.

The last 15 months have marked a turning point for Hydrate. The business has grown up, and Q1 FY25 reflects the impact of strong leadership and a commitment to driving the business forward. The business has returned to monthly profitability and strengthened its commercial partnerships with its key customers and is now positioned for rapid scaling.

The opportunity in front of us is significant. Demand is growing rapidly with our key customers, and all other major retailers are taking notice of our continued success and growth. Product innovation and our commitment to joint business planning and partnerships clearly differentiates us from the competition. Hydrate is well positioned to lead in the clean-label drinks category and the Board is fully aligned with this ambition and remains committed to supporting Ian and the leadership team as they navigate this next phase of growth. Personally, I look forward to playing an active role in new customer acquisitions and driving the business forward alongside the team, particularly in deepening our engagement with all major retailers.

Thank you.

David Salkeld

D Salkeld

Chairman

Executive Summary

Financial Highlights:

- **Revenue:** £1.9m, a 14% year-on-year increase, slightly ahead of forecast.
- **Gross Profit:** £0.9m, up 117% from Q1 FY24, with margins stable at 47%, driven by strong performance in flavoured waters.
- **Operating Expenditure:** £1.0m, in line with prior year but £46k above forecast, primarily due to higher legal and travel costs.
- **EBITDA:** Loss of £127k, a significant improvement from the £600k loss in Q1 FY24, reflecting progress towards stabilised profitability.

Operational Highlights:

- Transitioned to a 24/7 production model, supporting volume growth and customer demand.
- March 2025 marked the strongest month to date, achieving a positive EBITDA of £102k, demonstrating early returns on operational investments.
- Strengthened engineering and quality control processes to support continuous production and efficiency gains.

Innovation Highlights

- Launched NuVia™, a proprietary natural sweetening solution, positioning Hydrate at the forefront of clean-label innovation.
- Established TRICAN™, an in-house can supply operation, reducing reliance on third-party suppliers and enhancing margin control.

Commercial Progress

- Continued growth with existing retail partners, including Marks & Spencer, and Asda.
- Secured a major partnership with Aldi, with multiple new product launches scheduled throughout 2025.
- Expanded into new high-growth categories, including naturally sweetened flavoured waters, sodas, and prebiotic soft drinks.

Q1 FY25 Financial Update

Hydrate Drinks Group Limited Summary P&L Q1 FY25							
	Q1 FY25 Actual	Q1 FY25 Forecast	Var	Var %	Q1 FY24 Actual	Var	Var %
Revenue	1,872	1,839	33	2%	1,642	230	14%
Gross Profit	873	856	17	2%	403	470	117%
Gross Profit Margin %	47%	47%	0%	0%	25%	22%	90%
Overheads	(1,000)	(954)	(46)	5%	(1,003)	3	(0)
EBITDA	(127)	(98)	(29)	30%	(600)	473	-79%
EBITDA Margin %	-7%	-5%	-1%	27%	-37%	30%	-81%

Revenue

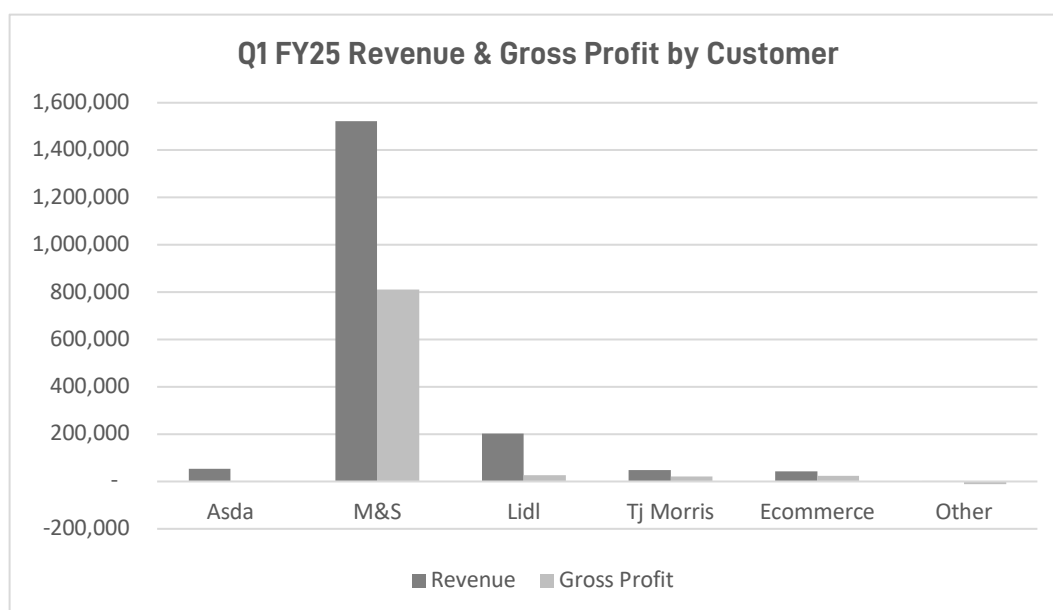
Hydrate generated total revenue of £1.87m, slightly ahead of forecast (£1.84m) and an increase from £1.64m in Q1 FY24. This represents a 14% uplift YoY, reflecting the step change in scale that the business has achieved through both the continued success of our key bottling contracts and the broader strength of demand across our customer base.

The primary driver of this revenue growth remains the ongoing performance of the M&S flavoured water and tonic ranges, which together accounted for £1.5m of the quarterly total, including £1.4m from M&S branded products. This result demonstrates the effectiveness of our strategic focus on high-value, branded partnerships and the impact of the M&S summer stock build programme, which was recognised toward the end of the quarter.

Gross Profit

Gross profit for Q1 FY25 was £873k, ahead of forecast (£856k) and more than double the prior year's Q1 gross profit of £403k. This represents a gross profit margin of 47%, consistent with forecast and significantly improved from 25% in Q1 FY24.

The release of stock linked to the M&S summer build programme during March provided a strong contribution, with flavoured waters accounting for 67% of total revenue for the quarter.



Operating Expenditure

Operating expenditure for Q1 FY25 totalled £1.0m, in line with the prior year but £46k above forecast. The increase versus forecast was driven by several specific factors, including higher legal and professional fees and travel costs linked to supplier developments. Management remains focused on balancing the operational investment required to support production output with careful cost discipline.

EBITDA

Hydrate reported an EBITDA loss of £0.1m for Q1 FY25, a significant improvement from the £0.6m EBITDA loss recorded in Q1 FY24. This reflects solid progress towards stabilising Hydrate's profitability.

The performance in March was particularly encouraging, with the business delivering a positive EBITDA of £0.1m for the month. This marked a recovery from the earlier part of the quarter, where January and February EBITDA were (£109k) and (£120k) losses respectively.

The variance against forecast for the quarter was driven by higher-than-expected travel and legal expenditure, linked to relationship building with key raw material suppliers who will save an estimated £0.5m annually at current volumes, and the ongoing legal and insurance claims work.

Operational Update

Hydrate continues to focus on improving production performance to meet growing customer demand and deliver on our commercial commitments. In Q1 FY25, we expanded the production operation on our bottling line to a 24/7 shift pattern, supporting the increasing volumes required for our M&S contracts and other key customers.

This expansion included:

- The creation of an additional production team, with enhanced training and skill development.
- Strengthened quality assurance across all shifts.
- Expanded engineering coverage to ensure consistent support across the 24/7 operation.
- Additional resource across batch processing to enable continuous production.

In previous shareholder updates, we have provided information regarding our ongoing insurance claim and legal action against SMI, the supplier of our bottling line. However, it has come to our attention that certain parties outside of our shareholder group have gained access to this sensitive information, which is now being used against us as part of the ongoing claim. To protect the integrity of our legal position and ensure that we do not inadvertently compromise our case, we will no longer be providing updates on this matter in this forum, and we hope you can understand and empathise with our position on this.

New Business Update

Hydrate has built strong momentum in securing new business with Aldi, one of the UK's leading grocery retailers. The relationship with Aldi represents a significant growth opportunity and demonstrates Hydrate's position as a trusted partner capable of delivering innovation and quality across multiple product categories through joint business plans and partnership.

Several new product lines are approved for launch in Aldi throughout 2025, including both Hydrate-owned brands and own-label projects. These launches span several high-growth segments, from naturally sweetened flavoured waters and sodas to kombucha and prebiotic soft drinks, all aligned to the market's demand for healthier, better-for-you soft drinks options.

The pipeline with Aldi includes the launch of Dirty Laundry, Hydrate's own mocktail brand, as part of Aldi's summer special buys programme. Hydrate's development and supply of Aldi's own-label Italian sodas, prebiotic sodas, and energy drinks, alongside the introduction of our own 'better-for-you' soda brand, Unbranded and the rollout of a range of naturally sweetened flavoured waters, with further extension opportunities under discussion. Our partnership with Aldi continues to build positively, and we remain focused on supporting the successful execution of these launches through the remainder of the year.

Hydrate has made meaningful progress in the first quarter of FY25, with strong commercial traction, consistent monthly profitability, and a clear path toward scale. With major new contracts secured and operational improvements underway, the business is well positioned to convert this momentum into sustained value creation.

Conclusion

We appreciate your continued support and look forward to working with you as we deliver the next chapter of Hydrate's journey.

If you have any questions or would like any further information, please e mail:
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Team Hydrate Drinks Group