

MEDIA RELEASE

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Axelum reports ₱203 million profit for 1H;

Sustained profit momentum despite realizing full impact of COVID-19

Axelum Resources Corp. (PSE: AXLM), the country's largest fully-integrated manufacturer and exporter of world-class premium coconut products, disclosed today a net income of ₱202.94 million for the first half of 2020.

“We managed to sustain our profitability in the second quarter despite significant headwinds related to COVID-19, which highlights our Company's innate resilience and ability to quickly conform to the rigors of this new operating environment,” stated Mr. Henry J. Raperoga, President and Chief Operating Officer of Axelum Resources Corp.

Demand for Axelum's products remained strong in 1H 2020, however revenue fell 9% (from ₱2.61 billion to ₱2.39 billion) as COVID-19 related government restrictions, such as road checkpoints, reduced the Company's access to coconut supply. Without adequate coconuts, Axelum could not fulfill all of its customers' demands in 1H 2020 but it did manage to satisfy the orders from its most important customers and minimize the revenue decline. Satisfying customer demand came at a higher cost in 1H 2020 because of COVID-19. First, Axelum took many steps to ensure the health and safety of its workers including shuttling staff to and from their homes and enforcing strict social distancing measures at its facilities. Second, Axelum was forced to fly in materials that could normally be sent by sea due to supply chain congestion. Third, with lower coconut volumes and with COVID-19 related operating restrictions, the plant operated less efficiently than it would in normal times. Due to the higher costs, net income contracted by 47% to ₱202.94 million compared to ₱385.76 million for the first half of 2019.

As the second quarter progressed, coconut deliveries increased and are now at near-normal levels. Axelum has also adjusted to the “new normal” caused by COVID-19 and strategically extended coconut sourcing areas while capitalizing on priority volumes from major suppliers to build sufficient inventory. This has allowed the Company to increase milling days and produce at optimal levels. Costs of primary input components (such as packaging materials) remained elevated, but the Company expects this to abate as supply chains gradually stabilize.

Throughout this period, Axelum continued to operate with intensified health and sanitation procedures in compliance with government-prescribed guidelines. To date, there has been no reported confirmed cases of COVID-19 within its manufacturing facility.

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Axelum remains on-track to meet its volume commitment of at least 25 million liters of coconut water for 2020 and the Company remains upbeat about its business prospects for the second half.

“Having now adjusted to the “new normal” and with strong demand for our products, we expect business performance to improve in 2H 2020 and into 2021,” added Mr. Raperoga.

For the third quarter, the Company has strong customer orders and prices of key raw materials are at normal levels.

“Given this trend, we are optimistic of finishing the year on a strong note,” ended Mr. Raperoga.

For its share-buyback program, Axelum has purchased a total of 51,855,000 shares from the open market, with an aggregate value of ₱128,642,682 as of 04 August 2020.

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