

SEC Number 168063  
File Number \_\_\_\_\_

**PRYCE CORPORATION**  
(formerly PRYCE PROPERTIES CORPORATION)

*Company's Full Name*

**17<sup>th</sup> Floor Pryce Center, 1179 Chino Roces Avenue  
corner Bagtikan St., Makati City**

*Company's Address*

899-44-01 (trunkline)  
*Telephone Number*

December 31

*Fiscal Year Ending  
(Month & Day)*

**SEC Form 17-Q**

*Form Type*

N/A

*Amendment Designation (if applicable)*

March 31, 2018

*Period Ended Date*

N/A

*Secondary License Type and File Number*

## SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended March 31, 2018
  2. Commission identification number 168063
  3. BIR Tax Identification No. 000-065-142-000
  4. PRYCE CORPORATION (formerly Pryce Properties Corporation)
  5. Metro Manila, Philippines
  6. Industry Classification Code:
  7. 17<sup>th</sup> Floor Pryce Center, 1179 Chino Roces Avenue cor. Bagtikan St. Makati City 1203
  8. (0632) 899-44-01 (Trunkline)
  9. N. A.
- 
- Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA.

<u>Title of Each Class</u>	<u>No. of Outstanding shares</u>
Common Shares	2,024,500,000

11. Are any or all of the securities listed on a Stock Exchange?

Yes { / }    No { }

Philippine Stock Exchange                  Common Stock

12. Indicate by check mark whether the registrant:

(a) has filed reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes { / }    No { }

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes { / }    No { }

## PART 1 - FINANCIAL INFORMATION

### Item 1. Financial Statements.

Please see attached.

### Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

Net income grew by 12.8% from Php 301.7 million to Php 340.3 million for the first quarter ended March 31, 2018. Over the same period, consolidated revenues correspondingly grew from Php 2.21 billion to Php 2.35 billion, registering a modest 6.3% growth.

Revenue contribution and percentage of sales by product category for the first quarter of 2018 were as follows: liquefied petroleum gas (LPG) under the Prycegas brand, including cylinders and accessories, P2.21 billion (94%); industrial gases, P106.5 million (4.5%); real estate sales, mainly from memorial parks, P24.7 million (1%); and pharmaceuticals, P11.3 million (0.5%).

LPG and industrial gases, the Pryce group's principal source of revenue, are the products of Pryce Gases, Inc. (or PGI). Sales of real estate, including memorial parks, are under the mother company, Pryce Corporation, while sales of vitamins and supplements and other pharmaceutical products are handled by Pryce Pharmaceuticals, Inc. Oro Oxygen Corporation, a fully-owned subsidiary of PGI, distributes LPG and industrial gases only in Luzon.

#### Revenue and Volume Growth

First quarter consolidated revenues rose by a modest 6.3% growth, from Php 2.21 billion to Php 2.35 billion. The rise in consolidated revenue was mainly due to the 12.9% growth in sales volume of LPG in the Vis-Min regions. Likewise, revenues from industrial gases and pharmaceuticals increased by 4.1% and 53.7% respectively; however, revenue from real estate decreased by 2.8%.

First quarter volume sales of LPG in the Vis-Min regions increased to 21,992 metric tons (MT) from 19,487 MT of the same period in 2017, a growth of 12.9%. Comparable sales volume in Luzon dropped by 2.1% as management gave more emphasis to margins than to volume sales. The anticipation of an increased LPG price due to the January 1, 2018 effectivity of the TRAIN Law, which would slap a P1 per kilo excise tax on LPG, probably took away 2 to 3 days worth of sales from January 2018 and instead added these to December 2017 sales. Thus, volume sales in January 2018 came out lower than they would have been otherwise.

Total revenue from industrial gases increased by 4.1%, from Php 102.3 million in 2017 to Php 106.5 million in 2018. Volume wise, sales of oxygen barely grew, posting less than 0.01%, whereas that for acetylene dipped by 5.6%; other gases, on other hand, registered a 12.82% volume growth. Total volume of cylinder refills slightly increased from 264,516 cylinders to 265,163 cylinders.

#### Price Movement and Market Demand

Apart from those mentioned above, the comparatively lower LPG contract prices (CP) also contributed to the lower growth in peso sales during the first quarter. The average CP during the first quarter of 2018 was US\$519 per MT, which is US\$19 per MT lower than US\$ 538 per MT, the average CP for the same period in 2017.

Market demand for LPG will continue to grow in the near term notwithstanding the inflationary pressures brought about mainly by the TRAIN Law. This view is supported by accelerating domestic consumption due to robust household incomes amid continued inward remittances from overseas

Filipino workers as well as the government's ambitious infrastructure development program that is expected to generate further employment.

On industrial gases, average refill price of oxygen increased slightly by 0.9% while those for acetylene and other gases also went up by 5.38% and 19.61%, respectively.

### Competition and Market Aspects

The LPG market is a highly competitive environment, particularly in Luzon which accounts for about 80% of the country's total demand whereas Vis-Min accounts for the balance of 20%. Latest DOE statistics (as of Dec. 31, 2017) put PGI's share at 13% of total market, with 9.3% share in Luzon and 25% share of the combined Vis-Min market.

The company has set targets of 15% sales volume growth in Vis-Min and 20% net income growth for the company in 2018. It is confident that it will achieve these targets given its ongoing expansions in its marine-fed terminals and refilling plants across the country. Moreover, the effects of such expansions are expected to gradually show its effects in the coming quarters, yield positive results and validate the company's growth expectations for volume and net income in 2018.

### Profitability

Income from operations amounted to Php 340.7 million, 9.47% higher than the previous quarter of Php 311.2 million. Pre-tax net income for the quarter reached Php 394.2 million, 9.57% higher than Php 359.8 million a year ago. Although this quarter's pre-tax net income was higher, the provision for income tax of Php 53.9 million was lower versus last year's Php 58.1 million due to tax incentives granted by the BOI with respect to the marine terminals in San Fabian, Pangasinan, Albueria, Leyte, and Sta. Cruz, Davao del Sur. Net income after tax for the quarter was Php 340.3 million, thereby resulting in a 12.8% growth from Php 301.7 million of last year.

The above net income of Php 340.3 million translated to an earnings per share (EPS) of Php 0.1550, which is 12.48% higher than the previous of 0.1378. The percentage growth in EPS of 12.48% is numerically lower than the net income growth of 12.8% because of the increase in outstanding shares to 2,024,500,000 over the previous year of 2,000,000,000 shares. The increase in outstanding shares is on account of a company affiliate's acquisition of 24,500,000 shares from the Parent Company's increase in authorized capital stock from 2,000,000,000 to 2,098,000,000, which was approved by the SEC on December 13, 2017.

### Liquidity

Total liquid assets of the company as of March 31, 2018 amounted to Php 1.369 billion, which decreased by 11% compared to Php 1.539 billion recorded as of yearend 2017 based on audited accounts. This decrease is due to the initial payments made to contractors working on the aforementioned expansion projects of the company and the payment of the cash dividends amounting to Php 242.09 million that was paid on February 5, 2018. The liquid assets consisted of Cash of Php 500.5 million and Financial Assets at fair value (marketable securities) of Php 868.4 million.

Current ratio as of the end of the first quarter of 2018 was at 2.39:1 while total debt-to-equity ratio stood at 0.33.

### Balance Sheet Changes

Compared to the December 31, 2017 audited financial statements, the significant movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Cash	(38.12%)	Payments on CAPEX for expansion projects and cash dividends
Financial assets at fair value	18.91%	Additional investments in marketable securities
Trade and other receivables	55.91%	Advances / downpayments to contractors for expansion projects in 2018
Inventories	5.39%	Increase in inventory for resale
Prepayments and other current assets	(16.18%)	Due to application of creditable withholding tax and amortization of prepayments
Goodwill	10.58%	Acquisition by parent company of the shares of a minority interest in subsidiary
Trade and other payables	9.35%	Increase in purchases and various accruals
Dividends payable	(99.65%)	Payments of cash dividends
Income tax payable	58.67%	Increase in net income
Customers' deposits	19.84%	Increase in collection of downpayments on real estate sales
Short-term debts	14.29%	Additional availment of short term loan
Retirement benefit obligation	(11.87%)	Payment of benefit obligation to retirement fund
Retained earnings	20.29%	Due to net income of 2018

### Numerical Performance Indicators

The measures of revenue growth are presented below.

<b>REVENUE GROWTH</b>			
<b>Pryce Corporation &amp; Subsidiaries</b>			
	<b>2018 (March 31, 2018)</b>	<b>2017 (March 31, 2017)</b>	<b>Percent Growth/ (Decline)</b>
REVENUE	Php 2,352,985,970	Php 2,213,983,883	6.3%

<b>VOLUME GROWTH</b>			
<b>Principal Product – Liquefied Petroleum Gas</b>			
	<b>2018 (March 31, 2018)</b>	<b>2017 (March 31, 2017)</b>	<b>Percent Growth/ (Decline)</b>
LPG (in MT)	49,312	49,560	(0.5)%

Measurements on profitability (before tax) are shown below.

	<b>2018 (March 31, 2018)</b>	<b>2017 (March 31, 2017)</b>
Return on Assets (%)	4.07 %	4.22%
Return on Equity (%)	5.69 %	6.19%
Net profit margin (%)	16.75 %	16.25%

The measurements on liquidity are shown below.

<b>LIQUIDITY</b>		
<b>Pryce Corporation &amp; Subsidiaries</b>		
	<b>2018 (March 31, 2018)</b>	<b>2017 (March 31, 2017)</b>
Current ratio	2.39	2.62
Debt to equity ratio	0.33	0.39

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**PART II – OTHER INFORMATION**


In the period under review, a report was filed on April 4, 2018 with the SEC, by way of SEC 17-C, pertaining to the postponement of the annual stockholders' meeting. (A notice of the annual stockholders' meeting was filed with the PSE and SEC on May 9, 2018 and May 10, 2018, respectively and which meeting will be held on June 28, 2018.)

**SIGNATURES**

Pursuant to the requirements of the Revised Securities Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**PRYCE CORPORATION**

By:



**JOSE MA. C. ORDENES**  
SVP - Treasurer



**SALVADOR P. ESCAÑO**  
Chairman & CEO

May 15, 2018