PRYCE CORPORATION

PRYCE CORPORATION 2017 NET INCOME UP BY 29%

Higher revenue growth from LPG sales drove the net income of Pryce Corporation (PPC) up to Php 1.248 Billion for the year ending December 31, 2017, or higher by 29% over 2016's net income. Consolidated revenues were up 37% to Php 9.226 Billion in 2017 from 2016's Php 6.722 Billion.

Sales volume of LPG grew 11% to 210,000 metric tons (MT) from the previous year's 189,000 MT. Despite this modest volume growth, revenues were up 37% because of the sharp increases in LPG contract prices (CP) during the year. CP was at an average US$491/MT in 2017, or US$145/MT higher than 2016's US$ 346/MT. Volume growth was achieved mainly in the Visayas and Mindanao (VisMin) regions, where demand is more concentrated on fuel for household cooking. Sales in the VisMin regions experienced a 22% year-on-year volume growth as compared to about 4% volume growth in Luzon.

Sales of LPG along with cylinders and accessories stood at Php 8.656 Billion or 94% of total revenues. Industrial gas sales at Php 391.498 Million meanwhile accounted for 4% of total revenues, while real estate sales and sales of pharmaceutical products accounted for the balance. PPC's unaudited consolidated net income for the year at Php 1.248 Billion is about 29% up over its net income of Php 966.091 Million for the year 2016, and within its net income target for the year.

For the year 2018, PPC will continue its expansion projects, started about two years ago, which aim to increase the storage capacities of its marine terminals and to bring its product closer to the markets. All its seven (7) VisMin import terminals have been or will be expanded to enable each one to accommodate at least one shipload of 2,500MT cargo. The expansion of its terminals in Albuera, Leyte, and Sta. Cruz, Davao del Sur was completed in 2017. The expansions of the LPG terminals in Sogod, Cebu and Balingasag, Misamis Oriental will be completed by July / August 2018. The ability to discharge one shipload in a single terminal will reduce PPC's import costs by US$10 to US$20 per MT. PPC is likewise continuing to build at least 15 refilling plants in the VisMin areas to make its product closer to the consumer markets. These expansions are expected to be completed by the end of 2019 and all are funded from internally generated funds.

PPC perceives the passage of the TRAIN Law (R.A. No. 10963) as having a positive impact on the LPG industry, as the law imposes relatively lower taxes on LPG as opposed to other fuels. This is seen to make market preferences gravitate gradually towards LPG over the other fuels in the next 2 to 5 years.

With the TRAIN Law's implementation and PPC's current expansion projects, the company sees growth in 2018 of as much as 15% in sales volume and 20% in net income. It targets a net income of Php 1.55 Billion (plus or minus 10%) for the year 2018. On December 21, 2017, PPC declared payment of cash dividends (which it had not been able to do in more than 20 years) out of its unrestricted retained earnings as of June 30, 2017. The company sees this move as the start of regular cash dividends which it intends to maintain on a regular basis in the coming years.

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