

SEC Number 168063
File Number _____

PRYCE CORPORATION
(formerly PRYCE PROPERTIES CORPORATION)

Company's Full Name

**17th 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)

June 30, 2017

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 June 30, 2017
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. 17th 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 shares / Amount of Outstanding Debt</u>
Issued Common Shares	1,998,750,000
Subscribed Common Shares	2,000,000,000

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

Consolidated revenues totalled P4.23 billion for the six-month period ended June 30, 2017, broken down by product line as follows: liquefied petroleum gas (LPG) products, P3.96 billion (or 93.52% of total); industrial gases, P192 million (4.54%); real estate sales, P67.48 million (1.60%); and revenues from pharmaceutical products, P14.69 million (0.35%). The total revenue for the first semester represents a growth of 39.02% over the previous year's comparable figure of P3.04 billion.

As in previous reports, LPG products (LPG, cylinders & accessories) and industrial gases are product lines handled by the subsidiary, Pryce Gases, Inc. (PGI) under the PryceGas brand, while real estate sales (excludes hotel operations which ceased operations on December 31, 2016) are the responsibility of the parent company, Pryce Corporation. The accounts also include those of: Pryce Pharmaceuticals, Inc. which handles vitamins and some over-the-counter pharmaceutical products; and Oro Oxygen Corporation (OOC, a wholly-owned subsidiary of PGI) that is engaged in the same business as PGI's, but operates only in Luzon.

Revenues and Volume Growth

The increase in consolidated revenues of 39.02% year-on-year is largely attributable to the growth in sales revenues of LPG – the company's main product – which grew by 42.68%. LPG sales, consisting principally of those sold to households, expanded by 42.22% which in Peso terms is an increase to P3.84 billion from P2.70 billion; volume-wise to 99,628 MT from 86,342 MT. The balance of LPG sales amounting to P116.10 million consisted of cylinders and accessories.

Industrial gas sales rose by 6.10% to P192 million compared to the year-before figure of P181 million, caused to a large extent by increase in sales of oxygen which moved up by 5.87% to P139.7 million. Sales of acetylene declined by 9.19% to P33.56 million; on the other hand, sales of other gases jumped by 55.48% to P18.7 million. Total industrial gas volume sold for the period reached 476,674 cylinders compared to the previous year's 402,409 cylinders, or a growth of 18.46%.

Real estate sales, mainly memorial lot sales, increased by 24.42% to P67.48 million, while sales from pharmaceutical products, mainly privately-branded vitamins, fell by 12.16%.

Price Movement and Market Demand

The international contract price (CP) of LPG started the year at U.S. \$477 per MT, up by 26.7% the previous year. In February, CP rose to \$573/MT but in March it dipped slightly to \$564/MT; it softened further to \$472/MT in April. CP again went down to \$388.50/MT in May and stayed so in June. The average CP for the first six months of 2017 came to \$477/MT, which is an increase of 39% from the previous year's average CP of \$342/MT.

As a result of this substantial increase in average CP, the average selling price of PGI to its dealers for the PryceGas-brand household/cooking LPG rose to P38.54/kg. in the first half of 2017 from P31.29/kg. of 2016. This price increase is consistent with the movement in retail prices for the local LPG industry.

Despite the above price increases, demand continued to hold up in the first semester of the year owing still to consumers' higher purchasing power, strong household incomes, and the current

fast-growing economy, which are factors that have been indicated in the Company's report of the first quarter. The Department of Energy's (DOE) first quarter LPG demand figure of 389,000 metric tons show that if the same is annualized, the previous year's aggregate demand of 1.485 million metric tons will be surpassed, which is likely given the aforesaid economic factors.

Competition and Market Share

DOE's latest available report for 2017 (first quarter) placed PGI as the 3rd major LPG industry player with a 13% market share nationwide. In the combined Visayas-Mindanao market, PGI is a strong 2nd major player. PGI's sales volume in Luzon increased by 7.9% for the first six months of 2017 compared to the same period in 2016. Visayas and Mindanao provided substantial growth of 28.6% in sales volume in 2017 compared to 2016.

The marked increase in PGI's sales volume should enable PGI to at least maintain its LPG market share if not achieve a slight gain despite the aggressive competitive environment.

Profitability

Although the company's LPG sales substantially grew, its gross margin dipped to 19.93% of sales from 23.00% of the previous year's first semester. This is due to the decreases in CP that occurred in the second quarter of 2017. Gross margin of industrial gases however rose to 55.86% from the year-ago figure of 51.84%. Gross margin of real estate sales remained at 82% of sales since the bulk of revenues came from high-margin memorial lot sales.

Total costs and expenses rose in absolute amount from P2.593 billion to P3.675 billion owing to the higher total cost of sales following the increase in LPG sales volume. Nonetheless, Income from Operations improved by a good 23.47% from P449.81 million to P555.40 million. The 20.50% increase in Operating Expenses from P335.3 million to P404.1 million was primarily due to the accrual of retirement benefit expenses (as a result of the hotel closure) and increase in depreciation expenses on the appraisal increment of the appraised properties following the recent appraisal done last year. Other income, net of finance costs, amounted to P132.33 million, resulting in an after-tax net income of P581.31 million which represents a 34.16% increase from the previous year's P433.28 million.

Liquidity

Total liquid assets of the company as of June 30, 2017 amounted to P1.240 billion, which is higher by 17.24% from the P1.065 billion recorded as of yearend 2016 based on audited accounts. These liquid assets consisted of Cash of P686.97 million and Financial Assets at fair value (marketable securities) of P552.98 million.

Current ratio as of the end of the first semester 2017 was at 3.18:1 while total debt-to-equity ratio stood at 0.320.

Balance Sheet Changes

Compared to the December 31, 2016 audited financial statements, the significant movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Cash	9.38%	Due to the increase in revenue and collection of receivables
Financial assets at fair value through profit or loss	28.72%	Due to additional purchases and unrealized gain on marketable securities

Trade and other receivables	(50.01%)	Collection of major receivables
Prepayments and other current assets	(19.60%)	Amortization of prepayments
Advances to related parties	147.85%	Minor additional advances to affiliates
Trade and other payables	(25.07%)	Payment of accounts
Income tax payable	(46.34%)	Payment of income tax for 2016 and accrual for 2nd quarter of 2017
Short-term debts	(39.13%)	Payment of short term debts.
Customers' deposits	(6.54%)	Due to recognition of revenue.
Retirement benefit obligation	(22.90%)	Due to payment of benefit obligation
Advances from related parties	(50.15%)	Collection of advances.
Retained earnings	84.97%	Due to net income of 2017
Non-controlling interest	14.28%	Due to increase in net income

Numerical Performance Indicators

The measures of revenue growth are presented below.

REVENUE GROWTH			
Pryce Corporation & Subsidiaries			
	2017 (June 30, 2017)	2016 (June 30, 2016)	Percent Growth/ (Decline)
REVENUE	Php 4,230,300,287	Php 3,042,993,850	39.02%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas			
	2017 (June 30, 2017)	2016 (June 30, 2016)	Percent Growth/ (Decline)
LPG (in MT)	99,627,644	86,341,635	15.39%

Measurements on profitability are shown below.

	2017 (June 30, 2017)	2016 (June 30, 2016)
Return on Assets (%)	6.86%	7.99%
Return on Equity (%)	9.84%	13.28%
Net profit margin (%)	13.74%	14.24%

The measurements on liquidity are shown below.

LIQUIDITY		
Pryce Corporation & Subsidiaries		
	2017 (June 30, 2017)	2016 (June 30, 2016)
Current ratio	3.18	1.88
Debt to equity ratio	0.32	0.54

PART II – OTHER INFORMATION

In the period under review, reports were filed with the SEC by way of SEC 17-C concerning the: a) postponement of the annual stockholders' meeting (April 5, 2017); and b) notice of annual stockholders' meeting (July 4, 2017).

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