

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, 2019

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, 2019
 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, as of June 30, 2019.

<u>Title of Each Class</u>	<u>No. of Outstanding shares</u>
Common Shares	2,013,090,500
Treasury Shares	11,409,500

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

As of the first half of 2019, Pryce Corporation's (PPC's) consolidated net income rose by 25.80%, from Php 711.89 million to this year's Php 895.57 million. The company's consolidated revenues likewise grew from Php 4.83 billion to Php 5.32 billion, recording a growth of 10.08%. Sale of liquefied petroleum gas (LPG) and LPG-related products accounted for 93.97% of the group's total revenue, while sale of industrial gases, real estate, and pharmaceutical products accounted for the balance.

Liquefied Petroleum Gas (LPG) and industrial gases are products of Pryce Gases, Inc. (PGI) – a subsidiary of the parent company Pryce Corporation (PC). Real estate sales is under Pryce Corporation (PC); while vitamins and supplements are handled by Pryce Pharmaceuticals, Inc. (PPhl), also a subsidiary of PC. Oro Oxygen Corporation (OOC) is a subsidiary of PGI, which distributes LPG and industrial gases in Luzon.

Revenue and Volume Growth

The growth of 10.08% in consolidated revenues from Php 4.83 billion to Php 5.32 billion is attributable to the 12.71% increase in revenues from LPG and industrial gas products. Revenues from LPG products (consisting of sales of cooking gas, cylinders, LPG gensets, and accessories) provided the biggest contribution at P5.0 billion or 93.97% of total revenues. Revenues from the other products such as industrial gases, real estate, and pharmaceutical products aggregated to Php 320.55 million in 2019. The contribution from other products is broken down as follows: industrial gases, P220.19 million (4.14%); real estate, P75.71 million (1.42%); and pharmaceutical, P24.65 million (0.46%).

LPG sales volume, including bulk sales, increased by 7.8% for the first half of 2019, from 98,419 metric tons to 106,049 metric tons. On a regional basis, LPG sales volume rose by 5.4% in the Vis-Min region and 9.63% in Luzon.

Industrial gas sales, consisting of sales from oxygen and acetylene gases, and other gases, increased by 4.13% from P211.45 million to P220.19 million. Sales of oxygen was up by 6.85% to P163.26 million compared to the previous year's figure; sales of acetylene dipped by 2.13% to P33.09 million; while the balance was accounted for by sales of other gases which declined by 4.07% to P23.83 million. Total volume sold for all types of gases during the first semester reached 578,434 cylinders, a 9.63% growth from the previous year's figure of 527,612 on account of the improved sales in the Visayas operations.

Revenues from real estate products was P75.71 million, significantly lower by 57.92% compared to last year's sales of P179.92 million which included the sale of office condominium units. Pharmaceutical products grew by 14.08% to P24.65 million.

Market Demand and Price Movement

The local market demand for LPG has been on the uptrend over the last six years and is expected to continue over the next few years including 2019. The slowing inflation, relatively low unemployment, and steady OFW remittances in 2019 are expected to support household consumption, which includes LPG consumption.

The international price of LPG (or Contract Price or “CP”) essentially dovetails the behavior of oil prices. The CP influences the local LPG prices which in turn affects LPG consumers’ behaviour. The average CP during the first six months of 2019 was US\$479 per metric ton, which is 7% lower than the average CP of US\$515 per metric ton of the same period. CP for July 2019 is already low at US\$361 per metric ton but with the Middle East exporting less the CP is seen to recover to an average of a little more than US\$500 per metric ton over the last semester of the year. Higher LPG prices, however, tend to have a dampening effect on LPG consumption in the Vis-Min areas.

Competition

Based on the latest DOE report for the first quarter of 2019, PGI has a 10.1% market share nationwide. Extrapolation from the same report will indicate that in the combined Visayas-Mindanao market, PGI remains the 2nd largest player with a market share of 22%. On a regional basis, PGI’s LPG sales volume increased by 5.4% in the Vis-Min region and 9.63% in the Luzon area.

Profitability

Even though there was an increase in the revenues of LPG product, its gross margin decreased to 21.65% from 22.87% of the prior year’s first semester. This was due to the falling LPG prices worldwide in the second quarter, reducing the margin per kilogram from the sale of first quarter’s inventories. Gross margin of industrial gases however rose to 48.71% from the year-ago figure of 46.41%. Gross margin of real estate sales was 69.75% of sales, higher than the 60.42% of last year’s; gross margin for pharmaceutical products slid to 33.55% from the previous year’s 35%.

Total income from operations amounted to P738.06 million, 9.51% down from year-ago figure of P815.67 million. However, Other Income (consisting largely of fair value gain adjustments on Financial Assets at FVPL) grew to P301.19 million from last year’s P30.17 million. After adjustments for other income and expenses and provision for income tax, net income after tax grew by more than a quarter of the previous year to Php 895.57 million in 2019 from Php 711.89 million in 2018 or 25.80%. Earnings per share consequently improved by 27.42% or from Php 0.3229 per share to Php 0.4115 per share.

In the previous years, the company enjoyed income tax holidays with respect to its import terminal in San Fabian, Pangasinan but these expired last December 31, 2018; hence it will have an adverse impact on net income in the succeeding years. The company, however, is cautiously optimistic that it will achieve its target net income of Php 1.6 billion (plus or minus 10%) for the year 2019.

Liquidity

As of June 30, 2019, the liquid assets of the company, which mainly consisted of P826.97 million of Cash and P1,025.22 million of Financial assets at FVPL, amounted to P2.21 billion. This is an improvement of 9.88% from the audited figure of P2.01 billion as of December 31, 2018. Trade and Other Receivables, the other liquid assets of the company, reached only P358.96 million, which barely increased from the audited figure of P358.1 million as of December 31, 2018.

Current ratio as of June 30, 2019 was at 1.74:1 while total debt-to-equity ratio was at 0.38:1.

Balance Sheet Changes

Compared to the December 31, 2018 audited accounts, the considerable movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Financial assets at fair value	27.30%	Due to increase in value of marketable securities
Inventories	(16.68%)	Less importation done during the period
Prepayments and other current assets	(24.71%)	Application of input VAT and amortization of prepayments
Property Plant and equipment	6.53%	Additional capital expenditures
Deferred tax and other assets	13.65%	Adjustment of provision for deferred tax
Income Tax payable	(37.72%)	Due to payment of income tax
Customers' deposits	25.41%	Increase in collection of deposits for real estate products
Retirement benefit obligation	13.26%	Additional recognition of retirement benefit expense
Retained earnings	24.71%	Due to net income of H1 2019
Treasury stock	929.03%	Additional buy-back of Parent Company's shares
Non-controlling interest	8.85%	Increase in net income

Numerical Performance Indicators

The measures of revenue growth are presented below.

REVENUE GROWTH			
Pryce Corporation & Subsidiaries			
	2019 (June 30, 2019)	2018 (June 30, 2018)	Percent Growth/ (Decline)
REVENUE	P 5,319,745,854	P 4,832,527,702	10.08%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas			
	2019 (June 30, 2019)	2018 (June 30, 2018)	Percent Growth/ (Decline)
LPG (in MT)	106,049	98,419	7.75%

The measurements of profitability are shown below.

	2019 (June 30, 2019)	2018 (June 30, 2018)
Return on Assets (%)	9.15%	8.50%
Return on Equity (%)	13.30%	12.16%
Net profit margin (%)	19.54%	17.50%

The liquidity measurements are shown below:

LIQUIDITY		
Pryce Corporation & Subsidiaries		
	2019 (June 30, 2019)	2018 (June 30, 2018)
Current ratio	1.74	1.89
Debt to equity ratio	0.38	0.40

PART II – OTHER INFORMATION


During the 2nd quarter of 2019, the reports filed with the SEC by way of SEC 17-C pertain to Notice of Stockholders Meeting (4PM of June 28, 2019 at Makati Shangri-La); Resignation & Appointment of Officers; demise of the Corporate Secretary; and the Results of the Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors.

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
Treasurer


SALVADOR P. ESCAÑO
Chairman & CEO

13 August 2019