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, 2016

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, 2016

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.

Title of Each Class	No. of shares / Amount of Outstanding Debt*
Issued Common Shares	1,998,750,000
Subscribed Common Shares	2,000,000,000

*The company has no outstanding debt securities (bonded indebtedness or LTCPs).

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 financial performance for the first half of 2016 registered commendable growth rates for all indicators compared to the first half of 2015. Revenues climbed by 11.6% to P3.0 billion from P2.7 billion on the back of volume growth in liquefied petroleum gas (LPG), the group's main product. Gross profit improved by 28.7% from P610.2 million to P785.1 million while income from operations increased by 50.8% from P298.3 million to P449.8 million. Net income after tax for 2016 rose by 45.9% to P433.3 million from P297.1 million for the same period in 2015.

Revenue contribution by product and its respective share of total revenue for the first half of 2016 are as follows: LPG P2.772 billion (91.1%); industrial gases, P181 million (6%); real estate P54.2 million (1.8%); hotel operations, P18.2 million (0.6%) and pharmaceuticals, P16.7 million (0.5%).

LPG and industrial gases are the products of the subsidiary Pryce Gases, Inc. (PGI). Real estate sales and hotel operations are under the mother company, Pryce Corporation (PC), while vitamins and supplements are handled by Pryce Pharmaceuticals, Inc. Oro Oxygen Corporation (OOC), a fully-owned subsidiary of PGI, distributes LPG and industrial gases in Luzon.

<u>Revenue and Volume Growth</u>

Consolidated revenue for the first half of 2016 grew by 11.6% to P3.04 billion from P 2.73 billion for the same period in 2015. Revenue from LPG, which accounted for 91.1% of total revenue in 2016, continued its uptrend - growing at 12.9% year-on-year from P2.46 billion in 2015 to P2.77 billion in 2016. While revenue from real estate slipped by 7.0%, revenue from hotel operations advanced by 20.1%. Revenues from pharmaceuticals were not reported for the first half of 2015 since this business was acquired in the third quarter of 2015.

The further fall in the price of LPG in 2016, which greatly encouraged consumption, and the completion of additional distribution facilities resulted in a strong volume increase of 27.3% from 67,801 MT in 2015 to 86,342 MT in 2016. Volume growth managed to offset the depressing effect of lower prices on revenue.

Revenue from industrial gases declined by 8.3% in 2016 compared to 2015 owing to the across-the-board slide in the average price of all industrial gas products. Volume sold, however, increased by 7.2% to 402,409 cylinder refills in 2016 from 375,509 in 2015. Oxygen accounted for 72.9% of revenue and 89.2% of sales volume for industrial gases in 2016.

<u>Price Movement</u>

The behavior of the world price for LPG (known as CP and set by Saudi Aramco) which has always been highly correlated to the oil prices further fell by 34.9% from the first half of 2015 to the first half of 2016. From an average price of US$461.33 per metric ton (MT) in 2015, average CP for the same period in 2016 slipped to US$ 342.08 per MT. CP is expected to hover at relatively low levels for sometime to come with the expansion of the Panama Canal. This expansion will make LPG sourced from the gas fields in United States more competitively priced compared to Arabian Gulf sourced product which used to dominate the Asian market. The influx of more LPG product to Asia from more diverse sources will exert downward pressure on prices in the region.

Competition and Market Share

With demand holding up and exhibiting continued growth, the leading LPG suppliers busied themselves with increasing sales volume, protecting their respective market share and taking up the slack left by the other industry participants whose shares have dwindled with the passing of time or whose storage facilities suffered some temporary setback.

PGI's strong LPG volume growth of 27.3% for the first half of 2016 is believed to have exceeded the industry growth rate and should enable the company to garner a market share that is higher than the 12% achieved for the whole of 2015. On a regional basis, PGI expects to have a more pronounced growth in market share in Luzon compared to Visayas-Mindanao where growth rates are relatively modest.

Profitability

Net income for the first half of 2016 surged by 45.9% to P433.3 million from P297.1 million for the same period in 2015. This leap in net income was the combined result of the hefty increase in sales volume that was accompanied by an uptick in gross profit margin from 22.4% in 2015 to 25.8% in 2016, a slight decline in operating expenses as a percentage of total revenue from 11.4% in 2015 to 11.0% in 2016 and a lower provision for income taxes in both absolute value and as a percentage of revenue. The more efficient use of company resources and the tight rein on expenses helped the Corporation achieve its new highs.

Liquidity

The Corporation managed to maintain very high levels of liquidity for the first half of 2016 compared to the same period in 2015. Current ratio for both 2016 and 2015 stood at 1.9x even as total current assets shrunk by 3.9% from P2.52 million in 2015 to P2.42 in 2016. Cash and near-cash assets consisting of cash and financial assets at fair value (marketable securities) dropped by 10.4% in 2016 to P637.9 million from P712.2 million in 2015. Trade and other receivables were substantially reduced from P362.9 million to P287.9 million as a result of a concerted effort to tighten up on credit sales.

While inventories increased by 5.8%, trade payables declined by 3.5% as trust receipt facilities were utilized sparingly to save on interest expenses.

Balance Sheet Changes

When the company was placed under a court-approved rehabilitation in 2005, it accumulated deficits of about P1.44 billion. Years spent growing the market, expanding facilities and continued vigilance in controlling costs finally paid off. The Company has successfully wiped out its deficit and even managed to turn in positive retained earnings of P169.3 million as at June 30, 2016. This could pave the way for the long-awaited declaration of dividends in the near term.

Compared to the December 31, 2015 audited financial statements, the significant movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Cash and cash equivalents	(23.10%%)	Due to payment to suppliers and creditors
Trade and other receivables	(20.66%)	Collection of receivables

Inventories	5.69%	Increase in LPG importation
Prepayments and other current assets	45.90%	Increase in taxes and licenses
Property, plant and equipment	17.23%	Due mainly to expansion of LPG facilities
Income tax payable	23.05%	Increase in net income resulting in increase in income tax
Customers' deposits	(6.95%)	Higher recognition of memorial lots sales
Installment contracts payable	(49.38%)	Payment of acquired subdivision lots
Advances from related parties	(8.72%)	Collection of advances
Retained earnings (deficit)	(174.11%)	Due to net income in 2016
Treasury stock	(100.00%)	Disposal of treasury stock
Non-controlling interest	14.08	Increase in net income

Numerical Performance Indicators

The sales performance and revenue growth of each company are presented below.

REVENUES			
PRYCE CORPORATION & Subsidiary Pryce Pharmaceuticals, Inc. (PPhI)			
	with PPhI	without PPhI	
	2016	2015	Percent Growth/ (Decline)
Real Estate	54,236,993	58,305,474	-6.98%
Hotel	18,241,878	15,190,098	20.09%
Pharmaceuticals	16,722,206	0	0.0%

REVENUES			
PRYCE GASES, INC. & Subsidiary Oro Oxygen Corp.			
	2016	2015	Percent Growth/ (Decline)
LPG	2,772,818,497	2,455,492,341	12.9%
Ind'l Gas	180,974,276	197,315,832	-8.3%
Fuel	0	1,376,281	-100.0%

VOLUME			
PRYCE GASES, INC. & Subsidiary Oro Oxygen Corp.			
	2016	2015	Percent Growth/ (Decline)
LPG (in kgs)	86,341,635	67,800,588	27.3%
Industrial Gas (cyl.)	402,409	375,509	7.2%
Fuel (liters)	0	46,970	-100.0%

The measurements of profitability broken down by company are shown below.

PROFITABILITY			
PRYCE CORPORATION & Pryce Pharmaceuticals, Inc. (PPhI)			
	with PPhI	without PPhI	Percent Growth/ (Decline)
	2016	2015	
Return on Assets (%)	1.85%	1.75%	5.7%
Return on Equity (%)	2.50%	2.40%	4.2%
Net profit margin (%)	58.52%	67.74%	-13.6%

PROFITABILITY			
PRYCE GASES, INC. & Oro Oxygen Corp.			
	2016	2015	Percent Growth/ (Decline)
Return on Assets (%)	10.15%	7.88%	28.8%
Return on Equity (%)	14.17%	12.68%	11.8%
Net profit margin (%)	15.32%	12.17%	25.9%

The liquidity and solvency measurements for the parent company and subsidiaries are shown below:

LIQUIDITY			
PRYCE CORPORATION & Subsidiary Pryce Pharmaceuticals, Inc. (PPhI)			
	with PPhI	without PPhI	Percent Growth/ (Decline)
	2016	2015	
Current ratio	2.64	1.66	59.0%
Debt to equity ratio	0.34	0.36	-5.6%

LIQUIDITY			
PRYCE GASES, INC. & Subsidiary Oro Oxygen Corp.			
	2016	2015	Percent Growth/ (Decline)
Current ratio	1.69	2.03	-16.7%
Debt to equity ratio	0.37	0.38	-2.6%

PART II – OTHER INFORMATION

In the period under review, reports were filed with the SEC by way of SEC 17-C concerning the: (a) Board Approval of Authority Granted to Specific Officers of the Company on the Sale of its Memorial Parks; (b) The Company Board's approval of the Audited Financial Statements (Consolidated) of the Company and its Subsidiaries for the year 2015; (c) Notice of PPC 2016 Annual Stockholders' Meeting; and (d) Results of the Annual Stockholders' Meeting of Pryce Corporation and Organizational Meeting of its Board of Directors, both held on June 23, 2016.

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