

COVER SHEET

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SEC Registration Number

PUREGOLD PRICE CLUB, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO, MANILA

(Business Address: No. Street City/Town/Province)

CANDY H. DACANAY-DATUON

(Contact Person)

(632) 8522-8801 to 04

(Company Telephone Number)

1 2

Month

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Day

SEC FORM 17-C

(Form Type)

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Month

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Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowing

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES
REGULATIONS CODE AND SRC RULE 17.2 (C) THEREUNDER

Date of Report	August 2, 2022
SEC Identification Number	A199813754
BIR Tax Identification Number	201-277-095
Name of Issuer as specified in its charter	Puregold Price Club, Inc.
Address of principal office and postal code	No. 900 Romualdez St., Paco, Manila, 1007
Industry Classification Code	
Issuer's Telephone Number	(632) 522-8801
Former Name	None
Securities registered pursuant to Section 8 and 12 of the SRC or Sections 4 and 8 of the RSA	Number of Common Shares – 2,881,637,615 Treasury Shares – 23,076,471
Indicate the item numbers reported therein	Other Matters/Event

Other Matters:

In a meeting held today, August 2, 2022, the Board of Directors of Puregold Price Club, Inc. has approved the Consolidated Financial Performance of Puregold Price Club, Inc. and subsidiaries as of June 30, 2022.

Please refer to the attached Management Discussion of the Consolidated Financial Performance of the Company as of June 30, 2022, together with the Company's Press Release.

The Company's Quarterly Report will be released before August 15, 2022.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PUREGOLD PRICE CLUB, INC.



CANDY H. DACANAY - DATUON

Assistant Corporate Secretary & Compliance Officer

FINANCIAL INFORMATION

Management's Discussion and Analysis of Financial Condition and Results of Operations

Top Key Performance Indicators

The following are the financial soundness indicators used by the Group as at June 30 and December 31 and for the six-month periods ended June 30:

	June 2022	December 2021
Current Ratio ⁽¹⁾	5.51:1	3.84:1
Asset to Equity Ratio ⁽²⁾	1.75:1	1.85:1
Debt to Equity Ratio ⁽³⁾	0.75:1	0.85:1
Debt to Total Assets Ratio ⁽⁴⁾	0.43:1	0.46:1
Book Value per Share ⁽⁵⁾	P27.77	P26.31
Price Earnings Ratio ⁽⁶⁾	10.28x	13.78x

* Based on annualized EPS

	June 2022	June 2021
Earnings per Share ⁽⁷⁾	P1.46	P1.39
Return on Assets ⁽⁸⁾	3.0%	3.1%
Return on Equity ⁽⁹⁾	5.4%	5.7%

- (1) Current Assets over Current Liabilities
- (2) Total Assets over Total Equity
- (3) Total Liabilities over Total Equity
- (4) Total Liabilities over Total Assets
- (5) Total Equity over Total Common Shares Outstanding
- (6) Market Value per Share over Earnings per Share
- (7) Net income after tax over Weighted Average Common Shares Outstanding
- (8) Net income after tax over Average Total Assets
- (9) Net income after tax over Average Total Equity

I. Results of Operations

For the period ended June 30, 2022, the Group earned a consolidated net income of P4,199 million at 5.1% net margin and an increase of 5.4% from P3,986 million at 5.2% net margin in the same period of 2021. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets, strategic cost management and sustained strong consumer demand.

The Group's comparative financial performance is presented below:

(In millions)	For the Six-month Periods Ended June 30					For the Three-month Periods April 1 to June 30			
	2022		2021			2022		2021	
		% to Sales		% to Sales	% Change		% to Sales		% to Sales
Net Sales	P82,236	100.0%	P76,183	100.0%	7.9%	P43,729	100.0%	P38,454	100.0%
Cost of Sales	66,560	80.9%	61,904	81.3%	7.5%	35,751	81.8%	31,385	81.6%
Gross Profit	15,676	19.1%	14,279	18.7%	9.8%	7,977	18.2%	7,068	18.4%
Other Operating Income	1,465	1.8%	1,561	2.0%	-6.2%	759	1.7%	751	2.0%
Gross Income	17,141	20.8%	15,840	20.8%	8.2%	8,736	20.0%	7,820	20.3%
Operating Expenses	10,367	12.6%	9,697	12.7%	6.9%	5,413	12.4%	4,983	13.0%
Operating Income	6,774	8.2%	6,143	8.1%	10.3%	3,323	7.6%	2,837	7.4%
Other income (expenses) – net	(1,226)	-1.5%	(1,179)	-1.5%	4.0%	(618)	-1.4%	(540)	-1.4%
Net Income before tax	5,547	6.7%	4,964	6.5%	11.8%	2,705	6.2%	2,296	6.0%
Income tax expense	1,348	1.6%	978	1.3%	37.8%	657	1.5%	331	0.9%
Net Income after tax	P4,199	5.1%	P3,986	5.2%	5.4%	P2,048	4.7%	P1,965	5.1%

Net Sales

For the period ended June 30, 2022, the Group posted a consolidated net sales of P82,236 million for an increase of P6,053 million or 7.9% compared to P76,183 million in the same period of 2021. Net sales slightly grew due to sales contribution from full operation of 2021 new stores and revenue contribution from 2022 newly opened stores of both Puregold and S&R.

Like for like sales performance indicators for the period ended June 30 are as follow:

	PGOLD		S&R	
	2022	2021	2022	2021
Net Sales	0.6%	-13.7%	3.8%	6.5%
Net Ticket	-5.8%	17.1%	8.2%	2.1%
Traffic	6.8%	-26.3%	-4.1%	4.4%

Gross Profit

For the period ended June 30, 2022, the Group realized an increase of 9.8% in consolidated gross profit from P14,279 million in 2021 at 18.7% margin to P15,676 million at 19.1% margin in the same period of 2022, driven by strong and continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

Other Operating Income

Other operating income decreased by P96 million or 6.2% from P1,561 million in the six months of 2021 to P1,465 million in the same period of 2022. This is attributable to decline in concession income due to lower concession sales during the period.

Gross Operating Income

Gross operating income for the first half of 2022 amounted to P17,141 million at a gross operating margin of 20.8% and an increase of P1,301 million or 8.2% from P15,840 million at 20.8% margin in the same period of 2021.

Operating Expenses

Operating expenses increased by P670 million or 6.9% from P9,697 million in the six-month period ended June 30, 2021 to P10,367 million in the same period of 2022. Increase in the account is primarily due to full operation of 2021 new stores and expenses from the 2022 newly opened stores, specifically utilities, supplies, transportation, fuel and advertising expenses.

Other Expense - net

Other expenses net of other income amounted to P1,226 million and P1,179 million for the six-month periods ended June 30, 2022 and 2021, respectively. This includes interest on bank loans and accretion of interest on leased assets in compliance with *PFRS 16 – Leases*, and net of interest income.

Net Income

For the period ended June 30, 2022, the Group earned a consolidated net income of P4,199 million at 5.1% net margin and an increase of 5.4% from P3,986 million at 5.2% net margin in the same period of 2021. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets, strategic cost management and sustained strong consumer demand.

II. Financial Condition

The Group's consolidated statements of financial position are presented below:

	June 2022		December 2021		
(In millions)		% to Total Assets		% to Total Assets	% Change
Cash & Cash Equivalents	P31,399	22.6%	P41,312	29.6%	-24.0%
Receivables – net	2,319	1.7%	2,179	1.6%	6.4%
Merchandise inventory	26,233	18.9%	21,559	15.5%	21.7%
Investments in trading securities	3,027	2.2%	31	0.0%	9753.3%
Prepaid expenses and other current assets	1,398	1.0%	851	0.6%	64.3%
Total Current Assets	64,376	46.3%	65,931	47.3%	-2.4%
Investments in associates and joint venture	637	0.5%	637	0.5%	0.0%
Property and equipment- net	23,542	16.9%	23,070	16.5%	2.0%
Intangibles and goodwill	19,704	14.2%	19,703	14.1%	0.0%
Right-of-use assets – net	26,480	19.1%	26,217	18.8%	1.0%
Deferred tax assets – net	1,426	1.0%	1,334	1.0%	6.9%
Other noncurrent assets	2,819	2.0%	2,543	1.8%	10.9%
Total Noncurrent Assets	74,607	53.7%	73,503	52.7%	1.5%
	P138,984	100.0%	P139,434	100.0%	-0.3%
Accounts payable and accrued expenses	P9,503	6.8%	P14,423	10.3%	-34.1%
Short-term loans payable	-	0.0%	-	0.0%	0.0%
Income tax payable	654	0.5%	854	0.6%	-23.5%
Due to related parties	28	0.0%	46	0.0%	-38.0%
Current maturities of long - term loans, net of debt issue costs	120	0.1%	120	0.1%	0.0%
Lease liabilities due within one year	982	0.7%	1,092	0.8%	-10.0%
Other current liabilities	387	0.3%	651	0.5%	-40.5%
Total Current Liabilities	11,675	8.4%	17,185	12.3%	-32.1%
Long-term loans - net of current maturities and debt issue costs	11,658	8.4%	11,650	8.4%	0.1%
Lease liabilities	34,758	25.0%	33,827	24.3%	2.8%
Retirement benefits liability	1,288	0.9%	1,295	0.9%	-0.6%
Total Noncurrent Liabilities	47,704	34.3%	46,773	33.5%	2.0%
Total Liabilities	59,379	42.7%	63,958	45.9%	-7.2%
Capital stock	2,904	2.1%	2,904	2.1%	0.0%
Additional paid in capital	25,362	18.2%	25,362	18.2%	0.0%
Remeasurements of retirement liability - net of tax	151	0.1%	151	0.1%	0.0%
Treasury stock, at cost	(183)	-0.1%	(113)	-0.1%	62.3%
Retained earnings	51,371	37.0%	47,171	33.8%	8.9%
Total Equity	79,605	57.3%	75,476	54.1%	5.5%
	P138,984	100.0%	P139,434	100.0%	-0.3%

Working Capital

As at June 30, 2022 and December 31, 2021, the Group's working capital stood at P52,702 million and P48,746 million, respectively while its current ratio improved to 5.51 as at June 2022 from 3.84 as at December 2021.

Current Assets

As at June 30, 2022 and December 31, 2021, total current assets amounted to P64,376 million or 46.3% of total assets and P65,931 million or 47.3% of total assets, respectively, for a decrease of P1,555 million or 2.4%.

Cash and cash equivalents as at June 30, 2022 amounted to P31,399 million or 22.6% of total assets and decreased by P9,913 million or 24.0% compared to previous year-end balance. Decrease in the Group's cash position was attributable mainly to the net settlement of trade and non-trade payables, payment for cash dividend, investment on government securities and capital expenditures for 2022 new organic stores.

Receivables amounted to P2,319 million as at June 30, 2022 or 1.7% of total assets, with an increase of P140 million or 6.4% from P2,179 million in December 2021. This was mainly due to increase on non-trade receivables pertaining to suppliers' various promotional funds and replenishment of gcash fund during the period.

Merchandise inventory amounted to P26,233 million or 18.9% of total assets at the end of June 2022. Total inventory increased by P4,674 million or 21.7% principally due to increase in Puregold and S&R stores stocking requirements for existing and new operating stores.

Investments in trading securities amounted to P3,027 million and P31 million as at June 30, 2022 and December 31, 2021, respectively. The increase of P2,997 million was due to purchase of a new government bond during the period.

Prepaid expenses and other current assets amounted to P1,398 million and P851 million as at June 30, 2022 and December 31, 2021, respectively. The increase was mainly due to prepayments of taxes and licenses to be amortized during the year.

Noncurrent Assets

As at June 30, 2022 and December 31, 2021, total noncurrent assets amounted to P74,607 million or 53.7% of total assets and P73,503 million or 52.7% of total assets, respectively.

Investments amounted to P637 million as at June 30, 2022 and December 31, 2021.

Net book values of property and equipment increased by P472 million or 2.0% from P23,070 million in December 2021 to P23,542 million in June 2022. The increase was mainly due to additions made during the period intended for newly established stores.

Intangibles and goodwill amounted to P19,704 million as at June 30, 2022 and P19,703 million as at December 31, 2021.

Right-of-use asset amounted to P26,480 million or 19.1% of total assets and P26,217 million or 18.8% of total assets as at June 30, 2022 and December 31, 2021, respectively.

Deferred tax assets – net amounted to P1,426 million or 1.0% of total assets and P1,334 million or 1.0% of total assets as at June 30, 2022 and December 31, 2021, respectively, for an increase of 6.9% or P92 million. The increase was due to recognition of deferred tax in compliance with PFRS 16 – Leases.

Other noncurrent assets amounted P2,819 million as at June 30, 2022 and P2,543 million as at December 31, 2021.

Current Liabilities

As at June 30, 2022 and December 31, 2021, total current liabilities amounted to P11,675 million or 8.4% of total assets and P17,185 million or 12.3% of total assets, respectively, for a decrease of P5,510 million or 32.1% as at June 30, 2022.

Accounts payable and accrued expenses amounted to P9,503 million and P14,423 million as at June 30, 2022 and December 31, 2021, respectively, and decreased by P4,920 million or 34.1% primarily due to settlement of trade liabilities, bulk of which came from the high year end payables, and payment of dividends declared in previous year.

Income tax payable decreased by P200 million from P854 million in December 2021 to P654 million in June 2022 due to settlement of income tax liability for the year ended December 2021 and first quarter of 2022.

Due to related parties, representing royalty fees, amounted to P28 million for the period ended June 2022 and P46 million for the year ended December 2021. The decrease was due to settlement of liability incurred as at December 2021.

Other current liabilities decreased by P264 million or 40.5% from P651 million in December 2021 to P387 million in June 2022. The decrease was mainly due to settlement of VAT from previous year.

Noncurrent Liabilities

As at June 30, 2022 and December 31, 2021, total noncurrent liabilities amounted to P47,704 million or 34.3% of total assets and P46,773 million or 33.5% of total assets, respectively, for an increase of P931 million as at June 30, 2022.

Long-term debt – net of current maturities and debt issue costs amounted to P11,658 million as at June 30, 2022 and P11,650 million as at December 31, 2021.

Lease liabilities amounted to P34,758 million or 25.0% of total assets and P33,827 million or 24.3% of total assets as at June 30, 2022 and December 31, 2021, respectively, or an increase of P931 million.

Retirement benefits liability amounted to P1,288 million and P1,295 million as at June 30, 2022 and December 31, 2021, respectively.

Equity

As at June 30, 2022 and December 31, 2021, total equity amounted to P79,605 million and P75,476 million, respectively, for an increase of P4,129 million or 5.5%.

Capital stock amounted to P2,904 million as at June 30, 2022 and December 31, 2021.

Additional paid in capital amounted to P25,362 million as at June 30, 2022 and December 31, 2021.

Treasury stock amounted to P183 million as at June 30, 2022 and P113 million as at December 31, 2021. As of June 30, 2022, a total of P70 million of shares was reacquired under the Group's buy-back program.

Retained earnings amounted to P51,371 million and P47,171 million as at June 30, 2022 and December 31, 2021, respectively, or an increase of P4,200 million or 8.9% due to income made during the period.

III. Sources and Uses of Cash

The Group's primary sources of liquidity are basically its net operating cash inflows augmented by availments from banks loan facilities as and when required.

Principal uses of cash are working capital requirements, capital expenditures for stores expansion as well as investments in strategic business acquisitions of existing and operating supermarket store outlets.

A brief summary of cash flows during the comparative periods is shown below:

	For the Six-month Periods Ended June 30	
<i>(In millions)</i>	2022	2021
Net cash provided by (used in) operating activities	(P1,550)	P412
Net cash provided by (used in) investing activities	(4,920)	582
Net cash used in financing activities	(3,443)	(3,084)
Net decrease in cash and cash equivalents	(P9,913)	(P2,090)

Net cash used in operating activities amounted to P1,550 million for the six month period ended June 30, 2022. This was mainly attributable to settlement of payables to both trade and nontrade suppliers, purchase of inventories and other related current operating items to support the Group's expansion.

Net cash used in investing activities for the six-month period ended June 30, 2022 amounting to P4,920 million was utilized for the acquisition of equipment, furniture & fixtures, construction of buildings and improvements on leased assets. The Parent Company also purchased a government security amounting to P3 billion.

Net cash used in financing activities for the six-month period ended June 30, 2022 amounting to P3,443 million pertain to dividend payment and lease liabilities during the period.



Puregold Posts P 4.2 billion Net Income in First Half 2022

Manila, Philippines – Puregold Price Club, Inc. (PGOLD) reported consolidated net income of Php 4.2 billion in the first half of 2022 which represents a 5.4% growth compared to Php 4.0 billion in the same period in 2021.

Puregold consolidated net sales increased by 7.9% year on year to Php 82.2 billion. Sales had an uplift as mobility eased further in the second quarter. Total traffic to all stores increased by 10% versus the same period last year. With increased shopper confidence, the enterprise experienced positive same store sales growth (SSSG) of 0.6% for Puregold Stores and 3.8% for S&R Warehouse Clubs. Gross Profit of Php 15.70 billion grew at a faster clip by 9.8% year on year as operating expenses rose to Php 10.4bn - a 6.9% increase from a year ago.

The group opened 9 new Puregold stores in the first half of 2022. As of end-June 2022, the Puregold group has a total of 507 stores nationwide. These include 438 Puregold stores, 22 S&R membership shopping warehouses, and 47 S&R New York Style QSRs.