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Pricesmart Q4 2025 Earnings Release Conference Call

TOTAL PAGES: 13

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CORPORATE SPEAKERS:

Gualberto Hernandez
PriceSmart, Inc.; Chief Financial Officer
David Price
PriceSmart, Inc.; Chief Executive Officer

PARTICIPANTS:

Jon Braatz
Kansas City Capital; Analyst
Hector Maya
Scotiabank; Analyst

PRESENTATION:

Operator^ Good afternoon, everyone. Welcome to PriceSmart, Inc.'s Earnings Release Conference Call for the fourth quarter of Fiscal Year 2025, which ended on August 31, 2025.

After remarks from our company's representatives, David Price, Chief Executive Officer; and Gualberto Hernandez, Chief Financial Officer, you will be given an opportunity to ask questions as time permits.

As a reminder, this conference call is limited to one hour and is being recorded today Friday October 31, 2025. (Operator Instructions) For opening remarks, I would like to turn the call over to PriceSmart's Chief Financial Officer, Gualberto Hernandez. Please proceed, sir.

Gualberto Hernandez^ Thank you, Operator. Welcome to PriceSmart Inc.'s earnings call for the fourth quarter of fiscal year 2025, which ended on August 31, 2025.

We will be discussing the information that we provided in our earnings press release and our 10-K, which were both released yesterday afternoon, October 30, 2025. Also in these remarks, we refer to non-GAAP financial measures.

You can find a reconciliation of our non-GAAP financial measures to the most directly comparable GAAP measures in our earnings press release and our 10-K. These documents are available on our Investor Relations website at investors.pricesmart.com, where you can also sign up for e-mail alerts.

As a reminder, all statements made on this conference call other than statements of historical fact are forward-looking statements concerning the company's anticipated plans, revenues and related matters.

Forward-looking statements include, but are not limited to statements containing the words expect, believe, plan, will, may should, estimate and some other expressions. All forward-looking statements are based on current expectations and assumptions as of today October 31, 2025.

These statements are subject to risks and uncertainties that could cause actual results to differ materially including the risks detailed in the company's report on Form 10-K filed yesterday and other filings with the SEC, which are accessible on the SEC's website at www.sec.gov.

These risks may be updated from time to time. The company undertakes no obligation to update forward-looking statements made during this call. Now I will turn the call over to David Price, PriceSmart's Chief Executive Officer.

David Price^ Thank you, Gualberto. And good morning, everyone. I'd like to start by expressing my sincere gratitude to the entire PriceSmart team. This is the first earnings call for both Gualberto and me in our new roles, and we're excited to be here with our shareholders.

We're settling in well and energized by the opportunities ahead. I also want to thank Robert Price, our Executive Chairman, for his invaluable leadership during his multiple tenures as CEO, especially his most recent one.

In his current role, Robert and I are working closely together, and I'm deeply appreciative of the productive, positive and collaborative relationship we have built. This year's results reflect the passion and dedication of our teams across clubs, distribution centers and offices in 13 countries working together to serve our members.

We saw strong momentum in membership sales and income, driven by the commitment of our teams across digital, supply chain, merchandising and operations. They delivered on our mission and provided the value our members expect.

Since stepping into the CEO role on September 1, I've had the opportunity to visit many of our clubs, distribution centers and offices. What I've seen firsthand makes me incredibly optimistic about the future of PriceSmart.

But most importantly, I continue to be inspired by the passion and dedication of our teams throughout the regions we serve. I'm also excited to share a major milestone for the company.

We have officially moved into our new corporate headquarters in San Diego.

This move represents a meaningful step forward, providing us space designed to foster the kind of culture and ways of working that will support our people and mission for years to come.

Now let's turn to the key factors and strategic priorities we are focused on to continue driving sales and delivering greater value to our members, starting with real estate. In August 2025, we opened our seventh warehouse club in Guatemala located in Quetzaltenango.

In the third quarter of fiscal year 2025, we purchased land for our sixth warehouse club in the Dominican Republic in La Romana, about 73 miles east of the nearest club in Santo Domingo. The club will be built on a 5-acre property and is expected to open in spring 2026.

In the first quarter of fiscal year 2026, we purchased land for our third warehouse club in Jamaica located in Montego Bay about 100 miles west of the nearest club in Kingston. This club will also be built on a 5-acre site and is anticipated to open in summer 2026.

Additionally, we executed a land lease for our fourth warehouse club in Jamaica located on South Camp Road, about six miles southeast from the nearest club in the capital of Kingston. The club will also be built on a 3-acre property and is anticipated to open in fall 2026.

Once these three new clubs are open, we will operate 59 warehouse clubs in total. Before I continue, I want to take a moment to acknowledge the impact of Hurricane Melissa on our team members, their families and our members in Jamaica, the Dominican Republic and across the region.

Our thoughts are with everyone affected, and we remain committed to supporting recovery efforts and ensuring the safety and well-being of our people and communities.

Our operations in Jamaica were affected by both the preparations for and the impact of the storms landfall, resulting in the closure of our Jamaica clubs for a couple of days earlier this week. I'm deeply grateful for the dedicated efforts of our team.

With those efforts, we were able to reopen our clubs on Wednesday October 29.

Going forward, our focus continues to be the safety of our employees and our members.

We are advancing on our plans to enter Chile, a market we believe offers strong potential for multiple PriceSmart warehouse clubs.

As part of this initiative, we've hired a country general manager and signed an executory agreement for a prospective club site. While we haven't announced a target opening date, we're moving quickly and managing key factors that influence our opening dates, such as permitting and construction.

In addition to opening new clubs in existing markets and Chile, we're continuing to optimize our current footprint, increasing club size, improving efficiency and expanding parking spaces at high-volume locations remain some of the most effective ways to drive sales and enhance the member experience. To support this strategy, we'll begin expansions and remodels at select clubs and parking lots across our markets in fiscal year 2026.

Now moving to our supply chain transformation strategy.

One of the key drivers in keeping prices low is improving how we move and distribute merchandise to our clubs.

Today we operate major distribution centers in Miami, Costa Rica and Panama. In the first quarter of fiscal year 2026, we adapted our Panama facility to handle cold merchandise and began operations at a new dry distribution center in Guatemala.

Looking ahead, we plan to open PriceSmart run distribution centers in Trinidad and the Dominican Republic during fiscal year 2026. These local facilities are expected to improve product availability, reduce lead times and lower landed costs, among others (inaudible).

Alongside these new distribution centers, we've begun implementing third-party distribution centers in China to consolidate merchandise sourced in the country, driving greater efficiencies and lowering costs.

We're also exploring additional ways to enhance logistics in multi-club markets by leveraging a mix of PriceSmart managed and third-party operations.

Finally, in select countries, we've introduced our own fleet of trucks to deliver merchandise directly to the clubs and capitalize on backhaul opportunities. In fiscal year 2025, we made significant progress migrating to our new forecasting and replenishment system, the RELEX platform.

While we didn't complete implementation as originally anticipated, we remain on track and expect to finalize the migration in fiscal year 2026. This upgrade is a critical part of our supply chain strategy and is expected to boost productivity, improve inventory management and increase in-stock availability, ultimately driving sales growth and operational efficiency.

Turning now to other ways we're enhancing membership.

Our private label brand, member selection is a cornerstone of our strategy and a key differentiator in our product mix.

These products are crafted to deliver high quality at competitive prices, offering our members exceptional value without compromise. During fiscal year 2025, private label sales represented 28.1% of total merchandise sales, up 50 basis points from 27.6% in the comparable period of fiscal year 2024.

Some of the top-selling private label items this year included shredded mozzarella cheese, hypoallergenic baby wipes and cold extracted extra virgin olive oil. In Central America, we've renewed and enhanced our co-branded consumer credit card with Banco Credomatic BAC, which launched in July 2025.

This new agreement offers higher cash back rewards on purchases at PriceSmart, pricemart.com, on BAC's travel program and other retailers and services, adding even more value for our members in that region.

We continue to invest in omnichannel capabilities to meet our members where they are.

Digital channel sales reached $306.7 million in fiscal year 2025, up 21.6% year-over-year and represented 6% of total net merchandise sales.

Orders placed directly through our website or app grew 22.4% and average transaction value increased 3.7% compared to last fiscal year.

As of August 31, 2025, approximately 60.1% of our members had created an online profile and 32.4% of our membership base has made a purchase on pricesmart.com or our app.

We see continued opportunity in this space, and we will keep investing to enhance the digital experience we offer our members.

For example, in fiscal year 2026, we will begin migrating our mobile application to fully native iOS and Android architecture to enhance speed, reliability and accessibility for our members.

This foundation will allow faster deployment of new features and help us deliver an outstanding member experience in our digital channels.

In the first quarter of fiscal year 2026, we expect to complete implementation of our new point-of-sale system, ELERA, a Toshiba product in all English-speaking Caribbean markets. Later in fiscal year 2026, we'll begin rolling out this system in our Spanish-speaking markets. ELERA will help us achieve faster checkout times, improve productivity and expand payment options among other benefits.

Also in the first quarter of this fiscal year 2026, we began implementing Workday's human capital management system to replace legacy HR applications. This upgrade is designed to enhance the employee experience with modern, user-friendly tools while improving processes, strengthening compliance, providing scalable, integrated data to support our future growth.

Now I'd like to highlight some of our sales results, starting with a strong fourth quarter. Net merchandise sales and total revenue were both over $1.3 billion in the fourth quarter. Net merchandise sales increased by 9.2% or 9.1% in constant currency. Comparable net merchandise sales in U.S. dollars and constant currency both increased by 7.5%.

For the fiscal year ended August 31, 2025, total net merchandise sales reached almost $5.2 billion and total revenues were almost $5.3 billion. Net merchandise sales increased by 7.7% or 8.5% in constant currency, and comparable net merchandise sales increased by 6.7% or 7.5% in constant currency for the 12-month and 52-week periods, respectively. During the quarter, our average sales ticket grew by 0.5% and transactions grew 8.7% versus the same prior year period.

For the 12-month period, our average ticket grew by 1.7% and transactions grew by 5.9% versus the prior year. The average price per item remained relatively flat year-over-year, while average items per basket increased approximately 1.7% compared to the prior year. Now looking at our business by segment.

First, in Central America, where we had 32 clubs at quarter end, net merchandise sales for the fourth quarter increased 8.9% or 8% in constant currency, with a 6% increase in comparable net merchandise sales or 5.3% in constant currency.

Additionally, we opened our ninth warehouse club in Costa Rica in April 2025 and our seventh warehouse club in Guatemala in August 2025, resulting in our high single-digit net merchandise sales growth. Although lower than net merchandise sales, all our markets in Central America had positive comparable net merchandise sales growth, validating the strong demand we're seeing in the region.

Our Central America segment contributed approximately 360 basis points of positive impact to the growth in total consolidated comparable net merchandise sales for the quarter.

Second, in the Caribbean, where we had 14 clubs at quarter end, net merchandise sales for the fourth quarter increased 6.3% or 7.5% in constant currency and comparable net merchandise sales increased 6.5% or 7.8% in constant currency. All of our markets in this segment had positive comparable net merchandise sales growth.

Our Caribbean region contributed approximately 180 basis points of positive impact to the growth in total consolidated comparable net merchandise sales for the quarter. Last, in Colombia, where we had 10 clubs open at the end of our fourth quarter, net merchandise sales for the fourth quarter increased 18.2% or 18.7% in constant currency and comparable net merchandise sales increased 18.3% or 18.8% in constant currency.

Colombia contributed approximately 210 basis points of positive impact to the growth in total consolidated comparable net merchandise sales for the quarter.

In terms of merchandise categories, when comparing our fourth quarter sales to the same period in the prior year, our foods category grew approximately 7.6%.

Our nonfoods category increased approximately 7.9% and our food services and bakery category increased approximately 7.5%.

Our health services including optical, audiology and pharmacy increased approximately 17%. Membership accounts grew 6.2% year-over-year to over 2 million. Platinum membership represented 17.9% of our total base as of August 31, 2025. That's up from 12.3% at the end of the prior year. This growth reflects our increased focus on the segment through targeted Platinum promotional campaigns.

fourth quarter membership income reached $22.6 million, a 14.9% increase over the same period last year, driven by higher Platinum penetration and a $5 annual fee increase for all membership types implemented gradually across fiscal year 2024 in all but one market.

We continued with a strong 12-month renewal rate of 88.8% for fiscal year 2025. With that, I'll turn it over to Gualberto to continue the financial review.

Gualberto Hernandez^ Thank you, David. Continuing with the income statement. Total gross margin as a percentage of net merchandise sales for the fourth quarter of fiscal year 2025 remained unchanged at 15.7% when compared to the fourth quarter of fiscal year 2024.

In dollars, total gross margin increased by $16.9 million or approximately 9% versus the same quarter of the prior fiscal year. Total revenue margins for the fourth quarter increased 10 basis points to 17.4% of total revenue when compared to the same period last year. The 10 basis point increase is primarily driven by the strong membership results that David mentioned before.

Moving to SG&A. Total SG&A expenses increased to 13.5% of total revenues for the fourth quarter of fiscal year 2025 compared to 13.3% for the fourth quarter of fiscal year 2024.

For the full fiscal year 2025, total SG&A expenses increased to 12.9% of total revenues compared to 12.7% of total revenues for fiscal year 2024. The increase in both periods is primarily due to investments in technology. The company incurred costs of approximately $600,000 in the fourth quarter and $3.7 million in the fiscal year related to growth and technology projects, such as the implementation of the RELEX and ELERA systems.

Additionally, we had approximately $700,000 in the fourth quarter and $1.6 million in the fiscal year of onetime expenses associated with CFO transition costs as well as approximately $600,000 in the fourth quarter and $1.1 million in the fiscal year related to the relocation of the San Diego corporate office.

For fiscal year 2026, G&A expenses will be impacted by the compensation of our Chief Executive Officer as our interim Chief Executive Officer in fiscal year 2025 declined to receive compensation for his services during his term.

Operating income in the quarter increased 7.2% versus prior year to $52.8 million.

Operating income for the fiscal year increased 5.2% versus prior year to $232.5 million.

In other expenses in the fourth quarter, we recorded a loss of $6.4 million. This is better than the fourth quarter of fiscal year 2024 by $1 million, primarily driven by a decrease in foreign currency conversion transaction costs.

Our effective tax rate for the fourth quarter of fiscal year 2025 came in at 32% versus 30.4% a year ago as we fell into a minimum tax position in some of our markets to close the year. Tax planning is central to us as it’s a significant expense.

It’s also complicated as we operate in many jurisdictions, making it particularly complex to estimate quarter-by-quarter as the tax provision is projected and calculated on an annual basis. Despite the increase in the rate in the fourth quarter, it’s important to note that for the full fiscal year 2025, the effective tax rate was 28.4%, down from 31.1% for the prior year period. This shows the result of our continued efforts in the area.

Net income for the fourth quarter of fiscal year 2025 was $31.5 million or $1.02 per diluted share compared to $29.1 million or $0.94 per diluted share in the fourth quarter of fiscal year 2024.

For the full fiscal year 2025, net income was $147.9 million or $4.82 per diluted share compared to $138.9 million or $4.57 per diluted share in the comparable prior year period.

Adjusted EBITDA for the fourth quarter of fiscal year 2025 was $75.5 million compared to $70.7 million in the same period last year. Adjusted EBITDA for fiscal year 2025 was $320.7 million compared to $303.6 million in the same period last year. Moving on to our balance sheet and cash flow.

We ended the quarter with cash, cash equivalents and restricted cash totaling $285.3 million in addition to approximately $73.2 million of short-term investments. From a cash flow perspective, net cash provided by operating activities reached $261.3 million in the fiscal year, an increase of $53.7 million versus prior year.

Changes in our merchandise inventory and accounts payable positions contributed $17.7 million to the overall increase. The primary cause of this was a lower year-over-year increase in inventory compared to prior year due to one less club that opened in fiscal year 2025 versus the three clubs that we opened in fiscal year 2024 and due to the timing of holiday seasonal buildup.

Net cash used in investing activities decreased by $46.6 million for fiscal year 2025 compared to the prior year, primarily due to a decrease in additions to property and equipment of $10.4 million and a net decrease in purchases less proceeds of short-term investments of $35.4 million.

Net cash provided by financial activities during fiscal year 2025 increased by $164.2 million, primarily driven by $65.4 million net increase in long-term bank borrowings, a $66.8 million decrease in repurchases of our common stock and a $27.4 million decrease in cash dividend payments.

When reviewing our cash balances, it is important to note that as of August 31, 2025, we had $59.7 million of cash, cash equivalents and short-term investments denominated in local currency in Trinidad, which we could not readily convert into U.S. dollars.

In Honduras, we’re currently able to source substantially all the U.S. dollars that we need, but we faced similar U.S. dollar liquidity challenges in the country from fiscal year 2023 to the first half of fiscal year 2025. We’re monitoring this closely as the Central Bank still has strict controls there on the availability of U.S. dollars.

Looking forward a little into our current first quarter, our comparable net merchandise sales for the eight weeks ended October 26, 2025, were up 7.2% and 6.5% in constant currency.

In closing, we are proud of all our accomplishments in the fourth quarter and fiscal year 2025.

As we enter fiscal year 2026, we remain dedicated to our members, our people and our communities.

We're excited about the many initiatives we have underway especially on the technological front to make our point-of-sale, supply chain and other front and back-office processes more efficient and are looking forward to a year of growth in fiscal year 2026.

Thank you for joining our call today. I will now turn the call over to the operator to take your questions.

Operator, you may now start taking our callers' questions.

Operator^ (Operator Instructions) Your first question comes from Jon Braatz with Kansas City Capital.

Jon Braatz^ David, in Jamaica, I take it that you -- with the stores being open that they were undamaged during the hurricane. Is that correct?

(Technical Difficulty)

David Price^ Can you hear me?

Jon Braatz^ I don't know if you heard my question or not.

David Price^ I did, Jon.

Okay. Let's restart. Yes.

So regarding our clubs in Jamaica, they were not damaged.

We take great care in how we construct those buildings and knowing very well that we're in a hurricane area. And luckily, the storm turned west -- well luckily for those locations, the storm turned westward kind of at the last minute.

So we were kind of spared the full brunt of the storm.

So we're open and we're flowing in the Kingston Port, we're starting to get merchandise in and -- but different parts of the islands had different impacts, right?

And so it's going to take time for the country to recover.

Jon Braatz^ Okay.

So you're getting merchandise in to reset?

David Price^ Yes.

Jon Braatz^ Okay.

Okay. Looking at the two stores that you are going to build in Trinidad, Montego Bay and South Camp, South Camp is a smaller acreage. Is it going to be a smaller store than what is typical?

David Price^ That's not the intention. We're going to have to do some changes in our parking format to support the sort of parking that we require, but the intention is to have a typical size club there.

Operator^ Your next question comes from the line of Hector Maya with Scotiabank.

Hector Maya^ Congratulations to you both on your new roles. I know that you are still assessing the potential opportunities for expansion in Chile.

And we saw your store opening pipeline for 2026 and 2027 and wanted to know if everything goes well in your analysis in Chile, would it be fair to assume that any first openings there might come in 2026 or 2027?

Or should we assume that it might still take longer than 2027 to see something there?

And also maybe -- sorry, yes, that one first and I have a follow-up.

David Price^ Okay. Well thank you, Hector, for calling in today and for your question.

So we haven't provided any information beyond what's in the 10-K about our opening plans.

We do have a site that's under executory agreement.

So that's good.

We continue to make progress there. And -- but we have not provided opening date information at this point.

So that's all I can share with you.

But I appreciate the question.

Hector Maya^ Understand. That's fair. Also on EBITDA margins by segment, could you please share a bit of the dynamics by country and if there were any methodology changes there, just making sure.

Gualberto Hernandez^ Yes, Hector, thank you for the question. There were no changes in the methodology. And as you know we don't disclose details on this.

But I can tell you that we have not seen any material mix changes that would impact EBITDA.

Operator^ Your next question comes from the line of John Braatz with Kansas City Capital.

Jon Braatz^ I'm back. David, as we look ahead in the next calendar year, there's going to be some changes in remittances from the U.S. back to a number of your countries. I guess my question is, there's a 1% (increase) Do you think that could have an impact on the sales performance of some of your stores?

David Price^ Thank you, John, for the question. That's an informed question. I mean you're right that several of our markets have a significant portion of GDP represented by remittances, particularly in Jamaica, Honduras, El Salvador, the largest, but Guatemala is not insignificant, neither is Nicaragua.

Having said that, we have no indication so far a slowdown that's impacted consumption that we can see. Certainly, it's not out of the realm of cost that those will be an impact. But at this point, we don't have an indication that there's an impact from that flow of (inaudible).

Operator^ That concludes our question and answer session. I will now turn it back over to David for closing comments.

David Price^ Great. Thank you very much. I just want to thank everyone for calling in today and send another message of gratitude to our team just for everything they do. We wouldn't be here without all of our great employees on the ground and in our central office. So thanks a lot, everyone. Have a good day.

Operator^ This concludes today's conference call. Thank you for your participation. You may now disconnect.