PriceSmart, Inc. NasdaqGS:PSMT

Earnings Call

Tuesday, October 31, 2023 4:00 PM GMT

Call Participants

EXECUTIVES

Michael L. McCleary
Executive VP, CFO & Principal Accounting Officer

Robert E. Price
Founder, Interim CEO & Chairman

ANALYSTS

Héctor Manuel Maya López
Scotiabank Global Banking and Markets, Research Division

Jonathan Paul Braatz
Kansas City Capital Associates

Presentation

Operator

Good afternoon, everyone, and welcome to PriceSmart, Inc.'s Earnings Release Conference Call for the Fourth Quarter of Fiscal Year 2023, which ended on August 31, 2023. After remarks from our company's representatives, Robert Price, Interim Chief Executive Officer; and Michael McCleary, Chief Financial Officer, you will be given an opportunity to ask questions as time permits.

As a reminder, this conference call is limited to 1 hour and is being recorded today, Tuesday, October 31, 2023. A digital replay will be available following the conclusion of today's conference call through November 7, 2023, by dialing 1 (877) 674-7070 for domestic callers or 1 (416) 764-8692 for international callers and by entering the replay access code 496180#.

For opening remarks, I would like to turn the call over to PriceSmart's Chief Financial Officer, Michael McCleary. Please proceed, sir.

Michael L. McCleary
Executive VP, CFO & Principal Accounting Officer

Thank you, operator, and welcome to PriceSmart Inc.'s earnings call for the fourth quarter of fiscal year 2023, which ended on August 31, 2023. 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, 2023.

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, 2023. These statements are subject to risks and uncertainties that could cause actual results to differ materially, including the risks detailed in the company's most recent annual report on Form 10-K 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 Robert Price, PriceSmart's Interim Chief Executive Officer.

Robert E. Price
Founder, Interim CEO & Chairman

Thank you, Michael. I would like to begin by expressing my sincere thanks and appreciation to our more than 11,000 employees, for their amazing dedication and hard work. Our Chief Financial Officer, Michael, will soon provide a detailed narrative for our fourth quarter and full year results. And I'm going to make a few comments in advance of his remarks.

In spite of the 2 nonrecurring expense charges during the fourth quarter, the write-off of our investment in the Trinidad packaging plant and the settlement of a tax dispute, our company had a very strong fourth quarter. The fundamentals of our business are sound, good growth in sales and improved expense ratio, a strong cash position and a much improved inventory and accounts payable compared to a year ago.

For the full year FY 2023, our management team delivered a solid financial performance. PriceSmart has 3 really significant assets that provide an optimistic outlook for the future of our company. One is our employee team, 11,000 dedicated and knowledgeable people who know the club business and know our markets. The second asset is our members, over 1.8 million accounts and over 3 million cardholders. The third asset is PriceSmart's good name in the region where we operate.

We are determined to leverage these assets in order to strengthen the value of the PriceSmart membership, while continuing to improve our merchandise offering, we have added a strong representation of health services and online shopping, which is increasingly important to our members. We continue to grow our business to business sales segment to fulfill an important opportunity in our markets.

I would like to conclude my remarks with a thank you to our shareholders. Now Michael will provide more detailed comments on our financial results.

Michael L. McCleary
Executive VP, CFO & Principal Accounting Officer

Thank you, Robert. We finished the year with a strong fourth quarter, as both revenues and our net merchandise sales exceeded $1 billion. Net merchandise sales increased by 10% or 6.4% in constant currency. Comparable net merchandise sales increased by 8.8% or 5.2% in constant currency. For the fiscal year ended August 31, 2023, total net merchandise sales exceeded $4.3 billion and revenues exceeded $4.4 billion. Net merchandise sales increased by 9% or 8.3% in constant currency, and comparable net merchandise sales increased by 7.1% or 6.3% in constant currency for the 12-month period.

By segment, in Central America, where we had 28 clubs at quarter end, net merchandise sales increased 13.6% or 7.1% in constant currency, with an 11.4% increase in comparable net merchandise sales or 5.2% in constant currency. All of our markets in Central America had positive comparable net merchandise sales growth. Our Central America segment contributed approximately 680 basis points of positive impact to the growth in total consolidated comparable net merchandise sales for the fourth quarter.

The Costa Rica colon appreciated significantly against the dollar as compared to the same 3-month and 12-month period a year ago, which was the primary contributor to the favorable currency fluctuations in this segment and consolidated net merchandise sales.

In the Caribbean, where we had 14 clubs at quarter end, net merchandise sales increased 6% or 7.2% in constant currency, and comparable net merchandise sales increased 5.8% or 7.2% in constant currency. All of our markets in this segment had positive comparable net merchandise sales growth. Our Caribbean region contributed approximately 170 basis points of positive impact to the growth in total consolidated comparable net merchandise sales for the quarter.

In Colombia, where we had 9 clubs open at quarter end, net merchandise sales increased 2.1% or 0.1% in constant currency, and comparable net merchandise sales increased 2.8% or 0.6% in constant currency. Our Colombia region contributed approximately 30 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 10%, our non-foods category increased approximately 7% and our food services and bakery categories increased approximately 8%, and our health services, including optical, audiology and pharmacy increased approximately 91%.

Membership accounts grew 2.5% versus the prior year to 1.81 million accounts with a 12-month renewal rate of 86.9% as of August 31, 2023. Platinum membership accounts are 8.9% of our total membership base as of August 31, 2023, an increase from 7.4% as of August 31, 2022. For the quarter ended August 31, 2023, membership income was $17.2 million, an increase of 10.6% over the same period last year.

Following many years where our annual membership fee for 2 cards has been $35 in most markets, $75 for platinum. We recently decided to raise our fee by $5 in most markets for all membership types. We expect these fee increases to take place on a staggered basis in most countries during fiscal year 2024.

Total gross margin for the fourth quarter of fiscal year 2023 as a percentage of net merchandise sales increased 10 basis points to 15.6% versus 15.5% in the fourth quarter of fiscal year 2022. In total dollars, total gross margin increased $16.3 million or approximately 10.6% versus the same quarter of the prior fiscal year.

Total revenue margins increased 20 basis points to 17.1% of total revenue when compared to the same period last year, primarily due to the increase in total gross margin. The average price per item increased approximately 7.3% year-over-year, down from a high of approximately 10% in Q1 of this fiscal year. However, we continue to see the price and FX pressures impact the aggregate demand, as the average items per basket decreased approximately 2.1% compared to the same period of the prior year. During the quarter, our average sales ticket and transactions both grew 4.9% versus the same prior year period.

Total SG&A expenses increased to 14.2% of total revenues for the fourth quarter of fiscal year 2023 compared to 13.1% for the fourth quarter of fiscal year 2022. This 110 basis point increase was primarily driven by 2 significant expenses during this quarter. First, we incurred $9.2 million in expenses related to the settlement of a minimum tax dispute with tax authorities in one of the markets where we operate, which contributed approximately 80 basis points to the increase in SG&A as a percentage of total revenues.

Because of our low margin business, taxes based on sales can be significantly more burdensome than traditional taxes based on income. However, after several years of litigation, in which we challenged the legality of the minimum tax on constitutional and other grounds, we decided the best course of action was to settle this dispute in order to create certainty on the impacts we would have on our business. Now that we have established certainty on this matter, we believe we will be able to continue operating our business profitably in this country.

Secondly, we took a $5.7 million impairment charge and related closure costs primarily for the write-down of assets of our Trinidad sustainable packaging plant that negatively contributed approximately 50 basis points of the increase in SG&A as a percentage of total revenue. We had planned to use this plant to increase efficiencies by eliminating intermediaries and manufacturing some of our packaging materials using compostable or recyclable inputs. However, we found that achieving economic feasibility prove challenging.

The increase in SG&A expenses as a percentage of revenue was partially offset by a 50 basis point decrease in general and administrative expenses as a percentage of revenue, primarily driven by lower cost from CEO compensation savings and leveraging of expenses. Operating income for the quarter decreased 17.5% from the same period last year to $32.1 million, primarily due to costs associated with the minimum tax settlement and asset impairment and closure costs. Operating income for the fiscal year 2023 increased 10.4% from the same period last year to $184.5 million despite these costs.

We recorded a $1.5 million net loss in total other expense net in the fourth quarter of fiscal year 2023 compared to a $3.5 million net loss and total other expense in the same period last year, primarily due to an increase in interest income of $3 million because of significantly more investment of surplus cash at higher yields which was partially offset by an increase in other expense of $1 million, primarily due to an increase in total foreign currency transaction losses as we pay premiums in several countries to source U.S. dollars.

Our effective tax rate for the fourth quarter of fiscal 2023 came in higher than last year at 49.9% versus 34.2% a year ago, primarily attributable to the comparably unfavorable impact of the minimum tax settlement and asset impairment and related closure costs. For fiscal year 2023, the effective tax rate was 35.4% compared to 33.2% for the prior year period. This increase is primarily driven by the comparably unfavorable impact of the minimum tax settlement, the write-off of VAT receivables, Aeropost related write-offs and asset impairment and related closure costs. Heading into fiscal year '24, we estimate an annualized effective tax rate of about 32%.

Net income for the fourth quarter of fiscal 2023 was $15.4 million or $0.49 per diluted share compared to $23.3 million or $0.75 per diluted share in the comparable prior year period. Net income for fiscal year 2023 was $109.2 million or $3.50 per diluted share compared to $104.5 million or $3.38 per diluted share in the comparable prior year period. Our earnings per share for the fourth quarter and fiscal year 2023 are both net of the negative impact of $0.30 per diluted share for costs related to the reserve for a minimum tax settlement and $0.18 per diluted share of asset impairment and closure costs.

Adjusted net income for the fourth quarter of fiscal 2023 was $20.4 million or adjusted $0.65 per diluted share compared to adjusted net income of $23.3 million or $0.75 per diluted share in the comparable prior year period. Adjusted EBITDA for the fourth quarter of fiscal year 2023 was $57.2 million compared to $56.6 million in the same period last year. Adjusted net income for the fiscal year 2023 was $126.5 million or an adjusted $4.06 per diluted share compared to adjusted net income of $103.1 million or an adjusted $3.33 per diluted share in the comparable prior year period. Adjusted EBITDA for fiscal year 2023 was $275.7 million compared to $234.9 million in the same period last year. For both fourth quarter and fiscal year 2023 adjusted net income and adjusted EBITDA, they are both impacted by net charges of $9.2 million or $0.30 per diluted share related to our minimum tax settlement.

Moving on to our strong balance sheet. We ended the quarter with cash, cash equivalents and restricted cash totaling $252.2 million. From a cash flow perspective, net cash provided by operating activities totaled $257.3 million for fiscal year 2023 compared to $121.8 million for the same prior year period. This and working capital generated from changes in our merchandise inventory and accounts payable positions for fiscal year 2023, contributed $84.9 million of cash flow compared to the same prior year period.

Average inventory per club decreased by approximately $45,000 or 0.5% and inventory days on hand decreased by approximately 5 days or 10% for the fourth quarter of fiscal year 2023 versus the same period in 2022. The year-over-year drivers of the decrease of inventory per club related to selling through much of our overstock merchandise in our nonfood segment for which we took significant markdowns in the prior year, combined with great efforts by our team to improve inventory flow and management.

Net cash used in investing activities increased by $147.3 million for fiscal year 2023 compared to the prior year, primarily as a result of increases in purchases of certificates of deposits. Net cash used in financing activities during fiscal year 2023 increased by $28.8 million, primarily from an increase in paydowns versus drawdowns of short-term borrowings compared to the same period a year ago.

When reviewing our cash balances, it is important to note that as of August 31, we had $37.8 million of cash, cash equivalent and short-term investments denominated in local currency in Trinidad and Honduras, which we could not readily convert into U.S. dollars. Also, with respect to the share repurchase program that we initiated at the end of the fourth quarter, we finalized this program during the current first quarter with the repurchase of a total of approximately 1,007,000 shares of our common stock for approximately $75 million.

Now on to our growth drivers. Starting with real estate, we are truly excited to have opened our El Poblado club located in Medellín, Colombia on September 1, 2023. The El Poblado club is our second club in Medellín, our tenth club in Colombia and our 52nd warehouse club overall. We also currently have 2 warehouse clubs under construction, we plan to open a warehouse club in Escuintla, Guatemala on November 30, 2023, and a warehouse club in Santa Ana, El Salvador, in early 2024.

Once these 2 new clubs are open, we'll be operating 54 warehouse clubs, and we are actively exploring additional locations as well. In addition, we are currently remodeling several of our high-volume clubs, which are in San Pedro Sula, Honduras, Santiago, Dominican Republic, Port of Spain, Trinidad and Tobago and one of our clubs in San Salvador, El Salvador.

We recently entered into a lease agreement to extend the lease life and relocate our Miraflores club in Guatemala to a nearby location. The Miraflores club is our highest selling location in Guatemala. The new warehouse will have increased sales square footage and a greater number of parking spaces, along with covered parking for our members.

We continue to seek ways to improve our distribution infrastructure to better serve our members, lower the net landed cost of our merchandise and enhance operating activities. As part of this renewed focus on distribution infrastructure, we recently leased an approximately 120,000 square foot building in Panama City, Panama, that will serve as a distribution center for our warehouse clubs in that market. This distribution center will operate in a similar way to our regional distribution center in Costa Rica.

During Q4, we also opened our new produce distribution center in El Tejar, Chimaltenango, Guatemala, which has 48,000 square feet of space. The new El Tejar produce distribution center allows us to more easily deliver fresh produce to our clubs in Guatemala, by working directly with local farmers and eliminating intermediaries.

Turning now to membership value. As we've highlighted in previous calls, our private label membership selection brand continues to be a high quality, good value alternative and these times of high inflation and foreign currency fluctuations.

During fiscal year 2023, our private label sales represented 26.3% of our total merchandise sales. That's up 160 basis points from 24.7% in the comparable period of fiscal year 2022. We continue to expand our suite of wellness services. We currently have 49 locations with optical centers and expect to have 53 opened by the end of fiscal year 2024.

Our optical program provides 4 free eye exams with every membership, and we performed over 35,000 eye exams during the quarter. Optical services are also an important component of our contributions to the communities in which our clubs are located. In partnership with Price Philanthropies' Aprender y Crecer vision program, PriceSmart optometrists perform eye exams and Price Philanthropies purchase the glasses from our optical centers. We provide both the eye exam and glasses for children and their families free of charge. We have provided 58,000 screenings, 13,000 exams and 10,000 eyeglasses to date through this program.

We currently have pharmacy centers in all 8 of our warehouse clubs in Costa Rica and 3 warehouse clubs in Panama. We expect to open 2 more pharmacies in Panama and 5 in Guatemala during fiscal year 2024. With respect to audiology centers, we ended fiscal year 2023 with 24 centers. We expect to open 3 additional centers in Panama and one center in each of Colombia, Jamaica and Trinidad in fiscal year 2024.

Our third growth driver is our omnichannel shopping options for our members, which reflects all sales in our digital channels, both in our app and on our desktop website. We currently utilize pricesmart.com and our app and other third-party last mile delivery services to drive online sales.

During the fourth quarter, total omnichannel sales increased 18% as a percentage of net merchandise sales versus the same period in the prior year and represented 4.9% of net merchandise sales a record for the company. Total orders increased 24% and the average transaction value increased 8.2% versus the prior year period.

As of August 31, 2023, approximately 60.9% of our members had created an online profile with pricesmart.com and 15.4% of our total membership base has made a purchase on pricesmart.com. We believe that there are significant growth opportunities in our digital channel, and we will continue to invest in this part of the business to provide an enhanced omnichannel experience and additional value to our members.

More broadly, with respect to our digital transformation process, we recently announced that David Price was appointed Executive Vice President and Chief Transformation Officer. Several key areas are reporting to David, including information technology, pricesmart.com and the project management office. We believe this organizational change will promote better collaboration, alignment and agility within the company as we execute on our digital transformation.

As part of this focus on omnichannel and IT improvements, Wayne Sadin recently became our new Chief Information Officer, after working with us in a consulting role before onboarding efficiently. Wayne joins us with a wealth of experience and accomplishments in the field of information technology, along with demonstrated expertise in leading innovative digital transformation initiatives, optimizing IT operations and driving strategic growth through technology across various organizations and industries.

We are currently in various stages of implementation of several projects to support our digital transformation. For example, we have begun migrating to a new point-of-sale system, Elera™, a Toshiba product, and we recently selected Relex Solutions as a provider of unified supply chain and retail planning applications to improve our buying capabilities. We also are making upgrades to our warehouse and transportation management systems. Overall, we expect these moves to increase efficiencies and assist us in delivering on our value proposition to our members.

Switching gears slightly. Environmental and social responsibility continues to be an important component of how we approach our business, and we do our best to incorporate practices that use natural resources responsibly. Just to give a quick update, we opened 2 new recycling centers in El Salvador, giving us 7 total together with 3 Honduras and 2 in Guatemala. On average, around 15,000 pounds of recycled materials collected monthly in each location. We are on track to open more recycling centers in Costa Rica, Dominican Republic and Panama by the end of fiscal year 2024. You can find more information about PriceSmart's Philanthropic and corporate social responsibility efforts on pricesmart.org.

Looking forward a little into Q1 2024, our comparable net merchandise sales for the 4 weeks ended October 1, 2023, were up 8.9% or 5.5% in constant currency, with both Costa Rica and Colombia contributing positively from a foreign currency exchange rate perspective. In closing, while we encountered some specific headwinds to our overall results during the quarter, when you back out the effects of these items, you can see that the core business continues strong.

We remain committed to our people first culture. We believe that if you take care of your employees and members success will naturally result from that. This people first attitude and our commitment to the 6 rights of merchandising provides the foundation upon which we deliver on the value proposition we promised to our members and has resulted in a strong into our fiscal year and set the stage for a promising fiscal year 2024.
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.

Question and Answer

Operator

[Operator Instructions] Your first question is from Héctor Maya from Scotiabank.

Héctor Manuel Maya López
Scotiabank Global Banking and Markets, Research Division

First, could you please give us some details on a couple of strategic points. What could you tell us about the potential succession plan and timing for its execution. And also, I don't know if M&A is something completely out of the question. I mean, is PriceSmart open to be a target for an acquisition? And what would it take for the company to consider a significantly more ambitious store opening plan? I have a couple of follow-ups after this.

Michael L. McCleary
Executive VP, CFO & Principal Accounting Officer

Question and M&A.

Robert E. Price
Founder, Interim CEO & Chairman

This is Robert. We can't comment on anything like M&A. I mean, that's just not a new thing, right. As far as succession planning, nothing specific, but you have to remember that really, this is a team. It's not one person. And we have a very strong team, and I feel very comfortable with the management team. So I don't think there's anything to comment on with the succession today. I don't know what your last question was.

Héctor Manuel Maya López
Scotiabank Global Banking and Markets, Research Division

Yes. I was asking, what would it take for the company to have a significantly more ambitious store opening plan to accelerate those efforts.

Robert E. Price
Founder, Interim CEO & Chairman

I think we have to be comfortable that we could enter. It would probably require going to another country or because, obviously, within the countries we're in now in terms of store openings, there's opportunity, but it's not huge. So I think as far as being more aggressive about growth in that area, we would have to consider another country probably.

Héctor Manuel Maya López
Scotiabank Global Banking and Markets, Research Division

I understand. I also want to know, the buyback program has been completed. And I understand it has been noted in the company's filings that there are no further repurchase plans for the moment. So I just wanted to see if you could share more details on your reasoning to not continue this program? And why would it take for the board to change its mind on this issue?

Robert E. Price
Founder, Interim CEO & Chairman

About what?

Michael L. McCleary
Executive VP, CFO & Principal Accounting Officer

About the buybacks, I think.

Robert E. Price
Founder, Interim CEO & Chairman

Not sure. I'm having trouble understanding what you're saying.

Michael L. McCleary
Executive VP, CFO & Principal Accounting Officer

Yes, what would it take -- we said in the press release that we didn't have any additional approved plans for buybacks at this point. I mean, that's a point in time reference I think, and we just finished up our approved plans.

Robert E. Price
Founder, Interim CEO & Chairman

What is your question?

Héctor Manuel Maya López
Scotiabank Global Banking and Markets, Research Division

Yes. Just wanted to understand why are you stopping or not considering any further buyback program? So what could change for you to start doing this again?

Robert E. Price
Founder, Interim CEO & Chairman

Well, we will consider all alternatives. It's not like we're not considering this, but we look at everything.

Héctor Manuel Maya López
Scotiabank Global Banking and Markets, Research Division

Okay. And also on taxes, how much of a risk are you seeing that the impact you saw this quarter could become a recurring issue? And why do you believe that we should consider as a new level of effective tax rate from now on?

Michael L. McCleary
Executive VP, CFO & Principal Accounting Officer

So Héctor, I think we tried to carve out the difference. So the $7 million, $7.2 million related to prior years and $2 million is included in the warehouse expense related to fiscal '23. So from an order of magnitude, I think the $2 million would be at a better reference.

Now maybe somewhat counterintuitively, since this is a sales -- tax based on sales, we are required to include that in operating income as an expense, as opposed to in the tax line. So it does impact the effective tax rate by lowering the denominator a little bit. But as I said in my remarks, at this point for fiscal '24, even including the impacts of this minimum tax on fiscal '24, we're still looking to get to around 32% effective tax rate for '24.

Operator

Your next question is from Jon Braatz from Kansas City Capital.

Jonathan Paul Braatz
Kansas City Capital Associates

Michael, you've taken some pricing actions in Colombia and other countries because of the inflationary pressures. And I guess my question is, we saw some sequential improvement in the gross margin in the fourth quarter. Is there any change in that -- in your pricing strategy? Or was it just sort of a seasonal improvement in the gross margin?

Michael L. McCleary
Executive VP, CFO & Principal Accounting Officer

Yes. I guess, Jon, there's a lot of moving pieces at any point in time. I think quarter-on-quarter, you saw probably about 30 basis points improvement in the quarter. So yes, there's a lot of moving pieces and a lot of different countries that we operate in at any point in time.

So obviously, Colombia is still a big focus area for us, and we're still making sure we're offering. We're working hard to offer the best value to our members there and increase that average purchase level for our members. But as I said, kind of at any point in time. And 25 basis points probably isn't necessarily a directional indicator just kind of...

Jonathan Paul Braatz
Kansas City Capital Associates

Okay. Is there a point where in Colombia specifically, if the currency stabilizes, let's say, around 4,000 or something like that, is there a point where you might begin to increase prices a little bit?

Robert E. Price
Founder, Interim CEO & Chairman

Well, the idea of this business is to keep giving people better value all the time. So the idea of increasing prices isn't part of our DNA. I think the -- what we're trying to do is to build a long-term business where our members are going to be confident that when they walk in the building, they're getting the best price we...

Jonathan Paul Braatz
Kansas City Capital Associates

Okay. In the 10-K, there was a couple of comments about some issues in Guatemala and Panama in terms of road blocks that might some -- create some issues to some of your stores in those markets. Can you give us a little update on that situation there? And in fact, did it have much impact on your revenues in October in those markets?

Robert E. Price
Founder, Interim CEO & Chairman

As we understand now, the situation in Guatemala has calmed down. I'm not sure today what's going on in Panama. It's had some effect. I don't think it's significant in terms of what the overall October numbers will be. I think we probably lost some sales, but you won't notice it as far as our reporting.

Jonathan Paul Braatz
Kansas City Capital Associates

Yes. Okay. Okay. And then lastly, you're increasing membership fees from $35 to $40, about 14%. Any thoughts? And you haven't increased membership fees for a while. And maybe if you look back and maybe there have been some prior increases, but any thoughts on what impact that might have on the membership roles. Do you see a little bit of -- you see somewhat of a decline in memberships because of the higher price increases -- higher fee increase?

Robert E. Price
Founder, Interim CEO & Chairman

No, at this point, we haven't seen any decline. I think the $5 is fairly nominal. I think the issue is -- more important is, how the members perceive the value they're getting for that $5 increase in the overall membership fee. And it's up to us to continue to improve that value, I think we have the capacity to far outweigh the $5 membership increase with better values to our members.

I don't think the $5 is going to be what makes them decide to be a member or not. I think it's going to be -- are they feeling that by being a member at all, it really is something that benefits them. And we really believe that based on shopping patterns that people appreciate and value that membership.

I would just add one thing about -- and I should have said it in my opening remarks. From what I can tell about this business in the region we operate, we are probably -- and I would feel very comfortable saying this that we are the most respected and trusted brand of any business operating in this region. And I think that's not appreciated enough by our investors. Maybe we don't tell the story very well. But not only are we respected and trusted, but that gives us a foundation to continue to build additional services and opportunities for our members that we think will take advantage of in the future.

And the idea of growth, I hear the idea of going into other countries and growing, but you have to have healthy growth. You can't just have growth because it looks good that you have more clubs, we will have more clubs. But what's really important is leveraging on what we already have. And we have almost 2 million accounts and 3 million cardholders who represent the very best in terms of member clientele in this region. And I think we have not taken full advantage of what we have.

Operator

There are no further questions at this time. I will now hand the call back to Mr. Michael McCleary for the closing remarks.

Michael L. McCleary
Executive VP, CFO & Principal Accounting Officer

Okay. Thank you, everybody, and we hope you all have a great day. Take care. Bye-bye.

Operator
Thank you. Ladies and gentlemen, the conference has now ended. Thank you all for joining. You may all disconnect.