[PSMT] - PriceSmart, Inc.
Q4 2019 Earnings Release Conference Call
Wednesday, October 30, 2019, 12:00 Noon Eastern

Officers
Maarten Jager, EVP, CFO
Sherry Bahrambeygui, CEO

Analysts
Jon Braatz, Kansas City Capital
Rodrigo Echagaray, Scotiabank

Presentation

Operator: Good day, everyone, and welcome to PriceSmart, Incorporated's Earnings Release Conference Call for the Fourth Quarter of Fiscal Year 2019, ending on August 31, 2019. (Operator Instructions).

After remarks from our Company's representatives, Sherry Bahrambeygui, Chief Executive Office, and Maarten Jager, Executive Vice President and Chief Financial Officer, you will be given an opportunity to ask questions as time permits. (Operator Instructions).

As a reminder, this conference is being recorded today, Wednesday, October 30, 2019. A digital replay will be available through November 6, 2019, following the conclusion of the call by dialing 1-877-344-7529 for domestic callers, or 1-412-317-0088 for international callers, and entering replay access code 10134778.

I would now like to turn the conference over to Maarten Jager. Please go ahead, sir.

Maarten Jager: Thank you, and welcome to our earnings call for the fourth quarter of fiscal year 2019. We will be discussing the information that we provided in our fourth quarter earnings press release issued yesterday afternoon, and our 10-K that was uploaded and submitted yesterday to the Securities and Exchange Commission's EDGAR System.

However, due to technical difficulties experienced by the EDGAR System yesterday, our 10-K filing was released early this morning, October 30, 2019.

In addition to the EDGAR System, you can find both the press release and the 10-K filing on our investors relations website at investors.pricesmart.com.

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

future plans, revenues and related matters. All forward-looking statements are based on current expectations and assumptions as of today, October 30, 2019, but are not limited to statements containing the words expect, believe, will, may, should, estimate, and similar expressions.

These statements are subject to risks and uncertainties that could cause actual results to differ materially, including the risks detailed in the Company's Annual Report on Form 10-K for the fiscal year-ended August 31st, 2019, as submitted to the Securities and Exchange Commission on October 29, 2019.

The Company undertakes no obligation to update forward-looking statements made during this call.

Now, I will turn it over to Sherry Bahrambeygui, PriceSmart's Chief Executive Officer.

Sherry Bahrambeygui: Thank you, Maarten. Good morning, everyone, and thanks for joining us today. This call is an important milestone as fiscal 2019 ends and a new year begins with strong momentum.

As you may remember from my first call in fiscal 2019, I briefly discussed priorities for PriceSmart. Those priorities were to drive membership value with a renewed focus on The Six Rights of Merchandising: Invest in our people, develop talent, expedite our growth strategies in a manner consistent with our core values, and to be proactive about meeting members' needs in the future.

Over the last year, our focus on these priorities has yielded measurable improvements for our Company. We've worked hard to address internal and external challenges and significant volatility in many of our markets. And we're pleased to report a quarter of improved sales trends, membership revenue and renewal rate increases, gross margin stabilization and continued investment in technology development.

I'll now review with you the results of the fourth quarter and full year results for FY 2019. In the fourth quarter, revenues were $801.3 million, an increase of 3% over the comparable prior-year period. Revenues consisted of primarily net merchandise sales of $768.9 million, $13.4 million in membership income, $7.7 million in export sales and $11.3 million in other revenue and income.

Currency fluctuations did have a negative 2.7% impact on net merchandise sales. Comparable net merchandise sales in our 41 clubs, which were open more than 13.5 months, increased by 1.5%, with currency fluctuations again affecting comparable sales negatively by 2.7%.

So now, looking at this by segment, in Central America, we had 23 clubs at quarter-end. We had a 3.6% increase in total merchandise sales, and a 1.1% increase in comparable sales.

Nicaragua and El Salvador led the way in this segment, with strong same-store sales growth of approximately 11.3% and 8.4% respectively, and contributed 77 positive basis

points to overall comparable sales.

The impact of currency on total and comparable sales to the Central American segment were a negative 1.4% and negative 1.5% respectively.

Now, turning to the Caribbean, we had 13 clubs at quarter-end, total merchandise sales growth of 6.9% and comparable sales growth of 4.5%.

Jamaica and Trinidad led the way in the segment reporting with strong same-store sales growth of approximately 21.1% and 5.6% respectively, and contributed 129 positive basis points to overall comparable sales.

The impact of currency on total and comparable sales to the Caribbean segment were negative 0.8% and negative 0.7% respectively.

Turning to Colombia, where we had 7 clubs at quarter-end, we had a 2.5% decline in total merchandise sales and a 3.3% decrease in comparable sales.

The impact of currency on total and comparable sales in Colombia was significant. It was negative 13% and negative 13.1% respectively. In total, the foreign currency fluctuations negatively affected our total sales growth by 2.7%.

With regard to membership, we finished the quarter with approximately 1.6 million accounts, which is a 2.5% increase fiscal year-to-date.

Membership income was up by 4.2% during the quarter, and the 12-month renewal rate at the end of August increased to 85.7% versus 85% in the comparable period last year.

Total gross margins this quarter increased to 17.2% from 16.3% in Q4 fiscal 2018. Gross margin, when compared to the prior-year period, was primarily impacted by favorable net merchandise margins.

Net merchandise margins for Q4 increased 50 basis points to 15.2% versus a year ago. Net merchandise margin improvement was driven by strong performance in food and fresh categories, including pet supplies and seafood categories. Electronics and apparel departments within the non-foods category also contributed to net margin improvements in the fourth quarter.

Although many of our categories did improve, we see an opportunity to strengthen in prepared foods. We are evaluating our product offering and member demand to improve growth in this category as well.

In summary, net income for the fourth quarter of fiscal year 2019 was $20.7 million or $0.67 per share compared to $19 million or $0.62 per share in the comparable period last year.

Now turning to the full fiscal year 2019, total revenues increased by 1.8%. Net merchandise sales increased by 1.2%, and comparable net merchandise sales decreased

by 0.6%.

Net income for fiscal year 2019 was $73.2 million or $2.40 per share compared to $74.3 million or $2.44 per share in fiscal year 2018.

As a reminder, we ended Q4 and fiscal year 2019 with 43 clubs compared to 41 clubs a year ago. And that is because of the addition of the Santiago de Veraguas club in Panama in May of 2019 and the Santo Domingo club in the Dominican Republic in June of 2019.

I'd like to take a moment to share with you a bit of what I observed in our most recent club opening in Panama. Last week, I attended the opening of our 44th club, Metropark Panama. First, I have to congratulate our team. The club is beautiful; it has a new layout that was really well received.

We have 132 employees there who were selected from a pool of over 800. Their passion and commitment to our Company was very clear to me. In the days and nights before the opening, I saw our employees meticulously attending to every detail, ensuring that each of The Six Rights of Merchandising were being followed with discipline.

We had exciting merchandise including novel seasonal items, very impressive direct farm produce, prepared foods and bakery goods including a [Choco Loco] brand that was a major hit with our members.

There was an increased offering of our private-label member selection, which is quite well regarded in our markets as having as good, if not better, quality than the leading brand, but at a better price, has a better value to the member.

The building itself is approximately 7,300 square meters. 70% of the steel that went into the super-structure is made from recycled material and cement which are from indigenous materials. And there were a significant number of environmentally sensitive elements deployed in the construction of this building.

Throughout the club, there was -- more of our packaging was compostable, recyclable or biodegradable. We've completely discontinued the use of high-contaminant styrofoam.

Metropark is our first club in Panama to offer optical services. This new service provides a full-time optician onsite. With our membership, up to four family members can undergo vision exams without charge. It's a benefit that's included in the membership. The prices of our frames and lenses, including leading brand names, are extremely competitive. And in most cases, the glasses are ready in about 5 days, giving our members more reasons to visit the club.

I'd like to also tell you a little bit about our direct farm program, which we rolled out in Metropark. This program was initiated over a year ago and today, over half of all agricultural products sold in our clubs in Panama come directly from Panamanian farmers.

Through our direct farm program, we not only buy from them, but we also support them

in the certification process for good agricultural practices and good manufacturing practices, providing confidence in the quality and in the safety of our produce.

With our team's expertise and the use of our own produce distribution center, we are also able to increase efficiencies and save costs on packaging and labeling and distribution of the produce to our clubs. The results are really impressive, as our members getting fresh and improved quality produce at better prices in our clubs. I saw one example where they took a picture of a Panamanian farmer who had cut a head of lettuce in the farm, and that was at about 9:00 a.m. one morning and opened our club at 6:00 a.m. the following morning.

The opening of Metropark brings our total warehouse club count now to 44, including 7 in Panama.

So now, I'd like to just [go to] some of our highlights and key accomplishments and priorities that I believe we met in fiscal year 2019. We opened 2 new clubs, as mentioned earlier, both of which are our smaller format, the Santiago de Veraguas club situated in a secondary city in Panama, and that was in May of 2019; and the Santo Domingo club in the DR, which is a more urban club which opened in June of 2019.

And we're learning, we're learning a lot from these clubs. I want to thank our real estate, construction, operations, logistics and buying teams who stepped it up and accelerated the pace, making it possible for us to open 3 new clubs in the last 5 months.

We've also announced our commitment to -- in fiscal 2019, we announced our commitment to 6 additional clubs between FY 2020 and FY 2021. Announced clubs will bring our total club count to 49 locations. These clubs include Metropark and then San Cristobal, Guatemala, which is a small urban format club and our 4th club in Guatemala. That opening is in just 2 weeks and I'm really excited to see our team there.

In Costa Rica, we will see the Liberia club; that's a secondary city small-format club. It's in the northwestern part of Costa Rica, about 3 hours from the capital city of San Jose and about 4 hours from our closest existing club. Liberia will be our 8th club in Costa Rica.

We have acquired a site in the city of Portmore, a suburb of the capital city of Kingston, Jamaica. Jamaica has been a strong market for us with great reception from our members. Portmore will be a traditional-sized club and our 2nd club in Jamaica. We expect it to relieve some of the pressure from our mature club in Kingston and also improve the shopping experience for our members in Kingston.

We'll be expanding our presence in Colombia with 2 new clubs in FY 2021. One will be a smaller club format in the city of Bucaramanga, Colombia. The other will be our standard format club in Bogota, Colombia, known as our 170 Street location. This is our 3rd location in the Bogota metropolitan area, and as a result, we'll end up with 9 clubs in Colombia, a market where we see additional strategic importance for us.

In FY 2019, we also invested in improving several of our existing clubs. We've enlarged some buildings to expand the sales floor, remodeled or refreshed aging clubs and added

more parking in 4 of our highest-volume locations. We plan to make additional investments in fiscal year 2020 to expand our sales floor square footage and update existing clubs.

As I mentioned earlier, we now have optical services in all of Guatemala, Costa Rica, our first one in Panama with Metropark. We plan to add optical to approximately 14 or more locations in FY 2020. And we intend to accelerate these plans so that we can offer it in most of our clubs in the near future. This service is a great example of the value proposition our membership provides.

Our platinum membership program continues to resonate with our members. The program grew 62% year-over-year, and has been rolled out in 9 of our 13 markets. Platinum membership represented almost 3.6% of our total membership base and there is opportunity there for future growth.

We continue to work on our omnichannel capability through our technology development investment. In fiscal year 2019, we implemented new channels for digital revenue, including digital membership capabilities for new signups, renewals and upgrades. And we launched PriceSmart.com to initially support clubs in the Dominican Republic with an extended catalog of cross-border products.

In fiscal 2020, we're currently planning to roll out inventory visibility online in all Spanish-speaking countries, and enable online purchases on PriceSmart.com in select markets with multiple delivery options.

Continuing on technology, we have formalized a tech development team. This team is focused on developing tools to further support our core business and enhance efficiency, and ensure alignment with our omnichannel offering. We also expect better insight on predictive analytics.

We continue to evaluate and explore the potential for more of these smaller-format clubs. The smaller-format option serves two different goals, which are distinct. One is to address the high cost and lack of availability of real estate in some of our densely populated urban areas. And the other is to allow us the opportunity to grow by extending our reach into rural and secondary cities where we're finding demand. And these smaller markets tend to be distant from our existing clubs.

Lastly, and most importantly, we continue to invest in our people. We do this through talent development, teaching, proactive initiatives for collaboration in locations throughout various areas of our Company that is expanding the breadth and depth of our leaders and many of our employees. As a result, our team is operating in a more unified manner. And I believe this is an important contributor to a renewed energy we have, and it's showing in improved financial results and delivery on our key strategic initiatives.

As we look forward to the opportunity fiscal 2020 presents, we'll continue to execute on our strategic objectives. We plan to add new warehouse clubs at a controlled rate that will allow us to remain focused on our existing clubs and operations; increase our technology development to better serve our members; grow sales focusing on both individual and our

business members; and continue to find solutions to mitigate market volatility due to economic and geopolitical conditions.

I'd like to take a moment and note and that as you might expect, when we open these new clubs in existing markets, especially at a faster pace than recent years, we do see transfer of sales from the more established club that will inevitably impact our same-store sales results.

During fiscal 2020, we will have 5 clubs that will impact same-store sales, 3 of which have already opened and 2 that are scheduled to open.

In addition, we have a competitor re-opening in our USVI market after a prolonged closure. But we're building our business for our long-term success, and to make sure that we maintain the appropriate presence in our markets.

In closing, our goal is to be a model for how to operate a profitable company that provides a good return to our investors by serving our members in these emerging and developing markets with safe, clean buildings and equipment, and by providing good jobs, better wages and benefits, quality merchandise and services at good prices that are made accessible to a broader segment of the population, while treating our suppliers right and empowering them where we can; and conducting ourselves responsibly by local norms and respecting the environment and the laws of all the countries in which we operate.

I'd like to recognize and thank our approximate 9,000 PriceSmart employees for their exceptional efforts and commitment to our Company. It's been a great experience over these last 12 months. These results would not be possible without the support of our employees, and we're very encouraged by our progress as we enter fiscal year 2020.

Thank you for your time.

I will now turn the call over to Maarten Jager, our Chief Financial Officer, who will go into further detail about our fourth quarter results.

Maarten Jager: Thank you, Sherry, and good morning, everyone. As Sherry discussed earlier, during the fourth quarter, total revenues were $801.3 million, an increase of 3.0% over the comparable prior-year period. Revenues consisted of primarily net merchandise sales of $768.9 million, $13.4 million of membership income, $7.7 million in export sales and $11.3 million in other revenue and income.

Total SG&A expenses, as a percentage of total revenue, was 13.2%, representing a 40 basis points increase versus a year ago. This increase was primarily driven by our investments in new clubs and additional expenses as it relates to preopenings.

Preopening expenses -- as the new clubs mature, we expect to start leveraging these expenses as a percentage of revenue.

Operating income was $32.0 million or 4.0% of total revenue in Q4 fiscal 2019 versus

$27.2 million or 3.5% of total revenue a year ago. The improvement is largely due to higher net merchandising margins in the fourth quarter of fiscal 2019.

Our effective tax rate for the fourth quarter of fiscal 2019 was 34.1%. The increase versus the 27.5% rate in the same quarter last year was driven largely by the loss of tax asset value incidental to U.S. tax reform impacting us by 12.4%; offset however, by U.S. tax reform beneficial deductions of 5.9%.

For the whole year, the effective tax rate was 33.8%. The decrease versus the 36% rate expected was largely driven by the reversal of valuation allowances in our Colombia subsidiary.

Net income increased 8.9% to $20.7 million, with diluted earnings per share of $0.67 in the fourth quarter of fiscal 2019 compared to $19.0 million, with diluted earnings per share of $0.62 in the fourth quarter of last year.

Moving on to the balance sheet, which remains very strong, the Company ended the quarter with cash and cash equivalents of $106.2 million, an increase of $9.3 million compared to last year.

During the period, cash provided by operating activities was $170.3 million versus $119.5 million in the same quarter last year for a favorable increase of $50.9 million. This was primarily due to improved working capital.

Net cash used in investing activities declined by $29.1 million primarily due to the nonrecurring business acquisition last year, along with significantly fewer purchases of short-term investments offset by higher capital expenditures for new warehouse clubs in Panama, the Dominican Republic, Guatemala, Costa Rica and Colombia.

Net cash used in financing activities increased $4.2 million primarily due to regularly scheduled loan payments offset by short-term borrowings.

We have seen headwinds in U.S. dollar reported sales, which were largely affected by a continuation of foreign currency devaluation.

The fundamentals of our business, as evidenced by our membership counts and renewal rates, constant currency sales overall, especially in Colombia and the Caribbean, reinforce that we have a strong business model and significant growth opportunities.

We will continue to focus on The Six Rights, driving same-store sales, delivering on our announced real estate pipeline and continuing to develop our digitally-enabled omnichannel platform.

Our balance sheet, liquidity and cash flow remain strong, which provides a solid foundation for driving same-store sales and future growth that will benefit our members and shareholders alike.

As we move forward to a new fiscal year, I would like to offer some more context for the

upcoming year. Earlier on the call, Sherry discussed our recent club opening in Panama last week. And we have 2 additional clubs opening in fiscal 2020, one of which is opening in about 2 weeks in Guatemala. And then we also have 3 additional clubs opening in fiscal 2021.

With our strategic plans in place, we anticipate continuing to grow sales. However, we recognize that there will be a transfer of sales, as Sherry mentioned, between clubs, as some members shops at the new clubs within the same markets. While we anticipate that our top line will improve in these markets, we believe that there will be a same-store sales impact at the mature stores. This impact will remain in place until our new club operations mature to 13.5 months, after which they will be counted in the comps.

We also anticipate experiencing some challenges in our Caribbean market, as a competitor will be reopening after suffering severe storm damage.

Lastly, we expect the effective tax rate to settle between 35% and 36% for fiscal year 2020.

We are very encouraged by our progress in fiscal 2019, and I look forward to speaking with all of you on our next earnings call in January of next year to discuss our continued progress.

So now on a personal note, I would like to add a few comments. As you will likely have seen in our earnings release, due to personal reasons, I have made the very difficult decision to move back East in January. This will allow me to be closer to family, and it is also where early next year, I will be getting married.

The current plan is to continue to work in my current role until what we estimate will be January 10, 2020. But I will be flexible based on the needs of the Company, and will be available thereafter to ensure a smooth transition.

I want to take this opportunity to thank PriceSmart, and in particular, my executive colleagues as well as my incredible finance team located here in San Diego and across all of PriceSmart's markets.

I also want to thank our CEO, Sherry Bahrambeygui, the Board of Directors and the Chairman, Robert Price specifically for the opportunity to serve as PriceSmart's CFO.

We have made tremendous progress while undergoing a lot of change and dealing with many challenges. I believe that the Company is on solid footing with an excellent balance sheet, strong cash flows, improving sales and margins and an active real estate pipeline, all of which bode well for long-term profitable growth.

Thank you once again to everyone for giving me the opportunity to be part of the PriceSmart family.

I will now turn it back to Sherry, after which we will take questions on the quarter.

Sherry Bahrambeygui: Thank you, Maarten. Personally and on behalf of the Company, I'd like to extend our heartfelt congratulations to you, Maarten, and on your upcoming wedding and the next chapter of your life.

During Maarten's tenure, he has made really important contributions to the Company. He strengthened our finance department and recruited good talent. I'm very comfortable that we'll have a smooth transition with a mutually supportive plan.

We have a strong team in place that provides us the opportunity to do a thorough search for a successor who will complement and continue to maximize the effectiveness of our leadership team.

As we proceed with fiscal year 2020, we're continuing to build on our momentum, and moving forward as planned to capitalize on all of our initiatives, including those that will drive sales, expedite club openings, develop omnichannel capabilities and deliver on our commitment to The Six Rights.

Thank you. And I will turn it over for questions now, operator.

Questions and Answers

Operator: We will now begin the question-and-answer session. (Operator Instructions). Jon Braatz with Kansas City Capital.

Jon Braatz: I just want to touch base on the gross margins, the warehouse gross margin of 15.2%. During the first 3 quarters, you were a little bit more aggressive on pricing and the margins were soft. And here in the fourth quarter obviously, it is very much a surprise. I guess can you go into a little bit more detail on the improvement in the gross margins?

And then secondly, Sherry and Maarten, when I go back and looked at the gross margins historically, I have a little note when margins are up around 15%. In the past, you've always said, Jose or Jon, that 15% is somewhat high and probably unsustainable.

And so I guess could you comment on the level where we are now, and where you think it might go going forward? Are these levels a new norm? I guess that's what I'm asking.

Sherry Bahrambeygui: Sure. So Jonathan, I think the main answer to your question is that the improved margins are really the result of sticking close to our Six Rights and our core discipline. We've found great opportunities for being able to operate more efficiently and buy better. And the direct farm is a great example of that, where we've found that we have been able to reduce the overall cost of our merchandise and lower prices at the same time for our members, delivering greater value.

And we're very disciplined about our margins. You're not going to see a change in our core philosophy from that standpoint. But I can tell you that by identifying these efficiencies, and being able to apply our core discipline of the Six Rights, and with the exciting merchandise that we're seeing in the clubs, not the same needs for markdowns, improving inventory flow -- all of those things have allowed us to deliver better margins.

And when we set these margins, we're very careful to deliver on our promise to our members, and that is to make sure that we're doing our homework for them. We provide a service and that is to curate the best selection of merchandise that we can, negotiate the best price that we can, make sure that we're getting the best value to them as possible, and we're still pricing it at a level that has a healthy comp umbrella.

So that's the basic philosophy that we're applying and it's worked for us at least in this last quarter.

Jon Braatz: So Sherry, going back to your core philosophy, it's always been passing cost savings on to the consumer to generate higher revenues. I assume that hasn't changed, and that some of the better margins you're getting, you might pass on, or should I not think of it that way?

Sherry Bahrambeygui: No, absolutely, absolutely. With better margins, we have the opportunity to put that back into the value that we're able to provide to our members, which then only increases our capabilities to leverage our buying and buy even better and drive more volume.

It also enhances the value of the membership itself, which it motivates our members to want to renew and new members, new people, to want to become the members because they're going to see a very strong value proposition.

Jon Braatz: Okay, thank you. And one last question -- your technology spending going forward, how do you see it versus this year, the level of spending? Are you going to continue at the pace you're at, or will you see some deacceleration or impact, maybe see some acceleration of that spending?

Sherry Bahrambeygui: That area is under serious evaluation at this time. I can say that it's safe to assume that there's not going to be a dramatic change one way or the other. We are taking a measured approach. I think you can tell already, but we're trying to make sure that we're focusing on -- the first priority is to increase our growth in our sales, and operate as efficiently as possible. But I think the short answer is I wouldn't expect a dramatic change one way or the other.

Jon Braatz: Thank you very much.

Operator: Rodrigo Echagaray with Scotiabank.

Rodrigo Echagaray: Congrats on the results. A couple of questions on my end -- can you perhaps quantify, or maybe put into context, some of the cannibalization you expect, or which regions or countries would you believe they'd be more susceptible to

cannibalization from the store openings? That's my first question.

And then the second question is with regards to membership prices. Renewal rates are improving, same-store sales are improving. And it's been a while, I believe, since you have had increases on the membership prices. Do you believe there is an opportunity on that front?

And I have a third question, but maybe perhaps that could wait.

Sherry Bahrambeygui: Okay. With regard to the regions, I think the best guidance I can give you on that is to just look at the geographies that we've announced where we're opening and their proximity to existing locations. There's several of our openings that are going to be in more remote areas like Liberia that has a several-hour commute from the nearest club.

And then there's those that are more in the heart of where existing clubs currently exist, like the one I was just at, Metropark in Panama. And so there's going to be some variability from market to market depending on the proximity and the catch, the membership catch pool that we'll be drawing from.

With regards to membership, the fee, we are reviewing that, and it's one where our philosophy is basically, we give before we get. We give to our members to make sure that they are confident that they're getting value by being part of our membership group and part of our family. And as we see that that value proposition is growing, then we feel that it may be appropriate to adjust our membership fee. And that again, is an analysis that is done market by market, although we try to keep it within a narrow band.

And we do see potential opportunity, but our intention is to give before we get. And as we can justify in our professional relationship with our members, that we've earned the right to increase the membership. We will do so and hopefully, they will continue to see the value in paying that membership because they will have access to everything that we can provide them.

Rodrigo Echagaray: Got it. That makes sense. And then finally, can you maybe talk a little bit about on the smaller stores from your experience so far, I think part of the also rationale behind the smaller stores is the fact that you could have extended catalog online. And perhaps, some of those -- some of that inventory that was sitting at the store could now be online. Have you -- can you comment on what have you seen on that front so far?

Sherry Bahrambeygui: Well, that's part of what we're testing right now with our Bolivar club and we are learning a lot from it. What I can share with you is that by the end of FY 2020, we expect to have an extended catalog, as well as full inventory for at least our Spanish-speaking market. And that should provide us opportunity to augment the shopping experience for our members in these smaller real estate footprints, these smaller formats. But that's [a way] of doing it.

We're exploring different alternatives. There's many different ways to accomplish this, including click-and-collect, and -- but all of these different approaches have to be

technologically enabled and that's where our focus is right now.

Rodrigo Echagaray: Got it. Thank you very much.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Sherry Bahrambeygui for any closing remarks.

Sherry Bahrambeygui: I just want to thank everyone for the support, both within our teams and for our investors, and I wish you a good day.

Maarten Jager: Thank you very much.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.