

**PriceSmart, Inc. [PSMT]**  
**First Quarter Fiscal Year 2021 Earnings Call**  
**Friday, January 8, 2021, 12:00 PM ET**

Company Participants:

Michael McCleary, Executive Vice President and Chief Financial Officer  
Sherry Bahrambeygui, Chief Executive Officer

Analysts:

Rodrigo Echagaray, Scotiabank  
Jon Braatz, Kansas City Capital

**Presentation:**

Operator: Good morning or afternoon, everyone, and welcome to PriceSmart Incorporated Earnings Release Conference Call for the First Fiscal Quarter of 2021, which ended on November 30, 2020.

After remarks from our company's representatives, Sherry Bahrambeygui, 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 one hour and is being recorded today, Friday, January 8, 2021.

A digital replay will be available following the conclusion of today's call through January 15, 2021, by dialing 1-877-344-7529 for domestic callers, or 1-412-317-0088 for international callers by entering replay access code 10149960.

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

Michael McCleary: Thank you, and welcome to the PriceSmart earnings call for the first quarter of fiscal year 2021. We will be discussing the information that we provided in our earnings press release and our 10-Q, which were both released yesterday afternoon, January 7, 2021. You can find both documents on our Investor Relations website at [investors.pricessmart.com](http://investors.pricessmart.com) where you can also sign up for email 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, will, may, should, estimate" and similar expressions.

All forward-looking statements are based on current expectations and assumptions as of today, January 8, 2021. 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](http://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 Sherry Bahrambeygui, PriceSmart's Chief Executive Officer.

Sherry Bahrambeygui: Thank you, Michael. Good day, and happy New Year, everyone. I hope that you and your families are all safe and healthy. We are pleased to discuss with you today our strong first quarter results.

Despite the ongoing challenges caused by the pandemic over the past 10 months, we've seen the best from our team members. They've consistently risen to the occasion with an unwavering commitment to safety of members and employees, and to providing our members with the best possible shopping experience.

Never before have the Six Rights of Merchandising been more important to our business than they are today. This retail philosophy emphasizes having the right kind of merchandise in the right place at the right time in the right quantity, in the right condition and at the right price.

Our execution of operational efficiencies, vigilance and discipline to these core principles is what has led us to the 7.7% growth in net merchandise sales and 3.6% growth in comparable net merchandise sales compared to the year-ago period. Note that we had one additional club in operation as of November 30, 2020, compared to the same time last year.

During the quarter, we saw a gradual relaxation of Covid-related restrictions, which led to fewer club days lost compared to the prior sequential quarter, but we still experienced limitations on hours and numbers of people in the clubs. During this last quarter, we expanded last year's Smart Weekend event, which was held in the Caribbean, to a Smart Week program across all of our markets and proved to be very successful.

We also strengthened our digital marketing efforts and social media engagement, which have enhanced our ability to quickly grasp valuable insights from our members, and more readily share with them our exciting curated items and programs.

As a result of these efforts, we've been able to provide our members with a great inventory mix and reasons to visit the clubs, as the number of transactions and in-club traffic increased versus the prior sequential quarter.

Driven in part by leadership changes in the merchandising area and restructuring over the last year, the hardlines team did a tremendous job of working with our suppliers, anticipating and reacting to changes in demand. As a result, our hardlines category experienced approximately 20% sales growth during the period compared to the prior-year quarter. Leading this growth were electronics, which grew by 53%; sporting goods grew by 68%; and small appliances grew by 20%.

On the food side, our buying team has done a fantastic job of ensuring our grocery, health and beauty, cleaning and liquor departments all performed well, also with 6%, 11%, 10% and 16% growth respectively.

Now, we did have challenges during the quarter with seasonal and the toys department, and we attribute this in part to our decision to scale back orders of these long-lead time products at the beginning of the pandemic.

In our grocery and fresh categories, we continue to see an increasing demand for healthier food options from our members. In an effort to meet this demand, we've invested in infrastructure that allows us to source high-quality fresh produce through our direct farm program. This program reduces costs and improves the quality and shelf life of our produce offerings, while also supporting local farmers and industry in our markets. This is also an important social priority for us.

In addition, investments in our produce distribution centers have allowed us to provide farm-to-table produce quicker and more efficiently than we have in the past. We intend to continue to expand this program and open additional produce distribution centers throughout our markets. Although we've seen growth across most of our foods and fresh departments, a few categories lagged such as candy, snacks and juices.

A real critical part of building on our value proposition and offsetting some of the impact of pandemic-related restrictions is the continued development of our omnichannel efforts. Our Click and Go curbside and delivery service, which represented 3.1% of our net merchandise sales during the quarter, is an important alternative for our members. Curbside pickup is available in all of our clubs in all of our markets, and we expanded delivery to all 13 markets in late October up from just 6 at the end of August.

Over the past several months, delivery has continued to become a larger portion of our total Click and Go sales. Our grocery, health and beauty and cleaning departments have done well on our e-commerce platform. We continue to grow the number of active items available to purchase online, and we intend to build our online inventory to offer an expanded selection beyond what's available in the clubs.

In addition, shoppers are responding favorably to our online platform for their membership. 11% of all new sign-ups in Q1 were done online. One of the important benefits of having those sign-ups and renewals online is that it provides the opportunity for auto renewal and auto payment. Over time, we expect that this will lead to more efficient membership acquisition and renewal.

Our investments in technology and enhancements to our systems and software also allow us to make use of valuable membership data and feedback in real time. The inbound and outbound communication channels allow us to operate our business with better information and to make optimal merchandising and business decisions quickly. That's an especially important capability required in this environment.

Turning to supply chain and inventory, I just want to recognize the tremendous job our team has done despite the continued challenges we faced. I had the pleasure of visiting our distribution center workers in Miami the week between Christmas and New Year's, and they were hard at work, committed to ensuring we're running as smoothly as possible. What the team has done to secure alternatives, including quality local sourcing to minimize out-of-stock and key items and hedge against currency volatility is remarkable.

Due to the significant surge in demand in many of the categories we've discussed, we've seen some shipping container shortages at the point of origin out of Asia. And we've had some slowdown in supply flow in Central America due to the devastating hurricanes, Eta and Iota. We expect to be able to work through these challenges and continue to identify and develop local high-quality inventory alternatives as needed.

We continue to increase our focus on inventory management. Increased SKU discipline and order management has helped reduce our average inventory per club in the first quarter by an average of approximately \$500,000 per club versus the comparable prior-year quarter. Markdowns were significantly less this quarter compared to the same period last year and our inventory was clean, far less in terms of spoilage.

We were the place to go for many non-food categories in our markets, as our competitors weren't able to source the same level of merchandise in those areas such as laptops, tablets and televisions.

We've also expanded our offering of high-quality, high-value, private-label member selection products. Private label will continue to be a focus area, given the ability to offer high-quality merchandise at lower prices and given the impact of our brand value in our markets.

Especially during this last quarter, we appreciated more than ever that we have optionality with our in-country distribution centers. This has proven to significantly mitigate supply chain disruption risk.

Now, turning to membership, our total number of membership accounts decreased 3.8% during the first quarter of fiscal year 2021 when compared to the comparable prior-year period. However, we saw a 1.5% increase in our membership accounts since just August 31, 2020, as in-club traffic improved.

Our trailing 12-month renewal rate was 81.9% and 86.1% for the periods ended November 30, 2020 and November 30, 2019 respectively. Historically, our members would renew their membership at the register and due to the pandemic, traffic has slowed down. Colombia had the largest membership percentage decline, followed by Central America and the Caribbean. However, our 81.9% trailing-12 month renewal rate has improved significantly from the low of 80.5% at the end of August, as restrictions have eased up. And as noted before, we've seen an encouraging increase in membership sign-ups and renewals completed online.

We're enhancing the value of our membership through the rollout of optical centers with 21 locations open at the end of the quarter, up from 17 at the end of August. And we're on track for approximately having optical in 3/4 of our clubs by the end of this fiscal year. The membership includes no-charge vision exams for up to 4 family members and excellent prices on optical products.

As PriceSmart seeks to enhance the quality of life for our members, we believe additional services that attend to our members' wellbeing provide an opportunity for us to further strengthen our relationship and enhance membership value in a fundamental way. As you can see, we're quite focused on member experience. I'm proud to say that we've been vigilant about precautionary measures and have maintained high standards of cleanliness and safety. This has

also deepened the trust of our members, and in my view, has highlighted us as leaders in our markets.

Now, I'd like to give a brief update about our real estate and construction activity. On December 4, just a couple of weeks ago, or it's a little over a month ago, we safely celebrated the grand opening of our Usaquen Club. This was the second time since the pandemic began that our leadership team and international executives were able to effectively and remotely support our local teams' opening of a new club. The Usaquen club is strategically located in the heart of a densely-populated area of Bogota, and is poised to drive sales growth, provide greater convenience for our members and strengthen our presence in this important market which we believe has significant potential.

Also recently, we announced plans to build 2 new warehouse clubs, one in Guatemala City, Guatemala, expected to open in the fall of 2021; and the other in Portmore, Jamaica, a suburb of Kingston, expected to open in the spring of 2022. We're excited about the potential for both of these locations, and this will be our 5th club in Guatemala and follows the successful opening of our 4th warehouse club, San Cristobal, in that market just a year ago.

As I've noted before, our new club openings are likely to initially adversely impact our comparable net merchandise sales. However, as in these cases, we'll move forward with new club openings when we believe that in the long run, such expansion provides opportunities for growth by way of incremental membership, growth in net merchandise sales and services, leveraging potential, greater presence and prominence in our markets and a better shopping experience for our members.

I'd like to spend a moment now on our December sales that we released earlier today. Net merchandise sales were at \$372.6 million, an increase of 2.8% versus a year ago with a negative FX impact of 3.1% or \$10.5 million. For the 4 weeks ended December 27, 2020, comparable net merchandise sales decreased 1.7% with a negative FX impact of 2.9%. December sales were impacted by a return of club closure days in Panama over Christmas weekend, as well as additional mobility restrictions in Panama and Colombia as infection rates have risen. We also saw sales decline year-over-year in Trinidad due to actions we've taken in response to U.S. dollar illiquidity and Michael will discuss more about that in a few minutes.

In closing, we posted strong results for Q1 and December, particularly considering the current environment we're operating in. Our commitment to refocusing our efforts on the Six Rights has really shown during this quarter and this past holiday season. Considering the challenges we encounter, ranging from hurricanes and lockdowns to container shortages and foreign currency fluctuation, this team has risen to meet these challenges and is inspired to find new ways to better serve our members, which are sustainable and will carry us into the future even after the immediate pandemic crisis is a thing of the past.

We know our members' consumption patterns and priorities will continue to evolve. And as we look forward to the future, we believe we have the knowhow, the capabilities and the team to anticipate, react and rise to our members' expectations. We have the talent, resolve and hardened commitment to our members, the markets we serve and to this company, and we have loyal members who really count on us as a trusted source of goods and services. A lot of families

depend on us, especially in times like this and we take that responsibility to heart.

We're well positioned to propel our business forward and that is to the credit of our wonderful team of over 10,000 employees who I sincerely thank for their stellar performance.

Thank you. And I'll now turn the call over to Michael.

Michael McCleary: Thank you, Sherry. Good morning or afternoon to everyone and thanks for joining us today. Before I begin, I would like to take this opportunity to also thank our team members for their tremendous efforts and selflessness during this past quarter and holiday season. Our results are a reflection of that hard work and determination.

Total revenues and net merchandise sales for the quarter were \$877.4 million and \$838.4 million respectively, representing increases of 8.1% and 7.7% over the comparable prior-year period respectively. As a reminder, including the club we opened in Liberia in June 2020, we ended this quarter with 46 warehouse clubs compared to 45 warehouse clubs at the end of the first quarter of fiscal 2020. Our comparable net merchandise sales growth was 3.6% for the 13 weeks ended November 29, 2020. Foreign currency fluctuations had a negative impact on both net merchandise and comparable net merchandise sales of approximately \$27 million or 350 basis points.

By segment in Central America, where we had 26 clubs at quarter-end, including 3 open since October 2019, net merchandise sales increased 6.2% with a 0.7% decrease in comparable net merchandise sales.

Our Honduras, El Salvador, and Nicaragua markets contributed approximately 150 basis points of positive impact to total comparable net merchandise sales despite the impact from the 2 hurricanes that hit the region during the quarter. This contribution was offset by 190-basis point decrease coming from Panama, Costa Rica, and Guatemala.

Panama and Guatemala experienced sales transfers from recent club openings in most countries during the quarter [amid] the devaluation in the Costa Rican Colon resulted in sales decreases in that country versus the comparable period in the prior year.

In the Caribbean region, where we had 13 clubs at quarter-end, total net merchandise sales grew 10.1% with comparable net merchandise sales growth of 9.9%. Most of our markets in the Caribbean showed double-digit comparable sales growth when compared to the same period in the prior year, with Trinidad and the Dominican Republic contributing 270 basis points to our total comparable sales growth. Up through this quarter, both markets performed well in the current Covid-19 pandemic despite a significant foreign currency devaluation compared to the prior-year period in the Dominican Republic.

However, I would like to note that in Trinidad, although sales were very strong during the quarter, we are continuing to experience challenges in converting Trinidad dollars to U.S. dollars. As a result, during the first quarter, we began limiting shipments of goods from U.S. to Trinidad. We are already seeing the impact in our December sales, and we expect to continue limiting shipments during the second quarter of fiscal 2021. Therefore, our Trinidad clubs are not currently carrying their usual mix and quantity of merchandise.

We believe this reduction in imported merchandise will negatively impact sales in Trinidad in our second fiscal quarter by an estimated \$14 million to \$18 million. We plan to increase or decrease shipments from the U.S. to Trinidad in line with our ability to exchange Trinidad dollars or other hard currencies. However, we are also seeking other opportunities to reduce our net use of U.S. dollars in Trinidad such as by shifting the purchase of certain goods to local sources and seeking to increase exports of locally-sourced items.

In Colombia, where we had 7 clubs open during the quarter, net merchandise sales increased 8.7% and comparable net merchandise sales increased 8.6%, contributing approximately 100 basis points of positive impact to total comparable sales. Average ticket growth, compared to the prior year 3-month period, is the primary driver of the increase in Colombia, as Covid-19 restrictions led to members buying more merchandise in fewer trips to our warehouse clubs compared to the prior-year period.

The impact of currency on total and comparable net merchandise sales in Colombia was significant at negative 10.7% and 10.5% respectively for the quarter. Currency devaluation continues to be a challenge in Colombia, but we are employing different approaches in an effort to mitigate the impact, such as sourcing of locally-produced goods and actively managing our foreign currency exposure there.

Turning to total gross margins, total gross margin on net merchandise sales came in at 16.1%, 120-basis point improvement over the same quarter last year. The 120-basis point increase was primarily driven by a 60-basis point increase from certain pricing actions we took to offset foreign currency exchange costs and risks. In particular, we have implemented a liquidity premium in Trinidad on our U.S. imported items. The other 60 basis points increase came from more focused merchandising strategies and inventory management.

Total revenue margins increased to 18% of total revenue, an increase of 110 basis points versus the same period last year. This is the result of the higher total gross margins of 120 basis points that I mentioned previously and higher revenue margins from our Casillero marketplace business in the quarter of 20 basis points, partially offset by 20 basis points from lower membership income and 10 basis points from fewer margin dollars as a percentage of total revenue from our export sales business.

Selling, general, and administrative expenses for the quarter were 12.9% of total revenues, a decrease of 20 basis points versus the same period last year. In total, SG&A expenses increased \$6.7 million compared to the prior year, but decreased as a percentage of total revenue. Warehouse, club and other operations expenses contributed 10 basis points of the decrease as a result of lower warehouse club operation expense ratios across all of our markets. General and administrative expenses contributed the other 10 basis points of the decline. The overall improvement is primarily a result of leveraging our consolidated revenue growth. However, we continue to make investments to support our technology and talent development.

Operating income was \$44.5 million or 5.1% of total revenue in the first quarter of fiscal 2021 compared to \$30.7 million or 3.8% of total revenue for the same period last year. This reflects the increase in total revenue margin primarily from net merchandise sales of 110 basis points and a 20-basis point increase due to leveraging of SG&A expenses over the comparable prior-year

period.

Net interest expense increased \$1.2 million for the first quarter primarily due to higher average long-term loan balances to fund our capital projects and draw-downs on our short-term lines of credit as part of our Covid-19-related efforts to secure cash.

Other expenses of \$1.5 million are primarily from costs to convert Trinidad dollars into other tradable currencies and a strengthening of the Jamaican dollar due to our U.S. dollar-denominated cash reserves designated to fund the construction of our new Portmore club.

Our effective tax rate for the first quarter of fiscal 2021 came in slightly higher than last year at 32.9% versus 32.2% a year ago. In our Q4 of fiscal 2020 conference call, we estimated that our full year fiscal 2021 effective tax rate would be 35%. However, due to our strong Q1 results, we now expect the full fiscal year 2021 effective tax rate to be approximately 34%.

Net income for the first quarter of fiscal 2021 was \$27.7 million or \$0.90 per diluted share compared to \$19.7 million or \$0.64 per diluted share in the comparable prior-year period.

Our balance sheet remains very strong. We ended the quarter with cash, cash equivalents and restricted cash totaling \$212.4 million, an increase of \$97.3 million versus the same period a year ago.

From a cash flow perspective, the \$33.9 million shift from net cash provided by to net cash used in operating activities was primarily due to decreases in working capital, as our temporary extension of vendor terms negotiated as part of our initial Covid response began expiring during the quarter. It is important to note that many of these extended vendor terms will continue to revert to pre-Covid terms during the second and third quarters of fiscal 2021. Our experience with the temporary vendor term extensions has provided an opportunity to revisit terms on a more permanent basis.

Net cash used in investing activities increased by \$4.6 million compared to the prior year primarily due to the increase in investments in certificates of deposit of Trinidad dollars we have on hand, while we work actively to convert those Trinidad dollars into U.S. dollars, as availability allows, offset by less construction expenditures.

The \$59.5 million change from cash provided by to cash used in financing activity is primarily the result of a net decrease in proceeds for long and short-term borrowings. We continue to be vigilant about our cash position and sensitive to any changes in circumstances.

While some uncertainty remains in our markets about the extent and duration of the pandemic, we have confidence in our ability to continue our operations successfully while also continuing to invest in the future. In this context, we currently expect to completely pay down our remaining short-term lines of credit, which we access as part of our initial Covid-19 response during the second and third quarters of this fiscal year.

To wrap up, we are very pleased with our strong start to fiscal 2021. We believe our commitment to the Six Rights of Merchandising and the investments that we are making in talent, real estate and our digitally-enabled omnichannel platform have positioned us well for the future.

In addition, our balance sheet, liquidity and cash flow remain strong, providing a solid foundation for driving same-store sales and future growth, which we believe will benefit our members and stockholders alike.

Thank you all for your support during these times of uncertainty. We believe that we are on the right path for continued success.

I will now turn the call over to the operator to take your questions. Operator, you may now take our callers' questions.

## Questions and Answers

Operator: We will now begin the question-and-answer session. (Operator Instructions). Rodrigo Echagaray with Scotiabank.

Rodrigo Echagaray: Happy New Year and congrats on the results. I know you touched on December sales, but could you go over the main drivers of same-store sales in December? And also any thoughts on how sustainable that gross margin expansion in the previous quarter would be in the context of December sales, please.

Sherry Bahrambeygui: Happy New Year, Rodrigo. December sales, the same-store sales as we've mentioned before, were impacted by the fact that we had additional clubs that were transferring sales from existing clubs. And I think it's also important to remember that this December is competing against a holiday season last December where there was no Covid. So what we did is when the pandemic first came about, we did cut back on some seasonal and some items that we felt would be more discretionary, and that did impact sales to some degree. And as people shifted a lot of their focus to essentials during this holiday season, we think that may have had something to do with it.

In terms of the margin, our effort is always to try to continue to find the inefficiencies in the process and eliminate them and reduce them, so that we can provide the best value to the member possible. Our margins, when you think about it, it's difficult to assign a specific margin to all areas of our business, as you understand, for example, our other business has a higher margin structure, and we're doing more efforts to source and vertically integrate, so that we can provide better-quality merchandise and services to our members at a lower cost, but that might require a different margin structure.

So while our mandate is to continually drive the best possible value for the member in terms of pricing, the margin structure may vary among the different areas of our business, as we become more dynamic and more entrepreneurial and find better ways to source better materials, better merchandise and better services for our members.

Rodrigo Echagaray: Got it. So it sounds like it's definitely a structural change in that direction. I guess the other question is related to the in-country distribution efforts, which seem to be very

important, and which make sense to me. Just wondering what's the -- if we think about 10 years down the road, how do you foresee the whole distribution platform shaping up? Do you foresee having many more distribution centers in-country and a lower inventory being held in Florida?

Sherry Bahrambeygui: We believe that having distribution centers in-country provides tremendous benefits for a number of reasons. Previously, when most of our imports would come from -- and still come from -- China and go through Miami, there would be longer lead times often, and when there is basically one direction of flow, there is more risk involved. By having multiple distribution centers throughout our markets, and as we gain leverage and concentration in various markets, it gives us optionality that allows us to go direct. That's one.

The other is that we're finding more and more opportunities in our markets to be able to source merchandise, quality merchandise, to support our efforts to vertically integrate and expand our private label, and to curate unique and exciting items that can then be shared amongst our different markets. And so having the merchandise closer to our retail operations is certainly a benefit, and also the ability to hold merchandise in distribution centers and pulse them into the clubs, as opposed to trying to thread the needle with long lead times and get the exact right amount directed to each and every club, it does provide an opportunity for us to be more efficient.

So we see some significant benefits in expanding our distribution center and basically decentralizing the structure in a way that we've got more presence among our various markets. And then there's also the online part of it as well, which benefits from having these regional distribution centers.

Rodrigo Echagaray: Yes, that was exactly my question, so that makes more sense as well from that perspective, great. Well, that's it on my end. Thank you, Happy New Year and congrats on the results.

Operator: Jon Braatz with Kansas City Capital.

Jon Braatz: Looking at Trinidad, Michael, your net asset position, monetary asset position, at the end of the fourth quarter was \$4.8 million and you went to a net monetary liability of \$14.4 million. And if you look at your strategy, what you're doing in Trinidad, it sounds like you're limiting sales, but you're increasing prices to compensate for the additional risk. Given that strategy, would your net monetary liability position increase in the subsequent quarters, or would it stay about the same?

Michael McCleary: Hi, Jon, yes, good question. Actually, I wouldn't say we're trying to limit sales in Trinidad, I'd start out there. We are limiting the exports of U.S. goods into Trinidad to the extent (inaudible) local items, we certainly are doing our best to do that, and as long as it complies with our quality and pricing philosophy. But as far as the liability itself, I think generally, we're trying to maintain a balance around that level within a range, right, because we're essentially saying that the exports from the U.S., which would generate more liability, should be in line with what we're able to convert into U.S. dollars. It's not a perfect equation because of lead times and things like that, but we're generally trying to manage that within, let's say, a regional liability within a reasonable range.

Jon Braatz: Okay. Okay. With the strengthening energy markets, is the situation in -- would you think that Trinidad, the situation might improve a little bit with that country being heavily tied to the energy sector?

Michael McCleary: Certainly, that's their number one source of U.S. dollars is the energy sector. There's several different levels of the energy sector that they participate in, and so -- but yes, definitely rising consumption in resin prices in the energy sector should definitely help. At the same time, as I mentioned, we're also looking to increase our ability to export goods out of Trinidad. If we can buy them in Trinidad dollars and export them into other markets, and sell them in U.S. dollars, that gives us more U.S. dollars to be able to import merchandise to some of our clubs.

Jon Braatz: Yes, yes, okay, okay. On the gross margin front related to Trinidad, that was up. That accounted for about -- you said about 50 basis points improvement in your overall gross margin. With the strategy in place the way it is, would you continue to expect a bump in consolidated gross margins related to your actions in Trinidad?

Michael McCleary: Yes, it's obviously kind of anathema to the business model to be charging this premium, but also at the same time, we're facing a risk here that we haven't faced before. But generally, we thought it was prudent to price ahead of it. So hopefully, as long as we -- we thought it was important to call it out as a component because to the extent this situation ends up resolving itself, then we would hope that that premium would go down. But we do foresee it for the foreseeable future until the situation starts to (inaudible).

Jon Braatz: Okay. One last question -- Sherry, you mentioned in December, there were some additional lockdowns, if you want to call it, and things that restricted your hours of operation. Has that improved or worsened as we moved into the new year? Have things changed at all?

Sherry Bahrambeygui: It varies from market to market, but we are seeing additional -- as a result of a rise in cases, additional restrictions. For example, governments have been keeping people home especially because of the holidays for Christmas and New Year's. That whole weekend, a couple of our markets restricted people from any circulation and were concerned about large gatherings and rapid spread. So we see this as an ongoing dynamic that we just have to be prepared for and utilize our alternative modes of shopping and different ways to get merchandise to our members. But it's certainly -- it's not resolved here and it's not resolved there, so it's still an ongoing dynamic.

Jon Braatz: Okay. Is it more Panama and Colombia that has been impacted the most?

Sherry Bahrambeygui: That's where we've seen it the most, yes.

Jon Braatz: Okay. Okay. All right. Thank you, Sherry.

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

Sherry Bahrambeygui: I just wanted to thank everyone for your steadfast commitment to our company, and most especially, to thank our employees who have really demonstrated a

tremendous commitment to each other and to taking care of our members. So wishing everybody a good start to the new year.

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