PriceSmart, Inc. [PSMT]
Fourth-Quarter 2022 Earnings Release Call
Tuesday, November 1, 2022 12:00 PM ET

Company Participants:
Michael McCleary; Executive Vice President and Chief Financial Officer
Sherry Bahrambeygui; Chief Executive Officer

Analysts:
Jon Braatz; Kansas City Capital

Presentation:

Operator: Good morning or afternoon, everyone, and welcome to PriceSmart, Incorporated's, earnings release conference call for the fourth quarter of fiscal year 2022, which ended on August 31, 2022.

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, Tuesday, November 1, 2022. A digital replay will be available following the conclusion of today's conference call through November 8, 2022 by dialing 1-877-344-7529 for domestic callers or 1-412-317-0088 for international callers and by entering the replay access code 1071897

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

Michael McCleary: Thank you, Operator, and welcome to the PriceSmart earnings call for the fourth quarter of fiscal year 2022 that ended on August 31, 2022. 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 31, 2022. You can find these documents 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 similar expressions. All forward-looking statements are based on current expectations and assumptions as of today, November 1, 2022. 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 Sherry Bahrambeygui, PriceSmart's Chief Executive Officer.

Sherry Bahrambeygui: Thank you, Michael. Good day, everyone and welcome to our fourth-quarter fiscal '22 earnings call.

We had another milestone quarter in Q4. Total revenues exceeded $1 billion for the quarter and for fiscal year 2022 we exceeded $4 billion in total revenue. Net merchandise sales came in at $990 million, just shy of $1 billion, which represents year-over-year growth of 13.6% after a negative 2.9% currency impact. Comparable net merchandise sales increased by 9.2% and that's after taking into account a negative 2.7% FX impact. Operating income increased 20% over the same quarter last year. Membership accounts grew to an all-time high of 1.76 million and our renewal rates were 88.9%, holding strong.

If you recall from our last earnings call, like many other retailers we were in the thick of dealing with the fallout from the global supply chain disruptions. Our team has done a great job of being proactive and executing on the plan to mitigate the impact. We addressed the situation head on and we collectively adjusted prices in areas where we were having an overstock issue so that we could properly sell through the overstock categories and swiftly begin to rebalance our inventory mix and begin restoring our intended margins.

Referring back to the third quarter, we experienced a decrease in our total gross margin as a percentage of net merchandise sales due to higher than normal markdowns in several of our non-foods categories, including furniture and seasonal items. During our last earnings call we told you that our intention was to take decisive action to swiftly sell through and hopefully be well positioned for the holiday season by the end of Q4. We gave you our expectation about the magnitude of the impact on our margin for Q3 -- excuse me, for Q4 -- and that it would be about 25 to 50 basis points.

Now, with the fourth quarter in our rearview mirror, we can see that our plan worked well. Total gross margin for the fourth quarter of fiscal year 2022 as a percentage of net merchandise sales was 15.5%, or a 40-basis-point decrease from the fourth quarter for fiscal year '21. However, in terms of total dollars, the gross margin, total gross margin, increased by $15.3 million, or approximately 11% versus the same quarter of the prior fiscal year.

Now, although we've got this situation hopefully behind us for the most part, we do expect our inventory levels to continue to run a bit higher than historical levels in the short term, because we still are facing long transit times on several of the transoceanic merchandise. However, we are striving to reduce our days-on-hand of inventory over the next several quarters. Although Q4 was below the margin rate levels we've seen in recent years, we do expect to return to our intended margin rates in fiscal 2023.

With that said, we're excited about several merchandise programs we've been running for the holidays, as the actions we've taken have allowed us to get our seasonal programs back on to a more normal schedule in this first quarter of fiscal 2023. The Christmas trim program has landed in the clubs and we believe that early sales are indicative of how excited the members are to find these new seasonal items. Also, the toys planned for this season have mostly landed on time and early sales figures are looking good. Lastly, we have two promotional periods in Q1 of fiscal year '23. So we're looking forward to those results.

Fortunately, supply chain disruptions were relatively tempered during the quarter, with our overall supply chain logistics network remaining relatively stable. The flow of merchandise was quite reliable in terms of replenishing our clubs, and this is good, considering the fact that shutdowns continued in Shanghai, China, but only had a nominal impact on our sourcing from the region.

Also on a positive note, we're seeing relief on shipping costs. A reduction in shipments due to factory closures, combined with slowing demand from US importers, is favorably impacting freight rates, reducing trans-Pacific spot rates to approximately $15,000 per container. But we're seeing a significant decrease in ocean freight costs. The latest spot rate for October -- the rates were as low as $6,000 per container.

However, on the other hand, transit days for inbound containers loaded with our merchandise from Asia were 61 days on average for the fourth quarter versus 39 days in the fourth quarter of last year, and were also up about a week versus Q3 '22. And as I mentioned before, transit times, especially for merchandise coming from Asia, is impacting our days on hand of inventory. Despite this increase in transit time, the team has planned for these delays and we have maintained very good in-stock levels during the quarter.

Inflation is an important macroeconomic factor that continues to have a significant impact on the cost of our merchandise. And, although we do our best to mitigate cost increases as best we can, inflation has resulted in increases in our merchandise selling prices. For the fourth quarter of fiscal 2022, the average sales price per item has increased by approximately 9.2% compared to the same period of the prior year. For the same comparative period, we've seen the items per basket also decrease. However, transactions on a comp basis have grown by 3.6% this quarter versus a year ago.

While on the topic of inflation and macroeconomic circumstances, I'd like to take a moment to talk about Colombia. Over the past year Colombia has experienced inflation of about -- let me clarify -- over the past fiscal year Colombia has experienced inflation of approximately 11% and the Colombian peso in fiscal year 2022 decreased, devalued against the US dollar by 16%. And just since August 31 of 2022, the peso has devalued about an additional 12%. So, we've discussed the pressures we face in Colombia over several prior earnings calls and these challenges still exist. While there are numerous macroeconomic factors at play, at PriceSmart we're doing what we can that is within our control. These pressures of course impact both revenue and margin. We have been and will continue to take targeted measures to mitigate the FX impact and to maintain the right value equation for our members, which in certain limited cases may mean holding the line on pricing while aggressively managing and improving efficiencies.

So, let me give you just some examples of levers that we have, and this is not an exhaustive list, but just some examples of types of strategies and business practices that we take into consideration when addressing the FX situation in Colombia. There's a concerted effort to increase local sourcing. That also has the dual benefit of oftentimes providing a secondary source that helps mitigate against supply chain disruptions. We carefully evaluate and adjust appropriately our mix between local and imported products. Another level is shifting more overhead expense into the Colombian market or, as we grow, making a concerted effort to incur expenses in local currency and in [positions] that could help support not just Colombia but other markets as well.

And we can also take a SKU-by-SKU approach to our pricing by doing a thorough pricing analysis to strategically adjust pricing on certain items so that we can protect our members' loyalty and shopping patterns. So, in Colombia the overall margin percentage may be impacted, depending on our approach, but the strategy and goal would be to protect and grow margin dollars overall.

And, separate from margin, we believe that this will translate into attraction of new members and member retention, protecting membership income. In essence, we want to have PriceSmart be a comparatively safe haven for the members' needs during a challenging and difficult environment for us and the members. We learned something important through our experience with the COVID pandemic, the value of member loyalty. We can't underestimate that. We believe that the measures we took to protect members is part of what has yielded us the significant increase in sales, membership growth and renewal rates.

So we believe this, in addition to the other levers I mentioned, is the best way to navigate through the current currency and economic environment in Colombia. We are strong believers in Colombia and we think it's a [country] which, with talent and member profiles that are exactly in line with our value propositions. But the reality is that we have to navigate through this and we're going to be very targeted and very specific about what we do to make sure that we protect our business and we continue to grow there.

Speaking of membership, our total membership base grew to a new record of 1.76 million accounts, representing growth of 5.5% versus last year. Our 12-month membership renewal rate was 88.9% and our membership income was a record $15.6 million, an increase of 6.7% over the same period last year. This is very encouraging to see during a time when everyone is looking for ways to save. We believe we have an important role to play and an opportunity to further reenforce and validate and prove our value of our club concept to the members during times of economic pressure.

As we look to the future, our company remains focused on our three major drivers of growth: expanding our real estate footprint of new clubs and new distribution facilities, increasing membership value and driving incremental sales via pricesmart.com, and enhanced online digital analytics and technological capabilities.

To give you a quick update, starting with real estate, as we previously discussed, we currently have two warehouse clubs under construction. One will be a smaller, but very efficient, format warehouse club that we plan to open in the spring of 2023 in the city of San Miguel, approximately 100 miles east of the capital city San Salvador in El Salvador. This will be our third club in El Salvador. In addition, construction is proceeding on a smaller-format warehouse club in the affluent El Poblado area of Medellin [indiscernible] Colombia, which is expected to open in the summer of 2023. It will be our second club in Medellin and the Company's tenth warehouse club in Colombia. Once these two new clubs are open, we'll be operating 52 warehouse clubs.

In addition, we continue to maintain the number of potential clubs at various stages in our pipeline. We also believe there are opportunities to expand the capacity of our existing clubs through various strategies. As we finetune these smaller-club formats, we're finding operating efficiencies that we believe will allow us to increase our square-footage productivity.

Another part of our real estate strategy focuses on the important role of our distribution facilities to optimize efficiencies and reduce risk. We currently operate 9 distribution centers in 7 of our 13 markets. We continue to explore ways to utilize our distribution centers more effectively, such as by changing the frequency and flow of merchandise to maximize quality space in our clubs. We also believe that in the future we'll be able to use these distribution centers to fulfill some of our online orders so they will not need to be sourced out of our clubs.

We continue to analyze new locations for and modify use of local distribution centers in several areas that serve our Central American, Caribbean and Colombia markets. We're also reviewing potential sites in the Northern Triangle countries for a regional distribution center in addition to more efficiently servicing clubs in this region. This would give us near-term options to create alternative routes for imports from Asia, in addition to job creation in these important markets. Excuse me for a second.

Now I'd like to turn to enhancing membership value. The momentum is really building with our private label. To remind you, that's our member selection program where we put under our own brand quality merchandise that is as good, or better, than the leading brand name and for a better value, better price. So, during fiscal year 2022 our private label sales represented 24.7% of our total merchandise sales. That's up 260 basis points from 22.1% in fiscal year '21. We closed out the fourth quarter of fiscal year 2022 with growth of 27.7% compared to the prior year and, for the trailing 12 months ended October 16, 2022, we surpassed $1 billion in annual private label sales. This was a goal and a challenge that had been given to our private label team and the buying team and they really delivered.

Additionally, we continue to see growth in our fresh assortment. For example, our US fresh category for fiscal year 2022 saw private label sales grow 30% versus the comparable prior-year period. We intend to further expand the private label category for fiscal year '23 to include items such as butter, milk, chicken bites and fresh and frozen pasta.

As we expand our private label offerings, we see several benefits and elements that are really beneficial to the climate that we're in. One is obviously the better value to the member. Another is we have some control over where we want to source the product from or develop it or even manufacture it, which can be helpful in circumstances like Columbia, which I referenced earlier. Our private label provides a unique offering. It's only available at PriceSmart, so it does add to protecting the brand as well as the value of the membership.

And in terms of enhancing member benefits, obviously the focus is on doing everything we can to maintain compelling prices and avoid any kind of costly supply chain disruption impact. So we have also made a concerted effort to dual-source very key items. That helps us reduce risk. Dual-sourcing in meat and seafood have contributed to strong growth. We have identified secondary sources for 27 of the top 30 US fresh items and we continue to focus on dual-sourcing for key high-volume programs. Dual-sourcing remains an ongoing initiative to maintain and stock levels as we seek to minimize challenges in freight delays and cost increases.

In addition to our dual-sourcing efforts, we are actively seeking and making progress toward near-shoring items such as fish, frozen fruits and vegetables from within Latin America to service the region, which we area expecting to phase in during fiscal year 2023.

And, again, with our membership benefits we offer wellness programs, which includes optical, audiology and pharmacy. Optical we currently have 47 locations and intend to have 49 by the end of the calendar year. And that's the program where there's 4 free eye exams with every membership. And this also relates to social responsibility and our ESG. We performed over 127,000 eye exams -- oh, excuse me -- in this program we've performed 127,000 eye exams so far. It's been a tremendously successful program.

With regard to ESG, we are also doing some free exams for school children and we're finding that it's an important social contributor to our local communities. In partnership with Price Philanthropies Aprender y Crecer program, we provided approximately 8,000 screenings, 2,000 exams and 1,800 eyeglasses to local schoolchildren during the fiscal year. And we're very excited about having this service available to support our local communities.

We currently have pharmacy centers in all 8 of our warehouse clubs in Costa Rica. We expect to have pharmacy centers in all 7 of our Panamanian clubs by the end of the fiscal year 2023. And we continue to analyze the opportunities for additional countries.

Audiology centers, at the end of fiscal '22 we operated 5 and we expect to open an additional 28 centers in fiscal year '23.

Last, our third driver of growth, driving incremental sales using pricesmart.com and enhancing efficiencies and opportunities for sales using digital capabilities and data analytics. For the fourth quarter, total e-com sales represented 3.7% of total merchandise sales. Now, mind you, we just started our e-com in fiscal year 2020 during the pandemic. Total online sales for fiscal year '22 grew over the prior year by 24.2%. When we compare it to the comparable prior-year period, online sessions increased 5.4%, with an average online order value increase of 12.5%, which led to an increase of online orders of 6.8%.

So we're seeing some really encouraging signs with regards to how our members react to their online experience with us and pricesmart.com in general. In addition, we continue to evolve our e-commerce experience and have seen a solid return on modest content enrichment investment. For example, our pilot test of 30 member selection items, we saw a 38.8% dollar increase in sales and 42% unit increase for the month of September 2022 on these items sold online within 1 month of launching the enhanced content on our site.

This just goes to show the impact of enhancing the information and engaging with our members in a more convenient way. And these sales may occur online or they may occur in clubs, but the presence online is definitely helping in terms of engaging our members and appears to be generating increases in sales.

Lastly, in late August we increased pickup stops during key demand times at our Jamaica clubs by 6.3%, or 446 slots. This contributed to the highest online single month of sales ever in September for Jamaica, with orders increasing by 19.6% for the same period.

Now, as of August 31, 2022, approximately 51.4% of our members have created an online program with pricesmart.com. That's more than half of our base and that's up from zero two years ago. We believe that there are significant growth opportunities in our digital channels. 13% of our total membership base has made a purchase on pricesmart.com. The average online purchase -- and I think this is important to see -- the average online purchase on pricesmart.com in Q4 was 37.7% higher than the average ticket for in-club purchases and it grew 12.5% versus Q4 last year. We'll continue to invest in this part of the business in an effort to provide an enhanced omnichannel experience to our members and at least the early indications are that members are expecting this type of service and shopping experience.

Another of our online areas of focus is membership sign-ups and renewals. 8.5% of new memberships were purchased online during the last quarter and online renewals represented 4.3% of our total renewals. It's also encouraging that 8.3% of our total membership base of 1.76 million membership accounts is enrolled in our autorenewal option. This increase in online autorenewals effectively allows for a component of our income to become more reliable and more predictable, which is obviously something that is of great benefit in this climate.

Our omnichannel members, those who shop both online and in clubs, had approximately 3 more transactions that in-club-only members during the fourth quarter and orders for this category of member grew 19.2%, with the average spend for this group growing 17% compared to the prior year's fiscal fourth quarter. These omnichannel members represented approximately 5% of total members making a purchase during the quarter. So, from that, we can see that there's a significant opportunity for this penetration to increase over time. And if the behavior looks anything like what we're seeing, it shows a good opportunity for growth in sales.

So now turning to ESG, we recently issued our first Environmental and Social Responsibility Report in both English and Spanish and I encourage you to read it. It's available on our investor relations website under the ESG section. I've already shared with you some examples of philanthropic and social responsibility efforts and our ESG team is doing an amazing job of identifying really compatible beneficiaries and getting our company more engaged with philanthropy and social responsibility. And it's been very exciting.

The Company's actions and practices also aim to responsibly use natural resources and focus on environmental impact, in addition to social wellbeing. On the last call we told you we opened a recycling center in our San Pedro Sula club in Honduras. And in October we opened 2 additional collection centers. These are centers where members of the community can bring their own recycling and actually be -- in some cases get paid for the materials. So we are planning to open 30 more recycling collection centers in fiscal year 2023. And in a prior call I already covered with you our packaging plant in Trinidad, where we are manufacturing our own packaging and label materials that are more environmentally friendly.

Our commitment to sustainability remains strong and we're committed to fostering a safe and healthy environment for our employees, members, vendors, communities and the world around us that we consider to be part of PriceSmart's family.

As I conclude my prepared remarks, I just want to give you some insights into Q1 of fiscal 2023, based on the month ended on September 30, 2022. While there's much uncertainty ahead due to the current economic climate, we're off to a strong start. Total net merchandise sales were $324.1 million, an increase of 12.1% over the same period in the prior year, and comparable merchandise sales for the 4-week ended October 2, 2022, increased 7.8% compared to the comparable period last year. However, once again currency fluctuations continued to negatively impact net merchandise sales and comparable net merchandise sales by 2.0% and 2.1%, respectively, in the first month of the fiscal quarter.

So, before I turn the call over to Michael, I just want to acknowledge our team. I especially want to call out buying, operations and finance, who have really done a fantastic job of correcting course and getting us back on track in terms of our merchandise inventory levels and mix while we continue with our plans for growth. Over the past few years, our team has been tested over and over by unprecedented circumstances and each time our team delivered, in fact, even better. In just the last 2 fiscal years we've grown total revenues for the club business by approximately $773 million, under very challenging circumstances.

So, I want to acknowledge our 10,000 approximate employees across 13 markets who are the backbone of this business and deliver over and over again. They enhance the quality of life for our members and the markets that we operate in, no matter what the challenge. I want to thank you.

All right. I will turn the call over to Michael.

Michael McCleary: Thank you, Sherry. Good morning or afternoon to everyone and thanks for joining us today to talk about our fourth-quarter results.

Total revenues on net merchandise sales came in at $1.02 billion and $990 million for the quarter, respectively, increases of 12.3% and 13.6%, respectively over the comparable prior-year period. We ended this quarter with 50 warehouse clubs compared to 47 warehouse clubs at the end of the fourth quarter of fiscal 2021. Our comparable net merchandise sales growth for our fiscal fourth quarter was 9.2% for the 14 weeks ended September 4, 2022. Foreign currency fluctuations had a negative impact on net merchandise sales and comparable net merchandise sales growth up 2.9% and 2.7%, or approximately $24.8 million and $24.9 million, respectively.

By segment, in Central America where we had 27 clubs at quarter end, net merchandise sales increased 11%, with a 7.7% increase in comparable net merchandise sales. Foreign currency fluctuations had a negative impact on net merchandise and comparable net merchandise sales growth in Central America of approximately 3.4% and 3.2%, respectively, during the quarter. All of our markets in Central America had positive comparable numbers from our sales growth, except in Guatemala, which is experiencing sales transfers from other warehouse clubs to our new Aranda club.

In the Caribbean region, where we had 14 clubs at quarter end, total net merchandise sales increased 22.1% and comparable net merchandise sales increased 15.7%. Trinidad and Tobago net merchandise sales increased 26.5% for the quarter and contributed 2.1% of our total net merchandise sales growth of 13.6%. The significant improvement in Trinidad versus the prior period was largely due to COVID-19 closures and restrictions last year combined with our decisions to increase imported inventory levels in the current period to meet current demand, which has helped to increase sales as our ability to source additional US dollars has improved.

In Colombia, where we had 9 clubs open at quarter end, net merchandise sales increased 7.6%, primarily due to opening a new club in Q1 2022. And we had comparable net merchandise sales increase by 2%. Foreign currency fluctuation had a negative impact on net merchandise and comparable net merchandise sales growth in Colombia of approximately 11.3% and 10.7%, respectively, during the quarter.

In terms of merchandise, we saw our foods category grow approximately 9% compared with the same quarter in the prior year. Our beverages, snacks and cookies, and oils and condiments categories led the way, with 22%, 17% and 15% growth, respectively. Our fresh category grew 11% compared to the same quarter in the prior year, led by our gourmet foods, poultry and seafood departments, with 21%, 15% and 11% growth, respectively. Our non-foods categories grew 9% compared to the same quarter in the prior year, albeit we experienced some margin compression on those sales for the categories of excess inventory we had at the end of the third quarter. In addition, improved conditions in Trinidad and Tobago, boosted sales growth for our non-food categories, as these categories have generally performed quite well in this market. Finally, our Other business category rebounded with 11% growth, primarily from our food service, bakery and optical departments.

Turning to margins, total gross margins and net merchandise sales were in line with expectations, at 15.5% for the quarter versus 15.9% for the same period last year. As Sherry described, we spent the quarter working through the overstocked positions in some of our non-food categories as we focused on getting back to our core business and a more standard inventory balance and customary margin structures. We still have some excess inventory in some of our apparel categories, but we expect to be able to work through this inventory while generally returning to our pre-Q3 overall margin rate.

Total revenue margins decreased 80 basis points to 16.9% of total revenue when compared to the same period last year. This revenue margin decrease is primarily attributable to the 40-basis-point decline in merchandise gross margins and a decrease of 30 basis points due to the sale of Aeropost during the first quarter.

SG&A expenses decreased during the quarter by 100 basis points as a percentage of total revenue, primarily due to the sale of Aeropost, which lowered warehouse club and other operating expenses by 60 basis points and general and administrative expenses by 40 basis points, for a total of 100 basis points of impact on SG&A expenses.

Operating income for the quarter increased 20% from the same period last year to $39 million. Other expenses of $1.4 million was primarily driven by $1.6 million in transaction costs associated with converting Trinidad dollars into tradable currencies.

Our effective tax rate for the fourth quarter of fiscal 2022 came in lower than last year at 34.2% versus 35.5% a year ago, with our full fiscal year 2022 rate coming in at 33.2%. The decrease in the effective rate is primarily related to the favorable impact from changes in income tax liabilities from uncertain tax positions. On a go-forward basis we estimate an annualized effective tax rate of 32 to 33%.

Net income for the fourth quarter of fiscal 2022 was $23.3 million, or $0.75 per diluted share, compared to $19.5 million, or $0.63 per diluted share, in the comparable prior-year period.

Moving on to the strength of our balance sheet, we ended the quarter with cash, cash equivalents and restricted cash totaling $251.4 million. From a cash flow perspective, for the 12 months ended August 31, 2022, cash provided by operating activities decreased $5.3 million compared to the prior year, which was primarily the result of net changes in operating assets and liabilities, specifically changes in various components of working capital and non-current assets resulted in a $13.8 million use of cash for fiscal 2022 compared to providing $13.1 million of cash in fiscal 2021.

Another contributor to the changing cash flow from operations was our inventory position heading into the peak holiday season, which increased to $464.4 million as of August 31, 2022 versus $389.7 million as of August 31, 2021. This was due to a combination of factors, including purchasing patterns, inflation, pending pockets of excess inventory and the addition of 3 new clubs. Our goal is to decrease our inventory days on hand as we continue to right-size our inventory balance.

Net cash used in investing activities decreased by $42 million for the 12 months ended August 31, 2022 compared to the prior year, primarily due to the decrease in the current period of the purchases of certificates of deposit due to improved availability of US dollars in Trinidad. With respect to Trinidad, our balance of Trinidad-dollar-denominated cash, cash equivalents and short- and long-term investments measured in US dollars further improved this year, decreasing $27.9 million from our fiscal 2021 ending balance of $52.9 million to approximately $25 million.

Net cash used in financing activities decreased by $82.9 million, primarily due to lower net repayments of short-term debt compared to the same 12-month period a year ago, when we were repaying short-term facilities accessed at the early stages of the COVID-19 pandemic and obtaining additional financing.

In closing, although our results for the quarter were impacted by some continued margin compression, we believe that the fundamentals of our business remain strong, as evidenced by our strong sales growth and solid membership sign-ups and renewal rate. We are proud of the entire PriceSmart team for working through the recent merchandise challenges and positioning us for a strong 2023. We are excited about the upcoming holiday season and we believe our value proposition, the investments we are making in our team and technology and how we conduct our business resonates with our members and within our communities.

Before I turn the call over to the Operator, I want to remind everyone, as we look forward to our fiscal 2023 first-quarter results, that when comparing these results to the prior year in the first quarter of fiscal 2022 we recorded a nonrecurring gain from our disposal of Aeropost, which positively impacted earnings by $0.05 a share.

With that, I will turn the call over to the Operator to take your questions.

Questions and Answers:

Operator: We will now begin the question-and-answer session. [Operator Instructions] The first question today comes from Jon Braatz with Kansas City Capital.

Jon Braatz: Good morning Sherry, Mike. Sherry, I appreciate the color on Columbian and levers you can pull and so on. But the currency has depreciated quite a bit. Generally speaking, in broad terms, what are you seeing from the consumer and consumer behavior in Columbia as a result of the weakness in the Columbian peso? How is that affecting the consumer in Columbia?

Sherry Bahrambeygui: Well, just like you would expect, there is a bit more conservatism and their shopping patterns are tilting more towards essentials and basic goods. We're seeing fewer items in the basket and people are being much more measured. But our -- I mean, we've given you the results of our overall performance there. I do believe there's an opportunity for us. And we've seen it in certain circumstances in the past, where when people become more disciplined about their spending we play an even more important role, because we're known in our communities to not gauge, not play a high/low game. If we make a mistake, we make it in favor of the member. And we work extremely hard to get the best value we can to our members.

So there's a conservatism, absolutely. And we're seeing it. But we're seeing it in other markets as well. But we're also seeing that we're very well received. I mean, if you look back, our membership base has grown there. We went through a period a couple years ago where there was some retracting, but now we've been building again for FY22. But '23 may be challenging. It may be challenging. I mean, it's just the reality. So it's our job to do everything we can. And there are opportunities. It's amazing. There are opportunities where, like, looking at our categories and our SKUs one by one, something that I don't think we've done in the past, go to that level. But we can be very strategic about our pricing structure on items and continue to earn the faith and the trust of the members so they continue to not only shop with us, but rely on us and perhaps even win more business from them.

Jon Braatz: Okay. Sherry, you talked about your September sales and there's a little bit of relative softness in the comps versus what we saw in the fourth quarter. Is that more broad-based or is that something more isolated to the issues that we're seeing in Columbia?

Sherry Bahrambeygui: Well, Columbia had a significant, [overly] significant, part of that. But we've had -- I think Michael just shared with you in Central America we had pretty strong positive comps in all markets except for Guatemala and, let's see here. . .

Jon Braatz: Okay . . .

Michael McCleary: [Indiscernible]

Jon Braatz: Okay. . .

Sherry Bahrambeygui: Yes. Michael?

Jon Braatz: Yes. Go ahead.

Sherry Bahrambeygui: Let me see if Michael's got . . .

Michael McCleary: Yes. We did disclose in the 10-K a little bit of flavor about kind of recent results in Columbia.

Jon Braatz: Oh, okay.

Michael McCleary: There's a little bit of extra flavor for Q4 and September . . .

Jon Braatz: Okay. I must have missed that one. Speaking of the 10-K, Mike, there's a little sentence in there that says about your export sales how you might be exploring opportunities in other markets beyond the Philippines. And I don't know if you've mentioned that before. I don't recall. But is there something -- is there a new opportunity there you're working on?

Sherry Bahrambeygui: Jon, we have a pretty seasoned executive who is looking for opportunities for us to be able to sell through either a licensee or sell in other markets. And it's not material yet in terms of these new opportunities, so I'd prefer to wait and report on it when we've got some good results to share with you. But there are some -- there's some progress that's being made on two fronts and one is a very new idea, but that would allow us to have some additional income in the US when we generate sales and profits from duty export sales.

Jon Braatz: Okay. All right. 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 want to thank all of you and our employees and our investors for being part of our endeavor here to continue to bring good value to the members and do good things in our markets, especially during challenging times. We're very proud of our results and we're committed to doing the very best we can as we go into 2023.

So hope you all have a good day.

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