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Market Intelligence

PriceSmart, Inc. NasdaqGS:PSMT

Earnings Call

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Call Participants

EXECUTIVES

Michael L. McCleary

*Executive VP, CFO & Principal
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Robert E. Price

Founder, Interim CEO & Chairman

ANALYSTS

Héctor Manuel Maya López

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Presentation

Operator

Good afternoon, everyone, and welcome to PriceSmart, Inc.'s Earnings Release Conference Call for the Second Quarter of Fiscal year 2024, which ended on February 29, 2024. After remarks from our company's representatives, Robert Price, Interim Chief Executive Officer; and Michael McCleary, Chief Financial Officer, you will be given an opportunity to ask questions as time permits. As a reminder, this conference call is limited to 1 hour and is being recorded today, Wednesday, April 10, 2024. A digital replay will be available following the conclusion of today's conference call through April 17, 2024 by dialing 1 (888) 660-6264 for domestic callers or 1 (646) 517-3975 for international callers and by entering the replay access code 59511#.

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

Michael L. McCleary

Executive VP, CFO & Principal Accounting Officer

Thank you, operator, and welcome to PriceSmart Inc.'s earnings call for the second quarter of fiscal year 2024, which ended on February 29, 2024. We will be discussing the information that we provided in our earnings press release and our 10-Q, which were both released yesterday afternoon, April 9, 2024.

Also, in these remarks, we refer to non-GAAP financial measures. You can find a reconciliation of our non-GAAP financial measures to the most directly comparable GAAP measures in our earnings press release and our 10-Q. These documents are available on our Investor Relations website at investors.pricesmart.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, plan, will, may, should, estimate and some other expressions. All forward-looking statements are based on current expectations and assumptions as of today, April 10, 2024. 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, the quarterly report on Form 10-Q filed yesterday and other filings with the SEC, which are accessible on the SEC's website at www.sec.gov.

These risks may be updated from time to time. The company undertakes no obligation to update forward-looking statements made during this call.

Now I will turn the call over to Robert Price, PriceSmart's Interim Chief Executive Officer.

Robert E. Price

Founder, Interim CEO & Chairman

Thank you, Michael. I want to extend my appreciation to everyone at PriceSmart for contributing so much to a very successful second quarter. I especially want to acknowledge a few of our warehouse club managers whose locations were challenged operationally because of the very high sales volumes during December.

I also want to thank our merchandising teams in the U.S. and in our countries for their outstanding management of inventory flow during the holidays resulting in strong sales, low markdowns and excellent inventory churn.

Now I will ask Michael to continue with his presentation.

Michael L. McCleary

Executive VP, CFO & Principal Accounting Officer

Thank you, Robert. We had a strong second quarter as both total revenues and net merchandise sales reached almost \$1.3 billion. During the first half of our fiscal year, Total revenues and net merchandise sales reached almost \$2.5 billion and \$2.4 billion, respectively. During the second quarter, net merchandise sales increased by 13% or 9% in constant currency and comparable net merchandise sales increased 8.8% or 5.2% in constant currency. For the first half of the fiscal year, net merchandise sales increased by 11.9% or 8% in constant currency and comparable net merchandise sales increased by 8.4% or 4.7% in constant currency.

By segment, in Central America, where we had 30 clubs at quarter end, net merchandise sales increased 12.4% or 8.8% in constant currency with an 8.1% increase in comparable net merchandise sales or 4.6% in constant currency. All of our markets in Central America had positive comparable net merchandise sales growth. Our Central America segment contributed approximately 500 basis points of positive impact to the growth in consolidated comparable net merchandise sales for the quarter. We opened our sixth warehouse club in Guatemala in November 2023 and our fourth warehouse club in El Salvador, in February 2024.

In the Caribbean, where we had 14 clubs at quarter end, net merchandise sales increased 7.2% or 8.9% in constant currency and comparable net merchandise sales increased 6.3% or 8% in constant currency. All of our markets in this segment had positive comparable net merchandise sales growth. Our Caribbean region contributed approximately 180 basis points of positive impact to the growth in consolidated comparable net merchandise sales for the second quarter.

In Colombia, where we had 10 clubs opened at the end of our second quarter, net merchandise sales increased 34.5% or 11% in constant currency and comparable net merchandise sales increased 20.7% but decreased 40 basis points in constant currency. Colombia contributed approximately 200 basis points of positive impact to the growth in consolidated comparable net merchandise sales for the quarter.

In terms of merchandise categories, when comparing our second quarter sales to the same period in the prior year, our foods category grew approximately 7%, our non-foods category increased approximately 13%, our food services and bakery categories increased approximately 24% and our health services, including optical, audiology and pharmacy increased approximately 48%.

Membership accounts grew 5% and versus the prior year to almost 1.9 million accounts with a strong 12-month renewal rate of 88.3% at the end of our second quarter. Membership income for the second quarter was \$18.5 million, an increase of 14.6% over the same period last year. In the first 6 months of fiscal year 2024, we raised the annual membership fee for 2 cards by \$5 for all membership types in most markets. Platinum membership accounts were 9.6% of our total membership base as of the end of our second quarter, an increase from 8.2% as of the end of our prior year second quarter.

Total gross margin for the second quarter of fiscal year 2024 as a percentage of net merchandise sales decreased 30 basis points to 15.7% versus 16% in the second quarter of fiscal year 2023. The 30 basis point decrease in rate was primarily due to the removal of a COVID premium from merchandise pricing and a reduction in liquidity premiums for items sold in Trinidad. Total gross margin increased to \$19.7 million or approximately 11% versus the same quarter of the prior fiscal year. Total revenue margins decreased 20 basis points to 17.1% of total revenue when compared to the same period last year, primarily due to the decrease in total gross margin as a percent of net merchandise sales.

During the second quarter, our average sales ticket grew by 2.7% and transactions grew 10% versus the same period in the prior year. For the 6-month period, our average ticket grew by 2.5% and transactions grew 9.1% versus the same prior year period. The average price per item increased approximately 3.9% year-over-year with average items per basket decreasing approximately 1.4% compared to the same period of the prior year.

Total SG&A expenses decreased to 12.2% of total revenues for the second quarter of fiscal year 2024 compared to 12.6% for the second quarter of fiscal year 2023. This 40 basis point decrease is largely due to \$7.7 million of separation costs associated with the Chief Executive Officer departure recorded in the prior year period.

General and administrative expenses increased 3% of total revenues for the second quarter of fiscal year 2024 compared to 2.8% for the second quarter of fiscal 2023. The 20 basis point increase is primarily due to increased compensation costs and travel, along with certain nonrecurring professional fees. Following our second quarter purchase of our formerly leased Via Brasil Club in Panama, we expect annualized after-tax savings of approximately \$1.1 million from reduced rent and depreciation due to the longer useful lives expected from this property as a result of its acquisition.

However, this will initially be largely offset by approximately \$1 million in related annualized after-tax financing costs. Operating income for the quarter increased 18.2% from the same period last year to \$63.6 million. Operating income for the first 6 months of fiscal year 2024 increased to 11.4% from the same period last year to \$121.8 million. In the second quarter of fiscal year 2024 we recorded a \$7.1 million net loss and total other expense compared to a \$6.2 million net loss in the same period last year. This increase is primarily due to increased foreign currency revaluation losses of \$1.2 million, which were primarily related to the impact of the strengthening of the Costa Rica Colon on our U.S. dollar cash balances and an increase in transaction costs for conversion of illiquid currencies of \$0.4 million.

These expenses were partially offset by higher interest income of \$1.3 million from significantly more investments of surplus cash at higher yields. Our effective tax rate for the second quarter of fiscal 2024 came in lower than last year at 30.5% versus 34% a year ago. The decrease in the effective tax rate is primarily due to nonrecurrence of the separation costs associated with the CEO departure in the prior year and the discrete impacts related to foreign currency transactions during the quarter. On a go-forward basis, we estimate an annualized effective tax rate of about 31% to 32%.

Net income for the second quarter of fiscal year 2024 was \$39.3 million or \$1.31 per diluted share compared to \$31.3 million or \$1.02 per diluted share in the second quarter of fiscal 2023. Net income for the first 6 months of fiscal 2024 was \$77.3 million or \$2.54 per diluted share compared to \$64.3 million or \$2.07 per diluted share in the comparable prior year period.

Adjusted net income for the second quarter of fiscal 2024 was \$39.3 million or an adjusted \$1.31 per diluted share compared to adjusted net income of \$38.5 million or an adjusted \$1.25 per diluted share in the comparable prior year period.

Adjusted EBITDA for the second quarter of fiscal 2024 was \$84.1 million compared to \$79.4 million in the same period last year. Adjusted net income for the first 6 months of fiscal year 2024 was \$77.3 million or an adjusted \$2.54 per diluted share compared to adjusted net income of \$73.6 million or an adjusted \$2.37 per diluted share in the comparable prior year period. Adjusted EBITDA for the first 6 months of fiscal 2024 was \$161.9 million compared to \$154.6 million in the same period last year.

Moving on to our strong balance sheet. We ended the quarter with cash, cash equivalents and restricted cash totaling \$182.6 million. From a cash flow perspective, net cash provided by operating activities totaled \$127.7 million for the first 6 months of fiscal year 2024 compared to \$116.7 million for the same prior year period. Shifts in working capital generated from changes in our merchandise inventory and accounts payable positions for the first 6 months of the fiscal year contributed \$8.7 million of additional cash flow compared to the same prior year period. Net cash used in investing activities increased by \$9.2 million for the first half of fiscal 2024 compared to the same prior year period, primarily as a result of an increase in purchases of short-term investments and additions to property and equipment.

Net cash used in financing activities during the first 6 months increased by \$89.3 million, primarily from the result of the share buyback program we completed during the quarter and lower proceeds from long-term bank borrowings compared to the same period a year ago. When reviewing our cash balances, it is important to note that as of the end of our second quarter, we had \$63.8 million of cash, cash equivalents and short-term investments denominated in local currency and Trinidad and Honduras, which we cannot readily convert to U.S. dollars.

On February 1, 2024, the company's Board of Directors declared its annual cash dividend in the total amount of \$1.16 per share, with \$0.58 paid in February and \$0.58 payable in August. This represents a 26% increase over last year's \$0.92 per share dividend. The decision to increase the annual dividend by

26% by the Board of Directors reflects the Board's confidence in price mark and the strength of its cash generating activities.

Additionally, the company has decided to distribute excess cash to stockholders in the form of a special dividend. On April 3, 2024, our Board of Directors declared a onetime \$1 per share special dividend payable on April 30, 2024, to stockholders of record on April 19, 2024. Now on to our growth drivers. Starting with real estate. We are thrilled to have opened our Santa Ana Club, in El Salvador on February 15, 2024. The Santa Ana Club is our fourth club in El Salvador and our 54th warehouse club overall.

We have also purchased land and plan to open our ninth warehouse club in Costa Rica located in Cartago approximately 10 miles east from the nearest clubs in the greater San Jose Metropolitan area. This club will be built on a 6-acre property and is anticipated to open in early 2025. Once this new club is open, we will operate 55 warehouse clubs in total.

Additionally, we are currently remodeling several of our high-volume clubs, which are in San Pedro Sula, Honduras, Santiago Dominican Republic and Port of Spain, Trinidad and Tobago as well as expanding one of our clubs in San Salvador, El Salvador. As mentioned previously, we have completed the purchase of our Via Brasil Club in Panama from our previous landlord. Our Via Brasil Club is the club with the highest sales volume in our Panama market and we are very happy that through this acquisition, we can lock in long-term certainty as to our access to this key location in Panama.

Finally, we continue to actively seek ways to improve our distribution infrastructure to better serve our members, lower the net landed cost of our merchandise and enhanced operating efficiencies. In this respect, we have made significant progress towards consolidating deliveries of merchandise purchased from local vendors directly to our new distribution center in Panama. We have also recently signed a lease agreement for a distribution center in Guatemala and approved plans to build a distribution center in Trinidad on lease plan.

Turning now to membership value. As we've highlighted in previous calls, our private label member selection brand continues to be a significant area of focus based on the great value it brings to our members. During the first 6 months of fiscal year 2024 our private label sales represented 27.1% of our total net merchandise sales. That's up 120 basis points from 25.9% in the comparable period of fiscal year 2023. We also continue to focus on health services. We currently have 52 locations with optical centers and expect to have 53 open by the end of our fiscal year. Our optical program provides 4 free eye exams with every membership, and we performed over 38,000 eye exams during the quarter.

We currently have pharmacy centers in all 8 of our warehouse clubs in Costa Rica and 3 warehouse clubs in Panama. We expect to open 2 more pharmacies in Panama and 4 in Guatemala during the fiscal year. With respect to audiology centers, we currently have 26 centers open. We expect to open 2 additional centers in Panama and 1 center in each of Jamaica and Trinidad in fiscal year 2024.

Optical services are also an important component of our contributions to the communities in which our clubs are located. In partnership with Price Philanthropies Aprender y Crecer vision program, PriceSmart optometrists perform eye exams and Price Philanthropies purchases the glasses from our optical centers. We recently expanded our Aprender y Crecer vision program to Guatemala, where 40% of the children who participated in this program needed an eye exam and 90% of the children who received glasses received them for the first time.

Our annual Juntos por la educación or Together for Education campaign is an important funding source for the Aprender y Crecer Program. More than that is a prime example of PriceSmart, its members and the PriceSmart and Price Philanthropies foundations coming together to support education. Our most recent campaign took place in the fall of 2023 and set a new record of more than \$2.2 million in donations collected from members, both in club and through pricesmart.com. Price Philanthropies Foundation matched these donations dollar for dollar up to a maximum amount for each country, yielding an additional \$850,000 bringing the grand total raised to nearly \$3.1 million.

Our third growth driver is to drive sales by providing omnichannel shopping options for our members. These sales are primarily generated through pricesmart.com and our mobile app and are complemented

by other third-party last mile delivery services. During the second quarter, total net merchandise sales through digital channels increased 31% versus the same period in the prior year and represented a record \$63.7 million or 5.1% of total net merchandise sales. Total orders placed directly on pricesmart.com and our app increased 26.6% and the average transaction value increased 1.8% versus the prior year period. As of February 29, 2024, approximately 64% of our members had created an online profile with pricesmart.com or our app and 16.5% of our total membership base has made a purchase on pricesmart.com or our app. We believe that there are significant growth opportunities in our digital channel, and we will continue to invest in this part of our business to provide an enhanced omnichannel experience and additional value to our members.

Additionally, we are implementing a new tool called RELEX to modernize our supply chain management. We started this project in 2023, and it should be completed in 2025. RELEX is positioned to become an integral part of our strategy to enhance our inventory planning process, making it more efficient by making our operations data-driven, autonomous and adaptive. This partnership with RELEX is crucial as it resonates with our strategy to grow sales by offering high-quality goods at competitive prices, driven through supply chain efficiency and back-office productivity.

We plan to use RELEX to automate and increase the accuracy of our inventory forecasting as well as for pricing and promotion management.

Switching gears slightly, environmental and social responsibility continues to be an important component of how we approach our business and add value to the membership. We do our best to incorporate practices that use natural resources responsibly. Just to give a quick update, we currently have 7 recycling centers open with 2 in El Salvador, 3 in Honduras and 2 in Guatemala. On average, around 15,000 pounds of recycled material is being collected monthly in each location.

We are on track to open 4 recycling centers in the Dominican Republic and 1 more in Guatemala by the end of fiscal year 2024. You can find more information about PriceSmart's philanthropic and corporate social responsibility efforts on pricesmart.org.

Looking forward a little into our current third quarter, our comparable net merchandise sales for the 4 weeks ended March 31, 2024, were up 5.6% or 2.9% in constant currency with both Costa Rica and Colombia contributing positively from a foreign currency exchange rate perspective. It is important to note that this year-on-year comparison is impacted by the timing of the Easter holiday period, this year Good Friday when we closed all our clubs and Easter Sunday when we close our clubs in Aruba and Barbados fell in March, whereas last year they fell in April.

In closing, we are proud of another successful quarter, a great start to our third quarter and our team members who make it all possible. Thank you for joining our call today. I will now turn the call over to the operator to take your questions. Operator, you may now start taking our callers' questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from Mr. John Braatz from Oppenheimer.

Jonathan Paul Braatz

Oppenheimer & Co. Inc., Research Division

Robert, you mentioned in your opening comments that, obviously, December was a pretty good month, but you said there were some challenges in meeting that demand. Can you speak a little bit about those challenges? And did it impact the -- did you incur some additional costs?

Robert E. Price

Founder, Interim CEO & Chairman

Thanks for the question. I maybe didn't explain it very well. We have some locations. First of all, we did volumes in certain locations that really went beyond anything. I think I would have thought with they were capable of doing just based on the physical limitations of some of our locations. I really was trying to complement managers who were under tremendous stress just to move that volume through those locations on various days during December. I don't think per se that it resulted in additional expense, but I think it was very, very tough on our management team in a number of places just to deal with what was the throughput and sales inventory on hand.

But I think they handled it really well, and the expenses seem to be well in line, but it was tough. I mean, I don't know if I personally had to run one of those locations if I could do it.

Jonathan Paul Braatz

Oppenheimer & Co. Inc., Research Division

Okay. Turning to Colombia, the Colombia, the currency has strengthened there. Your comp store sales there were flattish in the quarter. It seems like the impression I'm getting is the overall market in Colombia is getting better. Can you speak maybe a little bit about the Colombian market? And how you see it generally speaking, in terms of the economic environment?

Robert E. Price

Founder, Interim CEO & Chairman

I think that for politically as well as financially, there's been a lot of improvements in Colombia in the last year and we're certainly reaping the benefits of those improvements. From my knowledge, I haven't been in Colombia in a while, and I'm planning a trip. I think we're running our business well. And I think our reputation there is really, really good from what we hear in the way our members seem to feel about it. There's been a lot of turnaround in Colombia. And I think the other thing to mention in Colombia is that we made a decision probably close to a year ago to become -- to reduce margins a bit and to change our pack sizes on some of the items that just had become too expensive under the large pack sizes.

And I think both of those actions have really strengthened our market position. I think we're in a pretty good place in Colombia. Unfortunately, it's still challenging to find locations in the big cities, Medellin and Bogota and we continue to work on that because we think there's more opportunity. But I feel pretty good about Colombia. I think we've got a good management team there, we have good buying there and things are really improving.

Jonathan Paul Braatz

Oppenheimer & Co. Inc., Research Division

Okay. And then lastly Robert or Michael, the new Costa Rican store, I think you noted it was 10 miles from the nearest store. When you open a new store in Colombia and other places, there is a little bit of cannibalization. Would you expect anything more or less from this new store opening versus what you've seen in the past?

Robert E. Price*Founder, Interim CEO & Chairman*

As far as the transfer of sales, there will be some transfer sales, and I think it will be more or less the way we would have had another Costa Rica locations where we're opening not too far away. On the other hand, our track record in Costa Rica has been that we backfill pretty quickly in terms of recovering those sales and have been transferred. And I think overall, because we're building our sales volume and market position in Costa Rica, we're going to buy better, distribute better and probably overall, it's going to help all the clubs just to have that extra club in the market.

Operator

Your next question comes from the line of Mr. Hector Maya from Scotiabank.

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

Robert and Michael, the first one would be regarding the kind of wide potential that you see for new openings down the road and aside from Colombia, where else would you be seeing the most opportunity?

And what would be the long-term potential for countries like El Salvador, Guatemala or others in the Caribbean like Jamaica, where potentially minimum wages could be a factor?

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

I'm going to make sure I understand your question. Are you -- was your question about opportunity in countries other than Colombia?

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

Yes. Aside from Colombia in markets like El Salvador, Guatemala or even Jamaica in the Caribbean, the widespread potential that you see there?

Robert E. Price*Founder, Interim CEO & Chairman*

I think without getting too specific, the -- there continue to be opportunities in some of those countries. And we're -- we continue to identify the right properties to take advantage of those opportunities. I don't want to be too specific. I think I could say regarding Hamaica or Jamaica, however you want to say it, that it's been a good market for us, and we think there is additional opportunity there. And I'd say the same thing about Guatemala and maybe El Salvador as well.

I mean I think also I feel really pretty good about those regions because with the change in our approach to sourcing in terms of that the big picture macro moving more production out of Asia to the region we're in, I feel that there are -- this is a very positive sign for the region and also for us. And that would include all the countries you mentioned.

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

Got it Very, very clear. And could you also please talk a bit more about the increase in general and administrative expenses with compensation and travel costs. And if you could give us also a sense of what happened in the nonrecurring expenses there, too.

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

Hector, yes, just basically, overall, we're continuing to review our compensation levels at all levels of management. And so there's some year-on-year increases there.

And the nonrecurring expenses were just some professional fees we incurred from some special projects that -- that won't have an impact going forward. So I mean, G&A in general, remember, we're investing in IT and we're investing in the management team. So it's going to fluctuate quarter-on-quarter based on sales increases and where we're going and I can fluctuate up and down a little bit as a percentage of sales.

Obviously, our goal in the long run is to leverage G&A as a percentage of sales because that helps us deliver better value to our members.

Robert E. Price

Founder, Interim CEO & Chairman

One thing I'd add to that, though, which certainly I agree with everything Michael has said. I think the real fundamental nature of the club business is to continue to find ways to be more efficient in the delivery of merchandise to the ultimate consumer. And Michael had mentioned, I believe, that we had recently opened a Panama distribution center. We are soon to open a Guatemala distribution center, and we're building a distribution center for Trinidad.

All those are very strategic decisions that we believe can leverage and improve expense ratios and inventory turn because of the fact that we can flow merchandise in a much more efficient way, we believe, and we've kind of proven it in Costa Rica, where we already have a distribution center. And those distribution centers have any other possibilities beyond just the flow of merchandise to our clubs as we get more into online shopping and dealing more with business-to-business members, we think these distribution centers will become quite strategic.

The way I think of the distribution center is going back to the early days of Price Club in 1976, in a sense, we were a distribution center. And so in a way, it's going back to our roots and especially as we focus more and more on the business-to-business segment in our business -- in our operations.

Héctor Manuel Maya López

Scotiabank Global Banking and Markets, Research Division

Excellent. That was a very, very good color. And the last one to if you could also share some further details on the performance seen in the other income and expenses, particularly with more color on the spike in other expenses during the quarter.

Michael L. McCleary

Executive VP, CFO & Principal Accounting Officer

Yes. I think Hector, I mentioned in the call that, that's pretty much from FX, and I called out 2 things in particular. We have this unique situation where we're sitting on a lot. I think we've talked about this in prior calls, we're sitting on a good amount of cash in U.S. that we convert into U.S. dollars from local currency. We hold out in our bank accounts in Costa Rica and the strengthening of the [Colon] has had unusual effect of hitting us from a P&L perspective.

So that's essentially unrealized losses on our U.S. dollar balances. We're a U.S. dollar-based company in the whole and we think from a long-term perspective, it's the right thing to do to transfer our -- convert our local currency balances into U.S. dollars, and that's what we generally do in all of our markets as long as we're able to. And we generally hold that because then we can redeploy it easier within the company. So we have some unusual fluctuations from foreign currency sometimes in some of the countries. In the past, you may recall, we've had similar issues with Jamaica.

So hopefully, that's a transitional issue. And then I also mentioned the -- that we continue to pay extra cost to convert the illiquid currencies that we have, such as Honduras and Trinidad into U.S. dollars, and that's also impacting that way.

Héctor Manuel Maya López

Scotiabank Global Banking and Markets, Research Division

Got it. I understand.

Michael L. McCleary

Executive VP, CFO & Principal Accounting Officer

Thank you, Hector.

Operator

Your next question comes from the line of John Braatz from Oppenheimer.

Jonathan Paul Braatz

Oppenheimer & Co. Inc., Research Division

Michael, just a follow-up. Given the currency issues in Honduras, have you implemented any pricing actions in that country similar to what you did in Trinidad? .

Michael L. McCleary

Executive VP, CFO & Principal Accounting Officer

We've taken some pricing actions, but in Honduras, and that's something that we're continuing to review. So yes, obviously, our goal is to hopefully be able to pay for those -- pay for those extra -- any extra costs we're incurring in countries where the currencies are illiquid. You may not kind of like the I mentioned for Costa Rica, may not match on an accounting basis, but from an economic [indiscernible] credit line goes up.

Robert E. Price

Founder, Interim CEO & Chairman

I just add one thing too. This is very top of the agenda for Michael and myself. We've spent a lot of time talking about Honduras and trying to identify variety of ways to balance the challenge we have with illiquidity, but also making sure that we don't harm the business long-term. Balancing act.

And I think we're on top of it, but this is part of the nature of where we do business. These are countries that have a lot of challenges. We've gotten pretty good at it, but the reality is we go through these periods where it costs money to reserve a business -- pretty good business. And so we're looking at a lot of alternatives for how to deal with the Honduras situation, but it is a significant challenge. And we're on it.

Jonathan Paul Braatz

Oppenheimer & Co. Inc., Research Division

Okay. Good. And then lastly, Michael, are all the membership increases fully in place as of this time? Or do you have some more to go?

Michael L. McCleary

Executive VP, CFO & Principal Accounting Officer

Most of them are in place, substantially all of them, but not quite all of them. We haven't given any details about countries or volume, but most of them are.

Operator

There are no further questions at this time. I'll hand the call over back to Michael McCleary. Please go ahead.

Michael L. McCleary

Executive VP, CFO & Principal Accounting Officer

Okay. Thank you, everybody. That wraps up our call today. I hope you all have a great day. Bye.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

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