

07 - 14 - 2025

PriceSmart

Pricesmart Q3 2025 Earnings Release Conference Call

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CORPORATE SPEAKERS:

Michael McCleary

PriceSmart; Executive Vice President of Finance

Robert Price

PriceSmart; Interim Chief Executive Officer

David Price

PriceSmart; Incoming Chief Executive Officer

PARTICIPANTS:

Jon Braatz

Kansas City Capital; Analyst

Hector Maya

Scotiabank; Analyst

PRESENTATION:

Operator^ Good afternoon, everyone. Welcome to PriceSmart, Inc.'s Earnings Release Conference Call for the third quarter of Fiscal Year 2025, which ended on May 31, 2025.

After remarks from our company's representatives, Robert Price, Interim Chief Executive Officer, David Price, Executive Vice President and Chief Transformation Officer and incoming CEO, and Michael McCleary, Executive Vice President - Finance, 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 Monday July 14, 2025. A digital replay will be available shortly following the conclusion of the call through July 21, 2025 by dialing (888) 660-6264 for domestic callers, or (646) 517-3975 for international callers, and entering replay access code 90598#.

For opening remarks, I would like to turn the call over to PriceSmart's Executive Vice President of Finance, Michael McCleary. Please proceed, sir.

Michael McCleary^ Thank you, Operator. Welcome to PriceSmart, Inc.'s earnings call for the third quarter of fiscal year 2025, which ended on May 31, 2025.

We will be discussing the information that we provided in our earnings press release and our

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10-Q which were both released on July 10, 2025. 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.pricemart.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 July 14, 2025. 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 on July 10, 2025, 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 Price^ Thank you, Michael and good day everyone. Welcome to our third quarter earnings call.

As we have previously announced, David Price will be PriceSmart's new Chief Executive Officer; effective September 1, 2025. David is very well prepared for his CEO responsibilities.

I am looking forward to working with David in my role as Executive Chairman of our Company. I would also like to acknowledge Michael McCleary for his many years of dedicated service to our Company, most recently as Chief Financial Officer.

With Michael's retirement, I welcome Gualberto Hernandez as PriceSmart's new Chief Financial Officer. Gualberto comes with well prepared for his new responsibilities with significant senior executive financial experience including working in the retail industry in South America.

As always, I want to express my appreciation to our 12,000 employees for their dedication to PriceSmart.

We are so proud of their many contributions to PriceSmart's success. Finally, I want to thank our stockholders for their support and continuing confidence. Now it is my pleasure to turn the meeting over to David.

David Price^ Thank you, Robert and good morning, everyone. Let me begin by sharing how honored I am to step into the role of CEO of PriceSmart effective September 1st.

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Building on the legacy of my father and grandfather, Sol Price, I'm committed to leading with the same values that have guided this company from the beginning of integrity, excellence, and community. Values that are centered on our employees, Members, providers and the communities where we operate.

Over the past decade, I've had the opportunity to work across many areas of the business - from launching and scaling our digital commerce business to advancing our sustainability efforts - and more recently to partnering closely with Robert, John Hildebrandt and the executive team on our broader operations. These experiences have deepened my understanding of what makes PriceSmart different - our purpose, our people and our model and sharpen my view of where we can go from here.

As I step into this role, my priorities are grounded in our core values: prioritizing the welfare of our employees, delivering exceptional value to our Members, raising the bar on execution and innovation, and driving sustainable, long-term results for our shareholders.

As we shared in May, Gualberto Hernandez joined PriceSmart as CFO on June 1st. He brings strong experience in strategic finance and operations, most recently at the Estee Lauder Companies. Michael McCleary will be retiring after more than 20 years of PriceSmart including the last five as CFO.

I want to thank Michael for his outstanding service and welcome Gualberto to the team.

Now moving on to the main factors and strategic priorities we are focused on to continue increasing sales and vendor value, starting with real estate.

In April 2025, we opened a new warehouse club in Cartago near the capital of San Jose in Costa Rica. Additionally, we plan to open our seventh warehouse club in Guatemala located in Quetzaltenago, approximately 122 miles west from the nearest cloud in the capital of Guatemala City. This club is in the final phases of construction and is expected to open in August.

In the third quarter of fiscal year 2025, we purchased land and plan to open our sixth warehouse club in the Dominican Republic. Located in La Romana, approximately 73 miles east from the nearest club in the capital of Santo Domingo. The club will be built on a 5-acre property and is anticipated to open in the spring of 2026. Once these two new clubs are open, PriceSmart will operate 57 warehouse clubs.

We continue to pursue opportunities to expand in our existing markets and to assess opportunities in new markets. In particular, we are currently evaluating Chile as a potential new market for PriceSmart. We have hired local consultants to help us in this process and are

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actively looking for potential sites in Chile. Having recently visited Chile myself, together with other members of our leadership team, I am excited about the potential opportunities this market offers us. However opening PriceSmart in Chile remains subject to our completing our market analysis, finding appropriate sites, and securing permits.

We continue to strengthen our distribution and logistics infrastructure to better serve our members. Today we operate major distribution centers in Miami, Costa Rica, and Panama. In fiscal year 2026, we plan to upgrade our Panama DC to support cold products and to open new DCs in Guatemala, Trinidad, and the Dominican Republic. These local facilities are expected to improve product availability, reduced lead times, and lower landed costs.

Along with these new DCs, we are currently testing distribution consolidation in China to streamline shipments directly to our markets. We are exploring ways to enhance logistics in our multi-club markets by utilizing the combination of PriceSmart-managed and third-party operations. In certain countries, we have also introduced the use of our own fleet of trucks to transport merchandise directly to the clubs.

And a last word on distribution and logistics. As international trade becomes more complex, our Free Trade Zone operations in the U.S. and Costa Rica give us a strategic advantage by allowing us to consolidate and export goods without duties or tariffs. We're actively pursuing strategies such as supply chain diversification, expanded offshore consolidation and increased free trade zone utilization all to improve efficiency and help offset rising costs for our Members.

Turning now to other ways, we are enhancing our membership beyond low prices.

Our private label, Member Selection remains a key part of our value proposition. These high-quality, competitively priced products offer meaningful savings without compromising on quality. For the first nine months of FY 2025, private label sales represented 27.7% of total merchandise sales, up 30 basis points from the same period last year.

In Central America, we've renewed and enhanced our co-branded consumer credit card with BAC effective July 2025. The new agreement offers increased cash back rewards on purchases at PriceSmart, pricesmart.com, BAC's travel program and other retailers and services, adding even more value for our members.

We continue to invest in omnichannel capabilities to meet our members where they are. In Q3, digital channel sales reached \$79 million, a 19.8% increase year-over-year, representing 6.1% of total net merchandise sales, our highest digital contribution to date. Orders placed directly through our website or app grew 16.7% with average transaction value up 3.2%.

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As of May 31, 62% of our members had created an online profile and nearly one third of those have made a purchase online. We see continued opportunity in this space, and we'll keep investing to enhance the digital experience we offer to our members.

We're also modernizing our processes and technology. Taking one example, our migration to the RELEX platform is well underway and expected to be substantially operational by year-end. This upgrade enhances employee productivity and is designed to improve inventory management, reduce spoilage and increase in-stock availability, driving both sales and efficiency.

Lastly, we recently released our fiscal year 2024 sustainability report, highlighting our commitment to environmental and social responsibility. The full report is available at investors.pricemart.com, under the ESG tab, and more information can be found at pricesmart.org.

With that, I'll turn it over to Michael McCleary for the financial review.

Michael McCleary^ Thank you, David.

We had a strong third quarter as net merchandise sales reached almost \$1.3 billion, and total revenue was over \$1.3 billion. During the first nine months of our fiscal year, net merchandise sales reached over \$3.8 billion and total revenue was over \$3.9 billion. During the third quarter, net merchandise sales increased by 8% or 9.5% in constant currency and comparable net merchandise sales increased by 7% or 8.5% in constant currency. For the first nine months of the fiscal year, net merchandise sales increased by 7.2% or 8.2% in constant currency and comparable net merchandise sales increased by 6.5% or 7.6% in constant currency.

By segment, in Central America, where we had 31 clubs at quarter end, net merchandise sales increased 7.5% or 7.6% in constant currency, with a 5.7% increase in comparable net merchandise sales or 5.9% in constant currency. All of our markets in Central America had positive comparable net merchandise sales growth. Our Central America segment contributed approximately 350 basis points of positive impact to the growth in total consolidated comparable net merchandise sales for the third quarter.

In the Caribbean, where we had 14 clubs at quarter end, net merchandise sales increased 8.2% or 9.7% in constant currency and comparable net merchandise sales increased 8.6% or 10.1% in constant currency. Our Caribbean region contributed approximately 240 basis points of positive impact to the growth in total consolidated comparable net merchandise sales for the third quarter.

In Colombia, where we had 10 clubs open at the end of our third quarter, net merchandise sales increased 10.1% or 19.3% in constant currency and comparable net merchandise sales

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increased 9.9% or 19.1% in constant currency. Colombia contributed approximately 110 basis points of positive impact to the growth in total consolidated comparable net merchandise sales for the quarter.

In terms of merchandise categories, when comparing our third quarter sales to the same period in the prior year, our foods category grew approximately 7.8%, our nonfood category increased approximately 9%, our food services and bakery categories increased approximately 6.7% and our health services including optical, audiology and pharmacy increased approximately 13.9%.

Membership accounts grew 5.1% versus the prior year to almost 2 million accounts with a 12-month renewal rate of 88% as of May 31, 2025.

A key driver of our membership strategy is the Platinum membership, which is designed to offer even more value to our most engaged members. Platinum members enjoy exclusive benefits including an annual cash back reward on eligible purchases, which directly translates to savings that reward loyalty and increased purchasing power. Platinum accounts as of May 31, 2025, represented 16.1% of our total membership base, an increase from 11% in the prior year third quarter and 12.3% as of August 31, 2024. This increase is due to additional focus on growing this important segment of our membership, which included platinum promotional campaigns during fiscal years 2024 and 2025.

Total gross margin for the quarter as a percentage of net merchandise sales increased 20 basis points to 15.8% and \$17.5 million or approximately 9.4% versus the same prior year period.

Total revenue margins increased 30 basis points to 17.4% of total revenue when compared to the same period last year.

During the third quarter, our average sales ticket grew by 1.9% and transactions grew 6% versus the same prior year period. The average price per item remained relatively flat year-over-year while average items per basket increased approximately 1.8% compared to the same period of the prior year.

Total SG&A expenses increased to 13.2% of total revenues for the third quarter of fiscal year 2025 compared to 13% for the third quarter of fiscal year 2024 and increased 12.8% versus 12.6% for the 9-month period ended in May. The 20 basis point increase of SG&A as a percentage of revenue primarily related to planned technology investments to support the future growth of our business.

Operating income for the third quarter of fiscal year 2025 increased 12.7% from the same period last year to \$56.2 million. Operating income for the first nine months of fiscal year 2025 increased 4.7% from the same period last year to \$179.8 million.

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In the third quarter of fiscal year 2025, we recorded a \$7.2 million net loss in total other expense compared to a \$2.9 million net loss and total other expense in the same period last year. This increase is primarily driven by an increase in unrealized losses in value of U.S. dollar monetary assets and liabilities in several of our markets.

This increase was also driven by an increase in our cost of premiums to convert local currency into U.S. dollars from \$3.8 million in the prior year to \$4.8 million in the current year.

Our effective tax rate for the third quarter of fiscal year 2025 came in at 28.4% versus 30.8% a year ago. Our effective tax rate for the first nine months of fiscal year 2025 was 27.3% compared to 31.3% for the prior year period. The decrease in the effective tax rate is primarily related to our implementation of certain tax optimization initiatives at the end of fiscal year 2024.

On a go-forward basis, we estimate our annualized effective tax rate will be approximately 27% to 29%.

Net income for the third quarter of fiscal year 2025 was \$35.2 million or \$1.14 per diluted share compared to \$32.5 million or \$1.08 per diluted share in the third quarter of fiscal year 2024. Adjusted EBITDA for the third quarter of fiscal year 2025 was \$79 million, compared to \$71 million in the same period last year.

Net income for the first nine months of fiscal year 2025 was \$116.3 million or \$3.80 per diluted share compared to \$109.8 million or \$3.62 per diluted share in the comparable prior year period. Adjusted EBITDA for the first nine months of fiscal year 2025 was \$245.1 million compared to \$232.9 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 \$183.1 million, plus approximately \$94 million of short-term investments. When reviewing our cash balances, it is important to note that as of May 31, 2025, we had \$75.9 million of cash, cash equivalents and short-term investments denominated in local currency and interest which we could not readily convert into U.S. dollars.

This is a decrease from the \$77.3 million at the end of the second quarter of fiscal year 2025, driven by our ability to reduce our position in Honduras lempiras during the third quarter. While we have seen improvement in availability in Honduras of U.S. dollars during fiscal year 2025, we continue to monitor the situation actively as the underlying limitations on availability of U.S. dollars persist.

From a cash flow perspective, net cash provided by operating activities increased \$13.4 million for the first nine months of fiscal year 2025, largely due to improved operating results.

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Net cash used in investing activities decreased by \$53.6 million for the first nine months of fiscal year 2025 compared to the prior year, primarily due to a \$40.3 million decrease in property and equipment expenditures and a \$14 million increase in proceeds from settlements and purchases of short-term investments compared to the same nine-month period a year ago.

Net cash used in financing activities during the first nine months of fiscal year 2025 decreased by \$82.4 million, primarily the result of fewer repurchases of our common stock partially offset by an increase in repayments of and a decrease in proceeds from long-term bank borrowings compared to the same period a year ago.

Looking forward a little into our current fourth quarter, our comparable net merchandise sales for the four weeks ended June 29, 2025, were up 7.7% in both U.S. dollars and constant currency.

In closing, we are excited to be able to share these pivotal investments that we have made in our continued commitment to operational efficiency and excellence. We believe these changes will continue to enhance the member experience, creating a mutually beneficial relationship built on trust, value and innovation. Thank you for joining our call today.

Before turning the call over for questions, we would like to request that due to the CEO and CFO transition process, and that due to travel schedules, we were not able to all be on the same location today. We would like to request that you direct your questions on today's call to Robert or myself. I will now turn the call over to the operator to take your questions. Operator, you may now start taking our caller's questions.

Operator^ (Operator Instructions) Your first question comes from Jon Braatz with Kansas City Capital.

Jon Braatz^ Michael, a question on your Trinidad funding plans that you discussed in the 10-Q. How does that help solve your conversion convertibility issue in Trinidad? And how do you see the impact on the P&L and maybe your liquidity premium that you're charging?

Then lastly, does -- because -- I guess your -- it's a Trinidad, Jamaica type of transaction, does that generate an additional currency issue when you have the conversion between Trinidad and Jamaica?

Michael McCleary^ Jon, great question. Thanks. So basically, there's a few -- there are several different components of these transactions, right?

There's a total of up to \$65 million. The cleanest and simplest, if you will, is the U.S. dollar loan for \$15 million in which we repay in Trinidad dollars.

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So that obviously gives us a direct connection to work down our Trinidad payables. The other \$50 million, as you brought up, there's a piece that's in Jamaican dollars, but it's -- but it's indexed to US dollars so there won't be any additional exposure from the Jamaican currency. It's just a matter of where the investors were that were subscribing to pieces of that transaction.

So the maximum FX exposure to this transaction would be between the Trinidad and the U.S. dollar for the \$50 million, not for the \$15 million that we pay back in Trinidad dollars and no additional Jamaican exposure.

As far as the purpose, I mean it's just another tool for our toolbox here. Obviously just like most of the rest of the countries, we're in Trinidad, about half of our merchandise is imported.

[Technical issues – Please see complete answer below]

Hector Maya^ Robert, Michael, I just wanted to know if you could please share with us the thinking process that went into your strategic decision to consider Chile for future openings over other markets?

And also to understand how you are thinking in terms of the potential for that market to understand what was so appealing about this opportunity? And also how open you could be to considering other opportunities in the region?

Robert Price^ So Hector, I'll respond here. You really have two questions, I think. One is the considerations that went into consider -- our decision or at least almost decisioned, we haven't finalized everything to enter the market in Chile and then other markets that we might be considering, I think that would -- those were your questions. Is that right? I don't know where he is now Hector.

Okay. Well regarding the considerations that went into our -- at least pretty possible decision to open into it.

We haven't really finalized everything, it's the fact that Chile has a strong middle class, the economics are good, has a good trade relation and tax relationship between the United States and Chile and very stable government.

I think in a lot of our countries, we are challenging in terms of some of the political and economic issues that we face in our countries. Chile is -- we believe it would be a much more stable and more developed countries.

So we think it would be a positive market and also the market in Chile, we think we could do well because of the strong middle class.

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As far as other markets Latin America. At the moment, we aren't doing any serious study of any other markets, but we would continue to assess opportunities that might come up but nothing to report really on that.

Michael McCleary^ Well once again I do want to apologize for those technical difficulties. Last few calls have been very smooth.

Sorry about that. I want to go back to Jon's question here. I don't think we have him on the line anymore, but let me just try to recreate that and see if I cover the part of the pieces of Jon's question.

Jon was asking about the Trinidad financing arrangements and how that affects our liquidity situation in Trinidad to the extent you haven't already heard this answer, I don't think it went through. The -- of the up to \$65 million financing that we have arranged that we expect to fund in Q4, \$15 million of that is -- we will receive proceeds in U.S. dollars and we will be paying Trinidad dollars.

So that gives us a clear path towards converting our Trinidad dollars into U.S. dollars. The other \$50 million is going to be primarily in U.S. dollars. Some of it is actually tied to Jamaican dollars. But from our perspective, the liabilities in U.S. dollars is indexed to U.S. dollars.

So we're not introducing any third currency as far as volatility to the U.S. dollar Jamaican dollar exchange rate. It will just be U.S. dollar turned for that \$50 million entirely and that was just a convenience factor for certain of the investors that are part of that deal.

Then overall, that's just another -- the \$50 million is just another tool in our toolbox about -- just like the rest of our countries, about 50% of our products are sold that are sold in Trinidad is imported which means we have U.S. dollar vendors, primarily through PriceSmart, Inc. that need to be paid.

And so this will allow PriceSmart Trinidad to pay money up to PriceSmart, Inc who can then pay on to their vendors and then give us a path to spread that conversion over several years.

Last piece of the question from Jon was regarding the FX accrual and how we're including a premium for our members, and that's something that we constantly evaluate to see how much that will impact our pricing, and we do consider that and we are figuring that into our calculations for next year.

We're going to do our best to make sure that, that does not impact member pricing, but that's a work in process.

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Operator^ Thank you. Sorry for that technical difficulty there. I'm not sure what happened. (Operator Instructions) Okay. It looks like we have Hector with a question from Scotiabank.

Hector Maya^ Robert, Michael, I was basically asking if you could please share the thinking process that went into the strategic decision to consider Chile for future openings over other markets and also to understand how you're thinking in terms of the potential in that market?

And would it be also fair to assume that now PriceSmart would be open to considering other opportunities in the region? And I mean how this could change the growth algorithm in terms of store openings in the future?

Robert Price^ Hector, I answered most of that already. I don't know if you heard it or not. But I did answer a few minutes ago, most of your questions regarding -- I think the one thing in Chile that you mentioned now about the potential for that market, I think it's -- the gross domestic product in Chile is about the same as it is in Colombia, about \$350 billion.

And the population is much smaller, so it's a much stronger middle class. So we think although a big portion of the population is located in Santiago, we feel that we could have quite a number of PriceSmart locations in the capital and also in some of the secondary cities.

The market potential it's really hard to say but we think it could be pretty good for us. So it's still a work in progress as we continue to assess the markets.

Hector Maya^ I understand. I'm sorry about that. I was also having issues to connect initially to the call. So maybe I missed that answer.

Michael McCleary^ There'll be a transcript coming out shortly. So hopefully, you can catch that.

Operator^ So there are no further questions at this time. I will now turn the call over to Michael McCleary for closing remarks. Please continue.

Michael McCleary^ Okay. Once again everybody, sorry about the technical difficulties. Hopefully, everybody was able to do hear answers clearly. I think we answered both Jon and Hector's questions. Thank you for your participation today. Take care. Good-bye.

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