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PriceSmart

Q1 2026 Earnings Release Conference Call

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CORPORATE SPEAKERS:

Gualberto Hernandez

PriceSmart; Chief Financial Officer

David Price

PriceSmart; Chief Executive Officer

PARTICIPANTS:

Jonathan Braatz

Oppenheimer; Analyst

Hector Maya

Scotiabank; Analyst

PRESENTATION:

Operator^ Good afternoon, everyone. Welcome to PriceSmart, Inc.'s Earnings Release Conference Call for the first quarter of Fiscal Year 2026 which ended on November 30, 2025.

After remarks from our company's representatives, David Price, Chief Executive Officer; and Gualberto Hernandez, 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 Thursday January 8, 2026.

A digital replay will be available shortly following the conclusion of the call through January 15, 2026 by dialing 1-800-770-2030 for domestic callers or 1-647-362-9199 for international callers and entering replay access code 5898084#. For opening remarks, I would like to turn the call over to PriceSmart's Chief Financial Officer, Gualberto Hernandez. Please proceed, sir.

Gualberto Hernandez^ Thank you, Operator. Welcome to PriceSmart Inc.'s earnings call for the first quarter of fiscal year 2026 which ended on November 30, 2025. We will be discussing the information that we provided in our earnings press release and our 10-Q which were both released yesterday on January 7, 2026.

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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.pricessmart.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 some other expressions. All forward-looking statements are based on current expectations and assumptions as of today January 8, 2026.

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 David Price, PriceSmart's Chief Executive Officer.

David Price^ Thank you, Gualberto. And good morning, everyone. Thank you for joining us today. I want to begin by expressing my gratitude to our employees across all the regions where we operate. This first quarter through December represents our peak season, our most demanding period, and our teams rose to the challenge.

From our clubs to our distribution centers to our offices across all of our countries, every part of our organization contributed to our success. Their execution was outstanding, and their dedication and commitment to serving our Members continues to be the foundation of our success.

It's a pleasure to be back with you for my second earnings call as CEO. I'm now about 128 days into the role, and I've spent this time visiting clubs, distribution centers and offices across our markets.

What strikes me most is the strength of our culture, teams across 13 countries united by a commitment to doing the right thing for our Members and their communities. This foundation, combined with the opportunities ahead, gives me great confidence in our future.

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I'm energized by what we can accomplish together. I'm pleased to share that we delivered strong results across our key performance areas. Our membership growth, solid sales performance and continued operational discipline reflects both resilient consumer demand and the outstanding execution by our teams.

Now I'd like to highlight some of our sales results for the first quarter. Net merchandise sales and total revenue reached almost \$1.4 billion during the first quarter. Net merchandise sales increased by 10.6% or 9.5% in constant currency. Comparable net merchandise sales increased by 8.0% or 6.9% in constant currency.

During the first quarter, our average sales ticket grew by 2.1% and transactions grew 8.4% versus the same prior year period. The average price per item increased 1.8% year-over-year, while average items per basket remained relatively flat.

First, in Central America, where we had 32 clubs at quarter end, net merchandise sales increased 9.6% or 9.2% in constant currency. Comparable net merchandise sales increased 5.4% or 5.1% in constant currency. All of our markets in Central America had positive comparable net merchandise sales growth. Our Central America segment contributed approximately 320 basis points of positive impact to the growth in total consolidated comparable net merchandise sales for the first quarter.

Second, in the Caribbean, where we had 14 clubs at quarter end. Net merchandise sales increased 5.7% or 7.8% in constant currency. Comparable net merchandise sales increased 5.6% or 7.7% in constant currency. All of our markets in the Caribbean had positive comparable net merchandise sales growth.

Our Caribbean region contributed approximately 160 basis points of positive impact to the growth in total consolidated comparable net merchandise sales for the first quarter.

Last, in Colombia, where we had 10 clubs opened at the end of our first quarter, net merchandise sales increased 27.8% or 15% in constant currency. Comparable net merchandise sales increased 27.9% or 14.7% in constant currency. Colombia contributed approximately 320 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 first quarter sales to the same period in the prior year, our foods category grew approximately 11.3%. Our non-foods category increased approximately 7.2% and our food service and bakery category increased approximately 10.1% and our health services including optical, audiology and pharmacy, increased approximately 17.8%.

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Membership accounts grew 6.7% year-over-year to over 2.0 million accounts with a strong 12-month renewal rate of 89.3% as of November 30th.

A key focus of our membership strategy is growing Platinum memberships. Platinum is our premium tier designed for our most engaged Members. These Members receive an annual cash back reward on eligible purchases which drives loyalty, increases purchasing frequency, and rewards their continued business with us. By focusing on Platinum growth, we are investing in our highest value Member relationships.

As of November 30th, Platinum accounts represented 19.3% of our total membership base, up from 14% in the same period last year. This growth reflects our targeted promotional campaigns and increased focus on the segment.

Membership income as a percentage of revenue increased to 1.7% compared to 1.6% in the prior year period, driven in part by the shift towards Platinum membership. These strong results reflect our team's execution and the strategic initiatives we have underway.

Let me walk you through the progress we're making across real estate expansion, supply chain transformation and technology investments that are enhancing our ability to serve our Members.

In the third quarter of fiscal year 2025, we purchased land for our sixth warehouse club in the Dominican Republic in La Romana. That's about 73 miles east of our nearest club in Santo Domingo. The club will be built on a 5-acre property and is expected to open in spring 2026.

In Jamaica, we're expanding from two clubs to four, in the first quarter of fiscal year 2026, we purchased land in Montego Bay for our third club. That's about 100 miles west of Kingston. This will also be a 5-acre site anticipated to open in fall 2026.

Also, in the first quarter of fiscal year 2026, we finalized the land lease for our fourth Jamaica Club on South Camp Road. That's about six miles from our existing Kingston Club. This will be a 3-acre property also anticipated to open in winter 2026.

The opening timeline for our Jamaica clubs has been adjusted as we address operational disruptions caused by Hurricane Melissa and support recovery efforts across the island. I'm pleased to report that our existing clubs in Kingston and Portmore weathered the storm well and we're back serving Members almost immediately. We do not anticipate any further delays to our new club openings at this time.

In addition, in the second quarter of fiscal year 2026, we purchased land for our tenth warehouse club in Costa Rica in Ciudad Quesada. That's approximately 47 miles north from our nearest club in Costa Rica. The club will be built on a 6-acre property and is anticipated to open in fall of 2026.

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Once these four new clubs are open, we will operate 60 warehouse clubs in total.

We are advancing on our plans to enter Chile, a market that we believe offers strong potential for multiple PriceSmart warehouse clubs. As part of this initiative, as you know we've hired a country general manager and signed executory agreements for two prospective club sites. While we haven't announced target opening dates, we're moving quickly in managing key factors that influence timing, such as permitting and construction.

In addition to opening new clubs in existing markets and Chile, we're continuing to optimize our current footprint, increasing club size, improving efficiency and expanding parking spaces at high-volume locations remains some of the most effective ways to drive sales and enhance the Member experience.

To support this strategy, we will begin warehouse club and parking lot expansion and remodels in fiscal year 2026 in Portmore, Jamaica, and Barbados. Now turning to our supply chain transformation strategy.

One of the key drivers in keeping prices low is improving how we move and distribute merchandise to our clubs. Today we operate major distribution centers in Miami, Costa Rica, Panama, and Guatemala. During the first quarter, we successfully adapted our Panama facility to handle cold merchandise and began operations at our new distribution center in Guatemala. We now plan to open distribution centers in Trinidad, Colombia, and the Dominican Republic during fiscal year 2026.

Our goals with these distribution centers are to improve product availability, reduced lead times and lower landed costs, among other efficiency gains. Alongside these new distribution centers, we've begun implementing third-party distribution centers in China to consolidate merchandise source in the country, driving greater efficiency and lowering costs.

In select countries, we've also introduced our own fleet of trucks to deliver merchandise directly to our clubs and capitalize on backhaul opportunities.

We continue to advance our migration to the RELEX forecasting and replenishment platform, and we remain on track to complete the full implementation in fiscal year 2026. This upgrade is a critical part of our supply chain strategy and is expected to boost productivity, improve inventory management and increased in-stock availability, ultimately driving sales growth and operational efficiency.

During the first quarter, we advanced our multiphase implementation of the E2Open global trade management platform designed to enhance automation, compliance and controls across global import and export operations.

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We believe this platform will strengthen trade compliance, improve data visibility and support scalable international growth once fully implemented. Turning now to other ways we're enhancing membership.

For the first three months of fiscal year 2026, private label sales represented 27.0% of total merchandise sales, down 70 basis points from the same period last year. This was impacted by a reclassification of the produce category. On a comparable basis, we would have had a 70 basis point increase in penetration of our private label. Our private label brand, Member's Selection® is a cornerstone of our strategy.

What makes our private label program unique is that we develop products both centrally through our U.S. buying team and locally through our country-based buyers. This development approach enables us to source private label products globally, regionally and locally providing flexibility to deliver the best quality and value. Together, this allows us to offer *Member's Selection*® products that combine global scale and quality with local relevance.

Private label serves multiple strategic purposes. It allows us to offer high-quality products at lower prices than national brands, driving Member loyalty. It improves our margins and it gives us leverage with national brand suppliers by providing a trusted alternative that keeps them competitive.

We're committed to growing this penetration through strategic product development, for example, recent additions like organic maple syrup, age scotch whiskey and premium deli meats demonstrate our focus on delivering exceptional value across key categories.

In the Dominican Republic, we've enhanced our co-branded consumer credit card with our new partner, Banco Santa Cruz which launched in November 2025. This new agreement offers 6% cash back at PriceSmart Clubs, adding even more value for our members in that market. We continue to invest in omnichannel capabilities to meet our members where they are.

In the first quarter, digital channel sales reached \$89.8 million, up 29.4% year-over-year, representing 6.6% of total net merchandise sales. This marks our highest digital contribution to date. Orders placed directly through our website or app grew 18.1% with average transaction value up 10.1%.

As of November 30th, 73.0% of our Members had created an online profile and 27.1% of our membership base has made a purchase on pricesmart.com or our app. We see continued opportunity in this space and we'll keep investing to enhance the digital experience we offer our members.

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During the first quarter, we began migrating our mobile application to fully native iOS and Android architectures to enhance speed reliability and accessibility. This foundation will allow faster deployment of new features and help us deliver an outstanding member experience in our digital channels.

Turning to technology investments that enhance both member and employee experience and operational efficiency.

In the first quarter, we completed implementation of our new point-of-sale system, ELERA a Toshiba product in all English-speaking Caribbean markets. Later in fiscal year 2026, we will begin rolling out this system in our Spanish-speaking markets. ELERA will help us achieve faster checkout times, improve productivity, and expand payment options among other benefits.

Also in the first quarter, we began implementing Workday's human capital management system to replace legacy HR applications. This upgrade is designed to enhance the employee experience with modern, user-friendly tools while improving processes and strengthening compliance. Additionally, the platform will provide scalable, integrated data to support our future growth.

Before I turn it over to Gualberto, I want to address a few additional topics.

First, regarding U.S. tariffs, approximately half of the merchandise we sell is sourced locally and regionally within Latin America. The other half is sourced from the U.S., Europe, China, and globally. While we consolidate many of these products through our Miami distribution center, they are shipped in-bond and are not nationalized in the United States. We also take advantage of free trade agreements where we can. Additionally, we've been leveraging our expanding distribution center network and China consolidation capabilities to shift direct to market where feasible, further optimizing our supply chain. As a result, U.S. import tariffs do not apply to most of our merchandise. We continue to monitor the evolving trade policy environment, but to date, current U.S. tariff policy has not impacted our cost structure or business operations.

We are also monitoring remittance flows to Latin America and the Caribbean. Remittances represent a significant portion of GDP in several of our markets, including Jamaica, Honduras, El Salvador, Guatemala and Nicaragua. While there has been reporting on changing remittance patterns from the U.S. to the region, to date, we have not seen changes in consumer demand or purchasing behavior in our clubs. We continue to watch this factor closely given its importance to the economies we serve.

In addition, over the weekend, there was major news out of Venezuela. We are alert and monitoring the situation closely. It's still very early to understand how this will evolve or what the implications might be for our business or for U.S. companies operating in the region.

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And lastly, I want to provide a preview of our holiday season performance. Comparable net merchandise sales for the 9-week period ended December 28, 2025, grew 7.1% in U.S. dollars and 5.4% in constant currency. This represents solid performance as we continue to comp against increasingly strong prior year periods, though it does reflect the deceleration from our first quarter's growth rate. December specifically was impacted by several transitory factors. Government elections in Honduras created consumer uncertainty. Panama's extended rainy season disrupted both traffic and logistics and supply chain timing issues created out of stocks in several high-volume food items, a situation we identified and are addressing. Looking forward, we are encouraged by what we are seeing. Colombia continues to deliver strong momentum, and we are seeing positive trends across many of our markets as we enter calendar 2026.

With that, I'll turn it over to Gualberto to walk you through the financial details.

Gualberto Hernandez^ Thank you, David. Continuing with the income statement. Total gross margin for the quarter as a percentage of net merchandise sales remained strong and unchanged at 15.9% versus Q1 last year.

Total revenue margins improved 30 basis points to 17.7% of total revenue from 17.4% in the same period last year. This was mainly driven by the good results in membership renewals and Platinum growth, as mentioned before by David.

On overhead costs, total SG&A expenses increased to 13.1% of total revenues for the first quarter of fiscal year 2026 compared to 12.8% for the first quarter of fiscal year 2025. The 30 basis point increase is primarily related to our continued investments in technology and to the compensation of our Chief Executive Officer. During his tenure as our interim Chief Executive Officer from February 2023 to August 2025, Robert Price declined any compensation for his services.

Operating income for the first quarter of fiscal year 2026 increased 8.0% from the same period last year to \$62.9 million.

Below the operating income line, in the first quarter of fiscal year 2026 we recorded a \$7.2 million net loss in total other expense, almost unchanged from \$7.3 million net loss in total other expense in the same period last year. The primary cost of our net loss in total other expense is due to foreign currency-related losses.

In terms of income tax, our effective tax rate for the first quarter of fiscal year 2026 came in at 27.9% versus 26.5% a year ago. Primarily, due to nonrecurring items such as the tax contingency approval and foreign exchange rate fluctuations.

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Finally, net income for the first quarter of fiscal year 2026 was \$40.2 million or \$1.29 per diluted share, up from \$37.4 million or \$1.21 per diluted share in the first quarter of fiscal year 2025. Adjusted EBITDA for the first quarter of fiscal year 2026 was \$86.9 million, compared to \$79.1 million in the same period last year, a growth of 9.8%.

Moving on to our balance sheet. We ended the quarter with cash, cash equivalents and restricted cash totaling \$249.6 million, plus approximately \$114.2 million of short-term investments, typically held in certificates of deposit. When reviewing our cash balances, it is important to note that as of November 30, 2025, we had \$80.2 million of cash, cash equivalents, and short-term investments denominated in local currency in Trinidad which we could not really convert into U.S. dollars.

Turning to cash flow, net cash provided by operating activities reached \$71.2 million for the first three months of fiscal year 2026, an increase of \$32.7 million versus the prior year period. The increase is primarily due to \$18.7 million of overall net positive changes in our previous operating assets and liabilities mainly due to recoveries in our VAT receivables and increases in accrued Platinum rewards as well as improvements in working capital that contributed \$10.0 million to the overall increase.

Net cash used in investing activities increased by \$61.0 million for the first three months of fiscal year 2026 compared to the prior year, primarily due to a net increase in purchases less proceeds of short-term investments of \$39.8 million, an \$11.9 million increase in changes of long-term investments and a \$10.4 million increase in property and equipment expenditures to support growth of our real estate footprint compared to the same 3-month period a year ago.

Net cash used in financing activities in the first three months of fiscal year 2026 remained relatively flat compared to the same period a year ago.

In closing, we're pleased with our start to fiscal year 2026 and the momentum we're building. The investments we're making in real estate, supply chain infrastructure and technology are positioning us for sustained growth. Combined with our team's exceptional execution, we're confident in our ability to continue delivering value to our members and driving long-term performance. I will now turn the call over to the operator to take your questions. Operator, you may now start taking our callers' questions.

Operator^ (Operator Instructions) Your first question comes from the line of Jon Braatz with Oppenheimer.

Jonathan Braatz^ A couple of questions. David, when you spoke a little bit about the December comps. You mentioned some issues in Honduras and Panama in the supply chain. Specifically, when you look at Honduras and Panama, were the comps positive despite these issues in the month of December?

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David Price^ We usually don't share that level of detail, Jon, in terms of country by country, so I want to make sure I'm consistent.

But in Honduras with the election, there was some front-loading of purchasing in November leading up to the election, and we've seen a good recovery now that there's been an outcome of the election and a definitive President.

And in Panama, we're well into the dry season and seeing okay results there as well. But I can't share that level of granularity with you.

Jonathan Braatz^ Okay. So those -- basically, those issues that you saw are behind you at this point?

David Price^ Yes.

Jonathan Braatz^ Okay.

Okay. Good. And can you speak a little bit about Colombia? Colombia has been very strong for the last year, maybe even more than a year; comps have been well into the double-digit area. Anything you can put your finger on as to the strength there?

David Price^ Sure. Thanks for the question. So a couple of different things. I mean both kind of internal and external factors, starting with the external, I think that the strength of the peso certainly helps. The merchandise mix there, we have more local items than in other markets.

But the -- when things are -- when we're under 4,000:1 [ph] on the peso, that definitely helps not only purchasing power but also consumer sentiment. I think confidence in the market from the consumer standpoint. In addition, we [ph] just give credit to the team.

We have an excellent team, both in buying and operations there, and it's really -- there's some great items coming out of Colombia, even some that we're starting to export to other markets. So the item development, both locally and then in terms of the imports also is driving nice differentiation.

Jonathan Braatz^ I know it's -- you spoke a little bit about the issues in Venezuela. And are there -- what kind of problems might Colombia face if there is sort of a migration and from Venezuela, additional migrations from Venezuela to Colombia, does that put economic pressure? What kind of economic pressure might that place on Colombia? David?

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Operator^ Ladies and gentlemen. this is the operator. I apologize, but there will be a slight delay in today's conference. Please hold, and the call will resume momentarily. Thank you for your patience. Mr. Braatz, your line is open.

Jonathan Braatz^ David, I was just going to ask you all the issues that we're seeing in Venezuela. Could some of -- could there be pressure on the Colombian economy if there's more migration of people from Venezuela to Colombia. Can that put any pressure on the economy?

David Price^ It's -- I don't want to speculate, Jon. The diaspora has been going on for a long time. There's been Venezuelan migration all over the region.

So I want to be careful not to speculate on something I really don't have any data to share on. But from what we're seeing, consumer demand is strong in Colombia, and we have a good brand position.

Jonathan Braatz^ Okay.

One last question. If I saw it correctly, at the end of fiscal 2025 you had about USD 60 million in Colombia -- in Trinidad. And at the end of the first quarter, you have USD 80 million. why the increase from USD 60 million to USD 80 million in the first quarter?

Gualberto Hernandez^ Jon, this is Gualberto. Thank you for the question. Trinidad, as you know is something we're looking careful and there is a lot of fluctuations in the availability of U.S. dollars. There is no specific reason.

It's a little bit of high [ph] season now after Christmas. So there is more cash on our side and it's a bit more difficult to cover everything. But we don't see any material changes in the conditions there.

It continues to be difficult, but I will say it's more difficult than before and it just fluctuates depending on the availability of dollars, as you know in the market in every month. Nothing in particular to highlight there.

Operator^ Your next question comes from the line of Hector Maya with Scotiabank.

Hector Maya^ On Chile, very quick, it is really nice to hear that you are moving quick on certain important steps, usually, permits tend to be -- tend to take a bit of time.

So that is nice to hear. But what have you learned so far from the market or potential competition, and are there any surprises or takeaways or things that you are not expecting maybe in Chile?

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And on Colombia, with a good momentum there, how sustainable do you think is the revenue growth that we are seeing in the country? And how concerned are you about the minimum wage hikes in the country? Or what effect do you expect from that?

David Price^ Okay. Let me take the first one with Chile. I wouldn't say there's anything necessarily that has surprised us.

But I will say Chile, of course is a very competitive market and highly digitalized with a high expectation from the consumer. It's also very open from the standpoint of free trade agreements.

And so there are a lot of imports as well. There are no club models in Chile. There are Mayorista [ph] models, as you know that are kind of more like the takedown [ph] kind of Brazil type wholesale model, but nobody doing what we do.

So we operate in other competitive markets, and so we feel optimistic. In terms of Colombia, in terms of minimum wage.

I don't want to comment on -- in terms of -- there's a sovereign country making its own policy decisions, but we don't have any sort of issue there because we aim to pay a living wage in every market and pay above minimum wage, where that doesn't align with the living wage.

So that's kind of our approach, and we want to be -- have our pay and compensation benefits be one of the differentiators from the standpoint of who we employ.

I mean that's a really important part of our philosophy as a business is being an employer of choice. So I don't anticipate any issue in Colombia as a result of that. In terms of future looking, I can't comment on future growth.

But as I mentioned to John, we're feeling confident in terms of our results in Colombia and the brand position in the market as well as our product mix and what we're able to offer.

Gualberto Hernandez^ Absolutely. I mean to complement that, our operations in Colombia and growing more and more efficient.

So we're confident on our abilities to be successful and to have the right to win in the market. But as you, of course understand there are a lot of macroeconomic and political elements that we don't control.

Hector Maya^ Excellent, excellent to hear. Also on warehouse and parking expansions and remodeling just how much opportunity or boost in operations are you expecting from this by country or by region? And where do you see the most potential here?

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David Price^ Well I can't share by region or by country or club, but I can tell you that when we do warehouse expansions, remodels or parking expansions, it helps on several fronts. I mean First and foremost, it's helping our members.

In the case of the parking, we have the good problem of having busy locations. So when we offer more parking, it helps our members get in and out quicker, but also enables us if there's better flow to turn spaces a little faster which can help.

Then in terms of the sales floor, it helps from an efficiency standpoint, and then, of course also in terms of selling pilot positions which is helpful as well both in terms of items, but also in terms of show stock and availability on the floor.

So I can't mention beyond that, but there are various factors that drive where we select to do this and also how it impacts. So far, we've been happy with the results where we pursued remodels and the parking lot expansions.

Hector Maya^ Perfect. Congratulations.

Operator^ That concludes our question and answer session. I will now turn the call back over to Gualberto Hernandez for closing remarks.

Gualberto Hernandez^ Thank you, Operator. Thank you, everybody, for joining the call today. Happy New Year to everybody. And looking forward to our next call.

Operator^ Ladies and gentlemen. this concludes today's call. Thank you, all for joining. You may now disconnect.