**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended August 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to

COMMISSION FILE NUMBER 000-22793

# PriceSmart, Inc.

**(Exact name of registrant as specified in its charter)**

| **Delaware** | **33-0628530** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **9740 Scranton Road, San Diego, CA** | **92121** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**Registrant's telephone number, including area code: (858) 404-8800**

**Securities registered pursuant to Section 12(b) of the Act:**

| **Title of each class** | **Trading Symbol** | **Name of each exchange on which registered** |
|---|---|---|
| **Common Stock, $0.0001 par value** | **PSMT** | **NASDAQ Global Select Market** |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer ☑ | Accelerated filer ☐ |
| Non-accelerated filer ☐ | Smaller reporting company ☐ |
| | Emerging growth company ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the Registrant's voting and non-voting common equity held by non-affiliates of the Registrant as of the last day of the Registrant's most recently completed second fiscal quarter was $2,305,076,288 based on the last reported sale price of $96.05 per share on the NASDAQ Global Select Market on February 28, 2021.

As of October 19, 2021, 30,844,167 shares of Common Stock were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on February 3, 2022 are incorporated by reference into Part III of this Form 10-K.

**PRICESMART, INC.**

**ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED AUGUST 31, 2021**

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**Forward-Looking Statements**

This annual report on Form 10-K contains forward-looking statements concerning PriceSmart, Inc.'s ("PriceSmart", the "Company" or "we") anticipated future revenues and earnings, adequacy of future cash flows, omni-channel initiatives, proposed warehouse club openings, the Company's performance relative to competitors and related matters. These forward-looking statements include, but are not limited to, statements containing the words “expect,” “believe,” “will,” “may,” “should,” “project,” “estimate,” “anticipated,” “scheduled,” “intend,” and like expressions, and the negative thereof. These statements are subject to risks and uncertainties that could cause actual results to differ materially including, but not limited to: adverse changes in economic conditions in the Company’s markets, natural disasters, compliance risks, volatility in currency exchange rates, competition, consumer and small business spending patterns, political instability, increased costs associated with the integration of online commerce with our traditional business, whether the Company can successfully execute strategic initiatives, breaches of security or privacy of Member or business information, cost increases from product and service providers, interruption of supply chains, novel coronavirus outbreak (COVID-19) related factors and challenges, including among others, the duration of the COVID-19 pandemic, the unknown long-term economic impact, the impact of government policies and restrictions that have limited access for our Members, exposure to product liability claims and product recalls, recoverability of moneys owed to PriceSmart from governments, and other important factors detailed in this Annual Report on Form 10-K under the heading Part I. “Item 1A. Risk Factors.” Forward-looking statements are only as of the date they are made, and we do not undertake to update these statements, except as required by law. In addition, these risks are not the only risks that the Company faces. The Company could also be affected by additional factors that apply to all companies operating globally and in the U.S., as well as other risks that are not presently known to the Company or that the Company currently considers to be immaterial.

## PART I

### Item 1. Business

**General**

PriceSmart exists to improve the lives and businesses of our Members, our employees and our communities by reliably and consistently providing quality goods and valuable services at the lowest possible prices. We believe that lower prices on products and services drive sales volume, which increases the Company’s buying leverage, which in turn leads to better pricing that we can then offer to our Members, validating the value of the annual membership fee.

PriceSmart began operations in 1996 in San Diego, California, with the intent to bring our U.S. style membership shopping warehouse club concept to underserved countries. We currently operate 47 warehouse clubs in Central America, the Caribbean, and Colombia. We offer to our individual and business Members, a carefully-curated selection of high quality, brand name and private label consumer products, essential goods and direct-from-farm fresh produce. We also provide prepared foods and fresh-baked goods. Most all merchandise is available for delivery or contactless curbside pickup through our Click & Go™ service. Our clubs also provide services at our Optical, Pharmacy, Audiology, and Tire departments and serve food at great value at our food courts. Historically, our typical warehouse buildings have ranged in sales floor size from approximately 40,000 to 60,000 square feet and are located in and around the major cities in our markets to take advantage of dense populations and relatively higher levels of disposable income. Additionally, we operate smaller format clubs, with sales floors ranging from approximately 30,000 to 40,000 square feet. These smaller format clubs serve markets where the population may be less dense and/or where there may be significant business to business opportunities. In urban areas where it is difficult to secure sufficient real estate at a reasonable cost, we have utilized the smaller format option to access and serve that market. The option of using a smaller format club, coupled with our omni-channel initiatives, helps us expand our membership base and geographic reach in existing markets. We strategically invest in technology to enhance Member experience and convenience. Technology allows us to access valuable data that supports our ability to increase efficiencies and gain important insights about our Members. Most notably, we developed an e-commerce platform and in fiscal 2020 launched Click & Go™ online ordering, curbside pickup and delivery services in all 13 markets. We now provide digital membership and auto-renewal, for the convenience of our Members. We also provide wholesale supply services to a retailer in the Philippines.

Logistics and distribution efficiencies are fundamental to delivering high quality merchandise at low prices to our Members. We utilize regional distribution centers in the U.S. and Costa Rica as well as several local distribution centers, to efficiently distribute merchandise, retain flexibility and alternatives to source and transport goods, and mitigate the risk of supply-chain disruption. As our business grows and includes more e-commerce activity, we continually evaluate how to utilize our logistics and distribution system to most efficiently provide merchandise to our Members.

Purchasing land and constructing warehouse clubs is generally our largest ongoing capital investment. Securing land for warehouse club locations is challenging in several of our markets because suitable sites at economically feasible prices are difficult to find. We believe real estate ownership provides a number of advantages as compared to leasing, including lower operating expenses, flexibility to expand or otherwise enhance our buildings, long-term control over the use of the property and the residual value that the real estate may have in future years. Although we prefer to own real estate, we sometimes lease our real estate when leasing provides the best available opportunity.

Our warehouse clubs currently operate in emerging markets that historically have had higher growth rates and lower warehouse club market penetration than the U.S. market. In the countries in which we operate, we do not currently face direct competition from U.S. membership warehouse club operators. However, we do face competition from various retail formats such as hypermarkets, supermarkets, cash and carry, home improvement centers, electronic retailers, specialty stores, convenience stores, traditional wholesale distribution and growing online sales.

The number of warehouse clubs in operation for each country or territory were as follows:

| Country/Territory | Number of Warehouse Clubs in Operation as of August 31, 2020 | Number of Warehouse Clubs in Operation as of August 31, 2021 | Anticipated Warehouse Club Openings In Fiscal Year 2022 |
|---|---|---|---|
| Costa Rica | 8 | 8 | — |
| Colombia | 7 | 8 | 1 |
| Panama | 7 | 7 | — |
| Dominican Republic | 5 | 5 | — |
| Trinidad | 4 | 4 | — |
| Guatemala | 4 | 4 | 1 |
| Honduras | 3 | 3 | — |
| El Salvador | 2 | 2 | — |
| Nicaragua | 2 | 2 | — |
| Aruba | 1 | 1 | — |
| Barbados | 1 | 1 | — |
| U.S. Virgin Islands | 1 | 1 | — |
| Jamaica | 1 | 1 | 1 |
| Totals | 46 | 47 | 3 |

Our warehouse clubs, one regional distribution center and several smaller local distribution centers are located in Latin America and the Caribbean, and our corporate headquarters, U.S. buying operations and our larger regional distribution center are located primarily in the United States. Our operating segments are the United States, Central America, the Caribbean and Colombia.

We are currently proceeding with the construction of three warehouse clubs. The first will be a standard format warehouse club located in Guatemala City, Guatemala, which will be our fifth warehouse club located in Guatemala. We expect to open this warehouse club in late October 2021. The second will be a smaller format warehouse club located within the city of Bucaramanga, Colombia. We expect to open this warehouse club, which will be our ninth warehouse club in Colombia, in November 2021. The third will be a standard format warehouse club located within the city of Portmore, Jamaica. Portmore is a suburb west of the capital city of Kingston. We expect to open this warehouse club, which will be our second warehouse club in Jamaica, in the spring of 2022. Once these three new clubs are open, the Company will operate 50 warehouse clubs.

From March 2018 through September 2021, we operated a cross border package forwarding (casillero) and online marketplace business under the "Aeropost" banner in 38 countries in Latin America and the Caribbean. PriceSmart acquired Aeropost in 2018 to leverage Aeropost's technology and its management's experience in developing software and systems for e-commerce and logistics to advance PriceSmart's development of an omni-channel shopping experience for its Members. In October 2021, PriceSmart sold the legacy casillero and marketplace operations, which were not core to our main objectives. PriceSmart retained key Aeropost personnel, technology and procedures as part of the transaction, with which we believe we can continue to leverage and grow our omni-channel business. This technology and talent have helped us combine our brick and mortar operations with online capabilities, supported by a more sophisticated distribution system that provides us with the potential to expand our geography, reach more Members in more ways and continue to develop approaches to gain efficiencies, reduce costs and provide Members with great value.

We recognize the uncertainty created from the outbreak of COVID-19 and the known and unknown potential social and economic impacts in the markets where we operate and take measures as warranted to reasonably protect our employees, Members, and business. We continue to closely monitor operating results and cash flows in an effort to ensure optimal timing of future investments and warehouse club openings. For information regarding actions we have taken in response to the COVID-19 pandemic, please see Part II. "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition - Factors Affecting the Business - COVID-19 Updates."

**Merchandising**

Our strategy is to make available to our Members a curated selection of high quality merchandise sourced from around the world and valuable services, with lower margins than traditional retail stores.

We offer merchandise in the following categories:

- Foods & Sundries consists primarily of our grocery, cleaning supplies, health & beauty and canned foods products and constituted approximately 50% of net merchandise sales for fiscal 2021.
- Fresh Foods consists primarily of our meat, produce, deli, seafood and poultry products and constituted approximately 29% of net merchandise sales for fiscal 2021.
- Hardlines consists primarily of our electronics, appliances, hardware, sporting goods, and toy products and constituted approximately 12% of net merchandise sales for fiscal 2021.
- Softlines consists primarily of apparel, domestics and furniture products and constituted approximately 5% of our net merchandise sales for fiscal 2021.
- Other Business consists primarily of our food service, optical, tire center and other ancillary services and constituted approximately 4% of net merchandise sales for fiscal 2021.

Across various categories, we offer exciting and unique seasonal merchandise and rotational programs that offer unique value throughout the year.

**Competitive Strengths**

***Low Operating Costs***. Our format is designed to move merchandise from our suppliers to our Members at a lower expense ratio than our competitors. We strive to achieve efficiencies in product distribution, minimizing the labor required to stock and display merchandise, limiting non-payroll operating expenses and maintaining low occupancy costs. For example, we offer a limited number of stock keeping units (SKUs) with large pack sizes, which allows us to keep shelves stocked with less labor cost than competitors that offer a greater number of SKUs. More recently, we also have opened distribution centers in certain of our high volume markets to improve efficiency and in-stock rate, reduce lead times on high volume products, and mitigate risks of supply chain disruption. Our focus on driving down operating costs allows us to offer better value and lower prices to our Members, which we believe helps generate Member loyalty and renewals, which in turn leads to increased sales.

***Membership.*** Our membership model in and of itself provides a competitive advantage. Our membership represents a desirable demographic concentration with strong purchasing power in our markets. The data we can access about our membership base not only provides better connectivity with our Members, but also enables us to identify and pursue additional opportunities to provide value for our Members. Membership has been a basic operating characteristic in the warehouse club industry, beginning over 45 years ago at Price Club, the first warehouse club. Membership promotes Member loyalty, and membership fees contribute to our ability to operate our business on lower margins than conventional retailers and wholesalers and were equal to approximately 1.6% of net merchandise sales in fiscal 2021. Our Members can sign up for and renew their memberships online, which gives us another valuable digital touch point with them.

During fiscal 2021, we completed the expansion of our Platinum Membership rewards program to all 13 of our markets. Nicaragua and El Salvador were the final two markets to launch this program in fiscal year 2021. Similarly, we continue to expand our product and services offerings to Members. One of our primary initiatives has been the expansion of our Wellness programs, which include our Optical, Pharmacy and Audiology departments. As of August 31, 2021, we had 38 Optical locations open in nine of our markets, and three Pharmacy locations, all in our Costa Rica market. We expect to continue our rollout of Optical to most of our remaining clubs and markets in fiscal year 2022. In addition, we plan to continue to increase our Pharmacy locations in fiscal 2022, primarily in Costa Rica, and began launching Audiology centers in some of our markets in early fiscal 2022. We believe that untapped opportunities exist to further enhance the value of our membership in various areas. We continue to explore opportunities to provide our Members with products and services that are particularly attractive to our unique membership base while expanding current programs such as our co-branded credit card benefits.

***Business Members.*** Our product selection, larger pack sizes, and low prices appeal to both business and retail consumers. Our business Members include a broad cross section of businesses such as restaurants, institutions including schools, and other businesses that purchase products for resale or use in their operations. These business Members represent a significant source of sales and profit and provide purchasing volume that gives us better prices from our suppliers.

***Worldwide Sourcing.*** Approximately 48% of our sales come from merchandise sourced in the U.S., Asia and Europe. One of the primary advantages we have compared to most of our competitors is our United States-based buying team that sources merchandise from suppliers in the U.S. and around the world. Our buyers identify and purchase new and exciting items, including our own Member's Selection private label products. Many of these branded products are available only at PriceSmart in the markets in which we operate.

***Innovation.*** The warehouse club industry has been operating for over forty years, following the founding of Price Club in 1976. The world of merchandising has evolved during this period, particularly with respect to how technology impacts operational efficiencies and how consumers shop. We are leveraging technological innovations we have developed to enhance our worldwide sourcing of products and make them available in our developing and emerging countries in a manner that meets current consumer preferences. We operate effectively in multiple markets, many of which are relatively small, with different legal requirements, local buying opportunities, cultural norms, unique distribution and logistical challenges and Member preferences that require our unique ability to source the correct mix of local versus imported merchandise. We believe that our future success is highly dependent on our capacity to continue to adapt and innovate to meet the needs of our current and future Members. While not yet as prevalent as in the U.S., online sales penetration is increasing in the markets where we operate, especially as a result of the mobility restrictions imposed as a result of the COVID-19 pandemic. Our Click & Go™ service, which allows our Members to order online and pick up their orders curbside at our warehouse club locations, is available in all 13 of our markets. We expect to expand our omni-channel offering to include additional services such as drop-ship, the creation of a digital business-to-business application and a native mobile application for our Members. We have also developed better in-bound and outbound online communication channels, and we are using data analytics to better understand our Members' evolving preferences.

***Experienced Management Team***. Sherry S. Bahrambeygui is PriceSmart's Chief Executive Officer. She has led several new transformational initiatives that have allowed us to retain the key benefits of our business model, while expanding capabilities that generate new ways of approaching our business, including the omni-channel platform and adoption and application of new technology and data analytics to drive growth. As a Board member, she has been instrumental to the evolution of the Company's governance and other strategic initiatives for the past nine years. Michael L. McCleary is Executive Vice President and Chief Financial Officer. Mr. McCleary joined the Company in 2003 and has over 30 years of international finance, tax and accounting experience. In addition to Ms. Bahrambeygui and Mr. McCleary, the other members of our management team have extensive career experience in the warehouse club business. Many of our executives learned the warehouse club business from their time at Price Club. Their experience and knowledge represent a key strength and competitive advantage for our company. We have also retained key executives from when we acquired Aeropost in March 2018, who are experienced in developing online technology and marketing for e-commerce and who have assisted us in increasing our digital interaction with Members. We continue making investments in talent to support our technology development and other administrative functions.

Effective September 1, 2021, Nicolas Maslowski was promoted to a newly created position for the Company, Executive Vice President, Member Experience and Strategic Analytics. Prior to this promotion, Mr. Maslowski served as the Senior Vice President of PriceSmart Member Experience. Since joining PriceSmart, he has expanded the capabilities of our leadership team, made great strides in helping us better understand our Members, and helped develop and oversee the effective utilization of data and technology to increase sales by extracting valuable insights and strengthening the connection with our Members. In addition, he has helped show how the infusion of user-friendly data and reports positively impacts business decision-making throughout the Company.

**Growth Strategy**

Our growth strategy includes:

***Continue to increase the value of Membership***.

- Leverage our sourcing expertise and buying power to identify and acquire exceptional products we can provide to Members at great values.
- Build on our brand loyalty by expanding our private label products to include more categories in cases where we can reduce costs while maintaining quality, giving us the opportunity to lower prices.
- Pursue opportunities to increase our control of aspects of the supply chain and invest in areas where we can reduce costs and pass the savings on to our Members.
- Increase focus on serving the specific needs of business-to-business Members.
- Expand services, particularly those focused on Member well-being, such as pharmacy, optical and audiology.
- Continue developing technology that provides Members with greater convenience and options for their shopping experience.
- Optimize membership data by applying analytics to quickly identify business opportunities, create better predictability of our business and better serve our Members.

***Increasing same "store" sales.*** We are committed to increasing same store sales by increasing total membership and Members' average annual spend. We continue to enhance our omni-channel capabilities, including continued development of PriceSmart.com and our mobile shopping app for Members to use on hand-held devices. We are scaling our Click & Go™ curbside and delivery service. By applying analytics to our Member data, we can learn more about shopping patterns and Member experiences, which helps us to design targeted marketing campaigns, which can be used to further drive sales. We make ongoing investments to improve and update our clubs and are expanding sales floor space where opportunities exist in some of our high traffic clubs. We also are enhancing the "Treasure Hunt" experience by offering the best value on exclusive or one-time-buy merchandise.

***Adding New Warehouse Clubs in Existing Markets.*** We currently operate in 13 countries/territories, with the largest in terms of population and gross domestic product being Colombia. We continue to view Colombia as an important market for growth and we view potential for growth in several of our other markets, particularly in the Northern Triangle area of Central America and in Jamaica, which is part of our Caribbean segment. We currently expect to open three warehouse clubs in fiscal year 2022 and continue to evaluate opportunities for continued expansion in these and our other existing markets.

***New Markets.*** While we continue to focus on opportunities to expand in Colombia, a market where our membership concept has proven to be well-received and holds significant potential to grow our business, we continue to evaluate potential opportunities for future expansion into new markets in South America.

***Omni-channel Shopping and Other Services.*** We are currently focusing our investment in digital transformation and omni-channel capabilities on the following strategic opportunities:

1. Convenience: Consumers increasingly are requesting home delivery or store pick up for larger items, as well as for their everyday basic shopping needs, such as consumable merchandise. We intend to continue scaling and enhancing the efficiency of our Click & Go™ curbside pickup and delivery service, which includes products ranging from fresh groceries to large appliances, in all of our markets.

2. Cross-border shopping: Using the sourcing expertise and buying power of PriceSmart, we intend to extend the range of products that our Members can purchase online beyond those products that we traditionally offer in the club. Our e-commerce platform also facilitates our ability to use smaller format clubs to expand our membership base and geographic reach in existing markets.

3. Additional communication channels and solutions for Members: In fiscal 2022, we expect to launch a new version of our mobile application, which will allow our Members to buy all of our merchandise directly in the app and also facilitate communication via push notifications. Furthermore, we will continue to expand our digital product assortment and payment options to better serve our business Members.

***Supply Chain Optimization.*** We continue to identify and secure strategic locations throughout our markets to distribute product more efficiently and support delivery of e-commerce orders.

**Distribution Efficiency**

Since our inception, we have consistently believed that distribution efficiency is fundamental for success in selling merchandise in our traditional clubs, and in today's world, this principle holds true for purchases made online. Because PriceSmart sources merchandise from all over the world and especially in the United States, and because we are doing business in countries where infrastructure—roads and ports—is not as developed as in the United States, distribution efficiency is even more significant for us. Our ability to move products efficiently and in a timely manner from the suppliers to our Members is key to the cost structure of our business and, consequentially, to how low we can price our products for our Members.

Historically, our international suppliers and especially our U.S. suppliers have generally shipped their products to our Miami distribution facility where they are received and assigned to various containers for direct shipment to our locations. Regional and in-country suppliers have shipped directly to our locations. As our location sales volumes have grown, we have begun to route more of our products from both international, regional and local suppliers to major regional distribution centers in order to improve in-stocks, reduce inventory weeks of supply and reduce expense inefficiencies and improve working capital, all with the goal of giving better prices to our Members.

In addition to our Miami distribution facility, we have a large regional distribution center located in the metropolitan area of San Jose, Costa Rica. This 165,000 square foot building is designed to receive, store and ship dry, refrigerated and frozen products to clubs in Central America. This regional distribution center has the capacity to ship products such as major appliances and online products directly to our Members or to convenient pick-up locations, including our clubs. We are considering other strategic locations for distribution centers to drive efficiencies and expand omni-channel offerings.

Since the start of the COVID-19 pandemic, we have encountered numerous supply-chain challenges, including but not limited to, container shortages, port backlogs, and trucking and shipping availability. Our expanded network of distribution centers has allowed for more alternative routings of shipments, increased throughput, and flexibility to be able to more effectively mitigate these challenges. Refer to Part II. "Item 7. Management's Discussion & Analysis – Factors Affecting Our Business" for further discussion regarding these challenges and our efforts to mitigate them.

Lastly, as part of our efforts to source additional high quality and healthy fresh products, and expand on our Direct Farm Program, we operate two produce distribution centers. We believe that our Direct Farm Program reduces expenses, waste and prices on items of higher quality, while simultaneously supporting local farmers and industry. Our produce distribution centers allow us to get high-quality produce from farm-to-table quicker and more efficiently. We expect to continue to expand this program and build additional produce distribution centers in more of our markets.

**Operating Efficiency**

As with distribution efficiency, operating efficiency is a key tenet of our business model. We are constantly seeking to improve operating efficiencies, by investing in technology and by centralizing back-office capabilities and facilities for processing and producing products, such as meat and bakery.

**Our Membership Policy**

We offer three types of memberships: Diamond, Business and Platinum.

The Diamond Membership is targeted at individuals and families. The annual fee for a Diamond Membership (entitling Members to two cards), in most markets is approximately $35 (excluding sales tax). In Colombia, we raised the Diamond Membership fee to 92,000 COP (excluding sales tax) in December 2020, yielding a current Membership price of approximately $24.

The Company currently offers the Platinum Membership program in all thirteen of its markets. The annual fee for a Platinum Membership in most markets is approximately $75 (excluding sales tax). The Platinum Membership provides Members with a 2% rebate on most items, up to an annual maximum of $500. In Colombia, the Platinum Membership fee is 264,000 COP (excluding sales tax), yielding a current membership price of approximately $69. Platinum Members can apply this rebate to future purchases at the warehouse club at the end of the annual membership period. The rebate is issued annually to Platinum Members on March 1 and expires August 31. Any rebate amount not redeemed by August 31 is recognized as breakage revenue.

We promote Business Membership through our marketing programs by offering certain merchandise targeted primarily to businesses such as restaurants, hotels, convenience stores, offices and institutions. Business Members pay an annual membership fee of approximately $35 for a primary and secondary membership card and approximately $10 for additional add-on membership cards. Only businesses can qualify for a Business Membership.

Members can now sign-up and renew their memberships as well as opt for auto-renewal online.

We recognize membership income over the 12-month term of the membership. Deferred membership income was $26.0 million and $23.1 million as of August 31, 2021 and August 31, 2020, respectively. Our membership agreements provide that if our Members cancel their membership in the first 60 days, they will receive a full refund. After the initial 60 day period, Members may receive a refund for the prorated share of their remaining membership fee if they so request.

**Our Intellectual Property Rights**

It is our policy to obtain appropriate proprietary rights protection for trademarks by filing applications for registration of eligible trademarks with the U.S. Patent and Trademark Office and in certain foreign countries. We rely on copyright and trade secret laws to protect our proprietary rights. We attempt to protect our trade secrets and other proprietary information through agreements with our employees, consultants and suppliers and other similar measures. There can be no assurance, however, that we will be successful in protecting our proprietary rights. While we believe that our trademarks, copyrights and other proprietary know how have significant value, changing technology and the competitive marketplace make our future success dependent principally upon our employees' technical competence and creative skills for continuing innovation.

**Our Competition**

Our international merchandising business competes with a wide range of international, regional, national and local retailers, and traditional wholesale distributors. We compete in a variety of ways, including the prices at which we sell our merchandise, merchandise selection and availability, services offered to customers, location, store hours and the shopping convenience and overall shopping experience we offer. We also prioritize above all the safety of our Members and our employees. Some of our competitors may have greater resources, buying power and name recognition. In the countries in which we operate, we do not currently face direct competition from U.S. membership warehouse club operators. However, we do face competition from various retail formats such as hypermarkets, supermarkets, convenience stores, cash and carry, home improvement centers, electronic retailers and specialty stores, including those within Latin America that are owned and operated by large U.S. and international retailers, including Walmart, Inc. in Central America and Grupo Éxito and Cencosud in Colombia. We have competed effectively in our markets in the past and expect to continue to do so in the future due to the unique nature of the membership warehouse club format. We have noted that certain retailers within our markets are making investments in upgrading their locations and/or experimenting with different formats. These actions may result in increased competition within our markets. Further, it is possible that additional U.S. warehouse club operators may decide to enter our markets and compete more directly with us in a similar warehouse club format. We also face competition from online retailers, such as Amazon.com, Inc. in Colombia, and last-mile delivery services that serve our markets, and we expect that this type of competition will grow and intensify in the future.

**Human Capital**

As of August 31, 2021, we had approximately 10,400 employees. Approximately 94% of our employees were employed outside of the United States, and about 1,600 employees were represented by labor unions.

***Diversity, Equity and Inclusion.***

Fundamental to our mission is the ability to attract, retain, and develop a diverse workforce representative of the countries in which we operate. We are proud to hire from the local communities where we operate, which then enhances our understanding of the legislation and operating environment of each country so we can better serve our Members. We provide our employees with competitive wages above minimum wage in each region, as well as comprehensive benefit programs, which generally include life and health insurance and post-employment savings plans. We also seek to identify opportunities to support local businesses and communities, with the goal of improving the quality of life in the countries where we operate.

***Talent Development.***

We believe our investment in the education, training and development of our employees contributes to the overall success of our business. We believe a focus on talent development leads to long-serving, loyal employees, which improves efficiencies in operations, thus resulting in higher quality service to our Members. We provide learning opportunities for our employees through various training courses including instructor-led internal and external programs. We also seek to promote from within, allowing us to develop the leadership strengths of our employees to provide a better overall customer experience for our Members.

***Health and Safety.***

The COVID-19 pandemic has brought unprecedented challenges to our business, communities, Members and employees. We prioritize the safety and well-being of our employees and Members by following applicable local and national government regulations at each of our warehouse clubs, offices, and distribution center locations. We implemented enhanced cleaning and sanitizing protocols and provided personal protective equipment to our employees. We engage in responsible procedures, such as contact tracing, preventative quarantining and continued paid leave. We educate our employees on safety, reinforce best practices of good hygiene, and encourage our employees to receive vaccinations as they become available and in cases where possible, we have directly purchased and provided vaccines to our employees at no cost. We have built reserve teams of employees who do not overlap with each other so that they may step in as needed allowing those who are sick to take time off. We also provide employee transportation and meals in order to offer them a safe and reliable means to work. Many of our corporate offices are open in a limited capacity, and the majority of our corporate employees have shifted, temporarily, to working remotely. We offer resources for employees working remotely, which are targeted at optimizing remote work environments and managing COVID-19 related challenges. The resources we offer include office ergonomics consulting and support for mental and emotional health and well-being.

**Seasonality and Quarterly Fluctuations**

Historically, our merchandising businesses have experienced holiday retail seasonality in their markets. In addition to seasonal fluctuations, our operating results fluctuate quarter-to-quarter as a result of economic and political events in markets that we serve, the timing of holidays, weather, the timing of shipments, product mix and currency effects on the cost of U.S.-sourced products which may make these products more or less expensive in local currencies and therefore more or less affordable. Because of such fluctuations, the results of operations of any quarter are not indicative of the results that may be achieved for a full fiscal year or any future quarter. In addition, there can be no assurance that our future results will be consistent with past results or the projections of securities analysts.

**Other Information**

PriceSmart, Inc. was incorporated in the State of Delaware in 1994. Our principal executive offices are located at 9740 Scranton Road, San Diego, California 92121. Our telephone number is (858) 404-8800. Our website home page on the Internet is www.pricesmart.com. We make our website content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Form 10-K.

**Available Information**

The PriceSmart, Inc. investor relations website or internet address is https://investors.pricesmart.com. On this website we make available, free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, and the annual report to the stockholders as soon as reasonably practicable after electronically filing such material with or furnishing it to the U.S. Securities and Exchange Commission (SEC). Our SEC reports can be accessed through the investor relations section of our website under “SEC Filings.” Additionally, the SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. We will make available our annual report on Form 10-K and our annual Proxy Statement for the fiscal year 2021 at the internet address http://materials.proxyvote.com/741511 as soon as reasonably practicable after electronically filing such material with or furnishing it to the SEC.

**Item 1A. Risk Factors**

In evaluating the Company's business, you should consider the following discussion of risk factors, in addition to other information contained in this report and in the Company's other public filings with the U.S. Securities and Exchange Commission. Any such risks could materially and adversely affect our business, financial condition, results of operations, cash flow and prospects. However, the risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition, results of operations, cash flow and prospects.

**External Factors that Could Adversely Affect Us**

***The ongoing global novel coronavirus COVID-19 pandemic had and may continue to have an adverse effect our business, results of operations, financial condition, and liquidity.***

The ongoing COVID-19 pandemic has negatively impacted the world economy, caused widespread unemployment, significantly impacted global supply chains, and disrupted financial markets, all of which have negatively affected, and continue to create challenges in, our markets. In addition to measures we have taken voluntarily, the government authorities in our markets have taken actions to mitigate the spread of COVID-19, including travel restrictions, border closings, restrictions on public gatherings, stay-at-home orders and other quarantine and isolation measures. They also have imposed business limitations such as mandatory temporary closures, required reduced operating hours, restrictions on segments of the population permitted to shop on particular days, customer occupancy limits and restrictions on sales of "non-essential" merchandise. Many of these policies and restrictions have resulted in limiting access for our Members and have adversely impacted our club operations.

Our business depends heavily on the uninterrupted operation of our distribution facilities located in Miami, Florida and San Jose, Costa Rica, our warehouse clubs located in Colombia, Central America and the Caribbean, and our headquarters and buying operations in San Diego, California. The operation of all of our facilities is highly dependent on our employees who staff these locations, and the coronavirus could directly threaten the health of our employees. Additionally, in an effort to protect our employees, we have trained our in-club and distribution center employees about and enforced social distancing, and we have during this time shifted substantially all of our work force at our San Diego headquarters, our management and administrative personnel in Miami, and office support personnel in the countries where we operate to remote work. Finally, we continue to identify alternative distribution channels in the case of closure of one or more of our distribution facilities or upstream and downstream disruption to our supply chain. Events such as these complicate and/or threaten the way we execute and the performance of our business and could have a material adverse effect or our business and operating results.

Operating during the COVID-19 pandemic has increased our costs of operations. Among other things, we provide personal protective equipment to our employees, have employed additional cleaning and sanitizing procedures at our warehouse clubs and distribution facilities and provide transportation to employees in areas where public transportation is not currently available or is considered unsafe. We also have implemented robust protocols for screening, contact tracing, mapping and quarantining as preventative and mitigating measures. We also have additional payroll expenses associated with maintaining reserve teams of employees who remain ready if necessary to replace employees who become sick or who are required to quarantine and for employees who are in high risk groups or who are subject to quarantine. We believe these costs will continue as long as the COVID-19 pandemic is ongoing.

In addition, as a result of COVID-19 and the measures designed to contain the spread of the virus, we have faced and may continue to face delays or difficulty sourcing products, which could negatively affect our business and financial results. Certain of our suppliers have had their manufacturing operations disrupted by the coronavirus outbreak, and even where goods have been completed, they have been subject to weeks-long shipping delays. If our third-party suppliers' operations continue to be curtailed, or transportation systems continue to be disrupted, we may need to seek alternate sources of supply, which may be more expensive. The duration and degree of production and supply chain disruption, and related financial impact, cannot be estimated at this time. If the production and distribution closures continue or increase for an extended period of time, the impact on our supply chain could have a material adverse effect on our results of operations and cash flows.

***Negative economic conditions created or exacerbated by the outbreak of the COVID-19 could adversely impact our business in various respects.***

A slowdown in the economies of one or more of the countries in which we operate or adverse changes in economic conditions affecting discretionary consumer spending could adversely affect consumer demand for the products we sell, change the mix of products we sell to a mix with a lower average gross margin, cause a slowdown in discretionary purchases of goods, adversely affect our net sales and result in slower inventory turnover and greater markdowns of inventory, or otherwise materially adversely affect our operating results. Any prolonged outbreak of the coronavirus could result in the imposition of quarantines or closures of retailer locations, office spaces, manufacturing facilities, travel and transportation restrictions and/or import and export restrictions, any of which could contribute to a general slowdown in the global economy and the economies of the markets in which we operate. A significant decline in the economies of the countries in which our warehouse clubs are located may lead to decreased sales and profitability, increased governmental ownership or regulation of the economy, higher interest rates and increased barriers to entry such as higher tariffs and taxes. The economic factors that affect our operations also may adversely affect the operations of our suppliers, which can result in an increase in the cost to us of the goods we sell to our Members or, in more extreme cases, in certain suppliers not producing goods in the volume typically available for sale to us.

Employment laws and regulations in the countries in which we operate may limit our ability to effect a reduction in force to reduce our labor expenses in line with declining revenues. In some of the countries in which we operate, before we could effect a reduction in force, we would need to negotiate with labor unions, demonstrate evidence of hardship or force majeure or obtain prior government approval, which may not be given in a timely manner or at all.

***Our financial performance is dependent on international operations, which exposes us to various risks.***

Our international operations account for nearly all of our total revenues. Our financial performance is subject to risks inherent in operating and expanding our international membership warehouse club business, which include:

- changes in, and inconsistent enforcement of, laws and regulations, including those related to tariffs and taxes;
- the imposition of foreign and domestic governmental controls, including expropriation risks;
- natural disasters;
- trade restrictions, including import-export quotas and general restrictions on importation;
- difficulty and costs associated with international sales and the administration of an international merchandising business;
- crime and security concerns, which can adversely affect the economies of the countries in which we operate and which require us to incur additional costs to provide additional security at our warehouse clubs;
- political instability, such as the protests and civil unrest in Colombia in 2021 and Honduras and Nicaragua in 2019 and a general strike in Costa Rica in 2018;
- product registration, permitting and regulatory compliance;
- volatility in foreign currency exchange rates;
- general economic and business conditions; and
- interruption of our supply chain.

These risks may result in disruption to our sales, banking transactions, operations and merchandise shipments, any of which could have a material adverse effect on our business and results of operations.

In 2018, the U.S. approved legislation to restrict U.S. aid to Nicaragua. In 2019, the U.S. State Department had varying strategies regarding if, when, and how it would authorize disbursements of foreign aid that had been previously approved by the U.S. Congress to Guatemala, Honduras and El Salvador. In 2021, the Vice President of the United States announced that the United States is providing $310 million in increased assistance to Guatemala, Honduras and El Salvador. However, changes in U.S. policies regarding financial assistance could cause political or financial instability in the countries we serve.

***We face significant competition.***

Our international warehouse club business competes with exporters, importers, wholesalers, local retailers and trading companies in various international markets. Some of our competitors have greater resources, buying power and name recognition than we have. We also face competition from online retailers who serve our markets, and we expect that this type of competition will grow and intensify in the future.

In the countries in which we operate, we do not currently face direct competition from U.S. membership warehouse club operators. However, we do face competition from various retail formats such as hypermarkets, supermarkets, cash and carry, home improvement centers, electronic retailers and specialty stores, including those within Latin America that are owned and operated by large U.S. and international retailers, including Walmart Inc. in Central America and Grupo Éxito and Cencosud in Colombia. We have noted that certain retailers are making investments in upgrading their locations which may result in increased competition. Further, it is possible that current U.S. warehouse club operators may decide to enter our markets and compete more directly with us in a similar warehouse club format. Our ability to operate profitably in our markets, particularly small markets, may be adversely affected by the existence or entry of competing warehouse clubs or discount retailers.

We compete in a variety of ways, including the value and prices at which we sell our merchandise, merchandise selection and availability, services offered to Members, location, store hours, safety protocols and the shopping convenience and overall shopping experience we offer. We may be required to implement price reductions to remain competitive if any of our competitors reduce prices in any of our markets. In response to the increasing threat associated with online retailers, we are making technology investments, which may result in increases in the use of cash and reduced profitability in the near term.

***Our sales could be adversely affected if one or more major international online retailers were to enter our markets or if other competitors were to offer a superior online experience.***

Although online sales are currently a smaller proportion of total sales in our markets for the types of merchandise we offer than in the U.S., online shopping is becoming more prevalent in our markets as we and our competitors begin to offer more opportunities for online shopping and as delivery systems in our markets improve. COVID-19 has accelerated the growth of online sales in our markets due to government-imposed restrictions on shopping and changes in consumer preferences. While major international online retailers have not established a significant penetration in any of our markets yet, Amazon.com, Inc. continues to expand its online marketplace and make additional investments to bolster its presence in the countries where we operate. Also, it is possible that Amazon.com, Inc. or smaller regional companies will increase the penetration of online shopping in our markets, especially given the importance of e-commerce during the COVID-19 pandemic.

We continue to invest in our websites and systems with the long-term objective of offering our Members a seamless omnichannel experience. We currently offer our Click & Go™ online shopping, which includes both curbside pickup and delivery are available in all markets. Operating an e-commerce platform and fulfilment of online orders is a complex undertaking, and there is no guarantee that the resources we have applied to this effort will result in increased revenues or improved operating performance. If we do not maintain a successful and relevant omni-channel experience for our Members, our ability to compete and our results of operations could be adversely affected.

***We are exposed to significant weather events and other natural disaster risks that might not be adequately compensated by insurance.***

Our operations are subject to volatile weather conditions and natural disasters, such as earthquakes, hurricanes and volcanic activity, which are encountered periodically in the regions in which our warehouse clubs are located. Natural disasters could result in many days of lost sales at our warehouse clubs or adversely affect our distribution chain. For example, in early fiscal year 2018, operations at our USVI warehouse club were adversely affected by Hurricanes Irma and Maria. The warehouse club was closed for nine days, and after re-opening, the warehouse club operated with limited hours for 16 days due to a government-imposed curfew. Damaged and destroyed roads restricted traffic flow, adversely affecting customer access for some time after the hurricane. Future losses from business interruption may not be adequately compensated by insurance and could have a material adverse effect on our business, financial condition and results of operations.

***We face difficulties in the shipment of, and risks inherent in the importation of, merchandise to our warehouse clubs.***

Our warehouse clubs typically import nearly half or more of the merchandise that they sell. This merchandise originates from various countries and is transported over long distances, over water and land, which results in:

- substantial lead times needed between the procurement and delivery of product, thus complicating merchandising and inventory controls;
- the possible loss of product due to theft or potential damage to, or destruction of, ships or containers delivering goods;
- product markdowns due to the prohibitive cost of returning merchandise upon importation;
- product registration, tariffs, customs and shipping regulation issues in the locations we ship to and from;
- ocean freight and duty costs; and
- possible governmental restrictions on the importation of merchandise.

Civil unrest in certain countries in which we operate may adversely affect the flow of goods through those countries. For example, in April 2021, protestors in Colombia erected roadblocks inside and between major cities and damaged public transport, businesses and state buildings, which disrupted the normal flow of goods and economic activity. In 2019, political and civil unrest in Honduras and Nicaragua resulted in roadblocks in many portions of these countries. Any restriction in the movement of goods through Costa Rica's ports or over Honduras and Nicaragua's highways could impair our ability to supply warehouse clubs not just in those countries, but in countries throughout the region as well.

Moreover, each country in which we operate has different governmental rules and regulations regarding the importation of foreign products. Changes to the rules and regulations governing the importation of merchandise may result in additional delays, costs or barriers in our deliveries of products to our warehouse clubs or may affect the type of products we select to import. In addition, only a limited number of transportation companies service our regions. The inability or failure of one or more key transportation companies to provide transportation services to us, any collusion among the transportation companies regarding shipping prices or terms, changes in the regulations that govern shipping tariffs or the importation of products, or any other disruption to our ability to import our merchandise could have a material adverse effect on our business and results of operations.

***We are subject to payment related risks, including risks to the security of payment card information.***

We accept payments using an increasing variety of methods, including cash, checks, wire transfers, our co-branded credit cards and a variety of other credit and debit cards. Our operations, like those of most retailers, requires the transmission of information permitting cashless payments. As we offer new payment options to our Members, we may be subject to additional rules, regulations and compliance requirements, along with the risk of higher fraud losses. For certain payment methods, we pay interchange and other related card acceptance fees, along with additional transaction processing fees. We rely on third parties to provide secure and reliable payment transaction processing services, including the processing of credit and debit cards, and our co-branded credit cards, and it could disrupt our business if these companies become unwilling or unable to provide these services to us. We are also subject to payment card association and network operating rules, including data security rules, certification requirements and rules governing electronic funds transfers, which could change over time. If we fail to comply with these rules or transaction processing requirements, we may not be able to accept certain payment methods. In addition, if our internal systems are breached or compromised, we may be liable for banks' compromised card re-issuance costs, we may be subject to fines and higher transaction fees and lose our ability to accept credit and/or debit card payments from our Members, and our business and operating results could be adversely affected. Failures or disruptions in data communication and transfer services also could significantly impact our ability to transact payments to vendors and process credit and debit card transactions. Lastly, we or our customers may experience "spoofing" transactions, particularly with respect to wire transfers, which could cause us to make payments to impostor vendors or result in our not receiving timely payment from customers for merchandise we have sold.

***We face the possibility of operational interruptions related to union work stoppages***.

We currently have labor unions in three of our subsidiaries (Trinidad, Barbados and Panama). A work stoppage or other limitation on operations from union or other labor-related matters could occur for any number of reasons, including as a result of disputes under existing collective bargaining agreements with labor unions or in connection with negotiation of new collective bargaining agreements. A lengthy work stoppage or significant limitation on operations could have a substantial adverse effect on our financial condition and results of operations.

**Risks Associated with Our Business Strategy and Operations**

***Any failure by us to manage our widely dispersed operations could adversely affect our business.***

As of August 31, 2021, we had 47 warehouse clubs in operation, located in 12 countries and one U.S. territory (eight each in Costa Rica and Colombia; seven in Panama; five in the Dominican Republic, four in Trinidad and Guatemala; three in Honduras; two each in El Salvador and Nicaragua; and one each in Aruba, Barbados, Jamaica and the United States Virgin Islands). We will need to continually evaluate the adequacy of our existing infrastructure, systems and procedures, financial controls, inventory and safety controls and make upgrades from time to time. Moreover, we will be required to continually analyze the sufficiency of our inventory distribution channels and systems and may require additional or expanded facilities in order to support our operations. We may not adequately anticipate all the changing demands that will be imposed on these systems. Any inability to effectively update our internal systems or procedures as required could have a material adverse effect on our business, financial condition and results of operations.

***We might not identify in a timely manner or effectively respond to changes in consumer preferences for merchandise, which could adversely affect our relationship with Members, demand for our products and market share.***

Our success depends, in part, on our ability to identify and respond to trends in demographics and changes in consumer preferences for merchandise. It is difficult to consistently and successfully predict the products and services our Members will demand. Failure to timely identify or respond effectively to changing consumer tastes, preferences or spending patterns could adversely affect our relationship with our Members, the demand for our products and our market share. If we are not successful at predicting sales trends and adjusting purchases accordingly, we might have too much or too little inventory of certain products. If we buy too much of a product, we might be required to reduce prices or otherwise liquidate the excess inventory, which could have an adverse effect on margins (net sales less merchandise costs) and operating income. If we do not have sufficient quantities of a popular product, we might lose sales and profits we otherwise could have made.

***Future sales growth depends, in part, on our ability to successfully open new warehouse clubs in our existing and new markets.***

Sales growth at the existing warehouse clubs can be impacted by, among other things, the physical limitations of the warehouse clubs, which restrict the amount of merchandise that can be safely stored and displayed in the warehouse clubs and the number of Members that can be accommodated during business hours. As a result, sales growth will depend, in part, upon our acquiring suitable sites for additional warehouse clubs. Land for purchase or lease, or buildings to be leased, in the size and locations in those markets that would be suitable for new PriceSmart warehouse clubs may be limited in number or not be available or financially feasible. In this regard, we compete with other retailers and businesses for suitable locations. Additionally, local land use, environmental and other regulations restricting the construction and operation of our warehouse clubs may impact our ability to find suitable locations, and increase the cost of constructing, leasing and operating our warehouse clubs. We have experienced these limitations in Colombia and in some of our other existing markets, which has negatively affected our growth rates in those markets. Limitations on the availability of appropriate sites for new warehouse clubs in the areas targeted by us could have a material adverse effect on the future growth of PriceSmart.

In some cases, we have more than one warehouse club in a single metropolitan area, and we may open new warehouse clubs in certain areas where we already have warehouse clubs. A new warehouse club in an area already served by existing warehouse clubs may draw Members away from existing warehouse clubs and adversely affect comparable store sales performance. We operate in relatively small markets. Given the growth of our sales over the past few years, market saturation could impact the rate of future sales growth.

We might open warehouse clubs in new markets in the future. The risks associated with entering a new market include potential difficulties in attracting Members due to a lack of familiarity with us and our lack of familiarity with local Member preferences. In addition, entry into new markets may bring us into competition with new competitors or with existing competitors with a large, established market presence. As a result, our new warehouse clubs might not be successful in new markets.

***Failure to grow our e-commerce business through the efficient integration of physical and digital retail channels and the investments we are making to develop a robust e-commerce platform that also supports and enhances brick and mortar sales and services could materially adversely affect our market position, net sales and/or financial performance.***

The retail business is quickly evolving and consumers are increasingly embracing shopping online and through mobile commerce applications. As a result, the portion of total consumer expenditures with all retailers and wholesale clubs occurring online and through mobile commerce applications is increasing and the pace of this increase could accelerate. As demonstrated by our launch of our Click & Go™ curbside pickup and delivery service, and other ongoing investments, we are increasing our investments in e-commerce, technology and other customer initiatives. The success of our e-commerce initiative continues to depend in large measure on our ability to build and deliver a seamless shopping experience across the physical and digital retail channels. If we fail to successfully implement our e-commerce initiative, our market position, net sales and financial performance could be adversely affected. In addition, a greater concentration of e-commerce sales could result in a reduction in the amount of traffic in our warehouse clubs, which would, in turn, reduce the opportunities for cross-club sales of merchandise that such traffic creates and could reduce our sales within our clubs and materially adversely affect the financial performance of the physical retail side of our operations. In addition, our investment in e-commerce and technology initiatives will adversely impact our short-term financial performance and could adversely impact our financial performance over the longer term.

***Our profitability is vulnerable to cost increases.***

Future increases in costs, such as the cost of merchandise, wage and benefits costs, shipping rates, freight costs, fuel costs, utilities and other store occupancy costs, may reduce our profitability. We seek to adjust our product sales pricing, operate more efficiently, and increase our comparable store net sales to offset currency rate changes, changes in tax rates or in the methods used to calculate or collect taxes on our sales or income, inflation and other factors that can increase costs. We might not be able to adjust prices, operate more efficiently or increase our comparable store net sales in the future to a great enough extent to offset increased costs. In the third and fourth quarter of fiscal year 2021, we experienced significant increases in freight costs of our merchandise sourced overseas due to the global shortage of shipping containers. Please see Part II. "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," of this Form 10-K for further discussion of the effect of currency rate changes, inflation and other economic factors on our operations.

***We are subject to risks associated with our dependence on third-party suppliers and service providers, and we have no assurances of continued supply, pricing or access to new merchandise.***

We have important ongoing relationships with various third-party suppliers of services and merchandise. These include, but are not limited to, local, regional, and international merchandise suppliers, information technology suppliers, equipment suppliers, financial institutions, credit card issuers and processors, and lessors. Significant changes in the relationships or the agreements that govern the terms through which business is conducted could have a material adverse effect on our business, financial condition and results of operations. We have no assurances of continued supply, pricing or access to new merchandise, and any supplier could at any time change the terms upon which it sells to us or discontinue selling to us. One of our significant suppliers operates a warehouse club business and may in the future seek to compete with us in some of our markets. In addition, the manner in which we acquire merchandise, either directly from the supplier's parent company or through a local subsidiary or distributor, is subject to change from time to time based on changes initiated by the supplier and for reasons beyond our control. Significant changes or disruptions in how we acquire merchandise from these suppliers could negatively affect our access to such merchandise, as well as the cost of merchandise to us and hence our Members, which could have a material adverse effect on our business and results of operations.

***Our failure to maintain our brand and reputation could adversely affect our results of operations.***

Our success depends on our ability to continue to preserve and enhance our brand and reputation. Damage to the PriceSmart brand could adversely impact merchandise club sales, diminish Member trust, reduce Member renewal rates and impair our ability to add new Members. A failure to maintain and enhance our reputation also could lead to loss of new opportunities or employee retention and recruiting difficulties. Negative incidents, such as a data breach or product recall, can quickly erode trust and confidence, particularly if they result in adverse mainstream publicity, governmental investigations or litigation. In particular, the propagation of negative publicity on social media, whether merited or not, can have a damaging effect on our business in one or more markets. In addition, we sell many products under our private label Member's Selection brand. If we do not maintain consistent product quality of our Member's Selection products, which generally carry higher margins than national brand products carried in our warehouse clubs, our net warehouse sales and gross margin results could be adversely affected and Member loyalty could be harmed.

***We face the risk of exposure to product liability claims, a product recall and adverse publicity.***

If our merchandise, such as food and prepared food products for human consumption, medication, children's products, pet products and durable goods, do not meet or are perceived not to meet applicable safety standards or our Members' expectations regarding safety, we could experience lost sales, increased costs, litigation or reputational harm. The sale of these items exposes us to the risk of product liability claims, a product recall and adverse publicity. We may inadvertently redistribute food products or prepare food products that are contaminated, which may result in illness, injury or death if the contaminants are not eliminated by processing at the food service or consumer level. We package and market fresh produce products within our markets, so we may be exposed to additional risk of product liability and adverse publicity if those fresh food products are contaminated, which may result in illness, injury or death if the contaminants are not eliminated by processing at our packaging service centers.

We generally seek contractual indemnification and proof of insurance from our major suppliers and carry product liability insurance for all products we sell to or package for our Members. However, if we do not have adequate insurance or contractual indemnification available, product liability claims relating to products that are contaminated or otherwise harmful could have a material adverse effect on our ability to successfully market our products and on our financial condition and results of operations. In addition, even if a product liability claim is not successful or is not fully pursued, the negative publicity surrounding a product recall or any assertion that our products caused illness or injury could have a material adverse effect on our reputation with existing and potential Members and on our business, financial condition and results of operations.

***We rely extensively on computer systems to process transactions, summarize results and manage our business. Failure to adequately maintain our systems and disruptions in our systems could harm our business and adversely affect our results of operations.***

Given the high number of individual transactions we have each year, we seek to maintain uninterrupted operation of our business-critical computer systems. Our computer systems, including back-up systems, are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, internal or external security breaches, catastrophic events such as fires, earthquakes, tornadoes and hurricanes, and errors by our employees. If our computer systems and back-up systems are damaged or cease to function properly, we may have to make significant investments to fix or replace them, and we may suffer interruptions in our operations in the interim. Any material interruption in our computer systems could have a material adverse effect on our business or results of operations.

From time to time, we make technology investments to improve or replace our information processes and systems that are key to managing our business. The risk of system disruption is increased when system changes are undertaken. Targeting the wrong opportunities, failing to make the right investments or making an investment commitment significantly above or below our needs could result in the loss of our competitive position and adversely impact our financial condition and results of operations. Additionally, the potential problems and interruptions associated with implementing technology initiatives could disrupt or reduce the efficiency of our operations in the short term. These initiatives might not provide the anticipated benefits or may provide them on a delayed schedule or at a higher cost.

Several years ago, we began evaluating options to replace our existing Enterprise Resource Planning (ERP) system. However, due to the rapidly evolving retail landscape and technological resources, as well as our acquisition of Aeropost and the expertise that came with it, we have delayed this project as originally contemplated in order to more holistically assess our overall IT landscape and strategy. Subsequent to that assessment, we will reconsider the need, timing, scope and approach to our ERP replacement project. Not updating our systems on a timely basis could leave us at a disadvantage relative to our competitors. Our current ERP system is not supported by the developer of the software, which could increase the risk of a system disruption. In addition, there are newer versions available from the vendors of some of our other internal systems offering greater functionality and reliability, which we have not yet implemented. We also continue to rely on other systems we developed internally a number of years ago, which will require us to migrate to more industry-standard technologies. We are in the process of evaluating the state of all such systems and establishing a transition plan to newer technologies. Such a transaction will require a significant investment by us, and any failure by us to seamlessly transition these systems may adversely affect operations, Member satisfaction or sales.

***Any failure by us to maintain the security of the information that we hold relating to our company, Members, employees and vendors, could damage our reputation with them, could disrupt our operations, could cause us to incur substantial additional costs and to become subject to litigation and could materially adversely affect our operating results.***

We receive, retain, and transmit personal information about our Members and employees and entrust that information to third-party business associates, including cloud service-providers that perform activities for us. We also utilize third-party service providers for a variety of reasons, including, without limitation, cloud services, back-office support, and other functions. In addition, our online operations depend upon the secure transmission of confidential information over public networks, including information permitting cashless payments. Each year, computer hackers, cyber terrorists, and others make numerous attempts to access the information stored in companies' information systems.

The use of data by our business and our business associates is regulated in all of our operating countries. Privacy and information-security laws and regulations change, and compliance with them may result in cost increases due to, among other things, systems changes and the development of new processes. If we or those with whom we share information fail to comply with these laws and regulations, we could be subjected to legal risk as a result of non-compliance.

We or our third-party service providers may be unable to anticipate one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to defeat our security measures or those of our third-party service providers and breach our or our third party service providers' information systems. Cyber threats are rapidly evolving and are becoming increasingly sophisticated. As cyber threats evolve and become more difficult to detect and successfully defend against, one or more hackers, cyber terrorists or others might defeat our security measures or those of our third-party service providers and obtain the personal information of Members, employees and vendors that we hold or to which our third-party service providers have access, and we or our third-party service providers may not discover any security breach and loss of information for a significant period of time after the security breach occurs. We or one of our third-party service providers also may be subject to a ransomware or cyber-extortion attack, which could significantly disrupt our operations. In the enterprise context, ransomware attacks involve restricting access to computer systems or vital data until a ransom is paid. Associate error or malfeasance, faulty password management or other irregularities may result in a defeat of our or our third-party service providers' security measures and breach our or our third-party service providers' information systems (whether digital or otherwise).

Any breach of our security measures or those of our third-party service providers and loss of our confidential information, which could be undetected for a period of time, or any failure by us to comply with applicable privacy and information security laws and regulations, could cause us to incur significant costs to protect any Members and/or employees whose personal data was compromised and to restore Member and employee confidence in us and to make changes to our information systems and administrative processes to address security issues and compliance with applicable laws and regulations.

In addition, such events could have a material adverse effect on our reputation with our Members, employees, vendors and stockholders, as well as our operations, results of operations, financial condition and liquidity, could result in the release to the public of confidential information about our operations and financial condition and performance and could result in litigation against us or the imposition of penalties or liabilities. Moreover, a security breach could require us to devote significant management resources to address the problems created by the security breach and to expend significant additional resources to upgrade further the security measures that we employ to guard such important personal information against cyberattacks and other attempts to access such information, resulting in a disruption of our operations.

***Business acquisitions or divestitures and new business initiatives could adversely impact the Company's performance.***

From time to time we may consider acquisition opportunities and new business initiatives. During fiscal year 2018, we acquired Aeropost, Inc. ("Aeropost"). Acquisitions and new business initiatives involve certain inherent risks, including the failure to retain key personnel from an acquired business; undisclosed or subsequently arising liabilities or accounting, internal control, regulatory or compliance issues associated with an acquired business; challenges in the successful integration of operations, and alignment of standards, policies and systems; future developments that may impair the value of our purchased goodwill or intangible assets; and the potential diversion of management resources from existing operations to respond to unforeseen issues arising in the context of the integration of a new business or initiative.

We recently sold the legacy casillero and marketplace businesses operated by Aeropost. To implement this sale, we retained the technology and intellectual property rights required for the furtherance of our business interest in PriceSmart.com and related capabilities. We also retained the individuals formerly employed by Aeropost who we believed would best support PriceSmart's objectives. The two businesses will provide transition services to each other for a period of up to four months. We could incur unforeseen expenses or other issues in connection with the separation of these businesses, including the separation of certain shared vendor arrangements and division of employees between the two businesses.

***Failure to attract and retain qualified employees could materially adversely affect our financial performance.***

Our success depends, to a significant degree, on the continued contributions of Members of our senior management and other key operations, merchandising and administrative personnel, and the loss of any such persons could have a material adverse effect on our business. We must attract, develop and retain a growing number of qualified employees, while controlling related labor costs and maintaining our core values. We compete with other retail and non-retail businesses for these employees and invest significant resources in training and motivating them. There is no assurance that we will be able to adequately attract, develop and retain highly qualified employees in the future, or to replace retiring key executives which could have a material adverse effect on our business, financial condition and results of operations. We do not maintain life or disability insurance for our key executives.

**Legal and Compliance Risks**

***We face compliance risks related to our international operations.***

In the United States and within the international markets where we operate, there are multiple laws and regulations that relate to our business and operations. These laws and regulations are subject to change, and any failure by us to effectively manage our operations and reporting obligations as required by the various laws and regulations can result in our incurring significant legal costs and fines as well as disruptions to our business and operations. Such failure could also result in investors' loss of confidence in us, which could have a material adverse effect on our stock price.

In foreign countries in which we have operations, a risk exists that our employees, contractors or agents could, in contravention of our policies, engage in business practices prohibited by U.S. laws and regulations applicable to us, such as the Foreign Corrupt Practices Act and the laws and regulations of other countries. We maintain policies prohibiting such business practices and have in place global anti-corruption compliance programs designed to ensure compliance with these laws and regulations. Nevertheless, we remain subject to the risk that one or more of our employees, contractors or agents, including those based in or from countries where practices that violate such U.S. laws and regulations or the laws and regulations of other countries may be customary, will engage in business practices that are prohibited by our policies or circumvent our compliance programs and, by doing so, violate such laws and regulations. Our former Aeropost subsidiary operated as a package forwarder, dealing with local customs officials in many jurisdictions in which we have not previously operated. In some countries, Aeropost operated through agents. During our ownership period, Aeropost was integrated into our compliance program; however, we had limited control over actions by Aeropost's agents. Any violations of anti-corruption laws, even if prohibited by our internal policies, could adversely affect our reputation, business or financial performance.

***We could be subject to additional tax liabilities or subject to reserves on the recoverability of tax receivables.***

We compute our income tax based on enacted tax rates in the countries in which we operate. As the tax rates vary among countries, a change in earnings attributable to the various jurisdictions in which we operate could result in an unfavorable change in our overall taxes. Changes in tax laws, increases in the enacted tax rates, adverse outcomes in connection with tax audits in any jurisdiction, or any change in the pronouncements relating to accounting for income taxes could have a material adverse effect on our financial condition and results of operations. In two countries, there have been changes in the method of computing minimum tax payments, under which the governments have sought to require the Company to pay taxes based on a percentage of sales rather than income. As a result, the Company has made and may continue to make income tax payments substantially in excess of those it would expect to pay based on taxable income, and there are no clear rules that allow the Company to obtain refunds or to offset payments that are substantially in excess of taxes payable based on taxable income. Additionally, in one country, the government has alleged in the past that there is not a clearly defined process in the laws and regulations to allow the tax authorities to refund Value Added Tax ("VAT") receivables. We, together with our tax and legal advisers, are currently appealing these interpretations. However, if we do not prevail in these efforts, we may be required to establish a valuation reserve against these tax receivables and take an accompanying charge, which would adversely affect our financial condition and results of operations. In the meantime, we are taking other actions to recover excess taxes paid or withheld and to limit further increases in these receivables, including the possibility that we might choose in one of the jurisdictions to make income tax payments using the original computation based on a percentage of taxable income in advance of a favorable court ruling.

We file federal and state tax returns in the United States and various other tax returns in foreign jurisdictions. The preparation of these tax returns requires us to interpret the applicable tax laws and regulations in effect in such jurisdictions, which affects the amount of tax we pay. We, in consultation with our tax advisors, base our tax returns on interpretations that we believe to be reasonable under the prevailing circumstances. However, our tax returns are subject to routine reviews by the various taxing authorities in the jurisdictions in which we file our returns. As part of these reviews, a taxing authority may disagree with respect to the interpretations we used to calculate our tax liability and therefore require us to pay additional taxes.

***A few of our stockholders own approximately 20.1% of our voting stock as of August 31, 2021, which may make it difficult to complete some corporate transactions without their support and may impede a change in control.***

Robert E. Price, the Company's Chairman of the Board, and affiliates of Mr. Price, including Price Philanthropies, The Price Group, LLC, The Robert & Allison Price Charitable Remainder Trust and various other trusts, collectively beneficially own approximately 20.1% of our outstanding shares of common stock. Of this amount, approximately 76.4% (*i.e.,* 15.4% of our total outstanding shares) is held by charitable entities. As a result of their beneficial ownership, these stockholders have the ability to significantly affect the outcome of all matters submitted to our stockholders for approval, including the election of directors. In addition, this ownership could discourage the acquisition of our common stock by potential investors and could have an anti-takeover effect, possibly depressing the trading price of our common stock.

**Financial and Accounting Risks**

***We are subject to volatility in foreign currency exchange rates and limits on our ability to convert foreign currencies into U.S. dollars.***

As of August 31, 2021, we had a total of 47 warehouse clubs operating in 12 foreign countries and one U.S. territory, 37 of which operate under currencies other than the U.S. dollar. For fiscal year 2021, approximately 78% of our net merchandise sales were in foreign currencies. We may enter into additional foreign countries in the future or open additional locations in existing countries, which may increase the percentage of net merchandise sales denominated in foreign currencies.

Our consolidated financial statements are denominated in U.S. dollars, and to prepare those financial statements we must translate the amounts of the assets, liabilities, net sales, other revenues and expenses of our operations outside of the U.S. from foreign currencies into U.S. dollars using exchange rates for the current period. As a result of such translations, fluctuations in currency exchange rates from period-to-period may result in our consolidated financial statements reflecting significant adverse period-over-period changes in our financial performance or reflecting a period-over-period improvement in our financial performance that is not as robust as it would be without such fluctuations in the currency exchange rates.

In addition, devaluing foreign local currencies compared to the U.S. dollar could negatively impact the purchasing power of our Members for imported merchandise in those countries. Merchandise imported into our markets is generally purchased by the Company in U.S. dollars and priced and sold in the local currency of that country. If the local currency devalues against the U.S. dollar, we may elect to increase prices in the local currency to maintain our target margins, making the products more expensive for our Members. We may also decide to reduce or modify the flow of merchandise into those markets. Depending on the severity of the devaluation and corresponding price increase (as experienced in Colombia in 2015 and 2020), the demand for, and sales of, those products could be negatively impacted.

Finally, the ability of the Company to convert local currency into U.S. dollars to settle U.S. dollar invoices can be impacted in certain markets due to economic factors or government policies creating illiquidity of the local currency. This has been the case in Trinidad in fiscal years 2017, 2020, and 2021, which led us to reduce shipments from the U.S. to Trinidad to amounts that our Trinidad subsidiary could pay for using the amount of tradeable currency that could be sourced in that market, resulting in lost sales.

As of August 31, 2021, our Trinidad subsidiary had Trinidad dollar denominated cash and cash equivalents and short and long-term investments measured in U.S. dollars of approximately $52.9 million, a decrease of $26.7 million from August 31, 2020 when these same balances were approximately $79.6 million. The Trinidad central bank manages the exchange rate of the Trinidad dollar with the U.S. dollar. While the Trinidad government has publicly stated it has no intention to devalue the Trinidad dollar, it could in the future decide to devalue the currency to improve market liquidity, resulting in a devaluation in the U.S. dollar value of these cash and investments balances. If, for example, a hypothetical 20% devaluation of the Trinidad dollar were to occur, the value of our Trinidad dollar cash and investments position, measured in U.S. dollars, would decrease by approximately $10.6 million, with a corresponding increase in Accumulated other comprehensive loss reflected on our consolidated balance sheet. Separate from the Trinidad dollar denominated cash and investments balances described above, as of August 31, 2021, we had a U.S. dollar denominated monetary asset position of approximately $26.6 million in Trinidad (net of U.S. dollar denominated liabilities), which would produce a gain from a potential devaluation of Trinidad dollars. If, for example, a hypothetical 20% devaluation of the Trinidad dollar occurred, the net effect on Other income (expense), net on our consolidated statement of operations of revaluing these U.S. dollar denominated net monetary assets would be an approximate $5.3 million gain. While we may pay premiums or enter into financial transactions at a discount from the official government rate to convert our Trinidad dollars into U.S. dollars, we use the official exchange rate published by the Central Bank of Trinidad and Tobago to measure the U.S. dollar equivalent of Trinidad dollar-based revenues, expenses, assets and liabilities and the Trinidad dollar equivalent of U.S. dollar-based monetary assets and liabilities for financial reporting purposes, as there are no other reliable references available to translate or remeasure our revenues, expenses, assets and liabilities.

Our Barbados subsidiary also began facing a U.S. dollar illiquidity situation in fiscal 2020. The Barbados dollar has a conventional fixed-peg currency arrangement, in which the Barbados dollar exchange rate is fixed to the U.S. dollar. Thus, we do not expect a devaluation of this currency at this time. However, as of August 31, 2021, our Barbados subsidiary had Barbados dollar denominated cash and cash equivalents measured in U.S. dollars of approximately $12.4 million, which cannot be readily converted to U.S. dollars for general use within the Company.

Volatility and uncertainty regarding the currencies and economic conditions in the countries where we operate could have a material impact on our operations in future periods.

***Changes in accounting standards and assumptions, projections, estimates and judgments by management related to complex accounting matters could significantly affect our financial condition and results of operations.***

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business are highly complex and involve many subjective assumptions, projections, estimates and judgments by our management. These include, but are not limited to assumptions, projections, estimates and judgements related to contingencies and litigation, income taxes, value added taxes, and long-lived assets. Changes in these rules or their interpretation or changes in underlying assumptions, projections, estimates or judgments by our management could significantly change our reported or expected financial performance.

For example, because of Accounting Standards Update ASU 2016-02 – Leases (Topic 842), which the Company adopted September 1, 2019, the Company is required to recognize a “Right-of-Use” (ROU) asset and lease liability for each of the Company’s long-term leases. Accounting Standard Codification (ASC) 842 requires that the ROU asset be designated as a non-monetary asset and the lease liability as a monetary liability. Therefore, when accounting for a lease that is denominated in a foreign currency, if remeasurement into the lessee’s functional currency is required, the lease liability is remeasured using the current exchange rate. We have leases in several of our subsidiaries in which the lease payments are denominated in a foreign currency that is not the functional currency of that entity. Therefore, we are subject to additional volatility in foreign currency exchange rates as a result of this accounting standard update. The monetary lease liability subject to revaluation as of August 31, 2021 was $35.6 million. Due to the mix of foreign currency exchange rate fluctuations during fiscal 2021, the impact to the consolidated statements of income of revaluing this liability was immaterial.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

At August 31, 2021, PriceSmart operated 47 membership warehouse clubs, as detailed below:

| Location | Own land and building | Lease land and/or building |
|---|---|---|
| **COLOMBIA SEGMENT** | | |
| Colombia [1] | 7 | 1 |
| **CENTRAL AMERICA SEGMENT** | | |
| Panama | 5 | 2 |
| Guatemala [1] | 2 | 2 |
| Costa Rica | 8 | — |
| El Salvador | 2 | — |
| Honduras | 2 | 1 |
| Nicaragua | 2 | — |
| **CARIBBEAN SEGMENT** | | |
| Dominican Republic | 5 | — |
| Aruba | — | 1 |
| Barbados | 1 | — |
| Trinidad | 3 | 1 |
| U.S. Virgin Islands | — | 1 |
| Jamaica [1] | 1 | — |
| Total | 38 | 9 |

(1) We are currently constructing and plan to open warehouse clubs in Guatemala City, Guatemala in October 2021, in Bucaramanga, Colombia in November 2021, and in Portmore, Jamaica in the spring of 2022. We own the land for each and expect to own the buildings upon its completion.

Although we have entered into real estate leases in the past and will likely do so in the future, our preference is to own rather than lease real estate. We lease land and in some cases land and buildings when appropriate sites within market areas are not available to purchase. The term on these leases generally run for 20 to 30 years and contain options to renew from 5 to 20 years. Years before current leases expire, we actively seek to secure lease extensions or find suitable replacement properties. We have successfully negotiated extensions in the past and believe we will continue to be able to do so in the future. As of August 31, 2021, sales floors of the Company's warehouse club buildings occupied a total of approximately 2,335,929 square feet, of which 430,588 square feet were on leased property.

We operate two large regional distribution centers, one in Miami, Florida and the other in San Jose, Costa Rica, along with several smaller local distribution centers for the consolidation and distribution of merchandise shipments to our warehouse clubs. During fiscal year 2021, we executed a lease and began construction activities to open our third regional distribution center in Trinidad and Tobago. Our corporate headquarters is located in San Diego, California, and we maintain other regional offices in the U.S. and our international locations. We own our regional distribution center in Miami, Florida, but we otherwise lease most non-warehouse club facilities and expect to continue to lease these types of facilities as we expand. Our leases for non-warehouse club facilities typically provide for initial lease terms between five and 30 years, with options to extend. We believe this leasing strategy for non-warehouse club facilities enhances our flexibility to pursue various expansion opportunities resulting from changing market conditions. As current leases expire, we believe that we will be able to obtain lease renewals, if desired, for these present locations, or to obtain leases for equivalent or better locations in the same general area.

**Item 3. Legal Proceedings**

We are often involved in claims arising in the ordinary course of business seeking monetary damages and other relief. Based upon information currently available to us, none of these claims is expected to have a material adverse effect on our business, financial condition or results of operations.

**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The Company's common stock has been quoted and traded on the NASDAQ Global Select Market under the symbol "PSMT" since September 2, 1997. As of October 11, 2021, there were approximately 21,777 holders of record of the common stock.

| | Dates | | Stock Price | |
|---|---|---|---|---|
| | From | To | High | Low |
| **2021 FISCAL QUARTERS** | | | | |
| First Quarter | 9/1/2020 | 11/30/2020 | $ 82.63 | $ 63.26 |
| Second Quarter | 12/1/2020 | 2/28/2021 | 103.07 | 81.89 |
| Third Quarter | 3/1/2021 | 5/31/2021 | 99.72 | 83.70 |
| Fourth Quarter | 6/1/2021 | 8/31/2021 | $ 94.13 | $ 79.56 |
| **2020 FISCAL QUARTERS** | | | | |
| First Quarter | 9/1/2019 | 11/30/2019 | $ 77.11 | $ 58.25 |
| Second Quarter | 12/1/2019 | 2/29/2020 | 74.70 | 55.69 |
| Third Quarter | 3/1/2020 | 5/31/2020 | 65.09 | 42.94 |
| Fourth Quarter | 6/1/2020 | 8/31/2020 | $ 67.26 | $ 54.57 |

**Recent Sales of Unregistered Securities**

There were no sales of unregistered securities during the fiscal year ended August 31, 2021.

**Dividends**

| | | First Payment | | | Second Payment | | |
|---|---|---|---|---|---|---|---|
| | | Record | Date | | Record | Date | |
| Declared | Amount | Date | Paid | Amount | Date | Paid | Amount |
| 2/4/2021 | $ 0.70 | 2/15/2021 | 2/26/2021 | $ 0.35 | 8/15/2021 | 8/31/2021 | $ 0.35 |
| 2/6/2020 | $ 0.70 | 2/15/2020 | 2/28/2020 | $ 0.35 | 8/15/2020 | 8/31/2020 | $ 0.35 |
| 1/30/2019 | $ 0.70 | 2/15/2019 | 2/28/2019 | $ 0.35 | 8/15/2019 | 8/30/2019 | $ 0.35 |

The Company anticipates the ongoing payment of semi-annual dividends in subsequent periods, although the actual declaration of future dividends, the amount of such dividends, and the establishment of record and payment dates is subject to final determination by the Board of Directors at its discretion after its review of the Company's financial performance and anticipated capital requirements, taking into account all relevant factors, including, but not limited to, the uncertainty surrounding the ongoing effects of the COVID-19 pandemic on our results of operations and cash flows.

**Repurchase of Equity Securities**

Upon vesting of restricted stock awarded by the Company to employees, the Company repurchases shares and withholds the amount of the repurchase payment to cover employees' tax withholding obligations.

As set forth in the table below, during fiscal year 2021, the Company repurchased a total of 62,282 shares in the indicated months. These were the only repurchases of equity securities made by the Company during fiscal 2021. The Company does not have a stock repurchase program.

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid Per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| September 1, 2020 - September 30, 2020 | — | $ — | — | N/A |
| October 1, 2020 - October 31, 2020 | 6,773 | 73.87 | — | N/A |
| November 1, 2020 - November 30, 2020 | 359 | 69.17 | — | N/A |
| December 1, 2020 - December 31, 2020 | — | — | — | N/A |
| January 1, 2021 - January 31, 2021 | 17,372 | 98.60 | — | N/A |
| February 1, 2021 - February 28, 2021 | — | — | — | N/A |
| March 1, 2021 - March 31, 2021 | 3,108 | 98.37 | — | N/A |
| April 1, 2021 - April 30, 2021 | 299 | 97.77 | — | N/A |
| May 1, 2021 - May 31, 2021 | — | — | — | N/A |
| June 1, 2021 - June 30, 2020 | — | — | — | N/A |
| July 1, 2021 - July 31, 2021 | 3,388 | 86.99 | — | N/A |
| August 1, 2021 - August 31, 2021 | 30,983 | 86.28 | — | N/A |
| Total | 62,282 | $ 88.97 | — | N/A |

**Item 6. Reserved.**

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K. Forward-looking statements concerning PriceSmart, Inc.'s ("PriceSmart", the "Company" or "we") anticipated future revenues and earnings, adequacy of future cash flows, omni-channel initiatives, proposed warehouse club openings, COVID-19 related factors and challenges, and the Company's performance relative to competitors and related matters. These forward-looking statements include, but are not limited to, statements containing the words “expect,” “believe,” “will,” “may,” “should,” “project,” “estimate,” “anticipated,” “scheduled,” “intend,” and like expressions, and the negative thereof. Forward-looking statements are only as of the date they are made, and we do not undertake to update these statements, except as required by law. These statements are subject to risks and uncertainties that could cause actual results to differ materially including, but not limited to the risks detailed in this Annual Report on Form 10-K under the heading Part I. “Item 1A. Risk Factors.” These risks are not the only risks that the Company faces. The Company could also be affected by additional factors that apply to all companies operating globally and in the U.S., as well as other risks that are not presently known to the Company or that the Company currently considers to be immaterial.

**Overview**

PriceSmart, headquartered in San Diego, California, owns and operates U.S.-style membership shopping warehouse clubs in Latin America and the Caribbean, selling high quality merchandise and services at low prices to our Members. We operate 47 warehouse clubs in 12 countries and one U.S. territory (eight each in Costa Rica and Colombia; seven in Panama; five in the Dominican Republic, four in Trinidad and Guatemala; three in Honduras; two each in El Salvador and Nicaragua; and one each in Aruba, Barbados, Jamaica and the United States Virgin Islands). The Company also plans to open new warehouse clubs in Guatemala City, Guatemala in late October 2021, in Bucaramanga, Colombia in November 2021, and in Portmore, Jamaica in the spring of 2022. Once these three new clubs are open, the Company will operate 50 warehouse clubs. Our corporate headquarters, U.S. buying operations and regional distribution centers are located primarily in the United States. Our operating segments are the United States, Central America, the Caribbean and Colombia. All intercompany balances and transactions have been eliminated in consolidation.

**Factors Affecting the Business**

The COVID-19 pandemic has resulted in significant challenges across our 13 markets since March 2020. Many markets imposed limitations, varying by market and in frequency, on access to the Company’s clubs and on the Company’s club operations, including in some cases frequent temporary club closures, a reduction in the number of days during the week and hours per day the Company’s clubs were permitted to be open, restrictions on segments of the population permitted to shop or circulate on particular days, and significant limits on the number of people permitted to be in the club at the same time. We also experienced product mix shifts due to changing consumer habits and/or government imposed limitations on many non-food categories, decreases in purchases by many business Members, particularly restaurants and hotels, and sporadic supply chain challenges, which can impact inventory levels.

We are currently focused on these four main priorities:

- *Protect the safety and well-being of our employees and our Members.*
- *Take proactive measures to protect, expand and create optionality for our supply chain options.*
- *Expand technology-related shopping and convenience for the Member.*
- *Apply data analytics to identify opportunities for improvement, growth and targeted marketing*

We remain vigilant in adapting to the ever-evolving consumer demands emerging from the COVID experience and the apparent desire of consumers to satisfy their shopping and service needs in one location. The COVID-19 pandemic remains unpredictable in duration and intensity in our markets, and we continue to see periodic reinstatements of stay-at-home orders and other restrictions. In addition, we expect continued uncertainty in the economies of our markets as a result of the COVID-19 pandemic and expect volatility in employment trends, industry and consumer confidence and demand; volatility and liquidity of foreign currency exchange rates; volatility of commodity prices; and possible fiscal austerity measures taken by governments in our markets, which will likely impact our results for the foreseeable future. For additional information, refer to the risk factors discussed in Part I. “Item 1A. Risk Factors.”

*Overall economic trends, foreign currency exchange volatility, and other factors impacting the business*

Our sales and profits vary from market to market depending on general economic factors, including GDP growth; consumer preferences; foreign currency exchange rates; political policies and social conditions; local demographic characteristics (such as population growth); the number of years we have operated in a particular market; and the level of retail and wholesale competition in that market. The economies of many of our markets are dependent on foreign trade, tourism, and foreign direct investments. The global and local travel restrictions and general slow-down in global economic activity, as a result of COVID-19, have significantly impacted and may continue to impact the economies in our markets causing significant declines in GDP and employment and devaluations of local currencies against the U.S. dollar. In general, positive conditions in the broader economy promote Member spending in our warehouse clubs, while economic weakness, which generally results in a reduction of customer spending, may negatively impact spending at our clubs.

During the last half of fiscal year 2021 and continuing into fiscal 2022, we saw several factors pressuring supply chains, including container shortages, port delays, and truck and driver shortages. These disruptions and shortages are impacting the timing of deliveries and leading to higher freight costs. Despite all these issues, we continue to work in a variety of different ways to hold down and/or mitigate the price increases passed on to the Members and maintain sufficient inventory. One key mitigating factor has been our expanded network of distribution centers, which has facilitated alternative routings of shipments, increased throughput, and provided flexibility to more effectively mitigate these challenges. In addition, we have made strategic investments in inventory and worked with our local vendors to source alternative products, in order to reduce future out-of-stocks on high demand items that have been impacted by these disruptions or that have been affected by electronic part shortages. We expect these conditions to continue throughout fiscal 2022, and we continue to employ these and various other strategies to maintain as much in-stock inventory and limit cost increases as much as possible. Delays in deliveries and increases in cost of delivered merchandise could impact supply of and demand for, the merchandise we sell, which could impact our sales.

Currency fluctuation can be a significant variable affecting our overall sales and profit performance, as we have experienced in prior fiscal years, because many of our markets are susceptible to foreign currency exchange rate volatility. During fiscal 2021, approximately 78% of our net merchandise sales were in currencies other than the U.S. dollar. Of those sales, 48% were comprised of sales of products we purchased in U.S. dollars.

A devaluation of local currency reduces the value of sales and membership income that is generated in that country when translated to U.S. dollars for our consolidated results. In addition, when local currency experiences devaluation, we may elect to increase the local currency price of imported merchandise to maintain our target margins, which could impact demand for the merchandise affected by the price increase. We may also modify the mix of imported versus local merchandise and/or the source of imported merchandise to mitigate the impact of currency fluctuations. Information about the effect of local currency devaluations is discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Net Merchandise Sales and Comparable Sales.”

Our capture of total retail and wholesale sales can vary from market to market due to competition and the availability of other shopping options for our Members. Demographic characteristics within each of our markets can affect both the overall level of sales and future sales growth opportunities. Certain island markets, such as Aruba, Barbados and the U.S. Virgin Islands offer us limited upside for sales growth given their overall market size.

Political and other factors in each of our markets may have significant effects on our business. For example, the civil unrest in Colombia paralyzed significant portions of the country’s infrastructure as roadblocks and riots disrupted normal economic activity during the third quarter of fiscal 2021. Austerity and tax reform measures for Colombia and other Latin American countries with high national debt levels and income disparity pose a risk for political instability. Similar unrest happened in Nicaragua and Honduras in 2018 and 2019, respectively; Costa Rica also had a general strike against tax reform measures that significantly impeded regular economic activity in 2018. Events of this sort have, and may continue to have, an adverse effect on our business.

Our operations are subject to volatile weather conditions and natural disasters. In November 2020, Hurricanes Eta and Iota brought severe rainfall, winds, and flooding to a significant portion of Central America, especially Honduras, which caused significant damage to parts of that country’s infrastructure. Although our warehouse clubs were not significantly affected and we were able to manage our supply chain to keep our warehouse clubs stocked with merchandise, these natural disasters could adversely impact our overall sales, costs and profit performance in the future.

In the past, we have experienced a lack of availability of U.S. dollars in certain markets (U.S. dollar illiquidity), particularly in Trinidad. This can and has impeded our ability to convert local currencies obtained through merchandise sales into U.S. dollars to settle the U.S. dollar liabilities associated with our imported products and to otherwise redeploy these funds in our Company and increases our foreign exchange exposure to any devaluation of the local currency relative to the U.S. dollar. We continued to experience significant limitations on our ability to convert Trinidad dollars to U.S. dollars or other tradeable currencies during fiscal 2020, with a further deterioration and the problem becoming more acute in August 2020. This U.S. dollar illiquidity situation persisted throughout fiscal 2021 and we expect the situation to continue. As liquidity conditions have tightened, we have methodically raised prices on imported goods in Trinidad due to increased costs of conversion of Trinidad dollars to U.S. dollars and risks associated with continued illiquidity. We have also sought to shift the purchase of certain goods to local sources where appropriate, and we are actively seeking to exchange Trinidad dollars for tradeable currencies in order to manage our exposure to any potential devaluation. Due to the illiquidity of the Trinidad dollars, in the first quarter of fiscal 2021, we began limiting shipments of goods from the U.S. to Trinidad, and subsequently, we further limited shipments late in the third quarter of fiscal 2021 and for most of the fourth quarter due to the government's general prohibition on sales on most non-food or non-essential items. However, in mid-August 2021, this prohibition was rescinded, and we were allowed to resume sales of these items; therefore, we began increasing our merchandise shipments to Trinidad at the end of fiscal 2021.

We continue to explore and execute several options to increase our ability to generate more reliable sources of U.S. dollars in Trinidad. These options include, but are not limited to, sourcing locally produced goods in Trinidad dollars and/or producing goods locally and exporting these items to our clubs and/or third parties in other countries in exchange for U.S. dollars. While these initiatives are being developed, we are exploring ways to finance additional imports, even if a higher level of imports exceeds the amount of U.S. dollars we are able to source in Trinidad. Alternatives we are considering include new U.S. dollar denominated loans, foreign currency exchange forwards, investing in financial instruments, and purchase and sales of commodities, which could create immediate U.S. dollar liquidity and/or fix the exchange rate of Trinidad dollars to U.S. dollars. During fiscal year 2021, we have executed approximately $17.6 million of U.S. dollar and other tradeable currency denominated loans. Some of these alternatives may not mitigate the resulting increase in exposure to a potential devaluation of the Trinidad dollar and could result in our being required to take a discount on the amount of U.S. dollars we accept in exchange for Trinidad dollars relative to what we would receive upon exchange in accordance with the official exchange rate and/or incur additional financing costs.

As of August 31, 2021, our Trinidad subsidiary had Trinidad dollar denominated cash and cash equivalents and short and long-term investments measured in U.S. dollars of approximately $52.9 million, a decrease of $26.7 million from August 31, 2020 when these same balances were approximately $79.6 million. The Trinidad central bank manages the exchange rate of the Trinidad dollar with the U.S. dollar. While the Trinidad government has publicly stated it has no intention to devalue the Trinidad dollar, it could in the future decide to devalue the currency to improve market liquidity, resulting in a devaluation in the U.S. dollar value of these cash and investments balances. If, for example, a hypothetical 20% devaluation of the Trinidad dollar were to occur, the value of our Trinidad dollar cash and investments position, measured in U.S. dollars, would decrease by approximately $10.6 million, with a corresponding increase in Accumulated other comprehensive loss reflected on our consolidated balance sheet. Separate from the Trinidad dollar denominated cash and investments balances described above, as of August 31, 2021, we had a U.S. dollar denominated monetary asset position of approximately $26.6 million in Trinidad (net of U.S. dollar denominated liabilities), which would produce a gain from a potential devaluation of Trinidad dollars. If, for example, a hypothetical 20% devaluation of the Trinidad dollar occurred, the net effect on Other income (expense), net on our consolidated statement of operations of revaluing these U.S. dollar denominated net monetary assets would be an approximate $5.3 million gain. While we may pay premiums or enter into financial transactions at a discount from the official government rate to convert our Trinidad dollars into U.S. dollars, we use the official exchange rate published by the Central Bank of Trinidad and Tobago to measure the U.S. dollar equivalent of Trinidad dollar-based revenues, expenses, assets and liabilities and the Trinidad dollar equivalent of U.S. dollar-based monetary assets and liabilities for financial reporting purposes, as there are no other reliable references available to translate or remeasure our revenues, expenses, assets and liabilities.

Our Barbados subsidiary also recently began facing a U.S. dollar illiquidity situation in fiscal year 2020. The Barbados dollar has a conventional fixed-peg currency arrangement, in which the Barbados dollar exchange rate is fixed to the U.S. dollar. Thus, we do not expect a devaluation of this currency at this time. However, as of August 31, 2021, our Barbados subsidiary had Barbados dollar denominated cash and cash equivalents measured in U.S. dollars of approximately $12.4 million, which cannot be readily converted to U.S. dollars for general use within the Company.

**Mission and Business Strategy**

PriceSmart exists to improve the lives and businesses of our Members, our employees and our communities through the responsible delivery of the best quality goods and services at the lowest possible prices. Our mission is to serve as a model company, which operates profitably and provides a good return to our investors, by providing Members in emerging and developing markets with exciting, high quality merchandise sourced from around the world and valuable services at compelling prices in safe U.S. style clubs and through PriceSmart.com. We prioritize the well-being and safety of our Members and employees. We provide good jobs, fair wages and benefits and the opportunity for growth. We strive to treat our suppliers right and empower them when we can. We conduct ourselves in a socially responsible manner as we endeavor to improve the quality of the lives of our Members and their businesses, while respecting the environment and the laws of all the countries in which we operate. The annual membership fee enables us to operate our business with lower margins than traditional retail stores. As we are increasing technological capabilities and expanding our omni-channel shopping experience, we believe we can realize greater efficiencies in the supply chain, enhance our ability to satisfy our Members' shopping expectations, and play a greater role in their lives. We believe we are well-positioned to blend the excitement and appeal of our brick and mortar business with the convenience and additional benefits of online shopping and services.

**Growth**

We measure our growth primarily by the amount of the period-over-period activity in our net merchandise sales, our comparable club net merchandise sales, total membership, income and total revenues. Our investments are geared toward enhancing Member experience while creating greater efficiencies, which enable us to offer lower prices, more services, and convenience. We believe these efforts will support membership renewals and sustained growth for the Company. However, these investments can impact near-term results, such as when we invest in technology and talent that are expected to yield long-term benefits or when we incur fixed costs in advance of achieving full projected sales, negatively impacting near-term operating profit and net income. When we open a new warehouse club in an existing market, which may reduce reported comparable net merchandise sales due to the transfer of sales from existing warehouse clubs, we do so to enhance the Member experience, grow membership and support long-term sales growth and profitability.

**Financial highlights for the fourth quarter of fiscal year 2021 included:**

- Total revenues increased 12.2% over the comparable prior year period.
- Net merchandise sales increased 12.7% over the comparable prior year period. We ended the quarter with 47 warehouse clubs compared to 46 warehouse clubs at the end of the fourth quarter of fiscal 2020. Foreign currency exchange rate fluctuations impacted net merchandise sales negatively by 1.3% versus the same three-month period.
- Comparable net merchandise sales (that is, sales in the 45 warehouse clubs that have been open for greater than 13 ½ calendar months) for the 13 weeks ended August 29, 2021 increased 10.3%. Foreign currency exchange rate fluctuations impacted comparable net merchandise sales negatively by 1.1%.
- Membership income for the fourth quarter of fiscal 2021 increased 11.2% to $14.6 million over the comparable prior year period.
- Total gross margins (net merchandise sales less associated cost of goods sold) increased 18.7% over the prior-year period, and merchandise gross profits as a percent of net merchandise sales were 15.9%, an increase of 80 basis points (0.8%) from the same period in the prior year.
- Operating income for the fourth quarter of fiscal 2021 was $32.5 million, an increase of 12.0%, or $3.5 million, compared to the fourth quarter of fiscal 2020.
- We recorded a $1.4 million net currency loss from currency transactions in the fourth quarter of fiscal 2021 compared to a $1.1 million net currency gain in the same period last year.
- Our effective tax rate increased in the fourth quarter of fiscal 2021 to 35.5% from 28.2% in the fourth quarter of fiscal 2020. The increase in the effective tax rate is primarily related to recognition timing for the loss of benefit of foreign tax credits, which are no longer deemed recoverable.
- Net income attributable to PriceSmart for the fourth quarter of fiscal 2021 was $19.5 million, or $0.63 per diluted share, compared to $20.1 million, or $0.65 per diluted share, in the fourth quarter of fiscal 2020.

**Financial highlights for fiscal year 2021 included:**

- Total revenues increased 8.7% over the prior year.
- Net merchandise sales increased 8.6% over the prior year. We ended the year with 47 warehouse clubs compared to 46 warehouse clubs at the end of the fiscal 2020. Foreign currency exchange rate fluctuations impacted net merchandise sales negatively by 2.4%.
- Comparable net merchandise sales (that is, sales in the 45 warehouse clubs that have been open for greater than 13 ½
- calendar months) for the 52 weeks ended August 29, 2021 increased 5.8%. Foreign currency exchange rate fluctuations impacted comparable net merchandise sales negatively by 2.3%.
- Membership income for fiscal 2021 increased 2.8% to $56.0 million.
- Total gross margins (net merchandise sales less associated cost of goods sold) increased 18.2% over the prior year, and merchandise gross profits as a percent of net merchandise sales were 16.0%, an increase of 130 basis points (1.3%) from the prior year.
- Operating income for fiscal 2021 was $158.0 million, an increase of 29.0% or $35.5 million compared to fiscal 2020.
- We recorded a $5.4 million net currency loss from currency transactions in the current year compared to a $1.4 million net loss in the prior year.
- The effective tax rate for fiscal 2021 was 33.3% as compared to the effective tax rate for fiscal 2020 of 32.5%. The increase is primarily driven by the comparably less favorable impact of non-recurring changes to uncertain tax positions.
- Net income attributable to PriceSmart for fiscal year 2021 was $98.0 million, or $3.18 per diluted share, compared to $78.1 million, or $2.55 per diluted share, in the prior year.

**Comparison of Fiscal Year 2021 to 2020**

The following discussion and analysis compares the results of operations for each of the three fiscal years ended August 31, 2021, 2020 and 2019 and should be read in conjunction with the consolidated financial statements and the accompanying notes included elsewhere in this report. For a comparison of the fiscal years ended August 31, 2020 and 2019, please see Part II. “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” in the Company’s Annual Report on Form 10-K for the fiscal year ended August 31, 2020 filed with the SEC on October 30, 2020. Unless otherwise noted, all tables present U.S. dollar amounts in thousands. Certain percentages presented are calculated using actual results prior to rounding. Our operations consist of four reportable segments: Central America, the Caribbean, Colombia and the United States. The Company’s reportable segments are based on management’s organization of these locations into operating segments by general geographic location, which are used by management and the Company's chief operating decision maker in setting up management lines of responsibility, providing support services, and making operational decisions and assessments of financial performance. Segment amounts are presented after converting to U.S. dollars and consolidating eliminations. From time to time, we revise the measurement of each segment's operating income, including certain corporate overhead allocations, and other measures as determined by the information regularly reviewed by our chief operating decision maker. When we do so, the previous period amounts and balances are reclassified to conform to the current period's presentation.

**Net Merchandise Sales**

The following tables indicate the net merchandise club sales in the reportable segments in which we operate and the percentage growth in net merchandise sales by segment during fiscal years 2021 and 2020.

| | Years Ended | | | | | |
|---|---|---|---|---|---|---|
| | August 31, 2021 | | | | August 31, 2020 | |
| | Amount | % of net sales | Increase from prior year | Change | Amount | % of net sales |
| Central America | $ 2,064,553 | 59.6 % | $ 209,015 | 11.3 % | $ 1,855,538 | 58.1 % |
| Caribbean | 988,468 | 28.5 | 10,447 | 1.1 | 978,021 | 30.7 |
| Colombia | 412,421 | 11.9 | 54,218 | 15.1 | 358,203 | 11.2 |
| Net merchandise sales | $ 3,465,442 | 100.0 % | $ 273,680 | 8.6 % | $ 3,191,762 | 100.0 % |

*Comparison of 2021 and 2020*

Overall, net merchandise sales grew by 8.6% for fiscal year 2021 compared to fiscal year 2020, driven by a 4.8% increase in average ticket and a 3.6% increase in transactions. Transactions represent the total number of visits our Members make to our warehouse clubs plus the number of Click & Go™ curbside pickup and delivery service transactions. Average ticket represents the amount our Members spend on each visit or Click & Go™ order. We had 47 clubs in operation as of August 31, 2021 compared to 46 clubs as of August 31, 2020.

Net merchandise sales in our Central America segment increased 11.3% during fiscal year 2021. This increase had a 660 basis point (6.6%) positive impact on total net merchandise sales growth. All markets within this segment showed increased net merchandise sales for the twelve-month period ended August 31, 2021. Our eighth club in Costa Rica, which opened in June 2020, had a full year of sales in fiscal 2021 compared to three-months of sales in fiscal year 2020, which contributed to the increase year-over-year in our Central American segment.

Net merchandise sales in our Caribbean segment increased 1.1% during fiscal year 2021. This increase had a 30 basis point (0.3%) positive impact on total net merchandise sales growth. Our Dominican Republic market continued its strong performance this year, despite experiencing a significant foreign currency devaluation, with 15.3% growth. This strong performance was offset by our Trinidad market which had a significant decline in net merchandise sales. Trinidad sales were adversely affected during most of fiscal year 2021 because we began limiting merchandise shipments to the market due to the ongoing U.S. dollar illiquidity situation and due to significant COVID-19 restrictions that were put in place in the later part of fiscal 2021. Trinidad saw a significant rise in COVID-19 cases during the second half of the fiscal year, and the government responded by shutting down all non-essential business and activities. PriceSmart was allowed to continue selling food and other essential goods, but the government prohibited sales of most non-foods/non-essential items by PriceSmart and other local retailers. As a result, we reduced shipments of U.S. imports until the restrictions were eased. Partial lockdowns and other restrictions are still in place; however, since mid-August 2021 we have been allowed to start selling the non-foods/non-essential items again. As we currently have no restrictions on the types of merchandise we can sell in Trinidad, we began increasing imports again towards the end of August. However, we generally continue to link our imports based on the amounts of U.S. dollars we expect to source in Trinidad. Net merchandise sales for Trinidad have improved thus far during the first quarter of fiscal year 2022 compared to fourth quarter of fiscal 2021. Refer to “Management’s Discussion & Analysis – Factors Affecting Our Business” for more discussion on the Trinidad liquidity situation. Aruba also had soft sales due to this market’s ongoing economic slowdown caused by the COVID-19 pandemic due primarily to a reduction in tourism.

Net merchandise sales in our Colombia segment increased 15.1% during fiscal year 2021. This increase had a 170 basis point (1.7%) positive impact on total net merchandise sales growth. The primary driver of the increased revenue for the year was due to the additional club added to the segment when compared to the comparable prior year period. We opened our eighth club in Colombia in December 2020.

The following table indicates the impact that currency exchange rates had on our net merchandise sales in dollars and as a percentage of net merchandise sales for the year ended August 31, 2021.

| | Currency Exchange Rate Fluctuations for the Twelve Months Ended August 31, 2021 | |
|---|---|---|
| | Amount | % change |
| Central America | $ (38,477) | (2.1)% |
| Caribbean | (27,069) | (2.7) |
| Colombia | (10,784) | (3.0) |
| Net merchandise sales | $ (76,330) | (2.4)% |

Overall, the effects of currency fluctuations within our markets had an approximately $76.3 million, or 240 basis point (2.4%), negative impact on net merchandise sales for the twelve-months ended August 31, 2021.

Currency fluctuations had a $38.5 million, or 210 basis point (2.1%), negative impact on net merchandise sales in our Central America segment for the twelve months ended August 31, 2021. These currency fluctuations contributed approximately 120 basis points (1.2%) of the total negative impact on total net merchandise sales for the current fiscal year period. The Costa Rica Colón depreciated significantly against the dollar as compared to the same period a year ago, and was a significant factor in the contribution to the unfavorable currency fluctuations in this segment.

Currency fluctuations had a $27.1 million, or 270 basis point (2.7%), negative impact on net merchandise sales in our Caribbean segment for the twelve months ended August 31, 2021. These currency fluctuations contributed approximately 90 basis points (0.9%) of the total negative impact on total net merchandise sales for the current fiscal year period. Jamaica and the Dominican Republic markets both experienced currency devaluation when compared to the same periods last year.

Currency fluctuations had a $10.8 million, or 300 basis point (3.0%), negative impact on net merchandise sales in our Colombia segment for the twelve months ended August 31, 2021. These currency fluctuations contributed approximately 30 basis points (0.3%) of the total negative impact on total net merchandise sales for the current fiscal year period.

**Net Merchandise Sales by Category**

The following table indicates the approximate percentage of net sales accounted for by each major category of items sold during the fiscal years ended August 31, 2021 and 2020.

| | Years Ended August 31, | |
|---|---|---|
| | **2021** | **2020** |
| Foods & Sundries | 50 % | 52 % |
| Fresh Foods | 29 | 29 |
| Hardlines | 12 | 11 |
| Softlines | 5 | 4 |
| Other Business | 4 | 4 |
| | 100 % | 100 % |

*Comparison of 2021 to 2020*

During fiscal year 2021, our Members have started purchasing more in our non-food categories of Hardlines and Softlines after their steep decline in the second half of 2020 due to the COVID-19 pandemic. The 200 basis points (2.0%) decline in the Foods & Sundries was distributed fairly equally with 100 basis points (1.0%) to both Hardlines and Softlines. All other categories were consistent with the prior year mix.

**Comparable Merchandise Sales**

We report comparable net merchandise sales on a “same week” basis with 13 weeks in each quarter beginning on a Monday and ending on a Sunday. The periods are established at the beginning of the fiscal year to provide as close of a match as possible to the calendar month and quarter that is used for financial reporting purposes. This approach equalizes the number of weekend days and weekdays in each period for improved sales comparison, as we experience higher merchandise club sales on the weekends. Each of the warehouse clubs used in the calculations was open for at least 13 ½ calendar months before its results for the current period were compared with its results for the prior period. As a result, sales related to our Liberia club in Costa Rica, which opened in June 2020 and our Usaquen club in Colombia, which opened in December 2020, will not be used in the calculation of comparable sales until they have been open for at least 13 ½ months. Therefore, comparable net merchandise sales includes 45 warehouse clubs for the fifty-two week period ended August 29, 2021.

The following tables indicate the comparable net merchandise sales in the reportable segments in which we operate and the percentage changes in net merchandise sales by segment during the fifty-two week periods ended August 29, 2021 and August 30, 2020 compared, in each case, to the prior year.

| | Fifty-Two Weeks Ended | |
|---|---|---|
| | **August 29, 2021** | **August 30, 2020** |
| | **% Increase in comparable net merchandise sales** | **% Increase/(decrease) in comparable net merchandise sales** |
| Central America | 8.8% | (3.2)% |
| Caribbean | 1.4 | 3.8 |
| Colombia | 2.4 | (6.4) |
| Consolidated comparable net merchandise sales | 5.8% | (1.5)% |

*Comparison of Fifty-Two Week Periods Ended August 29, 2021 and August 30, 2020*

Comparable net merchandise sales for those warehouse clubs that were open for at least 13 ½ months for some or all of the fifty-two week period ended August 29, 2021 increased 5.8%.

Comparable net merchandise sales in our Central America segment increased 8.8% for the fifty-two week period ended August 29, 2021. This increase contributed approximately 510 basis points (5.1%) of the increase in total comparable merchandise sales.

For the fifty-two weeks ended August 29, 2021, strong performance in the relatively smaller markets of Guatemala, Nicaragua, Honduras, and El Salvador, along with our second largest market, Panama, contributed approximately 540 basis points (5.4%) of positive impact on the segment's comparable net merchandise sales. This increase was offset by a 30 basis point (0.3%) negative impact on the segment's comparable net merchandise sales from our largest market, Costa Rica. During the year, Costa Rica experienced foreign currency exchange headwinds, with the Costa Rica Colón devaluing versus the comparable prior year period.

Comparable net merchandise sales in our Caribbean segment increased 1.4% for the fifty-two week period ended August 29, 2021. This increase contributed approximately 40 basis points (0.4%) of positive impact in total comparable merchandise sales.

Our Dominican Republic market continued its strong performance in the fifty-two week period, despite having a foreign currency exchange devaluation with 15.5% comparable sales growth, respectively. This strong performance was offset by our Trinidad market, which declined in comparable net merchandise sales by 10.9% for the fifty-two week period. Trinidad sales were adversely affected during most of the fiscal year because we limited merchandise shipments to the market due to the ongoing U.S. dollar illiquidity situation and the COVID-19 restrictions. Refer to "Management's Discussion & Analysis – Factors Affecting Our Business" for more discussion on the Trinidad illiquidity situation.

Comparable net merchandise sales in our Colombia segment increased 2.4% for the fifty-two week period ended August 29, 2021. This increase contributed approximately 30 basis points (0.3%) of the increase in total comparable merchandise sales. The year-to-date increase is primarily due to year-over-year improvements in sales growth due to the comparably improved COVID-19 situation. Comparable net merchandise sales were also negatively impacted by sales transfers from existing clubs to our recent club that opened in December 2020.

The following table illustrates the impact that changes in foreign currency exchange rates had on our comparable merchandise sales in dollars and as a percentage of comparable merchandise sales for the fifty-two week period ended August 29, 2021.

| | Fifty-Two Weeks Ended August 29, 2021 | |
|---|---|---|
| | Amount | % change |
| Central America | $ (36,463) | (2.0)% |
| Caribbean | (26,834) | (2.7) |
| Colombia | (10,782) | (3.0) |
| Consolidated comparable net merchandise sales | $ (74,079) | (2.3)% |

Overall, the mix of currency fluctuations within our markets had an approximate $74.1 million, or 230 basis point (2.3%), negative impact on comparable net merchandise for the fifty-two week period ended August 29, 2021.

Currency fluctuations within our Central America segment accounted for approximately 110 basis points (1.1%) of the negative impact on total comparable merchandise sales for the fifty-two week period ended August 29, 2021. This is primarily the result of significant devaluation in the Costa Rica Colón against the U.S. dollar during the current periods compared to the same periods a year ago.

Currency fluctuations within our Caribbean segment accounted for approximately 90 basis points (0.9%) of negative impact on total comparable merchandise for the fifty-two week period ended August 29, 2021. Our Dominican Republic and Jamaica markets experienced currency devaluation when compared to the same period last year.

Currency fluctuations within our Colombia segment accounted for approximately 30 basis points (0.3%) of negative impact on total comparable merchandise sales for the fifty-two week period ended August 29, 2021. This reflects the devaluation of the Colombia peso when compared to the same period a year ago.

**Membership Income**

Membership income is recognized ratably over the one-year life of the membership.

| | Years Ended August 31, 2021 | | | | August 31, 2020 |
|---|---|---|---|---|---|
| | Amount | Increase from prior year | % Change | Membership income % to net merchandise club sales | Amount |
| Membership income - Central America | $ 33,149 | $ 324 | 1.0 % | 1.6 % | $ 32,825 |
| Membership income - Caribbean | 15,398 | 584 | 3.9 | 1.6 | 14,814 |
| Membership income - Colombia | 7,483 | 621 | 9.0 | 1.8 | 6,862 |
| Membership income - Total | $ 56,030 | $ 1,529 | 2.8 % | 1.6 % | $ 54,501 |
| | | | | | |
| Number of accounts - Central America | 904,577 | 75,619 | 9.1% | | 828,958 |
| Number of accounts - Caribbean | 429,749 | 3,366 | 0.8 | | 426,383 |
| Number of accounts - Colombia | 336,109 | 33,130 | 10.9 | | 302,979 |
| Number of accounts - Total | 1,670,435 | 112,115 | 7.2% | | 1,558,320 |

*Comparison of 2021 to 2020*

The number of Member accounts at the end of fiscal 2021 was 7.2% higher than the prior year period, and it has surpassed our pre-COVID peak at the end of the second quarter of fiscal 2020 of 1,655,875 accounts. Membership income increased 2.8% compared to the comparable prior-year period.

Membership income increased across all operating segments in the twelve months ended August 31, 2021. The consolidated increase in membership income is due to an increasing membership base since the start of fiscal year 2021. Since August 31, 2020, all segments have increased their membership base. Colombia had the largest increase in membership base in fiscal year 2021 due to the opening of its eighth club in December 2020 with 10.9% growth, followed by Central America with a 9.1% increase and the Caribbean with a 0.8% increase.

We began offering our Platinum membership program in Nicaragua in October 2020 and in El Salvador in March 2021. We now offer this program in all locations where PriceSmart operates. The annual fee for a Platinum Membership in most markets is approximately $75. The Platinum Membership program provides Members with a 2% rebate on most items, up to an annual maximum of $500. We record the 2% rebate as a reduction on net merchandise sales at the time of the sales transaction.

Our trailing twelve-month renewal rate was 89.6% and 80.5% for the periods ended August 31, 2021 and August 31, 2020, respectively. With our twelve-month renewal rate at 89.6%, this has increased 200 basis points (2.0%) since the end of the third quarter and is well above our renewal rate immediately preceding the COVID-19 pandemic, which we believe is a key indicator of membership satisfaction and loyalty and demonstrates that our Members recognize the value we bring. Although we continue to see reductions in in-club traffic resulting from the COVID-19 pandemic, we have seen increased sign-ups and renewals completed online with the launch of a new online catalog and our Click & Go™ services. Approximately 16% and 6% of our membership sign-ups were completed using our online platform for the twelve month period ended August 31, 2021 and August 31, 2020, respectively. Our online platform facilitates capturing data and provides the opportunity for automatic renewal of memberships, as well as improving our digital connection with our Members.

**Other Revenue**

Other revenue primarily consists of non-merchandise revenue from freight and handling fees generated from our marketplace and casillero operations, interest-generating portfolio from our co-branded credit cards, and rental income from operating leases where the Company is the lessor.

| | Years Ended | | | |
|---|---|---|---|---|
| | August 31, 2021 | | | August 31, 2020 |
| | Increase/(Decrease) from | | | |
| | Amount | prior year | % Change | Amount |
| Non-merchandise revenue | $ 46,876 | $ 8,605 | 22.5 % | $ 38,271 |
| Miscellaneous income | 7,047 | (499) | (6.6) | 7,546 |
| Rental income | 2,956 | 222 | 8.1 | 2,734 |
| Other revenue | $ 56,879 | $ 8,328 | 17.2% | $ 48,551 |

*Comparison of 2021 to 2020*

The primary driver of the increase in other revenue for the period is higher package volume in our marketplace and casillero operations, which increased due to the COVID-19 pandemic and the resulting higher ecommerce activity. We sold our marketplace and casillero operations in October 2021. Refer to Part II. “Item 1. Business – General” for further discussion regarding the sale of our legacy casillero and marketplace operations.

**Results of Operations**

***Results of Operations Consolidated***
(Amounts in thousands, except percentages and number of warehouse clubs)

| | Years Ended | |
|---|---|---|
| ***Results of Operations Consolidated*** | August 31, 2021 | August 31, 2020 |
| **Net merchandise sales** | | |
| Net merchandise sales | $ 3,465,442 | $ 3,191,762 |
| Total gross margin | $ 552,953 | $ 467,820 |
| Total gross margin percentage | 16.0 % | 14.7 % |
| | | |
| **Revenues** | | |
| Total revenues | $ 3,619,871 | $ 3,329,188 |
| Percentage change from prior period | 8.7 % | 3.3 % |
| | | |
| **Comparable merchandise sales** | | |
| Total comparable merchandise sales increase (decrease) | 5.8 % | (1.5)% |
| | | |
| **Total revenue margin** | | |
| Total revenue margin | $ 644,533 | $ 554,410 |
| Total revenue margin percentage | 17.8 % | 16.7 % |
| | | |
| **Selling, general and administrative** | | |
| Selling, general and administrative | $ 486,513 | $ 431,942 |
| Selling, general and administrative percentage of total revenues | 13.4 % | 13.0 % |

| *Results of Operations Consolidated* | Years Ended August 31, 2021 | % of Total Revenue | Years Ended August 31, 2020 | % of Total Revenue |
|---|---|---|---|---|
| **Operating income- by segment** | | | | |
| Central America | $ 151,933 | 4.2 % | $ 125,351 | 3.8 % |
| Caribbean | 74,769 | 2.1 | 57,217 | 1.7 |
| Colombia | 21,932 | 0.6 | 18,071 | 0.5 |
| United States | 12,687 | 0.4 | 3,873 | 0.1 |
| Reconciling items [1] | (103,301) | (2.9) | (82,044) | (2.5) |
| Operating income - Total | $ 158,020 | 4.4 % | $ 122,468 | 3.7 % |
| | | | | |
| **Warehouse clubs** | | | | |
| Warehouse clubs at period end | 47 | | 46 | |
| Warehouse club sales square feet at period end | 2,336 | | 2,270 | |

(1) The reconciling items reflect the amount eliminated on consolidation of intersegment transactions.

The following table summarizes the selling, general and administrative expense for the periods disclosed.

| | Years Ended August 31, 2021 | % of Total Revenue | Years Ended August 31, 2020 | % of Total Revenue |
|---|---|---|---|---|
| **Selling, general and administrative detail:** | | | | |
| Warehouse club and other operations | $ 359,221 | 9.9 % | $ 323,178 | 9.7 % |
| General and administrative | 125,416 | 3.5 | 106,776 | 3.2 |
| Pre-opening expenses | 849 | 0.0 | 1,545 | 0.1 |
| Loss on disposal of assets | 1,027 | 0.0 | 443 | 0.0 |
| Total Selling, general and administrative | $ 486,513 | 13.4 % | $ 431,942 | 13.0 % |

*Comparison of 2021 to 2020*

Total gross margin is derived from our Revenue – Net merchandise sales less our Cost of goods sold – Net merchandise sales and represents our sales and cost of sales generated from the business activities of our warehouse clubs. We express our Total gross margin percentage as a percentage of our Net merchandise sales.

On a consolidated basis, total gross margin for the twelve months ended August 31, 2021 was 16.0%, 130 basis points (1.3%) higher than the comparable prior year period. Approximately 80 basis points (0.8%) of this increase is due to certain pricing actions we took to offset foreign currency exchange costs and COVID-related operating costs. In particular, we substantially increased the liquidity premium we factor into our sales prices in Trinidad on our imported merchandise, as we continue to experience a shortage of available U.S. dollars for exchange in that market. Refer to "Management's Discussion & Analysis – Factors Affecting Our Business" for additional discussion. Of the remaining approximately 50 basis points (0.5%), 40 basis points (0.4%) of this improvement is primarily attributable to returning margin to prior levels on our non-food inventory and of our other business categories such as food services, tire center, and optical, which saw decreased demand and/or sales restrictions due to COVID-19 in the prior-year period. The remaining 10 basis points (0.1%) is the result of more focused merchandising strategies and inventory management that primarily resulted from fewer markdowns and spoilage.

Total revenue margin is derived from Total revenues, which includes our Net merchandise sales, Membership income, Export sales, and Other revenue and income less our Cost of goods sold for net merchandise sales, Export sales, and Non-merchandise revenues. We express our Total revenue margin as percentage of Total revenues.

Total revenue margin increased 110 basis points (1.1%) for the twelve months ended August 31, 2021 compared to the prior-year period, which is primarily the result of the higher total gross margins of 130 basis points (1.3%). This increase was offset by 10 basis points (0.1%) from lower revenue margins from our casillero and marketplace business in the current year compared to the prior year and 10 basis points (0.1%) from lower Revenue and other income compared the prior year.

Selling, general, and administrative expenses consist of warehouse club and other operations, general and administrative expenses, pre-opening expenses, and loss on disposal of assets. In total, selling, general and administrative expenses increased $54.6 million to 13.4% of total revenue for fiscal year 2021 compared to 13.0% of total revenues for fiscal year 2020.

Warehouse club and other operations expenses increased to 9.9% of total revenues for fiscal year 2021 compared to 9.7% for fiscal year 2020, primarily due to the opening of new clubs in Colombia, Costa Rica, and Guatemala that had not reached sales maturity as of August 31, 2021. Honduras experienced currency appreciation during fiscal year 2021 which led to a slight deleveraging of expenses.

General and administrative expenses increased to 3.5% of total revenues for the current year compared to 3.2% for the prior fiscal year. The 30 basis point (0.3%) increase is primarily due to our continued investments to support our technology development, talent acquisition, and employee development. Given our strategic initiatives, we anticipate that we will continue to make investments at comparable levels (as a percentage of revenue) to further our omni-channel and technology initiatives.

Operating income in fiscal year 2021 increased to $158.0 million (4.4% of total revenue) compared to $122.5 million (3.7% of total revenue) for the same period last year. This reflects the increase in total revenue margin dollars primarily from net merchandise sales of 110 basis points (1.1%), partially offset by a 40 basis point (0.4%) decrease due to deleveraging of selling, general and administrative expenses over the comparable prior-year period.

**Interest Expense**

| | Years Ended | | |
|---|---|---|---|
| | August 31, 2021 | | August 31, 2020 |
| | Amount | Change | Amount |
| Interest expense on loans | $ 5,836 | $ (1,563) | $ 7,399 |
| Interest expense related to hedging activity | 3,655 | 1,239 | 2,416 |
| Less: Capitalized interest | (2,281) | (91) | (2,190) |
| Net interest expense | $ 7,210 | $ (415) | $ 7,625 |

Net interest expense reflects borrowings by PriceSmart, Inc. and our wholly owned foreign subsidiaries to finance new land acquisition and construction for new warehouse clubs, warehouse club expansions and distribution centers, the capital requirements of warehouse club and other operations and ongoing working capital requirements.

*Comparison of 2021 to 2020*

Net interest expense decreased for the twelve-month period ended August 31, 2021, primarily due to lower short-term borrowings compared to the comparable prior year period. We drew down on short-term lines of credit in the third quarter of fiscal year 2020 as a part of our efforts to secure adequate cash to cover contingencies arising from COVID-19 related risks. We repaid all of these borrowings by the end of the third quarter in fiscal year 2021. These savings were offset by new loans for our capital projects in Guatemala and U.S. dollar working capital needs in Trinidad. The increase in interest expense related to more hedging activity is primarily the result of a full year of interest recorded on our Colombia swaps entered into in the prior year.

**Other Expense, net**

Other expense, net consists of currency gains or losses, as well as net benefit costs related to our defined benefit plans and the receipt of a one-time indemnification payment from a business combination escrow account.

| | Years Ended | | |
|---|---|---|---|
| | August 31, 2021 | | August 31, 2020 |
| | Amount | Increase from prior year | Amount |
| Other expense, net | $ (5,603) | $ (4,769) | $ (834) |

Monetary assets and liabilities denominated in currencies other than the functional currency of the respective entity (primarily U.S. dollars) are revalued to the functional currency using the exchange rate on the balance sheet date. These foreign exchange transaction gains (losses) are recorded as currency gains or losses. Additionally, gains or losses from transactions denominated in currencies other than the functional currency of the respective entity also generate currency gains or losses.

*Comparison of 2021 to 2020*

For the twelve-months ended August 31, 2021 the primary driver of Other expense, net included losses of $5.4 million associated with foreign currency transactions and the revaluation of monetary assets and liabilities in several of our markets. The foreign currency gains and losses resulted from the revaluation of net U.S. dollar assets and liabilities in markets where the local functional currency revalued or devalued against the U.S. dollar and from exchange transactions.

The primary impacts during the twelve-month period were higher transaction costs associated with converting Trinidad dollars into available tradeable currencies such as Euros or Canadian dollars, before converting them to U.S. dollars. This was partially offset by an appreciation of the Honduran Lempira, which resulted in a gain from our net U.S. dollar liability position in that market.

**Provision for Income Taxes**

The tables below summarize the effective tax rate for the periods reported:

| | Years Ended | | |
|---|---|---|---|
| | August 31, 2021 | | August 31, 2020 |
| | Amount | Increase from prior year | Amount |
| Current tax expense | $ 52,822 | $ 11,654 | $ 41,168 |
| Net deferred tax benefit | (3,853) | (449) | (3,404) |
| Provision for income taxes | $ 48,969 | $ 11,205 | $ 37,764 |
| Effective tax rate | 33.3 % | | 32.5 % |

*Comparison of 2021 to 2020*

For fiscal 2021, the effective tax rate was 33.3% compared to 32.5% for fiscal year 2020. The increase in the effective rate versus the prior year was primarily attributable to the following factors:

1. The comparably favorable impact of 2.5% due to a greater portion of income falling into lower tax jurisdictions;
2. The comparably unfavorable impact of 1.8% resulting from the nonrecurrence of changes from prior periods in income tax liabilities from uncertain tax position for which the applicable statutes of limitations had expired;
3. The comparably unfavorable impact of 0.4% resulting from the effect of changes in foreign currency exchange rates related to the remeasurement of our monetary assets and liabilities; and
4. The comparably unfavorable impact of 0.4% resulting from valuation allowances we were required to take with respect to deferred tax assets from foreign tax credits that are no longer deemed recoverable.

**Other Comprehensive Loss**

Other comprehensive loss for fiscal years 2021 and 2020 resulted primarily from foreign currency translation adjustments related to the assets and liabilities and the translation of the statements of income related to revenue, costs and expenses of our subsidiaries whose functional currency is not the U.S. dollar. When the functional currency in our international subsidiaries is the local currency and not U.S. dollars, the assets and liabilities of such subsidiaries are translated to U.S. dollars at the exchange rate on the balance sheet date, and revenue, costs and expenses are translated at average rates of exchange in effect during the period. The corresponding translation gains and losses are recorded as a component of accumulated other comprehensive income or loss. These adjustments will not affect net income until the sale or liquidation of the underlying investment. The reported other comprehensive income or loss reflects the unrealized increase or decrease in the value in U.S. dollars of the net assets of the subsidiaries as of the date of the balance sheet, which will vary from period to period as exchange rates fluctuate.

| | Other Comprehensive Loss Years Ended | | | |
|---|---|---|---|---|
| | August 31, 2021 | | | August 31, 2020 |
| | Amount | Change From Prior Year | % Change | Amount |
| Other comprehensive loss | $ (5,688) | $ 26,793 | 82.5 % | $ (32,481) |

*Comparison of 2021 to 2020*

Our other comprehensive loss of approximately $5.7 million for fiscal 2021 resulted primarily from the comprehensive loss of approximately $7.8 million from foreign currency translation adjustments related to assets and liabilities and the translation of revenue, costs and expenses on the statements of income of our subsidiaries whose functional currency is not the U.S. dollar. During fiscal 2021, the largest translation adjustments were related to the devaluation of the local currencies against the U.S. dollar for our Colombia, Costa Rica and Jamaica subsidiaries, partially offset by the translation adjustment for the appreciation of the local currency against the U.S. dollar of our Dominican Republic subsidiary. These losses were offset by approximately $2.3 million related to unrealized gains on changes in our derivative obligations.

## LIQUIDITY AND CAPITAL RESOURCES

**Financial Position and Cash Flow**

Our operations have historically supplied us with a significant source of liquidity. We generate cash from operations primarily through net merchandise sales and membership fees. Cash used in operations generally consist of payments to our merchandise vendors, warehouse club and distribution center operating costs (including payroll, employee benefits and utilities), as well as payments for income taxes. Our cash flows provided by operating activities, supplemented with our long-term debt and short-term borrowings, have generally been sufficient to fund our operations while allowing us to invest in activities that support the long-term growth of our operations and to pay dividends on our common stock. We evaluate our funding requirements on a regular basis to cover any shortfall in our ability to generate sufficient cash from operations to meet our capital requirements. We may consider funding alternatives to provide additional liquidity if necessary. Refer to Part II. “Item 8. Financial Statements and Supplementary Data: Notes to Consolidated Financial Statements, Note 11 - Debt” for additional information regarding our drawdown on our short-term facilities and long-term borrowings.

Repatriation of cash and cash equivalents held by foreign subsidiaries may require us to accrue and pay taxes. We have no plans at this time to repatriate cash through the payment of cash dividends by our foreign subsidiaries to our domestic operations and, therefore, have not accrued taxes that would be due from repatriation.

The following table summarizes the cash and cash equivalents, including restricted cash, held by our foreign subsidiaries and domestically (in thousands).

| | August 31, 2021 | August 31, 2020 |
|---|---|---|
| Amounts held by foreign subsidiaries | $ 160,808 | $ 203,598 |
| Amounts held domestically | 54,671 | 100,173 |
| Total cash and cash equivalents, including restricted cash | $ 215,479 | $ 303,771 |

The following table summarizes the short-term investments held by our foreign subsidiaries and domestically (in thousands).

| | August 31, 2021 | August 31, 2020 |
|---|---|---|
| Amounts held by foreign subsidiaries | $ 50,233 | $ 46,509 |
| Amounts held domestically | — | — |
| Total short-term investments | $ 50,233 | $ 46,509 |

As of August 31, 2021 and August 31, 2020, certificates of deposits with a maturity of over a year held by our foreign subsidiaries and domestically were $1.5 million in both periods.

From time to time, we have experienced a lack of availability of U.S. dollars in certain markets (U.S. dollar illiquidity). This impedes our ability to convert local currencies obtained through merchandise sales into U.S. dollars to settle the U.S. dollar liabilities associated with our imported products or otherwise fund our operations. Since fiscal 2017, we have experienced this situation in Trinidad and have been unable to source a sufficient level of tradeable currencies. We are working with our banks in Trinidad and government officials to source tradeable currencies. We expect the illiquid market conditions in Trinidad to continue and are considering various measures to address the adverse effect of this situation on the Company's liquidity. In addition, our Barbados subsidiary recently began facing a similar U.S. dollar liquidity situation. Refer to "Management's Discussion & Analysis – Factors Affecting Our Business" for our quantitative analysis and discussion.

The following table summarizes our significant sources and uses of cash and cash equivalents:

| | Years Ended | | |
|---|---|---|---|
| | August 31, 2021 | August 31, 2020 | Change |
| Net cash provided by operating activities | $ 127,166 | $ 259,268 | $ (132,102) |
| Net cash used in investing activities | (116,721) | (131,212) | 14,491 |
| Net cash provided by (used in) financing activities | (95,137) | 75,563 | (170,700) |
| Effect of exchange rates | (3,600) | (6,084) | 2,484 |
| Net increase (decrease) in cash and cash equivalents | $ (88,292) | $ 197,535 | $ (285,827) |

Net cash provided by operating activities totaled $127.2 million and $259.3 million for the twelve months ended August 31, 2021 and 2020, respectively. The decrease in net cash provided by operating activities was primarily due to the increase in our inventory position and the higher net settlement of accounts payable versus the comparable prior year period, which was partially offset by a significant increase in net income for the year ended August 31, 2021 over the prior-year period.

Inventory was $389.7 million as of August 31, 2021, compared with $309.5 million at August 31, 2020. The increase over the balances as of August 31, 2020 reflects our efforts to bring our inventory levels in-line with our sales trends. In addition, the lower balance as of August 31, 2020 reflected the rapid sell-through of merchandise as Members stockpiled items in anticipation of the impacts of the COVID-19 pandemic in the third and fourth fiscal quarter of 2020 and the reduction of certain non-food categories to align with initial consumer preferences at the start of the COVID-19 pandemic. We have made strategic investments in inventory to avoid future out-of-stocks on high volume items that have been impacted from container, commodity, and electronic part shortages. Lastly, we have one additional club in the current year. Accounts payable was $388.8 million as of August 31, 2021, compared with $373.2 million at August 31, 2020. The increase from the balances as of August 31, 2020 is largely the result of a return to our normal inventory levels compared to the prior year, operating one additional club in the current year, and the expiration of temporary extensions of vendor terms negotiated as part of our response to the COVID-19 pandemic in fiscal 2020. However, although not quite to the same extent, we have been able to permanently extend some of our vendor payment terms.

Net cash used in investing activities totaled $116.7 million and $131.2 million, respectively, for the years ended August 31, 2021 and August 31, 2020. The decrease is primarily the result of an increase in the net proceeds of short-term and long-term certificate of deposit purchases and settlements, partially offset by an increase in construction expenditures compared to the same period a year-ago. The increase in net proceeds from certificates of deposit is primarily a result of improved sources versus uses of U.S. dollars in Trinidad during our prior fiscal year, reducing our need to invest Trinidad dollars. Refer to "Management's Discussion and Analysis – Factors Affecting Our Business" for additional discussion of the current U.S. dollar illiquidity we are experiencing in that market.

Net cash used in financing activities totaled $95.1 million and net cash provided by financing activities was $75.6 million for the years ended August 31, 2021 and August 31, 2020, respectively. We use cash flows provided by financing activities primarily to fund our working capital needs, our warehouse club and distribution center acquisitions and expansions, and investments in technology to support our omni-channel initiatives. The $170.7 million shift from cash provided by to cash used in financing activities is primarily the result of a net decrease of proceeds from long-term borrowings and a net decrease in short-term borrowings compared to the same twelve-month period a year-ago. In the prior year period, we executed long-term loans primarily to finance land purchases and construction of several of our warehouse clubs and increased our short-term borrowings as part of our cash management strategy in the early stages of the COVID-19 pandemic. In the current year, our long-term borrowings were made to increase our ability to borrow U.S. dollars in exchange for payments in Trinidad dollars and to provide additional sources of tradeable currencies to support our working capital needs of that subsidiary. Refer to "Management's Discussion and Analysis – Factors Affecting Our Business" for additional discussion of the current U.S. dollar illiquidity we are experiencing in that market.

The following table summarizes the dividends declared and paid during fiscal years 2021, 2020 and 2019 (amounts are per share).

| | | First Payment | | | Second Payment | | |
|---|---|---|---|---|---|---|---|
| | | Record | Date | | Record | Date | |
| Declared | Amount | Date | Paid | Amount | Date | Paid | Amount |
| 2/4/2021 | $ 0.70 | 2/15/2021 | 2/26/2021 | $ 0.35 | 8/15/2021 | 8/31/2021 | $ 0.35 |
| 2/6/2020 | $ 0.70 | 2/15/2020 | 2/28/2020 | $ 0.35 | 8/15/2020 | 8/31/2020 | $ 0.35 |
| 1/30/2019 | $ 0.70 | 2/15/2019 | 2/28/2019 | $ 0.35 | 8/15/2019 | 8/30/2019 | $ 0.35 |

***Short-Term Borrowings and Long-Term Debt***

Our financing strategy is to ensure liquidity and access to capital markets while minimizing our borrowing costs. The proceeds of these borrowings were or will be used for general corporate purposes, which may include, among other things, funding for working capital, capital expenditures, acquisitions, and repayment of existing debt. Refer to Part II. "Item 8. Financial Statements and Supplementary Data: Notes to Consolidated Financial Statements, Note 11 - Debt." for further discussion.

***Off-Balance Sheet Arrangements***

The Company does not have any off-balance sheet arrangements that have had, or are reasonably likely to have, a material current or future effect on its financial condition or consolidated financial statements.

***Repurchase of Equity Securities and Reissuance of Treasury Shares***

At the vesting dates for restricted stock awards to our employees, we repurchase a portion of the shares that have vested at the prior day's closing price per share, with the funds used to pay the employees' statutory tax withholding requirements related to the vesting of restricted stock awards. We do not have a stock repurchase program.

Shares of common stock repurchased by us are recorded at cost as treasury stock and result in the reduction of stockholders' equity in our consolidated balance sheets. We may reissue these treasury shares.

The following table summarizes the shares repurchased during fiscal years 2021, 2020 and 2019:

| | Years Ended | | |
|---|---|---|---|
| | August 31, 2021 | August 31, 2020 | August 31, 2019 |
| Shares repurchased | 62,282 | 56,503 | 75,462 |
| Cost of repurchase of shares (in thousands) | $ 5,542 | $ 3,651 | $ 4,604 |

We reissued 96,400 treasury shares as part of our stock-based compensation programs during fiscal 2021, 234,400 treasury shares during fiscal 2020 and 63,000 treasury shares during fiscal 2019.

**Dividends**

Refer to Part II. "Item 8. Financial Statements and Supplementary Data: Notes to Consolidated Financial Statements, Note 6 - Stockholders' Equity" for further discussion.

**Derivatives**

Refer to Part II. “Item 8. Financial Statements and Supplementary Data: Notes to Consolidated Financial Statements, Note 13 - Derivative Instruments and Hedging Activities” for further discussion.

**Critical Accounting Estimates**

Our financial statements are prepared in accordance with GAAP in the United States. The preparation of our consolidated financial statements requires that management make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Some of our accounting policies require management to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain.

We evaluate our accounting policies and significant estimates on an ongoing basis, including those related to business acquisitions, contingencies and litigation, income taxes, value added taxes, and long-lived assets. We base our estimates on historical experience and on other assumptions that management believes to be reasonable under the present circumstances. Using different estimates could have a material impact on our financial condition and results of operations.

We believe that the accounting policies described below involve a significant degree of judgment and complexity. Accordingly, we believe these are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations. For further information, refer to Part II. “Item 8. Financial Statements and Supplementary Data: Notes to Consolidated Financial Statements, Note 2 - Summary of Significant Accounting Policies.”

***Income Taxes***

We account for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carry-forwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

As of August 31, 2021, we evaluated our deferred tax assets and liabilities and determined that a valuation allowance was necessary for certain deferred tax asset balances, primarily because of the existence of significant negative objective evidence, such as the fact that certain subsidiaries are in a cumulative loss position for the past three years, indicating that certain net operating loss carry-forward periods are not sufficient to realize the related deferred tax assets. We also specifically considered whether foreign tax credit balances could be utilized in the foreseeable future in light of current and future U.S. tax liabilities. We have historically applied foreign tax credits, generated from taxes withheld on certain payments PriceSmart receives from our foreign subsidiaries, to reduce U.S. income tax liabilities. However, as an incidental result of U.S. tax reform, following the reduction of the U.S. corporate income tax rate from 35% to 21%, we expect foreign tax credits generated to exceed U.S. income tax liability for the foreseeable future. Therefore, for the twelve-month period ended August 31, 2021 and August 31, 2020, we have recorded valuation allowances of $11.4 million and $8.5 million against our foreign tax credits, respectively.

We are required to file federal and state income tax returns in the United States and various other tax returns in foreign jurisdictions. The preparation of these tax returns requires us to interpret the applicable tax laws and regulations in effect in such jurisdictions, which could affect the amount of tax paid by us. We, in consultation with our tax advisors, base our tax returns on interpretations that we believe to be reasonable under the circumstances. The tax returns, however, are subject to routine reviews by the various taxing authorities in the jurisdictions in which we file our tax returns. As part of these reviews, a taxing authority may disagree with respect to the interpretations we used to calculate our tax liability and therefore require us to pay additional taxes.

We accrue an amount for our estimate of probable additional income tax liability. In certain cases, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has 50% or less likelihood of being sustained. This requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. When facts and circumstances change, we reassess these probabilities and record any changes in the consolidated financial statements as appropriate. There were no material changes in our uncertain income tax positions for the period ended on August 31, 2021.

***Tax Receivables***

We pay Value Added Tax ("VAT") or similar taxes, income taxes, and other taxes within the normal course of our business in most of the countries in which we operate related to the procurement of merchandise and/or services we acquire and/or on sales and taxable income. VAT is a form of indirect tax applied to the value added at each stage of production (primary, manufacturing, wholesale and retail). This tax is similar to, but operates somewhat differently than, sales tax paid in the United States. We generally collect VAT from our Members upon sale of goods and services and pay VAT to our vendors upon purchase of goods and services. Periodically, we submit VAT reports to governmental agencies and reconcile the VAT paid and VAT received. The net overpaid VAT may be refunded or applied to subsequent returns, and the net underpaid VAT must be remitted to the government.

With respect to income taxes paid, if the estimated income taxes paid or withheld exceed the actual income tax due this creates an income tax receivable. In most countries where we operate, the governments have implemented additional collection procedures, such as requiring credit card processors to remit a portion of sales processed via credit and debit cards directly to the government as advance payments of VAT and/or income tax. This collection mechanism generally leaves us with net VAT and/or income tax receivables, forcing us to process significant refund claims on a recurring basis. These refund or offset processes can take anywhere from several months to several years to complete.

In most countries where we operate, there are defined and structured processes to recover VAT receivables via refunds or offsets. However, in one country without a clearly defined refund process, the Company is actively engaged with the local government to recover VAT receivables totaling $9.7 million and $7.0 million as of August 31, 2021 and August 31, 2020, respectively. In addition, in two other countries where the Company operates, there have been changes in the method of computing minimum tax payments, under which the governments have sought to require the Company to pay taxes based on a percentage of sales rather than taxable income. As a result, we have made and may continue to make income tax payments substantially in excess of those we would expect to pay based on taxable income. The Company had income tax receivables of $11.0 million and $10.4 million and deferred tax assets of $3.3 million and $2.8 million as of August 31, 2021 and August 31, 2020, respectively, in these countries. While the rules related to refunds of income tax receivables in these countries are either unclear or complex, the Company has not placed any type of allowance on the recoverability of these tax receivables or deferred tax assets, because the Company believes that it is more likely than not that it will ultimately succeed in its refund requests. Similarly, we have not placed any recoverability allowances on tax receivables that arise from payments we are required to make originating from tax assessments that we are appealing, as we believe it is more likely than not that we will ultimately prevail in the related appeals.

Our policy for classification and presentation of VAT receivables, income tax receivables and other tax receivables is as follows:

- Short-term VAT and Income tax receivables, recorded as Other current assets: This classification is used for any countries where our subsidiary has generally demonstrated the ability to recover the VAT or income tax receivable within one year. We also classify as short-term any approved refunds or credit notes to the extent that we expect to receive the refund or use the credit notes within one year.
- Long-term VAT and Income tax receivables, recorded as Other non-current assets: This classification is used for amounts not approved for refund or credit in countries where our subsidiary has not demonstrated the ability to obtain refunds within one year and/or for amounts which are subject to outstanding disputes. An allowance is provided against VAT and income tax receivable balances in dispute when we do not expect to eventually prevail in our recovery of such balances. We do not currently have any allowances provided against VAT and income tax receivables.

***Long-lived Assets***

We periodically evaluate our long-lived assets for indicators of impairment. Indicators that an asset may be impaired are:

- the asset's inability to continue to generate income from operations and positive cash flow in future periods;
- loss of legal ownership or title to the asset;
- significant changes in its strategic business objectives and utilization of the asset(s); and
- the impact of significant negative industry or economic trends.

Management's judgments are based on market and operational conditions at the time of the evaluation and can include management's best estimate of future business activity, which in turn drives estimates of future cash flows from these assets. These periodic evaluations could cause management to conclude that impairment factors exist, requiring an adjustment of these assets to their then-current fair market value. Future business conditions and/or activity could differ materially from the projections made by management causing the need for additional impairment charges. We did not record any impairment charges during fiscal 2021 related to the loss of legal ownership or title to assets; significant changes in the Company's strategic business objectives or utilization of assets; or the impact of significant negative industry or economic trends. Loss on disposal of assets recorded during the years reported resulted from improvements to operations and normal preventive maintenance.

***Goodwill***

Goodwill is not amortized, but is evaluated for impairment annually or whenever events or changes in circumstances indicate that the value of a certain asset may be impaired. Generally, this evaluation begins with a qualitative assessment to determine whether a quantitative impairment test is necessary. If we determine, after performing an assessment based on the qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, or that a fair value of the reporting unit substantially in excess of the carrying amount cannot be assured, then a quantitative impairment test would be performed. The quantitative test for impairment requires management to make judgments relating to future cash flows, growth rates and economic and market conditions. These evaluations are based on determining the fair value of a reporting unit or asset using a valuation method such as discounted cash flow or a relative, market-based approach. Historically, our reporting units have generated sufficient returns to recover the cost of our goodwill. Because of the nature of the factors used in these tests, if different conditions occur in future periods, future operating results could be materially impacted. For approximately $45.1 million of certain acquired goodwill, the fair value was greater than the carrying value; any deterioration in the fair value may result in an impairment charge.

**Seasonality and Quarterly Fluctuations**

Historically, our merchandising businesses have experienced holiday retail seasonality in their markets. In addition to seasonal fluctuations, our operating results fluctuate quarter-to-quarter as a result of economic and political events in markets that we serve, the timing of holidays, weather, the timing of shipments, product mix, and currency effects on the cost of U.S.-sourced products which may make these products more or less expensive in local currencies and therefore more or less affordable. Because of such fluctuations, the results of operations of any quarter are not indicative of the results that may be achieved for a full fiscal year or any future quarter. In addition, there can be no assurance that our future results will be consistent with past results or the projections of securities analysts.

## Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in interest rates, foreign currency exchange rates and commodity price risk. These market risks arise in the normal course of business. We do not engage in speculative trading activities. To manage the risk arising from these exposures, we utilize interest rate swaps, cross-currency interest rate swaps, non-deliverable foreign currency forward contracts and loans denominated in foreign currencies. For a discussion of our accounting policies for derivative instruments and further disclosures, refer to Part II. “Item 8. Financial Statements and Supplementary Data: Notes to Consolidated Financial Statements, Note 13 - Derivative Instruments and Hedging Activities.”

Each market risk sensitivity analysis presented below is based on hypothetical scenarios used to calibrate potential risk and do not represent our view of future market changes. The effect of a change in a particular assumption is calculated without adjusting any other assumption. In reality, however, a change in one factor could cause a change in another factor, which may magnify or negate other sensitivities.

*Interest Rate Risk*

We are exposed to changes in interest rates as a result of our short-term borrowings and long-term debt borrowings. We have mitigated a portion of our interest rate risk by managing the mix of fixed and variable rate debt and by entering into interest rate swaps and cross-currency interest rate swaps to hedge interest rate risk. The notional amount, interest payment and maturity dates of the swap match the terms of the associated debt.

The table below provides information about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table represents the principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swaps, including cross-currency interest rate swaps, the table represents the contractual cash flows and weighted-average interest rates by the contractual maturity date, unless otherwise noted. The notional amounts are used to calculate contractual cash flows to be exchanged under the contracts. The weighted-average variable rates are based upon prevailing market interest rates and the outstanding balances as of August 31, 2021.

Annual maturities of long-term debt and derivatives are as follow (in thousands):

| | Twelve Months Ended August 31, (Amounts in thousands) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter | Total | |
| **Long-Term Debt:** | | | | | | | | |
| Long-term debt with fixed interest rate | $ 3,029 | $ 3,493 | $ 3,793 | $ 3,792 | $ 9,293 | $ 8,601 | $ 32,001 | (1) |
| Weighted-average interest rate | 6.30% | 5.80% | 6.00% | 6.00% | 6.00% | 7.00% | 6.10% | |
| Long-term debt with variable interest rate | $ 16,366 | $ 23,934 | $ 7,471 | $ 21,938 | $ 1,551 | $ 26,244 | $ 97,504 | |
| Weighted-average interest rate | 5.90% | 5.90% | 5.40% | 5.50% | 3.70% | 3.70% | 5.40% | |
| Total long-term debt | $ 19,395 | $ 27,427 | $ 11,264 | $ 25,730 | $ 10,844 | $ 34,845 | $ 129,505 | (1) |
| **Derivatives:** | | | | | | | | |
| **Interest Rate Swaps:** | | | | | | | | |
| Variable to fixed interest | $ 2,775 | $ 9,900 | $ 1,275 | $ 1,275 | $ 1,275 | $ 26,244 | $ 42,744 | (2) |
| Weighted-average pay rate | 4.91% | 5.69% | 3.65% | 3.65% | 3.65% | 3.65% | 4.20% | |
| Weighted-average receive rate | 2.52% | 2.96% | 1.78% | 1.78% | 1.78% | 1.78% | 2.10% | |
| **Cross-Currency Interest Rate Swaps:** | | | | | | | | |
| Variable to fixed interest | $ 4,679 | $ 10,754 | $ 3,329 | $ 19,769 | $ — | — | $ 38,531 | (2) |
| Weighted-average pay rate | 8.44% | 9.18% | 7.92% | 7.92% | —% | —% | 8.33% | |
| Weighted-average receive rate | 2.73% | 2.95% | 2.57% | 2.57% | —% | —% | 2.70% | |

(1) The Company has disclosed the future annual maturities of long-term debt, for which it has entered into cross-currency interest rate swaps by using the derivative obligation as of August 31, 2021 to estimate the future commitments. Therefore, the total annual commitments reflects these obligations, including the effect of the cross-currency interest rate swaps on the total-long term debt as disclosed on the consolidated balance sheet.

(2) The derivative obligations of the interest rate swaps and cross-currency interest rate swaps are included in the Total long-term debt section of this table.

*Foreign Currency Risk*

We have foreign currency risks related to sales, operating expenses and financing transactions in currencies other than the U.S. dollar. As of August 31, 2021, we had a total of 47 consolidated warehouse clubs operating in 12 foreign countries and one U.S. territory, 37 of which operate under currencies other than the U.S. dollar. Approximately 48% of our net merchandise sales are comprised of products we purchased in U.S. dollars and were sold in countries whose currencies were other than the U.S. dollar. Approximately 78% of our net merchandise sales are in markets whose functional currency is other than the U.S. dollar. We may enter into additional foreign countries in the future or open additional locations in existing countries, which may increase the percentage of net merchandise sales denominated in foreign currencies.

Currency exchange rate changes either increase or decrease the cost of imported products that we purchase in U.S. dollars and price in local currency. Price changes can impact the demand for those products in the market. Currency exchange rates also affect the reported sales of the consolidated company when local currency-denominated sales are translated to U.S. dollars. In addition, we revalue all U.S. dollar denominated assets and liabilities within those markets that do not use the U.S. dollar as the functional currency. These assets and liabilities include, but are not limited to, excess cash permanently reinvested offshore and the value of items shipped from the U.S. to our foreign markets. The gain or loss associated with this revaluation, net of reserves, is recorded in other income (expense).

Foreign currencies in most of the countries where we operate have historically devalued against the U.S. dollar and are expected to continue to devalue. The following tables summarize by country, for those countries with functional currencies other than the U.S. dollar, the weakening of the countries' currency against the U.S. dollar (devaluation) or the strengthening of their currencies (revaluation):

| | % Change Revaluation/(Devaluation) Twelve Months Ended August 31, | |
|---|---|---|
| **Country** | **2021** | **2020** |
| Colombia | (1.24)% | (9.72) % |
| Costa Rica | (4.63) | (4.27) |
| Dominican Republic | 2.51 | (13.96) |
| Guatemala | — | (0.64) |
| Honduras | 2.51 | 0.24 |
| Jamaica | (2.12) | (8.46) |
| Nicaragua | (2.25) | (3.33) |
| Trinidad | (0.45)% | 0.06 % |

We seek to manage foreign exchange risk by (1) adjusting prices on goods acquired in U.S. dollars on a periodic basis to maintain our target margins after taking into account changes in exchange rates; (2) obtaining local currency loans from banks within certain markets where it is economical to do so and where management believes the risk of devaluation and the level of U.S. dollar denominated liabilities warrants this action; (3) reducing the time between the acquisition of product in U.S. dollars and the settlement of that purchase in local currency; (4) maintaining a balance between assets held in local currency and in U.S. dollars; and (5) by entering into cross-currency interest rate swaps and forward currency derivatives. We have local-currency-denominated long-term loans in Costa Rica and Guatemala; we have cross-currency interest rate swaps in Colombia and Honduras; and we have interest rate swaps in Panama and in the United States. Turbulence in the currency markets can have a significant impact on the value of the foreign currencies within the countries in which we operate. We report the gains or losses associated with the revaluation of these monetary assets and liabilities on our consolidated statements of income under the heading “Other income (expense), net.” Future volatility and uncertainties regarding the currencies in the countries that we operate in could have a material impact on our operations in future periods. However, there is no way to accurately forecast how currencies may trade in the future and, as a result, we cannot accurately project the impact of the change in rates on our future demand for imported products, reported sales, or financial results.

We are exposed to foreign exchange risks related to U.S. dollar-denominated and other foreign-denominated cash, cash equivalents and restricted cash, to U.S. dollar-denominated intercompany debt balances and to other U.S. dollar-denominated debt/asset balances (excluding U.S. dollar-denominated debt obligations for which we hedge a portion of the currency risk inherent in the interest and principal payments), within entities whose functional currency is not the U.S. dollar. As part of the adoption of the new leasing standard, we recorded several monetary liabilities on the consolidated balance sheet that are exposed to foreign exchange movements. These monetary liabilities arise from leases denominated in a currency that is not the functional currency of the Company’s local subsidiary. The monetary liability for these leases as of August 31, 2021 was $35.6 million. Due to the mix of foreign currency exchange rate fluctuations during fiscal 2021, the impact to the consolidated statements of income of revaluing this liability was immaterial.

The following table discloses the net effect on other expense, net for U.S. dollar-denominated and other foreign-denominated accounts relative to a hypothetical simultaneous currency revaluation based on balances as of August 31, 2021 (in thousands) including the new lease-related monetary liabilities described above:

| **Overall weighted negative currency movement** | **Losses based on change in U.S. dollar denominated and other foreign denominated cash, cash equivalents and restricted cash balances** | **Losses based on change in U.S. dollar denominated inter-company balances** | **Gains based on change in U.S. dollar denominated other asset/liability balances** | **Net Loss[(1)]** |
|---|---|---|---|---|
| 5% | $ (2,070) | $ (107) | $ 1,831 | $ (346) |
| 10% | $ (4,140) | $ (215) | $ 3,663 | $ (692) |
| 20% | $ (8,280) | $ (429) | $ 7,326 | $ (1,383) |

(1) Amounts are before consideration of income taxes.

Information about the financial impact of foreign currency exchange rate fluctuations for the twelve months ended August 31, 2021 is disclosed in Part II. "Item 7. Management's Discussion and Analysis – Other Expense, net".

Examples of countries where we have significant U.S. dollar net asset positions subjecting us to exchange rate losses if the local currency strengthens against the U.S. dollar are our Trinidad, Nicaragua, and Jamaica subsidiaries with balances of $26.6 million, $22.4 million and $19.6 million, respectively as of August 31, 2021. Examples of countries where we have significant U.S. dollar net liability positions subjecting us to exchange rate losses if the local currency weakens against the U.S. dollar are our Honduras, Dominican Republic, and Guatemala subsidiaries with balances of $27.8 million, $22.7 million, and $19.8 million respectively as of August 31, 2021.

We are also exposed to foreign exchange risks related to local-currency-denominated cash and cash equivalents, to local-currency-denominated debt obligations, to local-currency-denominated current assets and liabilities and to local-currency-denominated long-term assets and liabilities within entities whose functional currency is not the U.S. dollar. The following table discloses the net effect on other comprehensive loss for these local currency denominated accounts relative to hypothetical simultaneous currency devaluation in all the countries listed in the table above, based on balances as of August 31, 2021:

| Overall weighted negative currency movement | Other comprehensive loss on the decline in local currency denominated cash and cash equivalents and restricted cash (in thousands) | Other comprehensive gain on the decline in foreign currency denominated debt obligations (in thousands) | Other comprehensive loss on the decline in all other foreign currency denominated current assets net of current liabilities (in thousands) | Other comprehensive loss on the decline in all other foreign currency denominated long-term assets net of long-term liabilities (in thousands) |
|---|---|---|---|---|
| 5% | $ 2,858 | $ (2,712) | $ 4,862 | $ 27,380 |
| 10% | $ 5,716 | $ (5,424) | $ 9,724 | $ 54,759 |
| 20% | $ 11,432 | $ (10,847) | $ 19,448 | $ 109,519 |

In addition, we are exposed to foreign currency exchange rate fluctuations associated with our U.S. dollar-denominated debt obligations that we hedge. We hedge a portion of the currency risk inherent in the interest and principal payments associated with this debt through the use of cross-currency interest rate swaps. The terms of these swap agreements are commensurate with the underlying debt obligations. The aggregate fair value of these swaps was in a net asset position of approximately $1.8 million at August 31, 2021 and approximately $44,000 at August 31, 2020. A hypothetical 10% increase in the currency exchange rates underlying these swaps from the market rates at August 31, 2021 would have resulted in a further increase in the value of the swaps of approximately $2.3 million. Conversely, a hypothetical 10% decrease in the currency exchange rates underlying these swaps from the market rates at August 31, 2021 would have resulted in a net decrease in the value of the swaps of approximately of $2.8 million.

From time to time, we use non-deliverable forward foreign exchange contracts primarily to address exposure to U.S. dollar merchandise inventory expenditures made by our international subsidiaries whose functional currency is other than the U.S. dollar. The net increase or decrease in the fair value of these derivative instruments would be economically offset by the gains or losses on the underlying transactions.

Occasionally, we have experienced a lack of availability of U.S. dollars in certain markets (U.S. dollar illiquidity). This impedes our ability to convert local currencies obtained through merchandise sales into U.S. dollars to settle the U.S. dollar liabilities associated with our imported products. Since fiscal 2017, we have experienced this situation in Trinidad and have been unable to source a sufficient level of tradeable currencies. We are working with our banks in Trinidad to source tradeable currencies. We expect the illiquid market conditions in Trinidad to continue. Refer to Part II. "Item 7. Management's Discussion & Analysis – Factors Affecting Our Business" for our quantitative analysis and discussion.

*Commodity Price Risk*

The increasing price of oil and certain commodities could have a negative effect on our operating costs and sales. Higher oil prices can negatively impact the economic growth of the countries in which we operate, thereby reducing the buying power of our Members. Higher oil prices can also increase our operating costs, particularly utilities and distribution expenses. Inflationary pressures on various commodities also may impact consumer spending. We do not currently seek to hedge commodity price risk.

**Item 8. Financial Statements and Supplementary Data**

See the list of financial statements filed with this report under Part IV. Item 15 below.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

(a) Evaluation of disclosure controls and procedures.

As of August 31, 2021, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). These disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in its periodic reports with the SEC is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that the information is accumulated and communicated to the Company's management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. The design of any disclosure controls and procedures also is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based upon their evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this Annual Report on Form 10-K.

(b) Management's report on internal control over financial reporting.

Internal control over financial reporting refers to the process designed by, or under the supervision of, the Company's principal executive officer and principal financial officer, and effected by its board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles and that receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision, and with the participation, of the Company's management, including its principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting. Management has used the 2013 framework set forth in the report entitled "Internal Control-Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of its internal control over financial reporting. Based on its evaluation, management has concluded that the Company's internal control over financial reporting was effective as of August 31, 2021, the end of its most recent fiscal year.

Ernst & Young LLP, the Company's independent registered public accounting firm, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of August 31, 2021, as stated in their report which is included herein.

(c) Changes in internal control over financial reporting.

There have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) during the fiscal year ended August 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as Exhibit 31.1 and 31.2 to this report.

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of PriceSmart, Inc.

**Opinion on Internal Control Over Financial Reporting**

We have audited PriceSmart, Inc.'s internal control over financial reporting as of August 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, PriceSmart, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of August 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCOAB), the consolidated balance sheets of PriceSmart, Inc. as of August 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended August 31, 2021 and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated October 21, 2021, expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control Over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Diego, California

October 21, 2021

**Item 9B. Other Information**

None.

## PART III

**Item 10. Directors, Executive Officers and Corporate Governance**

PriceSmart has adopted a code of conduct that applies to its principal executive officer, principal financial officer, principal accounting officer, controller, and to all of its other officers, directors, employees and agents. The code of conduct is available on PriceSmart's web site at www.pricesmart.com. PriceSmart intends to disclose on its website future amendments to, or waivers from, certain provisions of its code of conduct within four business days following the date of such amendment or waiver.

The additional information required by Item 10 is incorporated herein by reference from PriceSmart's definitive Proxy Statement for the Annual Meeting of Stockholders under the headings “Proposal 1: Election of Directors,” “Information Regarding the Board of Directors,” “Executive Officers of the Company” and “General – Section 16(a) Beneficial Ownership Reporting Compliance.”

**Item 11. Executive Compensation**

The information required by Item 11 is incorporated herein by reference from PriceSmart's definitive Proxy Statement for the Annual Meeting of Stockholders under the heading “Executive and Director Compensation.”

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by Item 12 is incorporated herein by reference from PriceSmart's definitive Proxy Statement for the Annual Meeting of Stockholders under the headings “Securities Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information.”

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by Item 13 is incorporated herein by reference from PriceSmart's definitive Proxy Statement for the Annual Meeting of Stockholders under the headings “Certain Transactions” and “Information Regarding the Board of Directors.”

**Item 14. Principal Accounting Fees and Services**

The information required by Item 14 is incorporated herein by reference from PriceSmart's definitive Proxy Statement for the Annual Meeting of Stockholders under the heading “Proposal 3: Ratification of Selection of Independent Registered Public Accounting Firm.”

## PART IV

**Item 15.** ***Exhibits and Financial Statement Schedules***

(a) Documents filed as part of this report.

(1) Financial Statements:

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets

Consolidated Statements of Income

Consolidated Statements of Comprehensive Income

Consolidated Statements of Stockholders' Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

(2) List of financial statement schedules:

Schedule II – Valuation and Qualifying Accounts

Schedules not listed above have been omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

(3) List of exhibits required by Item 601 of Regulation S-K. See part (b) below.

(b) The following exhibits are filed as a part of this report:

| Exhibit Number | Description |
|---|---|
| 3.1(1) | Amended and Restated Certificate of Incorporation of the Company. |
| 3.2(7) | Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Company. |
| 3.3(6) | Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Company. |
| 3.4(18) | Second Amended and Restated Bylaws of the Company |
| 4.1(8) | Specimen of Common Stock certificate. |
| 4.2 (38) | Description of Registrant's Securities. |
| 10.1(11)** | Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement under the 2001 Equity Participation Plan of PriceSmart, Inc. |
| 10.2(23) | ISDA 2002 Master Agreement between MUFG Union Bank, N.A. and PriceSmart, Inc. dated November 4, 2016. |
| 10.3(14) | Loan Agreement dated March 31, 2014 between PriceSmart Panama, S.A. and The Bank of Nova Scotia. |
| 10.4(15) | Loan Agreement between The Bank of Nova Scotia and PriceSmart Panama, S.A. dated March 31, 2014. |
| 10.5(20) | Promissory Note $7.5M Prismar de Costa Rica, S.A. dated August 28, 2015. |
| 10.6(24) | Promissory Note between PriceSmart, Inc. and MUFG UNION BANK, N.A. for US $35.7 million, dated January 27, 2017. |
| 10.7(25) | Promissory Note between PriceSmart Clubs (TT) Limited and Citibank, N.A. dated March 31, 2017. |
| 10.8(26) | Promissory Note between PriceSmart, Inc. and MUFG Union Bank, N.A. dated November 10, 2016. |
| 10.9(9) | Shareholders' Agreement between Pricsmarlandco, S.A. and JB Enterprises Inc. dated September 29, 2008. |
| 10.10(9) | Shareholders' Agreement between Fundacion Tempus Fugit and PriceSmart Panama, S.A. dated September 24, 2008. |
| 10.11(3) | Trademark Agreement between the Company and Associated Wholesale Grocers, Inc., dated August 1, 1999. |

| | |
|---|---|
| 10.12(2) | Master Agreement between the Company and Payless ShoeSource (BVI) Holdings, Ltd., dated November 27, 2000. |
| 10.13(19)** | Employment Agreement between the Company and William Naylon, dated as of September 1, 2015. |
| 10.14(19)** | Employment Agreement between the Company and John Hildebrandt, dated September 1, 2015. |
| 10.15(4)** | 2001 Equity Participation Plan of PriceSmart, Inc. |
| 10.16(19)** | Employment Agreement between the Company and Brud Drachman, dated September 1, 2015. |
| 10.17(5)** | 2002 Equity Participation Plan of PriceSmart, Inc. |
| 10.18(15) | Collective Agreement by and between Oilfields Workers' Trade Union and PriceSmart Clubs (TT) Ltd. entered into December 1, 2012. |
| 10.19(12)** | 2013 Equity Incentive Award Plan of PriceSmart, Inc., as amended and restated |
| 10.20(12)** | Form of Restricted Stock Grant Notice and Restricted Stock Agreement under the 2013 Equity Incentive Award Plan of PriceSmart, Inc. (for awards prior to July 16, 2019). |
| 10.21(12)** | Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement under the 2013 Equity Incentive Award Plan of PriceSmart, Inc. for Employees of Foreign Subsidiaries (for awards prior to July 16, 2019). |
| 10.22(29)** | Form of Performance Stock Unit Grant Notice and Restricted Stock Unit Agreement under the 2013 Equity Incentive Award Plan of PriceSmart, Inc. (for awards prior to July 16, 2019). |
| 10.23(34)** | Form of Restricted Stock Grant Notice and Restricted Stock Agreement under the 2013 Equity Incentive Award Plan of PriceSmart, Inc. (for awards on or after July 16, 2019). |
| 10.24(34)** | Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement under the 2013 Equity Incentive Award Plan of PriceSmart, Inc. for Employees of Foreign Subsidiaries (for awards on or after July 16, 2019). |
| 10.25(34)** | Form of Performance Stock Unit Grant Notice and Restricted Stock Unit Agreement under the 2013 Equity Incentive Award Plan of PriceSmart, Inc. (for awards on or after July 16, 2019). |
| 10.26(12)** | Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement for Non-Employee Directors under the 2013 Equity Incentive Award Plan of PriceSmart, Inc. |
| 10.27(21)** | Employment Agreement between the Company and Frank R. Diaz dated November 1, 2015. |
| 10.28(19)** | Employment Agreement between the Company and Rodrigo Calvo dated September 1, 2015. |
| 10.29(22)** | Employment Agreement between the PriceSmart Panama, S.A. and Jesus Von Chong dated November 1, 2015. |
| 10.30(22)** | Employment Agreement between the Company and Francisco Velasco dated July 14, 2016. |
| 10.31 (26)** | Employment Agreement between the Company and Laura Santana dated March 1, 2017. |
| 10.32(27) | Promissory Note between PriceSmart Honduras, S.A. de C.V. and Citibank, N.A. dated February 26, 2017. |
| 10.33(29)** | Employment Agreement between the Company and Ana Luisa Bianchi dated August 1, 2018. |
| 10.34 (32)*** | Form of Indemnification Agreement. |
| 10.35(31)** | Employment Agreement dated March 4, 2019 between Sherry S. Bahrambeygui and the Company. |
| 10.36(35)** | Employment Agreement dated April 1, 2020 between Michael McCleary and the Company. |
| 10.37(36) | Credit Agreement between PriceSmart Colombia S.A.S and Citibank, N.A. dated December 2, 2019. |
| 10.38(36) | Credit Agreement between PriceSmart Colombia S.A.S. and Citibank, N.A. date November 25, 2019. |
| 10.39(36) | Loan Agreement between PriceSmart Guatemala, Sociedad Anonima and Banco Industrial, Sociedad Anonima, dated November 20, 2019. |
| 10.40(37) | Promissory Note between PriceSmart clubs (TT) Limited and Citibank, N.A. dated April 17, 2020. |
| 10.41(39)** | Employment Agreement between the Company and Juan Ignacio Biehl dated March 15, 2018 (including amendments dated June 14, 2018, July 26, 2019, and September 1, 2020). |
| 10.42* | Second Amended and Restated Loan Facility Agreement between PriceSmart Realty (TT) LTD and FirstCaribbean International Bank (Trinidad & Tobago) Limited, dated August 27, 2021. |
| 21.1* | Subsidiaries of the Company. |
| 23.1* | Consent of Independent Registered Public Accounting Firm. |
| 31.1* | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1*# | Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2*# | Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | Inline XBRL Instance Document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |

| | |
|---|---|
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) |

* Filed herewith as an exhibit.
** Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K.
# These certifications are being furnished solely to accompany this Report pursuant to 18 U.S.C. 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of PriceSmart, Inc. whether made before or after the date hereof, regardless of any general incorporation language in such filing.

(1) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 1997 filed with the Commission on November 26, 1997.
(2) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2001 filed with the Commission on April 16, 2001.
(3) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 1999 filed with the Commission on November 29, 1999.
(4) Incorporated by reference to Exhibit A to the definitive Proxy Statement dated December 7, 2001 for the Company's 2002 Annual Meeting of Stockholders filed with the Commission on December 10, 2001.
(5) Incorporated by reference to Exhibit A to the definitive Proxy Statement dated December 11, 2002 for the Company's 2003 Annual Meeting of Stockholders filed with the Commission on December 11, 2002.
(6) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2004 filed with the Commission on November 24, 2004.
(7) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 29, 2004 filed with the Commission on April 14, 2004.
(8) Incorporated by reference to the Company's Registration Statement on Form S-3 filed with the Commission on December 2, 2004.
(9) Incorporated by reference to the Company's Quarterly Report on Form 10-Q/A for the quarter ended November 30, 2008 filed with the Commission on January 14, 2009.
(10) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2010 filed with the Commission on April 9, 2010.
(11) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2012 filed with the Commission on July 9, 2012.
(12) Incorporated by reference to the Company's Registration Statement on Form S-8 filed April 4, 2013.
(13) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2013 filed with the Commission on October 30, 2013.
(14) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2014 filed with the Commission on July 10, 2014.
(15) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2014 filed with the Commission on October 30, 2014.
(16) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2014 filed with the Commission on January 8, 2015.
(17) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2015 filed with the Commission on July 9, 2015.
(18) Incorporated by reference to the Company's Form 8-K Filed with the Commission on July 17, 2015.
(19) Incorporated by reference to the Company's Form 8-K filed with the Commission on September 2, 2015.
(20) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2015 filed with the Commission on October 29, 2015.
(21) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2015 filed with the Commission on January 7, 2016.
(22) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2016 filed with the Commission on October 27, 2016.
(23) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2016 filed with the Commission on January 5, 2017.
(24) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2017 filed with the Commission on April 6, 2017.
(25) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2017 filed with the Commission on July 5, 2017.
(26) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2017 filed with the Commission on October 26, 2017.
(27) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2018 filed with the Commission on April 5, 2018.
(28) Incorporated by reference to the Company's Form 8-K filed with the Commission on April 6, 2018.
(29) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2018 filed with the Commission on October 25, 2018.

(30) Incorporated by reference to the Company's Form 8-K/A filed with the Commission on November 27, 2018.
(31) Incorporated by reference to the Company's Form 8-K/A filed with the Commission on March 7, 2019.
(32) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2019 filed with the Commission on October 29, 2019.
(33) Incorporated by reference to the Company's Form 8-K filed with the Commission on October 29, 2019.
(34) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2019 filed with the Commission on January 9, 2020.
(35) Incorporated by reference to the Company's Form 8-K filed with the Commission on April 7, 2020.
(36) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 29, 2020 filed with the Commission on April 8, 2020.
(37) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2020 filed with the Commission on July 9, 2020.
(38) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2020 filed with the Commission on October 30, 2020.
(39) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2020 filed with the Commission on January 7, 2021.

**Item 16.** ***Form 10-K Summary***

None.

**SCHEDULE II**

**PRICESMART, INC.**

**VALUATION AND QUALIFYING ACCOUNTS**
**(amounts in thousands)**

| | Balance at Beginning of Period | Charged to Costs and Expenses | Deductions | Balance at End of Period |
|---|---|---|---|---|
| Allowance for doubtful accounts: | | | | |
| Year ended August 31, 2019 | $ 97 | $ 270 | $ (223) | $ 144 |
| Year ended August 31, 2020 | $ 144 | $ 155 | $ (152) | $ 147 |
| Year ended August 31, 2021 | $ 147 | $ 93 | $ (146) | $ 94 |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PRICESMART, INC.

Date: October 21, 2021 By: /s/ SHERRY S. BAHRAMBEYGUI

**Sherry S. Bahrambeygui**
**Chief Executive Officer**
**(Principal Executive Officer)**

Date: October 21, 2021 By: /s/ MICHAEL L. MCCLEARY

**Michael L. McCleary**
**Executive Vice President and Chief Financial Officer**
**(Principal Financial Officer and Principal Accounting Officer)**

**POWER OF ATTORNEY**

Each person whose signature appears below constitutes and appoints Sherry S. Bahrambeygui and Michael L. McCleary, and each of them singly, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agents full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them or their or his or her substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ SHERRY S. BAHRAMBEYGUI<br>**Sherry S. Bahrambeygui** | Chief Executive Officer and Director<br>(Principal Executive Officer) | October 21, 2021 |
| /s/ MICHAEL L. MCCLEARY<br>**Michael L. McCleary** | Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer and<br>Principal Accounting Officer) | October 21, 2021 |
| /s/ ROBERT E. PRICE<br>**Robert E. Price** | Chairman of the Board | October 21, 2021 |
| /s/ LEON C. JANKS<br>**Leon C. Janks** | Director | October 21, 2021 |
| /s/ MITCHELL G. LYNN<br>**Mitchell G. Lynn** | Director | October 21, 2021 |
| /s/ EDGAR ZURCHER<br>**Edgar Zurcher** | Director | October 21, 2021 |
| /s/ GORDON H. HANSON<br>**Gordon H. Hanson** | Director | October 21, 2021 |
| /s/ DAVID R. SNYDER<br>**David R. Snyder** | Director | October 21, 2021 |
| /s/ BEATRIZ V. INFANTE<br>**Beatriz V. Infante** | Director | October 21, 2021 |
| /s/ JEFFREY R. FISHER<br>**Jeffrey R. Fisher** | Director | October 21, 2021 |
| /s/ PATRICIA MÁRQUEZ<br>**Patricia Márquez** | Director | October 21, 2021 |

**PRICESMART, INC.**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**


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## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of PriceSmart, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of PriceSmart, Inc. (the Company) as of August 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended August 31, 2021 and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at August 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended August 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of August 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated October 21, 2021 expressed an unqualified opinion thereon.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

***Tax receivables and contingencies***

*Description of the Matter*

As discussed in Note 2 and in Note 10 to the consolidated financial statements, the Company pays Value Added Tax ("VAT") or similar indirect taxes, income taxes, and other taxes within the normal course of the Company's business in the United States and numerous foreign jurisdictions. The different interpretations of sometimes complex tax regulations create uncertainty and necessitate the use of significant judgment in the determination of the Company's income tax liabilities and the recoverability of both income tax and VAT receivables. As of August 31, 2021, the Company had $6.0 million accrued for potential income and other tax liabilities and had income tax and VAT receivables of $30.4 million and $31.6 million, respectively.

Auditing the measurement of the Company's income and VAT receivables and contingencies was challenging because the evaluation of the various tax positions can be complex, highly judgmental and based on international tax laws, interpretations and legal rulings, which can vary significantly between the countries in which the Company has operations.

*How We Addressed the Matter in Our Audit*

We tested controls, including key management review controls, over the Company's process to assess the technical merits of its income and other tax receivables and contingencies, including management's process to measure the benefit of its income tax positions and evaluate the recoverability of the receivables. For example, we tested controls over management's review of the uncertain tax positions and the significant assumptions surrounding more-likely-than-not conclusions, as well as controls over management's review of the tax receivables and the significant assumptions surrounding the recoverability of such assets.

We involved our international tax professionals to assist in our assessment of the technical merits of certain of the Company's income tax positions and the Company's understanding and documentation of the respective international laws and regulations related to recoverability of income and other tax receivables. Depending on the nature of the specific tax position and, as applicable, developments with the relevant tax authorities, our procedures included obtaining and reviewing the Company's correspondence with such tax authorities and evaluating income tax opinions or other third-party advice obtained by the Company. We used our knowledge of and experience with the application of international and other tax laws by the relevant income tax authorities to evaluate the Company's accounting for its tax contingencies and receivables. We evaluated developments in the applicable regulatory environments to assess potential effects on the Company's positions. We considered the Company's historical experiences with the different taxing authorities and their historical results in evaluating and concluding on the likely impact of different tax cases. In this manner, we analyzed the Company's assumptions used to determine the amounts of income tax benefits to recognize and the recoverability of the tax receivables. We also tested the data used by the Company in determining these amounts by comparing inputs to internal data and testing the accuracy of the calculations.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1997.

San Diego, California

October 21, 2021

**PRICESMART, INC.**
**CONSOLIDATED BALANCE SHEETS**
**(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)**

| | August 31, 2021 | August 31, 2020 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 202,060 | $ 299,481 |
| Short-term restricted cash | 3,647 | 185 |
| Short-term investments | 50,233 | 46,509 |
| Receivables, net of allowance for doubtful accounts of $94 as of August 31, 2021 and $147 as of August 31, 2020, respectively | 12,359 | 13,153 |
| Merchandise inventories | 389,711 | 309,509 |
| Prepaid expenses and other current assets | 39,194 | 30,165 |
| Total current assets | 697,204 | 699,002 |
| Long-term restricted cash | 9,772 | 4,105 |
| Property and equipment, net | 730,204 | 692,279 |
| Operating lease right-of-use assets, net | 123,655 | 119,533 |
| Goodwill | 45,095 | 45,206 |
| Other intangibles, net | 7,762 | 10,166 |
| Deferred tax assets | 24,225 | 21,672 |
| Other non-current assets (includes $2,464 and $872 as of August 31, 2021 and August 31, 2020, respectively, for the fair value of derivative instruments) | 57,329 | 54,260 |
| Investment in unconsolidated affiliates | 10,544 | 10,602 |
| Total Assets | $ 1,705,790 | $ 1,656,825 |
| **LIABILITIES AND EQUITY** | | |
| Current Liabilities: | | |
| Short-term borrowings | $ — | $ 65,143 |
| Accounts payable | 388,791 | 373,172 |
| Accrued salaries and benefits | 41,896 | 32,946 |
| Deferred income | 26,898 | 23,525 |
| Income taxes payable | 8,310 | 7,727 |
| Other accrued expenses and other current liabilities | 39,736 | 37,731 |
| Operating lease liabilities, current portion | 8,526 | 8,594 |
| Long-term debt, current portion | 19,395 | 19,437 |
| Total current liabilities | 533,552 | 568,275 |
| Deferred tax liability | 1,568 | 1,713 |
| Long-term income taxes payable, net of current portion | 4,160 | 5,132 |
| Long-term operating lease liabilities | 129,256 | 124,181 |
| Long-term debt, net of current portion | 110,110 | 112,610 |
| Other long-term liabilities (includes $3,010 and $4,685 for the fair value of derivative instruments and $7,380 and $6,155 for post-employment plans as of August 31, 2021 and August 31, 2020, respectively) | 10,930 | 12,182 |
| Total Liabilities | 789,576 | 824,093 |

| | | |
|---|---|---|
| Stockholders' Equity: | | |
| Common stock $0.0001 par value, 45,000,000 shares authorized; 31,467,971 and 31,417,576 shares issued and 30,755,308 and 30,670,712 shares outstanding (net of treasury shares) as of August 31, 2021 and August 31, 2020, respectively | 3 | 3 |
| Additional paid-in capital | 465,015 | 454,455 |
| Accumulated other comprehensive loss | (182,508) | (176,820) |
| Retained earnings | 658,919 | 582,487 |
| Less: treasury stock at cost, 712,663 shares as of August 31, 2021 and 746,864 shares as of August 31, 2020 | (26,084) | (28,406) |
| Total stockholders' equity attributable to PriceSmart, Inc. stockholders | 915,345 | 831,719 |
| Noncontrolling interest in consolidated subsidiaries | 869 | 1,013 |
| Total stockholders' equity | 916,214 | 832,732 |
| Total Liabilities and Equity | $ 1,705,790 | $ 1,656,825 |

See accompanying notes.

**PRICESMART, INC.**
**CONSOLIDATED STATEMENTS OF INCOME**
**(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)**

| | Years Ended August 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Revenues: | | | |
| Net merchandise sales | $ 3,465,442 | $ 3,191,762 | $ 3,091,648 |
| Export sales | 41,520 | 34,374 | 30,981 |
| Membership income | 56,030 | 54,501 | 52,149 |
| Other revenue and income | 56,879 | 48,551 | 49,140 |
| Total revenues | 3,619,871 | 3,329,188 | 3,223,918 |
| Operating expenses: | | | |
| Cost of goods sold: | | | |
| Net merchandise sales | 2,912,489 | 2,723,942 | 2,648,665 |
| Export sales | 39,513 | 32,676 | 29,524 |
| Non-merchandise | 23,336 | 18,160 | 17,502 |
| Selling, general and administrative: | | | |
| Warehouse club and other operations | 359,221 | 323,178 | 307,823 |
| General and administrative | 125,416 | 106,776 | 101,432 |
| Pre-opening expenses | 849 | 1,545 | 2,726 |
| Loss on disposal of assets | 1,027 | 443 | 1,079 |
| Total operating expenses | 3,461,851 | 3,206,720 | 3,108,751 |
| Operating income | 158,020 | 122,468 | 115,167 |
| Other expense: | | | |
| Interest income | 1,979 | 2,031 | 1,489 |
| Interest expense | (7,210) | (7,625) | (3,939) |
| Other expense, net | (5,603) | (834) | (1,607) |
| Total other expense | (10,834) | (6,428) | (4,057) |
| Income before provision for income taxes and loss of unconsolidated affiliates | 147,186 | 116,040 | 111,110 |
| Provision for income taxes | (48,969) | (37,764) | (37,560) |
| Loss of unconsolidated affiliates | (58) | (95) | (61) |
| Net income | 98,159 | 78,181 | 73,489 |
| Less: net income attributable to noncontrolling interest | (196) | (72) | (298) |
| Net income attributable to PriceSmart, Inc. | $ 97,963 | $ 78,109 | $ 73,191 |
| Net income attributable to PriceSmart, Inc. per share available for distribution: | | | |
| Basic | $ 3.18 | $ 2.55 | $ 2.40 |
| Diluted | $ 3.18 | $ 2.55 | $ 2.40 |
| Shares used in per share computations: | | | |
| Basic | 30,403 | 30,259 | 30,195 |
| Diluted | 30,403 | 30,259 | 30,195 |
| Dividends per share | $ 0.70 | $ 0.70 | $ 0.70 |

See accompanying notes.

**PRICESMART, INC.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(AMOUNTS IN THOUSANDS)**

| | Years Ended August 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Net income | $ 98,159 | $ 78,181 | $ 73,489 |
| Less: net income attributable to noncontrolling interest | (196) | (72) | (298) |
| Net income attributable to PriceSmart, Inc. | $ 97,963 | $ 78,109 | $ 73,191 |
| | | | |
| Other Comprehensive Income, net of tax: | | | |
| Foreign currency translation adjustments [1] | (7,837) | (29,413) | (19,717) |
| Defined benefit pension plan: | | | |
| Net loss arising during period | (230) | (79) | (112) |
| Amortization of prior service cost and actuarial gains included in net periodic pensions cost | 127 | 93 | 74 |
| Total defined benefit pension plan | (103) | 14 | (38) |
| Derivative instruments: [2] | | | |
| Unrealized losses on change in derivative obligations | (140) | (490) | (267) |
| Unrealized gains/(losses) on change in fair value of interest rate swaps | 2,392 | (5,313) | (3,102) |
| Amounts reclassified from accumulated other comprehensive income to other expense, net for settlement of derivatives | — | 2,721 | 1 |
| Total derivative instruments | 2,252 | (3,082) | (3,368) |
| Other comprehensive loss | (5,688) | (32,481) | (23,123) |
| Comprehensive income | 92,275 | 45,628 | 50,068 |
| Less: comprehensive income attributable to noncontrolling interest | 117 | 114 | 21 |
| Comprehensive income attributable to PriceSmart, Inc. stockholders | $ 92,158 | $ 45,514 | $ 50,047 |

(1) Translation adjustments arising in translating the financial statements of a foreign entity have no effect on the income taxes of that foreign entity. They may, however, affect: (a) the amount, measured in the parent entity's reporting currency, of withholding taxes assessed on dividends paid to the parent entity and (b) the amount of taxes assessed on the parent entity by the government of its country. The Company has determined that the reinvestment of earnings of its foreign subsidiaries are indefinite because of the long-term nature of the Company's foreign investment plans. Therefore, deferred taxes are not provided for on translation adjustments related to non-remitted earnings of the Company's foreign subsidiaries.

(2) Refer to “Note 13 - Derivative Instruments and Hedging Activities.”

See accompanying notes.

**PRICESMART, INC.**
**CONSOLIDATED STATEMENTS OF EQUITY**
**(AMOUNTS IN THOUSANDS)**

| | Common Stock | | Additional Paid-in | Accumulated Other Comprehensive | Retained | Treasury Stock | | Total Stockholders' Equity Attributable to | Noncontrolling | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Loss | Earnings | Shares | Amount | PriceSmart, Inc. | Interest | Equity |
| Balance at August 31, 2018 | 31,373 | $ 3 | $ 444,368 | $ (121,216) | $ 473,954 | 912 | $ (39,107) | $ 758,002 | $ 636 | $ 758,638 |
| Purchase of treasury stock | — | — | — | — | — | 75 | (4,604) | (4,604) | — | (4,604) |
| Issuance of treasury stock | (63) | — | (5,024) | — | — | (63) | 5,024 | — | — | — |
| Issuance of restricted stock award | 178 | — | — | — | — | — | — | — | — | — |
| Forfeiture of restricted stock awards | (27) | — | — | — | — | — | — | — | — | — |
| Stock-based compensation | — | — | 15,512 | — | — | — | — | 15,512 | — | 15,512 |
| Dividend paid to stockholders | — | — | — | — | (21,341) | — | — | (21,341) | (313) | (21,654) |
| Net income | — | — | — | — | 73,191 | — | — | 73,191 | 298 | 73,489 |
| Other comprehensive income (loss) | — | — | — | (23,123) | — | — | — | (23,123) | 21 | (23,102) |
| Other | — | — | (286) | — | — | — | — | (286) | 286 | — |
| Balance at August 31, 2019 | 31,461 | $ 3 | $ 454,570 | $ (144,339) | $ 525,804 | 924 | $ (38,687) | $ 797,351 | $ 928 | $ 798,279 |
| Purchase of treasury stock | —$ | —$ | —$ | —$ | — | 57 | $ (3,651) | $ (3,651) | $ —$ | (3,651) |
| Issuance of treasury stock | (234) | — | (13,932) | — | — | (234) | 13,932 | — | — | — |
| Issuance of restricted stock award | 222 | — | — | — | — | — | — | — | — | — |
| Forfeiture of restricted stock awards | (31) | — | — | — | — | — | — | — | — | — |
| Stock-based compensation | — | — | 13,817 | — | — | — | — | 13,817 | — | 13,817 |
| Dividend paid to stockholders | — | — | — | — | (21,426) | — | — | (21,426) | (101) | (21,527) |
| Net income | — | — | — | — | 78,109 | — | — | 78,109 | 72 | 78,181 |
| Other comprehensive income (loss) | — | — | — | (32,481) | — | — | — | (32,481) | 114 | (32,367) |
| Balance at August 31, 2020 | 31,418 | $ 3 | $ 454,455 | $ (176,820) | $ 582,487 | 747 | $ (28,406) | $ 831,719 | $ 1,013 | $ 832,732 |
| Purchase of treasury stock | —$ | —$ | —$ | —$ | — | 62 | $ (5,542) | $ (5,542) | $ —$ | (5,542) |
| Issuance of treasury stock | (96) | — | (7,864) | — | — | (96) | 7,864 | — | — | — |
| Issuance of restricted stock award | 154 | — | — | — | — | — | — | — | — | — |
| Forfeiture of restricted stock awards | (8) | — | — | — | — | — | — | — | — | — |
| Stock-based compensation | — | — | 18,424 | — | — | — | — | 18,424 | — | 18,424 |
| Dividend paid to stockholders | — | — | — | — | (21,531) | — | — | (21,531) | (457) | (21,988) |
| Net income | — | — | — | — | 97,963 | — | — | 97,963 | 196 | 98,159 |
| Other comprehensive income (loss) | — | — | — | (5,688) | — | — | — | (5,688) | 117 | (5,571) |
| Balance at August 31, 2021 | 31,468 | $ 3 | $ 465,015 | $ (182,508) | $ 658,919 | 713 | $ (26,084) | $ 915,345 | $ 869 | $ 916,214 |

See accompanying notes.

**PRICESMART, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(AMOUNTS IN THOUSANDS)**

| | Years Ended August 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| **Operating Activities:** | | | |
| Net income | $ 98,159 | $ 78,181 | $ 73,489 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 64,983 | 61,225 | 54,958 |
| Allowance for doubtful accounts | (53) | 3 | 47 |
| Loss on sale of property and equipment | 1,027 | 443 | 1,079 |
| Deferred income taxes | (3,853) | (3,405) | (4,401) |
| Equity in losses of unconsolidated affiliates | 58 | 95 | 61 |
| Stock-based compensation | 18,424 | 13,817 | 15,061 |
| Change in operating assets and liabilities: | | | |
| Receivables, prepaid expenses and other current assets, non-current assets, accrued salaries and benefits, deferred membership income and other accruals | 13,097 | (3,040) | 14,961 |
| Merchandise inventories | (80,202) | 21,764 | (10,248) |
| Accounts payable | 15,526 | 90,185 | 25,325 |
| Net cash provided by operating activities | 127,166 | 259,268 | 170,332 |
| **Investing Activities:** | | | |
| Additions to property and equipment | (113,174) | (100,320) | (140,061) |
| Purchases of short-term investments | (69,460) | (49,629) | (15,244) |
| Proceeds from settlements of short-term investments | 65,528 | 20,182 | 30,527 |
| Purchases of long-term investments | (1,478) | (1,485) | — |
| Proceeds from settlements of long-term investments | 1,478 | — | — |
| Proceeds from disposal of property and equipment | 385 | 40 | 74 |
| Net cash used in investing activities | (116,721) | (131,212) | (124,704) |
| **Financing Activities:** | | | |
| Proceeds from long-term bank borrowings | 17,565 | 57,882 | — |
| Repayment of long-term bank borrowings | (19,993) | (15,164) | (12,939) |
| Proceeds from short-term bank borrowings | — | 271,014 | 18,403 |
| Repayment of short-term bank borrowings | (64,983) | (212,919) | (10,863) |
| Cash dividend payments | (21,988) | (21,527) | (21,654) |
| Purchase of treasury stock for tax withholding on stock compensation | (5,542) | (3,651) | (4,604) |
| Other financing activities | (196) | (72) | (298) |
| Net cash provided by (used in) financing activities | (95,137) | 75,563 | (31,955) |
| Effect of exchange rate changes on cash and cash equivalents and restricted cash | (3,600) | (6,084) | (4,351) |
| Net increase (decrease) in cash, cash equivalents | (88,292) | 197,535 | 9,322 |
| Cash, cash equivalents and restricted cash at beginning of period | 303,771 | 106,236 | 96,914 |
| Cash, cash equivalents and restricted cash at end of period | $ 215,479 | $ 303,771 | $ 106,236 |
| | | | |
| Supplemental disclosure of noncash investing activities: | | | |
| Capital expenditures accrued, but not yet paid | $ 3,497 | $ 10,563 | $ 6,637 |
| Cash paid during the period for: | | | |
| Interest | $ 7,774 | $ 6,877 | $ 3,504 |
| Income taxes | $ 58,571 | $ 50,814 | $ 48,312 |

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same amounts shown in the statement of cash flows:

| | Years Ended August 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Cash and cash equivalents | $ 202,060 | $ 299,481 | $ 102,653 |
| Short-term restricted cash | 3,647 | 185 | 54 |
| Long-term restricted cash | 9,772 | 4,105 | 3,529 |
| Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows | $ 215,479 | $ 303,771 | $ 106,236 |

See accompanying notes.

**PRICESMART, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## NOTE 1 – COMPANY OVERVIEW AND BASIS OF PRESENTATION

PriceSmart, Inc.'s ("PriceSmart," the "Company," or "we") business consists primarily of international membership shopping warehouse clubs similar to, but typically smaller in size than, warehouse clubs in the United States. As of August 31, 2021, the Company had 47 warehouse clubs in operation in 12 countries and one U.S. territory (eight in Costa Rica and Colombia; seven in Panama; five in the Dominican Republic, four in Trinidad and Guatemala; three in Honduras; two each in El Salvador and Nicaragua; and one each in Aruba, Barbados, Jamaica and the United States Virgin Islands), of which the Company owns 100% of the corresponding legal entities (see Note 2 - Summary of Significant Accounting Policies). The Company also plans to open new warehouse clubs in Guatemala City, Guatemala in late October 2021 and in Bucaramanga, Colombia in November 2021 and in Portmore, Jamaica in the spring of 2022. Once these three new clubs are open, the Company will operate 50 warehouse clubs.

PriceSmart continues to invest in technology to increase operational efficiencies that are expected to lead to greater value to the Member, to gain greater insights into the shopping preferences of our Members and to enhance the overall Member experience. Technology developments are driving omni-channel initiatives and capabilities, including online shopping and services. As of August 31, 2021, the Company offered the Click & Go™ curbside pickup and delivery service in all 13 of its markets. These services provide an alternative and convenient way for Members to shop, while reducing physical contact. The Company also has launched digital membership, which helps it gather higher quality data it can use to make better informed decisions in all areas of the business and facilitates a more seamless auto-renewal process, increasing predictability of membership income. We believe digital membership also provides more convenience to the Members with digital cards and online payment.

From March 2018 through September 2021, we operated a cross border package forwarding (casillero) and online marketplace business under the "Aeropost" banner in 38 countries in Latin America and the Caribbean. PriceSmart acquired Aeropost in 2018 to leverage Aeropost's technology and its management's experience in developing software and systems for e-commerce and logistics to advance PriceSmart's development of an omni-channel shopping experience for its Members. In October 2021, PriceSmart sold the legacy casillero and marketplace operations, which were not core to our main objectives. PriceSmart retained key Aeropost personnel and technology in the transaction, with which we believe we can continue to leverage and grow our omni-channel business. This technology and talent have helped us combine our brick and mortar operations with online capabilities, supported by a more sophisticated distribution system that provides us with the potential to expand our geography, reach more Members in more ways and continue to develop approaches to gain efficiencies, reduce costs and provide Members with great value.

**Basis of Presentation** – The consolidated financial statements have been prepared in accordance with the instructions to Form 10-K for annual financial reporting pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") and U.S. generally accepted accounting principles (GAAP) for annual financial information. The consolidated financial statements include the accounts of PriceSmart, Inc., a Delaware corporation, and its subsidiaries. Inter-company transactions between the Company and its subsidiaries have been eliminated in consolidation.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Principles of Consolidation** – The consolidated financial statements of the Company included herein include the assets, liabilities and results of operations of the Company's wholly owned subsidiaries, subsidiaries in which it has a controlling interest, and the Company's joint ventures for which the Company has determined that it is the primary beneficiary. The Company's net income excludes income attributable to noncontrolling interests. The Company reports noncontrolling interests in consolidated entities as a component of equity separate from the Company's equity. The consolidated financial statements also include the Company's investment in, and the Company's share of the income (loss) of, joint ventures recorded under the equity method. All significant inter-company accounts and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the SEC and reflect all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to fairly present the financial position, results of operations and cash flows for the periods presented.

The Company determines whether any of the joint ventures in which it has made investments is a Variable Interest Entity ("VIE") at the start of each new venture and if a reconsideration event has occurred. At this time, the Company also considers whether it must consolidate a VIE and/or disclose information about its involvement in a VIE. A reporting entity must consolidate a VIE if that reporting entity has a variable interest (or combination of variable interests) and is determined to be the primary beneficiary.

If the Company determines that it is not the primary beneficiary of the VIE, then the Company records its investment in, and the Company's share of the income (loss) of, joint ventures recorded under the equity method. Due to the nature of the joint ventures that the Company participates in and the continued commitments for additional financing, the Company determined these joint ventures are VIEs.

In the case of the Company's ownership interest in real estate development joint ventures, both parties to each joint venture share all rights, obligations and the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. As a result, the Company has determined that it is not the primary beneficiary of the VIEs and, therefore, has accounted for these entities under the equity method. Under the equity method, the Company's investments in unconsolidated affiliates are initially recorded as an investment in the stock of an investee at cost and are adjusted for the carrying amount of the investment to recognize the investor's share of the earnings or losses of the investee after the date of the initial investment. The Company's ownership interest in real estate development joint ventures the Company has recorded under the equity method as of August 31, 2021 are listed below:

| Real Estate Development Joint Ventures | Countries | Ownership | Basis of Presentation |
|---|---|---|---|
| GolfPark Plaza, S.A. | Panama | 50.0 % | Equity[1] |
| Price Plaza Alajuela PPA, S.A. | Costa Rica | 50.0 % | Equity[1] |

(1) Joint venture interests are recorded as investment in unconsolidated affiliates on the consolidated balance sheets.

The Company has determined that for its ownership interest in store-front joint ventures within its marketplace and casillero business, the Company has the power to direct the activities that most significantly impact the economic performance of these VIEs. Therefore, the Company has determined that it is the primary beneficiary of these VIEs and has consolidated these entities within its consolidated financial statements. The Company's ownership interest in store-front joint ventures for which the Company has consolidated their financial statements as of August 31, 2021 are listed below:

| Marketplace and Casillero Store-front Joint Ventures | Countries | Ownership | Basis of Presentation |
|---|---|---|---|
| Guatemala | Guatemala | 60.0 % | Consolidated |
| Tortola | British Virgin Islands | 50.0 % | Consolidated |
| Trinidad | Trinidad | 50.0 % | Consolidated |

**Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The novel coronavirus (COVID-19) pandemic continues to significantly impact the economies of the countries where the Company operates due to elevated infection rates and government restrictions. The Company has assessed the impact that COVID-19 has had on our estimates, assumptions and accounting policies and made additional disclosures, if and as necessary.

**Cash and Cash Equivalents** – The Company considers as cash and cash equivalents all cash on deposit, highly liquid investments with a maturity of three months or less at the date of purchase and proceeds due from credit and debit card transactions in the process of settlement.

**Restricted Cash** – The changes in restricted cash are disclosed within the consolidated statement of cash flows based on the nature of the restriction. The following table summarizes the restricted cash reported by the Company (in thousands):

| | August 31, 2021 | August 31, 2020 |
|---|---|---|
| Short-term restricted cash | $ 3,647 | $ 185 |
| Long-term restricted cash | 9,772 | 4,105 |
| Total restricted cash[1] | $ 13,419 | $ 4,290 |

(1) Restricted cash consists mainly of cash deposits held within banking institutions in compliance with federal regulatory requirements in Costa Rica and Panama. In addition, the Company is required to maintain a certificate of deposit and/or security deposits of Trinidad dollars, as measured in U.S. dollars, of approximately $8.6 million with a few of its lenders as compensating balances for several U.S. dollar denominated loans payable over several years. The certificates of deposit will be reduced annually commensurate with the loan balances.

**Short-Term Investments** – The Company considers as short-term investments certificates of deposit and similar time-based deposits with financial institutions with maturities over three months and up to one year.

**Long-Term Investments** – The Company considers as long-term investments certificates of deposit and similar time-based deposits with financial institutions with maturities over one year.

**Goodwill and Other Intangibles, net** – Goodwill and other intangibles totaled $52.9 million as of August 31, 2021 and $55.4 million as of August 31, 2020. The Company tests goodwill for impairment at least annually or when events or changes in circumstances indicate that it is more likely than not that the asset is impaired. The Company's intangible assets consist of the Aeropost trade name and developed technology, which are amortized on a straight-line basis over a period of 25 and 5 years, respectively. Amortization expense is included in general and administrative expenses on the accompanying consolidated statements of income.

The changes in the carrying amount of goodwill for the year ended August 31, 2021 are as follows (in thousands):

| | Amount |
|---|---|
| Goodwill at August 31, 2020 | $ 45,206 |
| Foreign currency exchange rate changes | (111) |
| Goodwill at August 31, 2021 | $ 45,095 |

| | Amount |
|---|---|
| Other intangibles at August 31, 2020 | $ 10,166 |
| Amortization | (2,404) |
| Net other intangibles at August 31, 2021 | $ 7,762 |
| | |
| Total goodwill and other intangibles, net at August 31, 2021 | $ 52,857 |

The table below shows our estimated amortization of intangibles for fiscal years 2022 through 2026 and thereafter (in thousands):

| Twelve Months Ended August 31, | Amount |
|---|---|
| 2022 | $ 2,404 |
| 2023 | 1,373 |
| 2024 | 205 |
| 2025 | 204 |
| 2026 | 204 |
| Thereafter | 3,372 |
| Total | $ 7,762 |

**Tax Receivables** – The Company pays Value Added Tax (“VAT”) or similar taxes, income taxes, and other taxes within the normal course of business in most of the countries in which it operates related to the procurement of merchandise and/or services the Company acquires and/or on sales and taxable income. VAT is a form of indirect tax applied to the value added at each stage of production (primary, manufacturing, wholesale and retail). This tax is similar to, but operates somewhat differently than, sales tax paid in the United States. The Company generally collects VAT from its Members upon sale of goods and services and pays VAT to its vendors upon purchase of goods and services. Periodically, the Company submits VAT reports to governmental agencies and reconciles the VAT paid and VAT received. The net overpaid VAT may be refunded or applied to subsequent returns, and the net underpaid VAT must be remitted to the government. With respect to income taxes paid, if the estimated income taxes paid or withheld exceed the actual income tax due this creates an income tax receivable. In most countries where the Company operates, the governments have implemented additional collection procedures, such as requiring credit card processors to remit a portion of sales processed via credit and debit cards directly to the government as advance payments of VAT and/or income tax. This collection mechanism generally leaves the Company with net VAT and/or income tax receivables, forcing the Company to process significant refund claims on a recurring basis. These refund or offset processes can take anywhere from several months to several years to complete.

In most countries where the Company operates, there are defined and structured processes to recover VAT receivables via refunds or offsets. However, in one country without a clearly defined refund process, the Company is actively engaged with the local government to recover VAT receivables totaling $9.7 million and $7.0 million as of August 31, 2021 and August 31, 2020, respectively. In two other countries, there have been changes in the method of computing minimum tax payments, under which the governments have sought to require the Company to pay taxes based on a percentage of sales rather than taxable income. As a result, the Company has made and may continue to make income tax payments substantially in excess of those it would expect to pay based on taxable income. The Company had income tax receivables of $11.0 million and $10.4 million and deferred tax assets of $3.3 million and $2.8 million as of August 31, 2021 and August 31, 2020, respectively, in these countries.

While the rules related to refunds of income tax receivables in these countries are either unclear or complex, the Company has not placed any type of allowance on the recoverability of these tax receivables or deferred tax assets, because the Company believes that it is more likely than not that it will ultimately succeed in its refund requests. Similarly, we have not placed any recoverability allowances on tax receivables that arise from payments we are required to make originating from tax assessments that we are appealing, as we believe it is more likely than not that we will ultimately prevail in the related appeals.

The Company's policy for classification and presentation of VAT receivables, income tax receivables and other tax receivables is as follows:

- Short-term VAT and Income tax receivables, recorded as Prepaid expenses and other current assets: This classification is used for any countries where the Company's subsidiary has generally demonstrated the ability to recover the VAT or income tax receivable within one year. The Company also classifies as short-term any approved refunds or credit notes to the extent that the Company expects to receive the refund or use the credit notes within one year.

- Long-term VAT and Income tax receivables, recorded as Other non-current assets: This classification is used for amounts not approved for refund or credit in countries where the Company's subsidiary has not demonstrated the ability to obtain refunds within one year and/or for amounts which are subject to outstanding disputes. An allowance is provided against VAT and income tax receivable balances in dispute when the Company does not expect to eventually prevail in its recovery. The Company does not currently have any allowances provided against VAT and income tax receivables.

The following table summarizes the VAT receivables reported by the Company (in thousands):

| | August 31, 2021 | August 31, 2020 |
|---|---|---|
| Prepaid expenses and other current assets | $ 3,173 | $ 1,749 |
| Other non-current assets | 28,437 | 25,851 |
| Total amount of VAT receivables reported | $ 31,610 | $ 27,600 |

The following table summarizes the income tax receivables reported by the Company (in thousands):

| | August 31, 2021 | August 31, 2020 |
|---|---|---|
| Prepaid expenses and other current assets | $ 11,491 | $ 10,944 |
| Other non-current assets | 18,872 | 20,116 |
| Total amount of income tax receivables reported | $ 30,363 | $ 31,060 |

**Lease Accounting –** The Company's leases are operating leases for warehouse clubs and non-warehouse club facilities such as corporate headquarters, regional offices, and regional distribution centers. The Company determines if an arrangement is a lease and classifies it as either a finance or operating lease at lease inception. Operating leases are included in Operating lease right-of-use assets, net; Operating lease liabilities, current portion; and Long-term operating lease liabilities on the consolidated balance sheets. The Company does not have finance leases.

Operating lease liabilities are recognized at commencement date based on the present value of the future minimum lease payments over the lease term. The Company's leases generally do not have a readily determinable implicit rate; therefore, the Company uses a collateralized incremental borrowing rate at the commencement date in determining the present value of future payments. The incremental borrowing rate is based on a yield curve derived from publicly traded bond offerings for companies with credit characteristics that approximate the Company's market risk profile.

In addition, we adjust the incremental borrowing rate for jurisdictional risk derived from quoted interest rates from financial institutions to reflect the cost of borrowing in the Company's local markets. The Company's lease terms may include options to purchase, extend or terminate the lease, which are recognized when it is reasonably certain that the Company will exercise that option. The Company does not combine lease and non-lease components.

The Company measures Right-of-use ("ROU") assets based on the corresponding lease liabilities, adjusted for any initial direct costs and prepaid lease payments made to the lessor before or at the commencement date (net of lease incentives). The lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Variable lease payments are not included in the calculation of the ROU asset and the related lease liability and are recognized as this lease expense is incurred. The Company's variable lease payments generally relate to amounts the Company pays for additional contingent rent based on a contractually stipulated percentage of sales.

**Merchandise Inventories –** Merchandise inventories, which include merchandise for resale, are valued at the lower of cost (average cost) or net realizable value. The Company provides for estimated inventory losses and obsolescence based on a percentage of sales. The provision is adjusted every reporting period to reflect the trend of actual physical inventory and cycle count results. In addition, the Company may be required to take markdowns below the carrying cost of certain inventory to expedite the sale of such merchandise.

**Stock Based Compensation –** The Company utilizes three types of equity awards: restricted stock awards ("RSAs"), restricted stock units ("RSUs") and performance-based restricted stock units ("PSUs"). Compensation related to RSAs, RSUs and PSUs is based on the fair market value at the time of grant. The Company recognizes the compensation cost related to RSAs and RSUs over the requisite service period as determined by the grant, amortized ratably or on a straight-line basis over the life of the grant. The Company also recognizes compensation cost for PSUs over the performance period of each tranche, adjusting this cost based on the probability that performance metrics will be achieved. If the Company determines that an award is unlikely to vest, any previously recorded expense is then reversed.

The Company accounts for actual forfeitures as they occur. The Company records the tax savings resulting from tax deductions in excess of expense for stock-based compensation and the tax deficiency resulting from stock-based compensation in excess of the related tax deduction as income tax expense or benefit. In addition, the Company reflects the tax savings (deficiency) resulting from the taxation of stock-based compensation as an operating cash flow in its consolidated statement of cash flows.

RSAs are outstanding shares of common stock and have the same cash dividend and voting rights as other shares of common stock. Shares of common stock subject to RSUs are not issued nor outstanding until vested, and RSUs do not have the same dividend and voting rights as common stock. However, all outstanding RSUs have accompanying dividend equivalents, requiring payment to the employees and directors with unvested RSUs of amounts equal to the dividend they would have received had the shares of common stock underlying the RSUs been actually issued and outstanding. Payments of dividend equivalents to employees are recorded as compensation expense.

PSUs, similar to RSUs, are awarded with dividend equivalents, provided that such amounts become payable only if the performance metric is achieved. At the time the Compensation Committee confirms the performance metric has been achieved, the corresponding dividend equivalents are paid on the PSUs.

**Treasury Stock –** Shares of common stock repurchased by the Company are recorded at cost as treasury stock and result in the reduction of stockholders' equity in the Company's consolidated balance sheets. The Company may reissue these treasury shares as part of its stock-based compensation programs. When treasury shares are reissued, the Company uses the first in/first out ("FIFO") cost method for determining cost of the reissued shares. If the issuance price is higher than the cost, the excess of the issuance price over the cost is credited to additional paid-in capital ("APIC"). If the issuance price is lower than the cost, the difference is first charged against any credit balance in APIC from treasury stock and the balance is charged to retained earnings. During the twelve months ended August 31, 2021, the Company reissued approximately 96,400 treasury shares.

**Fair Value Measurements –** The Company measures the fair value for all financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring or nonrecurring basis. The fair value of an asset is the price at which the asset could be sold in an orderly transaction between unrelated, knowledgeable and willing parties able to engage in the transaction. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor in a transaction between such parties, not the amount that would be paid to settle the liability with the creditor.

The Company has established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring and revaluing fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The Company was not required to revalue any assets or liabilities utilizing Level 1 or Level 3 inputs at the balance sheet dates. The Company's Level 2 assets and liabilities revalued at the balance sheet dates, on a recurring basis, consisted of cash flow hedges (interest rate swaps and cross-currency interest rate swaps) and forward foreign exchange contracts. In addition, the Company utilizes Level 2 inputs in determining the fair value of long-term debt. The Company did not make any significant transfers in and out of Level 1 and Level 2 fair value tiers during the periods reported on herein.

Non-financial assets and liabilities are revalued and recognized at fair value subsequent to initial recognition when there is evidence of impairment. For the periods reported, no impairment of such non-financial assets was recorded.

The disclosure of fair value of certain financial assets and liabilities recorded at cost is as follows:

*Cash and cash equivalents:* The carrying value approximates fair value due to the short maturity of these instruments.

*Short-term restricted cash:* The carrying value approximates fair value due to the short maturity of these instruments.

*Short-term investments:* Short-term investments consists of certificates of deposit and similar time-based deposits with financial institutions with maturity dates over three months and up to twelve months. The carrying value approximates fair value due to the maturity of the underlying certificates of deposit within the normal operating cycle of the Company.

*Long-term investments:* Long-term investments consists of certificates of deposit and similar time-based deposits with financial institutions with maturity dates over one year. The carrying value approximates fair value due to the maturity of the underlying certificates of deposit within the normal operating cycle of the Company.

*Long-term restricted cash:* Long-term restricted cash primarily consists of certificates of deposit with maturity dates of over a year, which are held as collateral against our long-term debt. The carrying value approximates fair value due to the maturity of the underlying certificates of deposit within the normal operating cycle of the Company.

*Accounts receivable:* Receivables consist primarily of credit card receivables and receivables from vendors and are stated net of allowances for credit losses. The determination of the allowance for credit losses is based on the Company’s assessment of collectability along with the consideration of current and expected market conditions that could impact collectability.

*Short-term VAT and Income tax receivables:* The carrying value approximates fair value due to the short maturity of these accounts.

*Long-term VAT and income tax receivables:* The fair value of long-term receivables would normally be measured using a discounted cash flow analysis based on the current market interest rates for similar types of financial instruments, with an estimate of the time these receivables are expected to be outstanding. The Company is not able to provide an estimate as to the time these receivables owed to the Company by various government agencies are expected to be outstanding; therefore, the Company has not presented a fair value on the long-term VAT and income tax receivables.

*Short-term debt:* The carrying value approximates fair value due to the short maturity of these instruments.

*Long-term debt:* The fair value of debt is generally measured using a discounted cash flow analysis based on current market interest rates for similar types of financial instruments. These inputs are not quoted prices in active markets but they are either directly or indirectly observable; therefore, they are classified as Level 2 inputs. The carrying value and fair value of the Company’s debt as of August 31, 2021 and August 31, 2020 is as follows (in thousands):

| | August 31, 2021 | | August 31, 2020 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value[(1)] | Carrying Value | Fair Value |
| Long-term debt, including current portion | $ 129,505 | $ 119,646 | $ 132,047 | $ 124,085 |

(1) The Company has disclosed the fair value of long-term debt, including debt for which it has entered into cross-currency interest rate swaps, using the derivative obligation as of August 31, 2021 to estimate the fair value of long-term debt, which includes the effects that the cross-currency interest rate swaps have had on the fair value of long-term debt.

**Derivatives Instruments and Hedging Activities –** The Company uses derivative financial instruments for hedging and non-trading purposes to manage its exposure to changes in interest and currency exchange rates. In using derivative financial instruments for the purpose of hedging the Company's exposure to interest and currency exchange rate risks, the contractual terms of a hedged instrument closely mirror those of the hedged item, providing a high degree of risk reduction and correlation. Contracts that are effective at meeting the risk reduction and correlation criteria (effective hedge) are recorded using hedge accounting. If a derivative financial instrument is an effective hedge, changes in the fair value of the instrument will be reported in accumulated other comprehensive loss until the hedged item completes its contractual term. Instruments that do not meet the criteria for hedge accounting, or contracts for which the Company has not elected hedge accounting, are valued at fair value with unrealized gains or losses reported in earnings during the period of the change.

The Company did not change valuation techniques utilized in the fair value measurement of assets and liabilities presented on the Company's consolidated balance sheets from previous practice during the reporting period. The Company seeks to manage counterparty risk associated with these contracts by limiting transactions to counterparties with which the Company has an established banking relationship. There can be no assurance, however, that this practice effectively mitigates counterparty risk.

*Cash Flow Instruments.* The Company is a party to receive floating interest rate, pay fixed-rate interest rate swaps to hedge the interest rate risk of certain U.S. dollar denominated debt within its international subsidiaries. The swaps are designated as cash flow hedges of interest expense risk. These instruments are considered effective hedges and are recorded using hedge accounting. The Company is also a party to receive variable interest rate, pay fixed interest rate cross-currency interest rate swaps to hedge the interest rate and currency exposure associated with the expected payments of principal and interest of U.S. denominated debt within its international subsidiaries whose functional currency is other than the U.S. dollar. The swaps are designated as cash flow hedges of the currency risk and interest-rate risk related to payments on the U.S. denominated debt. These instruments are also considered to be effective hedges and are recorded using hedge accounting. Under cash flow hedging, the entire gain or loss of the derivative, calculated as the net present value of the future cash flows, is reported on the consolidated balance sheets in accumulated other comprehensive loss. Amounts recorded in accumulated other comprehensive loss are released to earnings in the same period that the hedged transaction impacts consolidated earnings. Refer to "Note 13 - Derivative Instruments and Hedging Activities" for information on the fair value of interest rate swaps and cross-currency interest rate swaps as of August 31, 2021 and August 31, 2020.

*Fair Value Instruments.* The Company is exposed to foreign currency exchange rate fluctuations in the normal course of business. This includes exposure to foreign currency exchange rate fluctuations on U.S. dollar denominated liabilities within the Company's international subsidiaries whose functional currency is other than the U.S. dollar. The Company manages these fluctuations, in part, through the use of non-deliverable forward foreign-exchange contracts that are intended to offset changes in cash flows attributable to currency exchange movements. The contracts are intended primarily to economically address exposure to U.S. dollar merchandise inventory expenditures made by the Company's international subsidiaries whose functional currency is other than the U.S. dollar. Currently, these contracts are treated for accounting purposes as fair value instruments and do not qualify for derivative hedge accounting, and as such the Company does not apply derivative hedge accounting to record these transactions. As a result, these contracts are valued at fair value with unrealized gains or losses reported in earnings during the period of the change. The Company seeks to mitigate foreign currency exchange-rate risk with the use of these contracts and does not intend to engage in speculative transactions. These contracts do not contain any credit-risk-related contingent features and are limited to less than one year in duration.

*Other Instruments*. Other derivatives not designated as hedging instruments consist primarily of written call options in which the Company receives a premium that it uses to reduce the costs associated with its hedging activities. For derivative instruments not designated as hedging instruments, the Company recognizes changes in fair value of the derivative instrument, as well as the offsetting change in the fair value of the hedged item, in Other expense, net in the consolidated statements of income in the period of change.

**Revenue Recognition –** The accounting policies and other disclosures such as the disclosure of disaggregated revenues are described in "Note 3 – Revenue Recognition."

**Insurance Reimbursements –** Receipts from insurance reimbursements up to the amount of the losses recognized are considered recoveries. These recoveries are accounted for when they are probable of receipt. Insurance recoveries are not recognized prior to the recognition of the related cost. Anticipated proceeds in excess of the amount of loss recognized are considered gains and are subject to gain contingency guidance. Anticipated proceeds in excess of a loss recognized in the financial statements are not recognized until all contingencies related to the insurance claim are resolved.

**Cost of Goods Sold** – The Company includes the cost of merchandise, food service and bakery raw materials in cost of goods sold, net merchandise sales. The Company also includes in cost of goods sold, net merchandise sales the external and internal distribution and handling costs for supplying merchandise, raw materials and supplies to the warehouse clubs, and, when applicable, costs of shipping to Members. External costs include inbound freight, duties, drayage, fees, insurance, and non-recoverable value-added tax related to inventory shrink, spoilage and damage. Internal costs include payroll and related costs, utilities, consumable supplies, repair and maintenance, rent expense and building and equipment depreciation at the Company's distribution facilities and payroll and other direct costs for in-club demonstrations.

For export sales, the Company includes the cost of merchandise and external and internal distribution and handling costs for supplying merchandise in cost of goods sold, exports.

For the marketplace and casillero operations, the Company includes the costs of external and internal shipping, handling and other direct costs incurred to provide delivery, insurance and customs processing services in cost of goods sold, non-merchandise.

Vendor consideration consists primarily of volume rebates, time-limited product promotions, cooperative marketing efforts, digital advertising, slotting fees, demonstration reimbursements and prompt payment discounts. Volume rebates and time-limited promotions are recognized on a systematic and rational allocation of the cash consideration as the Company progresses toward earning the rebate, provided the amounts to be earned are probable and reasonably estimable. Cooperative marketing efforts and digital advertising are related to consideration received by the Company from vendors for non-distinct online advertising services on the Company’s website and social media platforms. Slotting fees are related to consideration received by the Company from vendors for preferential "end cap" placement of the vendor's products within the warehouse club. Demonstration reimbursements are related to consideration received by the Company from vendors for the in-club promotion of the vendors' products. The Company records the reduction in cost of goods sold on a transactional basis for these programs. On a quarterly basis, the Company calculates the amount of rebates recorded in cost of goods sold that relates to inventory on hand and this amount is reclassified as a reduction to inventory, if significant. Prompt payment discounts are taken in substantially all cases and therefore are applied directly to reduce the acquisition cost of the related inventory, with the resulting effect recorded to cost of goods sold when the inventory is sold.

**Selling, General and Administrative** – Selling, general and administrative costs are comprised primarily of expenses associated with operating warehouse clubs and package forwarding operations. These costs include payroll and related costs, utilities, consumable supplies, repair and maintenance, rent expense, building and equipment depreciation, bank, credit card processing fees, and amortization of intangibles. Also included in selling, general and administrative expenses are the payroll and related costs for the Company’s U.S. and regional management and purchasing centers.

**Pre-Opening Costs** – The Company expenses pre-opening costs (the costs of start-up activities, including organization costs and rent) for new warehouse clubs as incurred.

**Contingencies and Litigation –** The Company records and reserves for loss contingencies if (a) information available prior to issuance of the consolidated financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the consolidated financial statements and (b) the amount of loss can be reasonably estimated. If one or both criteria for accrual are not met, but there is at least a reasonable possibility that a material loss will occur, the Company does not record and reserve for a loss contingency but describes the contingency within a note and provides detail, when possible, of the estimated potential loss or range of loss. If an estimate cannot be made, a statement to that effect is made.

**Foreign Currency Translation** – The assets and liabilities of the Company’s foreign operations are translated to U.S. dollars when the functional currency in the Company’s international subsidiaries is the local currency and not U.S. dollars. Assets and liabilities of these foreign subsidiaries are translated to U.S. dollars at the exchange rate on the balance sheet date, and revenue, costs and expenses are translated at average rates of exchange in effect during the period. The corresponding translation gains and losses are recorded as a component of accumulated other comprehensive income or loss. These adjustments will affect net income upon the sale or liquidation of the underlying investment.

**PRICESMART, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table discloses the net effect of translation into the reporting currency on other comprehensive loss for these local currency denominated accounts for the years ended August 31, 2021, 2020 and 2019:

| | Years Ended August 31, | | |
|---|---|---|---|
| | **2021** | **2020** | **2019** |
| Effect on other comprehensive loss due to foreign currency restatement | $ (7,837) | $ (29,413) | $ (19,717) |

Monetary assets and liabilities denominated in currencies other than the functional currency of the respective entity (primarily U.S. dollars) are revalued to the functional currency using the exchange rate on the balance sheet date. These foreign exchange transaction gains (losses), including transactions recorded involving these monetary assets and liabilities, are recorded as Other income (expense) in the consolidated statements of income.

| | Years Ended August 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Currency loss | $ (5,395) | $ (1,370) | $ (1,476) |

**Income Taxes –** The Company accounts for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carry-forwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

The Company is required to file federal and state income tax returns in the United States and various other tax returns in foreign jurisdictions. The preparation of these tax returns requires the Company to interpret the applicable tax laws and regulations in effect in such jurisdictions, which could affect the amount of tax paid by the Company. The Company, in consultation with its tax advisors, bases its tax returns on interpretations that are believed to be reasonable under the circumstances. The tax returns, however, are subject to routine reviews by the various federal, state and foreign taxing authorities in the jurisdictions in which the Company files its returns. As part of these reviews, a taxing authority may disagree with respect to the interpretations the Company used to calculate its tax liability and therefore require the Company to pay additional taxes.

The Company accrues an amount for its estimate of probable additional income tax liability. In certain cases, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has a 50% or less likelihood of being sustained. This requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. When facts and circumstances change, the Company reassesses these probabilities and records any changes in the consolidated financial statements as appropriate.

**Recent Accounting Pronouncements – Not Yet Adopted**

*FASB ASC 740 ASU 2019-12—Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes. ASU No. 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The ASU is effective for annual periods beginning after December 15, 2020. Early adoption is permitted. The Company expects to adopt ASU No. 2019-12 on September 1, 2021, the first day of the first quarter of fiscal year 2022. The Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

**Recent Accounting Pronouncements Adopted**

*FASB ASC 848 ASU 2020-04—Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*

In March 2020, the FASB issued ASU No. 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting. ASU No. 2020-04 provides optional expedients and exceptions, if certain criteria are met, for a limited period of time to ease the potential burden in accounting for contracts, hedging relationships, and other transactions affected by reference rate reform. This accounting standards update is intended to ease the process of migrating away from LIBOR to new reference rates. In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848). The amendments in this ASU refine the scope of ASC 848 and clarifies some of its guidance as it relates to recent rate reform activities.

A substantial number of the Company's debt agreements and hedging relationships bear interest at variable interest rates, primarily based on USD-LIBOR. To preserve the presentation of the Company's debt and derivatives, the Company adopted ASU 2020-04 and ASU 2021-01 effective December 1, 2020, on a prospective basis. The Company has elected to apply the contract modification expedient and the hedge accounting expedients related to critical terms, probability of forecasted transactions, and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. The adoption of, and future elections under ASU 2020-04 and ASU 2021-01, did not and are not expected to have a material impact on the Company's accounting policies or consolidated financial statements. We will continue to monitor the impact the discontinuance of LIBOR will have on the Company's contracts, hedging relationships and other transactions.

*FASB ASC 350 ASU 2018-15 – Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*

In August 2018, the FASB issued ASU No. 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. ASU No. 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). As such, the amendment in this ASU requires an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in subtopic 350-40 in order to determine which implementation costs to capitalize as an asset and which costs to expense.

Additionally, the amendments in this ASU require the entity to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The amendments in this ASU are effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods. The Company adopted ASU No. 2018-15 on a prospective basis on September 1, 2020, the first day of the first quarter of of fiscal year 2021. Adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

*FASB ASC 820 ASU 2018-13 – Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820). The standard eliminates such disclosures as the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. ASU No. 2018-13 adds new disclosure requirements for Level 3 measurements. The amendments in this ASU are effective for annual periods beginning after December 15, 2019. The Company adopted ASU No. 2018-13 on a prospective basis on September 1, 2020, the first day of the first quarter of fiscal year 2021. Adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

*FASB ASC 350 ASU 2017-04 – Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*

In January 2017, the FASB issued ASU No. 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The amendments in this ASU modify the concept of impairment from the condition that exists when the carrying amount of a reporting unit exceeds its fair value. An entity no longer will determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Under this ASU, entities should now calculate any goodwill impairment by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge to the goodwill for the amount by which the carrying amount exceeds the reporting unit's fair value. The amendments in this ASU are effective for annual periods beginning after December 15, 2019. The Company adopted ASU No. 2017-04 on a prospective basis on September 1, 2020, the first day of the first quarter of fiscal year 2021. Adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

*FASB ASC 326 ASU 2016-13 – Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326), which amends the FASB's guidance on the impairment of financial instruments. In April 2019, the FASB issued ASU No. 2019 -04, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments to clarify and address certain items related to the amendments in ASU 2016-13. These amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company adopted the amendments on a prospective basis on September 1, 2020, the first day of the first quarter of fiscal year 2021. Adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

There were no other new accounting standards that had a material impact on the Company's consolidated financial statements during the twelve month period ended August 31, 2021, and there were no other new accounting standards or pronouncements that were issued but not yet effective as of August 31, 2021 that the Company expects to have a material impact on its consolidated financial statements.

**NOTE 3 – REVENUE RECOGNITION**

The Company uses the five-step model to recognize revenue according to Accounting Standards Codification (ASC) Topic 606, "Revenue Recognition from Contracts with Customers." The five steps are:

- Identify the contract with the customer;
- Identity the performance obligation(s);
- Determine the transaction price;
- Allocate the transaction price to each performance obligation if multiple obligations exist; and
- Recognize the revenue as the performance obligations are satisfied.

*Performance Obligations*

The Company identifies each distinct performance obligation to transfer goods (or bundle of goods) or services. The Company recognizes revenue when (or as) it satisfies a performance obligation by transferring control of the goods or services to the customer.

*Net Merchandise Sales*. The Company recognizes merchandise sales revenue, net of sales taxes, on transactions where the Company has determined that it is the principal in the sale of merchandise. These transactions may include shipping commitments and/or shipping revenue if the transaction involves delivery to the customer.

*Non-merchandise Sales*. The Company recognizes non-merchandise revenue, net of sales taxes, on transactions where the Company has determined that it is the agent in the transaction. These transactions primarily consist of contracts the Company enters into with its customers to provide delivery, insurance and customs processing services for products its customers purchase online in the United States either directly from other vendors utilizing the vendor's website or through the Company's marketplace site. Revenue is recognized when the Company's performance obligations have been completed (that is when delivery of the items have been made to the destination point) and is recorded in "non-merchandise revenue" on the consolidated statements of income. Prepayment for orders for which the Company has not fulfilled its performance obligation are recorded as deferred income. Additionally, the Company records revenue at the net amounts retained, i.e., the amount paid by the customer less amounts remitted to the respective merchandise vendors, as the Company is acting as an agent and is not the principal in the sale of those goods being purchased from the vendors by the Company's customers.

*Membership Fee Revenue.* Membership income represents annual membership fees paid by the Company's warehouse club Members, which are recognized ratably over the 12-month term of the membership. Our membership policy allows for Members to cancel their membership in the first 60 days and receive a full refund. After the 60 day period, membership refunds are prorated over the remaining term of the membership. The Company has significant experience with membership refund patterns and expects membership refunds will not be material. Therefore, no refund reserve was required for the periods presented. Membership fee revenue is included in membership income in the Company's consolidated statements of income. The deferred membership fee is included in deferred income in the Company's consolidated balance sheets.

*Platinum Points Reward Programs.* The Company currently offers Platinum Memberships in all of its thirteen countries. The annual fee for a Platinum Membership is approximately $75. The Platinum Membership provides Members with a 2% rebate on most items, up to an annual maximum of $500. The rebate is issued annually to Platinum Members on March 1 and expires August 31. Platinum Members can apply this rebate to future purchases at the warehouse club during the redemption period. The Company records this 2% rebate as a reduction of revenue at the time of the sales transaction. Accordingly, the Company has reduced net merchandise sales and has accrued a liability within other accrued expenses and other current liabilities, platinum rewards. The Company has determined that breakage revenue is 5% of the awards issued; therefore, it records 95% of the Platinum Membership liability at the time of sale. Annually, the Company reviews for expired unused rebates outstanding, and the expired unused rebates are recognized as "Other revenue and income" on the consolidated statements of income.

*Co-branded Credit Card Points Reward Programs.* Most of the Company's subsidiaries have points reward programs related to co-branded credit cards. These points reward programs provide incremental points that can be used at a future time to acquire merchandise within the Company's warehouse clubs. This results in two performance obligations, the first performance obligation being the initial sale of the merchandise or services purchased with the co-branded credit card and the second performance obligation being the future use of the points rewards to purchase merchandise or services. As a result, upon the initial sale, the Company allocates the transaction price to each performance obligation with the amount allocated to the future use points rewards recorded as a contract liability within other accrued expenses and other current liabilities on the consolidated balance sheet. The portion of the selling price allocated to the reward points is recognized as Net merchandise sales when the points are used or when the points expire. The Company reviews on an annual basis expired points rewards outstanding, and the expired rewards are recognized as Net merchandise sales on the consolidated statements of income within markets where the co-branded credit card agreement allows for such treatment.

*Gift Cards*. Members' purchases of gift cards to be utilized at the Company's warehouse clubs are not recognized as sales until the card is redeemed and the customer purchases merchandise using the gift card. The outstanding gift cards are reflected as other accrued expenses and other current liabilities in the consolidated balance sheets. These gift cards generally have a one-year stated expiration date from the date of issuance and are generally redeemed prior to expiration. However, the absence of a large volume of transactions for gift cards impairs the Company's ability to make a reasonable estimate of the redemption levels for gift cards; therefore, the Company assumes a 100% redemption rate prior to expiration of the gift card. The Company periodically reviews unredeemed outstanding gift cards, and the gift cards that have expired are recognized as "Other revenue and income" on the consolidated statements of income.

*Co-branded Credit Card Revenue Sharing Agreements*. As part of the co-branded credit card agreements that the Company has entered into with financial institutions within its markets, the Company often enters into revenue sharing agreements. As part of these agreements, in some countries, the Company receives a portion of the interest income generated from the average outstanding balances on the co-branded credit cards from these financial institutions ("interest generating portfolio" or "IGP"). The Company recognizes its portion of interest received as revenue during the period it is earned. The Company has determined that this revenue should be recognized as "Other revenue and income" on the consolidated statements of income.

*Determining the Transaction Price*

The transaction price is the amount of consideration the Company expects to receive under the arrangement. The Company is required to estimate variable consideration (if any) and to factor that estimate into the determination of the transaction price. The Company may offer sales incentives to customers, including discounts. For retail transactions, the Company has significant experience with returns and refund patterns and relied on this experience in its determination that expected returns are not material; therefore, returns are not factored when determining the transaction price.

Discounts given to customers are usually in the form of coupons and instant markdowns and are recognized as redeemed and recorded in contra revenue accounts, as they are part of the transaction price of the merchandise sale. Manufacturer coupons that are available for redemption at all retailers are not recorded as a reduction to the sale price of merchandise. Manufacturer coupons or discounts that are specific to the Company are recorded as a reduction to the cost of sales.

*Agent Relationships*

The Company evaluates the criteria outlined in ASC 606-10-55, Principal versus Agent Considerations, in determining whether it is appropriate in these arrangements to record the gross amount of merchandise sales and related costs, or the net amount earned as commissions. When the Company is considered the principal in a transaction, revenue is recorded gross; otherwise, revenue is recorded on a net basis. The Company's Non-merchandise Sales revenues are recorded on a net basis.

*Significant Judgments*

For arrangements that contain multiple performance obligations, the Company allocates the transaction price to each performance obligation on a relative standalone selling price basis.

Incremental costs to obtain contracts are not material to the Company.

*Policy Elections*

In addition to those previously disclosed, the Company has made the following accounting policy elections and practical expedients:

- Taxes - The Company excludes from the transaction price any taxes collected from customers that are remitted to taxing authorities.
- Shipping and Handling Charges - Charges that are incurred after the customer obtains control of goods are deemed costs required to complete our performance obligation. Therefore, the Company considers the act of shipping after the customer obtains control of goods to not be a separate performance obligation. These shipping and handling costs are classified as "Costs of goods sold" in the consolidated statements of income because they are incurred to fulfill a revenue obligation.
- Time Value of Money - The Company's payment terms are less than one year from the transfer of goods. Therefore, the Company does not adjust promised amounts of consideration for the effects of the time value of money.

*Contract Performance Liabilities*

Contract performance liabilities as a result of transactions with customers primarily consist of deferred membership income, other deferred income, deferred gift card revenue, Platinum points programs, and liabilities related to co-branded credit card points rewards programs which are included in deferred income and other accrued expenses and other current liabilities in the Company's consolidated balance sheets. The following table provides these contract balances from transactions with customers as of the dates listed (in thousands):

| | Contract Liabilities | |
|---|---|---|
| | August 31, 2021 | August 31, 2020 |
| Deferred membership income | $ 25,951 | $ 23,051 |
| Other contract performance liabilities | $ 7,871 | $ 5,190 |

*Disaggregated Revenues*

In the following table, net merchandise sales are disaggregated by merchandise category (in thousands):

| | Years Ended | | |
|---|---|---|---|
| | August 31, 2021 | August 31, 2020 | August 31, 2019 |
| Foods & Sundries | $ 1,736,509 | $ 1,656,682 | $ 1,563,162 |
| Fresh Foods | 1,003,694 | 912,325 | 847,496 |
| Hardlines | 409,644 | 345,051 | 358,276 |
| Softlines | 175,505 | 147,085 | 167,149 |
| Other Business | 140,090 | 130,619 | 155,565 |
| Net Merchandise Sales | $ 3,465,442 | $ 3,191,762 | $ 3,091,648 |

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment are stated at historical cost. The historical cost of acquiring an asset includes the costs incurred to bring it to the condition and location necessary for its intended use. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The useful life of fixtures and equipment ranges from 3 to 15 years and that of certain components of building improvements and buildings from 10 to 40 years. Leasehold improvements are amortized over the shorter of the life of the improvement or the expected term of the lease. In some locations, leasehold improvements are amortized over a period longer than the initial lease term where management believes it is reasonably certain that the renewal option in the underlying lease will be exercised because an economic penalty may be incurred if the option is not exercised. The sale or purchase of property and equipment is recognized upon legal transfer of property.

Property and equipment consist of the following (in thousands):

| | August 31, 2021 | August 31, 2020 |
|---|---|---|
| Land | $ 216,703 | $ 215,433 |
| Building and improvements | 533,802 | 498,964 |
| Fixtures and equipment | 315,391 | 287,073 |
| Construction in progress | 68,835 | 44,362 |
| Total property and equipment, historical cost | 1,134,731 | 1,045,832 |
| Less: accumulated depreciation | (404,527) | (353,553) |
| Property and equipment, net | $ 730,204 | $ 692,279 |

Depreciation and amortization expense (in thousands):

| | Years Ended August 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Depreciation expense, Property and equipment | $ 62,579 | $ 58,815 | $ 52,554 |
| Amortization expense, Intangible assets | 2,404 | 2,410 | 2,404 |
| Total depreciation and amortization expense | $ 64,983 | $ 61,225 | $ 54,958 |

The Company capitalizes interest on expenditures for qualifying assets over a period that covers the duration of the activities required to get the asset ready for its intended use, provided that expenditures for the asset have been made and interest cost is being incurred. Interest capitalization continues as long as those activities and the incurrence of interest cost continue. The amount capitalized in an accounting period is determined by applying the Company's consolidated capitalization rate (average interest rate) to the average amount of accumulated expenditures for the qualifying asset, for each country, during the period. The capitalization rates are based on the interest rates applicable to borrowings outstanding during the period.

Total interest capitalized (in thousands):

| | Balance as of | |
|---|---|---|
| | August 31, 2021 | August 31, 2020 |
| Total interest capitalized | $ 13,175 | $ 11,994 |

Total interest capitalized (in thousands):

| | Years Ended August 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Interest capitalized | $ 2,282 | $ 2,190 | $ 2,116 |

A summary of asset disposal activity for fiscal years 2021, 2020 and 2019 is as follows (in thousands):

| | Historical Cost | Accumulated Depreciation | Receivables and Proceeds from Disposal | Loss recognized |
|---|---|---|---|---|
| Fiscal Year 2021 | $ 10,946 | $ 9,534 | $ 385 | $ (1,027) |
| Fiscal Year 2020 | $ 5,115 | $ 4,640 | $ 32 | $ (443) |
| Fiscal Year 2019 | $ 10,740 | $ 9,587 | $ 74 | $ (1,079) |

The Company also recorded within accounts payable, other accrued expenses, and other long-term liabilities approximately $1.2 million, $2.3 million and $0, respectively, as of August 31, 2021 and $2.2 million, $7.3 million and $1.0 million, respectively, as of August 31, 2020 of liabilities related to the acquisition and/or construction of property and equipment.

## NOTE 5 – EARNINGS PER SHARE

The Company presents basic net income per share using the two-class method. The two-class method is an earnings allocation formula that treats a participating security as having rights to earnings that otherwise would have been available to common stockholders and that determines basic net income per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings that would have been available to common stockholders. A participating security is defined as a security that may participate in undistributed earnings with common stock. The Company's capital structure includes securities that participate with common stock on a one-for-one basis for distribution of dividends. These are the restricted stock awards ("RSAs"), restricted stock units ("RSUs" and performance stock units ("PSUs") issued pursuant to the 2013 Equity Incentive Award Plan, provided that the Company does not include PSUs as participating securities until the performance conditions have been met. RSAs are outstanding shares of common stock and have the same cash dividend and voting rights as other shares of common stock. Shares of common stock subject to RSUs are not issued nor outstanding until vested, and RSUs do not have the same dividend and voting rights as common stock. However, all outstanding RSUs have accompanying dividend equivalents, requiring payment to the employees and directors with unvested RSUs of amounts equal to the dividend they would have received had the shares of common stock underlying the RSUs been actually issued and outstanding. PSUs, similar to RSUs, are awarded with dividend equivalents, provided that such amounts become payable only if the performance metric is achieved. At the time the Compensation Committee confirms the performance metric has been achieved, the corresponding dividend equivalents are paid on the PSUs. The Company determines the diluted net income per share by using the more dilutive of the two class-method or the treasury stock method and by including the basic weighted average of outstanding performance stock units in the calculation of diluted net income per share under the two-class method and including all potential common shares assumed issued in the calculation of diluted net income per share under the treasury stock method.

The following table sets forth the computation of net income per share attributable to PriceSmart for the twelve months ended August 31, 2021, 2020 and 2019 (in thousands, except per share amounts):

| | Years Ended August 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Net income attributable to PriceSmart, Inc. | $ 97,963 | $ 78,109 | $ 73,191 |
| Less: Allocation of income to unvested stockholders | (1,282) | (842) | (721) |
| Net income attributable to PriceSmart, Inc. per share available for distribution | $ 96,681 | $ 77,267 | $ 72,470 |
| Basic weighted average shares outstanding | 30,403 | 30,259 | 30,195 |
| Diluted average shares outstanding | 30,403 | 30,259 | 30,195 |
| Basic net income per share | $ 3.18 | $ 2.55 | $ 2.40 |
| Diluted net income per share | $ 3.18 | $ 2.55 | $ 2.40 |

## NOTE 6 – STOCKHOLDERS' EQUITY

### *Dividends*

The following table summarizes the dividends declared and paid during fiscal years 2021, 2020 and 2019:

| | | First Payment | | | Second Payment | | |
|---|---|---|---|---|---|---|---|
| | | Record | Date | | Record | Date | |
| Declared | Amount | Date | Paid | Amount | Date | Paid | Amount |
| 2/4/2021 | $ 0.70 | 2/15/2021 | 2/26/2021 | $ 0.35 | 8/15/2021 | 8/31/2021 | $ 0.35 |
| 2/6/2020 | $ 0.70 | 2/15/2020 | 2/28/2020 | $ 0.35 | 8/15/2020 | 8/31/2020 | $ 0.35 |
| 1/30/2019 | $ 0.70 | 2/15/2019 | 2/28/2019 | $ 0.35 | 8/15/2019 | 8/30/2019 | $ 0.35 |

The Company anticipates the ongoing payment of semi-annual dividends in subsequent periods, although the actual declaration of future dividends, the amount of such dividends, and the establishment of record and payment dates is subject to final determination by the Board of Directors at its discretion after its review of the Company's financial performance and anticipated capital requirements, taking into account the uncertainty surrounding the ongoing effects of the COVID-19 pandemic on our results of operations and cash flows.

### *Comprehensive Income and Accumulated Other Comprehensive Loss*

The following table discloses the changes in each component of other comprehensive loss, net of tax (in thousands):

| | Attributable to PriceSmart | Noncontrolling Interests | Total |
|---|---|---|---|
| **Beginning balance, August 31, 2018** | $ (121,216) | $ (1) | $ (121,217) |
| Foreign currency translation adjustments | (19,717) | 21 | (19,696) |
| Defined benefit pension plans [1] | (112) | — | (112) |
| Derivative Instruments [2] | (3,369) | — | (3,369) |
| Amounts reclassified from accumulated other comprehensive loss | 75 | — | 75 |
| **Ending balance, August 31, 2019** | $ (144,339) | $ 20 | $ (144,319) |
| Foreign currency translation adjustments | (29,413) | 114 | (29,299) |
| Defined benefit pension plans [1] | (79) | — | (79) |
| Derivative Instruments [2] | (5,803) | — | (5,803) |
| Amounts reclassified from accumulated other comprehensive loss | 2,814 | — | 2,814 |
| **Ending balance, August 31, 2020** | $ (176,820) | $ 134 | $ (176,686) |
| Foreign currency translation adjustments | (7,837) | 117 | (7,720) |
| Defined benefit pension plans [1] | (230) | — | (230) |
| Derivative Instruments [2] | 2,252 | — | 2,252 |
| Amounts reclassified from accumulated other comprehensive loss | 127 | — | 127 |
| **Ending balance, August 31, 2021** | $ (182,508) | $ 251 | $ (182,257) |

(1) Amounts reclassified from accumulated other comprehensive loss related to the minimum pension liability are included in warehouse club and other operations in the Company's Consolidated Statements of Income.

(2) Refer to "Note 13 - Derivative Instruments and Hedging Activities."

### *Retained Earnings Not Available for Distribution*

The following table summarizes retained earnings designated as legal reserves of various subsidiaries that cannot be distributed as dividends to PriceSmart, Inc. according to applicable statutory regulations (in thousands):

| | August 31, 2021 | August 31, 2020 |
|---|---|---|
| Retained earnings not available for distribution | $ 8,022 | $ 7,375 |

## NOTE 7 – POST EMPLOYMENT PLANS

***Defined Contribution Plans***

PriceSmart offers a defined contribution 401(k) retirement plan to its U.S. employees, including warehouse club employees in the U.S. Virgin Islands, which auto-enrolls employees in the plan immediately on the first day of employment. The Company makes nondiscretionary contributions to the 401(k) plan with a 4% "Company Contribution" based on the employee's salary regardless of the employee's own contributions to the plan up to the IRS maximum allowed. The Company also makes incremental nondiscretionary contributions to the 401(k) plan to the employees who defer up to 2% of their salary. Employer contributions to the 401(k) plan for the Company's U.S. employees were $2.6 million, $2.2 million and $2.1 million during fiscal years 2021, 2020 and 2019, respectively.

PriceSmart also offers defined contribution retirement plans in many of its subsidiaries. The Company makes nondiscretionary contributions to these plans based on the employee's salary, regardless of the employee's own contributions to the plan, up to the maximum allowed. The expenses associated with the plans for the Company's non-U.S. employees were $3.0 million, $3.1 million and $3.0 million during fiscal years 2021, 2020, and 2019, respectively.

***Defined Benefit Plans***

The Company's subsidiaries located in three countries have unfunded post-employment benefit plans (defined benefit plans) in which the subsidiary is required to pay a specified benefit upon retirement, voluntary departure or death of the employee. The amount of the benefit is predetermined by a formula based on the employee's earnings history, tenure of service and age. Because the obligation to provide benefits arises as employees render the services necessary to earn the benefits pursuant to the terms of the plan, the Company recognizes the cost of providing the benefits over the projected employee service periods. These payments are only due if an employee reaches certain thresholds, such as tenure and/or age. Therefore, these plans are treated as defined benefit plans. For these defined benefit plans, the Company has engaged actuaries to assist with estimating the current costs associated with these future benefits. The liabilities for these unfunded plans are recorded as non-current liabilities.

The following table summarizes the amount of the funding obligation and the line items in which it is recorded on the consolidated balance sheets as of August 31, 2021 and 2020 and consolidated statements of income for the fiscal years ended August 31, 2021, 2020 and 2019 (in thousands):

| | Other Long-Term Liability | | Accumulated Other Comprehensive Loss | | Operating Expenses | | |
|---|---|---|---|---|---|---|---|
| | August 31, | | | | Year Ended August 31, | | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2019 |
| Start of period | $ (1,805) | $ (1,579) | $ 747 | $ 772 | $ — | $ — | $ — |
| Service cost | (184) | (95) | — | — | 229 | 177 | 187 |
| Interest cost | (104) | (101) | — | — | 104 | 101 | 80 |
| Prior service cost (amortization) | — | — | (55) | (55) | 55 | 55 | 55 |
| Actuarial gains/(losses) | (205) | (30) | 205 | 30 | 72 | 38 | 19 |
| Totals | $ (2,298) | $ (1,805) | $ 897 | $ 747 (1) | $ 460 | $ 371 | $ 341 |

(1) The Company has recorded a deferred tax asset of $282,000 and $236,000 as of August 31, 2021 and 2020, respectively, relating to the unrealized expense on defined benefit plans. The Company also recorded accumulated other comprehensive loss, net of tax, for $(615,000) and $(512,000) as of August 31, 2021 and 2020, respectively.

The valuation assumptions used to calculate the liability for the defined benefit plans differ based on the country where the plan applies. These assumptions are summarized as follows:

| | Year Ended August 31, | |
|---|---|---|
| **Valuation Assumptions:** | **2021** | **2020** |
| Discount rate | 3.5% to 7.5% | 3.5% to 10.7% |
| Future salary escalation | 3.0% to 4.0% | 3.0% to 4.1% |
| Percentage of employees assumed to withdraw from Company without a benefit (“turnover”) | 8.3% to 15.0% | 11.1% to 15.0% |
| Percentage of employees assumed to withdraw from Company with a benefit (“disability”) | 0.5% to 6.6% | 0.5% to 4.9% |

For the fiscal year ending August 31, 2022, the Company expects to recognize, as components of net periodic benefit cost, the following amounts currently recorded in accumulated other comprehensive loss (in thousands):

| | |
|---|---|
| Prior service cost | $ 55 |
| Actuarial gain/loss | 118 |
| | $ 173 |

***Other Post-Employment Benefit Plans***

Some of the Company’s subsidiaries are parties to funded and unfunded post-employment benefit plans based on services that the employees have rendered. These plans require the Company to pay a specified benefit on retirement, voluntary departure or death of the employee, or monthly payments to an external fund manager. The amount of these payments is predetermined by a formula based on the employee's earnings history and tenure of service. Because the obligation to provide benefits arises as employees render the services necessary to earn the benefits pursuant to the terms of the plan, the cost associated with providing the benefits is recognized as the employee provides those services. The employees' rights to receive payment on these plans are not dependent on their reaching certain thresholds like age or tenure. Therefore, these plans are not treated as defined benefit plans. For these post-employment benefit plans, the Company has accrued liabilities that are recorded as accrued salaries and benefits and other long-term liabilities. The following table summarizes the amounts recorded on the balance sheet and amounts expensed on the consolidated statements of income (in thousands):

| | Accrued Salaries and Benefits | | Other Long-Term Liability | | Restricted Cash Held [1] | | Operating Expenses | | |
|---|---|---|---|---|---|---|---|---|---|
| | Years Ended August 31, | | | | | | | | |
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2019** |
| Other Post Employment Plans | $ 544 | $ 438 | $ 4,352 | $ 3,813 | $ 3,909 | $ 3,688 | $ 1,447 | $ 1,250 | $ 1,259 |

(1) With some locations, local statutes require the applicable Company subsidiary to deposit cash in its own name with designated fund managers. The funds earn interest, which the Company recognizes as interest income.

**NOTE 8 – STOCK BASED COMPENSATION**

**Stock Based Compensation –** The Company utilizes three types of equity awards: restricted stock awards (“RSAs”), restricted stock units (“RSUs”) and performance based restricted stock units (“PSUs”). Refer “Note 2 - Summary of Significant Accounting Policies.”

The Company adopted the 2013 Equity Incentive Award Plan (the "2013 Plan") for the benefit of its eligible employees, consultants and non-employee directors on January 22, 2013. The 2013 Plan provides for awards covering up to 1.1 million shares of common stock plus the number of shares that remained available for issuance as of January 22, 2013 under three equity participation plans previously maintained by the Company. The 2013 plan was amended in fiscal year 2021 to increase the number of shares of Common Stock available for the grant of awards by 500,000 shares. The number of shares reserved for issuance under the 2013 Plan increases during the term of the plan by the number of shares relating to awards outstanding under the 2013 Plan or any of the prior plans that expire, or are forfeited, terminated, canceled or repurchased, or are settled in cash in lieu of shares. However, in no event will more than an aggregate of 2,031,818 shares of the Company’s common stock be issued under the 2013 Plan. The following table summarizes the shares authorized and shares available for future grants:

| | Shares authorized for issuance as of August 31, 2021 (including shares originally authorized for issuance under prior plans) | Shares available to grant | |
|---|---|---|---|
| | | August 31, 2021 | August 31, 2020 |
| 2013 Plan | 1,562,832 | 705,924 | 297,366 |

The following table summarizes the components of the stock-based compensation expense for the twelve-month periods ended August 31, 2021, 2020 and 2019 (in thousands), which are included in general and administrative expense and warehouse club and other operations in the consolidated statements of income:

| | Years Ended August 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Restricted stock awards | $ 11,010 | $ 8,747 | $ 11,477 |
| Restricted stock units | 3,939 | 3,011 | 2,820 |
| Performance-based restricted stock units | 3,475 | 2,059 | 764 |
| Stock-based compensation expense | $ 18,424 | $ 13,817 | $ 15,061 |

The following tables summarize other information related to stock-based compensation:

| | Balance as of | | |
|---|---|---|---|
| | August 31, 2021 | August 31, 2020 | August 31, 2019 |
| Remaining unrecognized compensation cost (in thousands) | $ 16,349 | $ 21,720 | $ 21,116 |
| Weighted average period of time over which this cost will be recognized (years) | 2 | 2 | 3 |

| | Years Ended | | |
|---|---|---|---|
| | August 31, 2021 | August 31, 2020 | August 31, 2019 |
| Excess tax deficiency on stock-based compensation (in thousands) | $ (778) | $ (936) | $ (1,829) |

The restricted stock awards and units generally vest over a three-year period and the unvested portion of the award is forfeited if the employee or non-employee director leaves the Company before the vesting period is completed. Restricted stock awards, restricted stock units, and performance-based restricted stock units activity for the twelve-months ended August 31, 2021, 2020 and 2019 was as follows:

| | Years Ended | | |
|---|---|---|---|
| | August 31, 2021 | August 31, 2020 | August 31, 2019 |
| Grants outstanding at beginning of period | 415,869 | 362,826 | 385,417 |
| Granted | 166,160 | 266,759 | 193,489 |
| Forfeited | (12,436) | (43,198) | (16,127) |
| Vested | (193,971) | (170,518) | (199,953) |
| Grants outstanding at end of period | 375,622 | 415,869 | 362,826 |

The following table summarizes the weighted average per share grant date fair value for restricted stock awards, restricted stock units, and performance based restricted stock units for fiscal years 2021, 2020 and 2019:

| | Years Ended | | |
|---|---|---|---|
| Weighted Average Grant Date Fair Value | August 31, 2021 | August 31, 2020 | August 31, 2019 |
| RSAs, RSUs, and PSUs granted | $ 79.02 | $ 64.57 | $ 65.11 |
| RSAs, RSUs, and PSUs vested | $ 70.03 | $ 72.82 | $ 79.28 |
| RSAs, RSUs, and PSUs forfeited | $ 70.56 | $ 76.81 | $ 75.02 |

The following table summarizes the total fair market value of restricted stock awards, restricted stock units, and performance based restricted stock units vested for the period (in thousands):

| | Years Ended | | |
|---|---|---|---|
| | August 31, 2021 | August 31, 2020 | August 31, 2019 |
| Total fair market value of RSAs, RSUs, and PSUs vested (in thousands) | $ 17,478 | $ 10,914 | $ 12,302 |

At the vesting dates for restricted stock awards to employees, the Company repurchases a portion of the shares that have vested at the prior day's closing price per share, with the funds used to pay the employees' minimum statutory tax withholding requirements related to the vesting of restricted stock awards. The Company expects to continue this practice going forward. The Company does not have a stock repurchase program.

Shares of common stock repurchased by the Company are recorded at cost as treasury stock and result in the reduction of stockholders' equity in the Company's consolidated balance sheets. The Company may reissue these treasury shares.

The following table summarizes the shares repurchased during fiscal years 2021, 2020 and 2019:

| | Years Ended | | |
|---|---|---|---|
| | August 31, 2021 | August 31, 2020 | August 31, 2019 |
| Shares repurchased | 62,282 | 56,503 | 75,462 |
| Cost of repurchase of shares (in thousands) | $ 5,542 | $ 3,651 | $ 4,604 |

The Company reissues treasury shares as part of its stock-based compensation programs. The following table summarizes the treasury shares reissued during the period:

| | Years Ended | | |
|---|---|---|---|
| | August 31, 2021 | August 31, 2020 | August 31, 2019 |
| Reissued treasury shares | 96,400 | 234,370 | 63,130 |

## NOTE 9 – COMMITMENTS AND CONTINGENCIES

### Legal Proceedings

From time to time, the Company and its subsidiaries are subject to legal proceedings, claims and litigation arising in the ordinary course of business related to the Company's operations and property ownership. The Company evaluates such matters on a case by case basis, and vigorously contests any such legal proceedings or claims which the Company believes are without merit. The Company believes that the final disposition of these matters will not have a material adverse effect on its financial position, results of operations or liquidity. It is possible, however, that the Company's results of operations for a particular quarter or fiscal year could be impacted by changes in circumstances relating to such matters.

The Company establishes an accrual for legal proceedings if and when those matters reach a stage where they present loss contingencies that are both probable and reasonably estimable. In such cases, there may be a possible exposure to loss in excess of any amounts accrued. The Company monitors those matters for developments that would affect the likelihood of a loss and the accrued amount, if any, thereof, and adjusts the amount as appropriate. If the loss contingency at issue is not both probable and reasonably estimable, the Company does not establish an accrual, but will continue to monitor the matter for developments that will make the loss contingency both probable and reasonably estimable. If it is at least a reasonable possibility that a material loss will occur, the Company will provide disclosure regarding the contingency.

**Taxes**

The Company is required to file federal and state tax returns in the United States and various other tax returns in foreign jurisdictions. The preparation of these tax returns requires the Company to interpret the applicable tax laws and regulations in effect in such jurisdictions, which could affect the amount of tax paid by the Company. The Company, in consultation with its tax advisors, bases its tax returns on interpretations that are believed to be reasonable under the circumstances. The tax returns, however, are subject to routine reviews by the various taxing authorities in the jurisdictions in which the Company files its returns. As part of these reviews, a taxing authority may disagree with respect to the interpretations the Company used to calculate its tax liability and therefore require the Company to pay additional taxes.

The Company accrues an amount for its estimate of probable additional income tax liability. In certain cases, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has a 50% or less likelihood of being sustained (refer to “Note 10 - Income Taxes for additional information”).

In evaluating the exposure associated with various non-income tax filing positions, the Company accrues for probable and estimable exposures for non-income tax related tax contingencies. As of August 31, 2021 and 2020, the Company has recorded within other accrued expenses a total of $1.8 million and $2.5 million, respectively, for various non-income tax related tax contingencies.

While the Company believes the recorded liabilities are adequate, there are inherent limitations in projecting the outcome of litigation, in estimating probable additional income tax liability taking into account uncertain tax positions and in evaluating the probable additional tax associated with various non-income tax filing positions. As such, the Company is unable to make a reasonable estimate of the sensitivity to change of estimates affecting its recorded liabilities. As additional information becomes available, the Company assesses the potential liability and revises its estimates as appropriate.

**Other Commitments**

The Company is committed under non-cancelable operating leases for the rental of facilities and land. Refer to “Note 12 – Leases”.

The Company is committed to non-cancelable construction service obligations for various warehouse club developments and expansions. As of August 31, 2021 and August 31, 2020, the Company had approximately $16.2 million and $5.1 million, respectively, in contractual obligations for construction services not yet rendered.

From time to time, the Company has entered into general land purchase and land purchase option agreements. The Company’s land purchase agreements are typically subject to various conditions, including, but not limited to, the ability to obtain necessary governmental permits or approvals. A deposit under an agreement is typically returned to the Company if all permits or approvals are not obtained. Generally, the Company has the right to cancel any of its agreements to purchase land without cause by forfeiture of some or all of the deposits it has made pursuant to the agreement. As of August 31, 2021, the Company had entered into land purchase agreements that, if completed, would result in the use of approximately $13.3 million in cash.

Refer to “Note 15 - Unconsolidated Affiliates” for a description of additional capital contributions that may be required in connection with joint ventures to develop commercial centers adjacent to PriceSmart warehouse clubs in Panama and Costa Rica.

**NOTE 10 – INCOME TAXES**

Income from continuing operations before provision for income taxes and loss of unconsolidated affiliates includes the following components (in thousands):

| | Years Ended August 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| United States | $ 33,818 | $ 24,771 | $ 25,167 |
| Foreign | 113,368 | 91,269 | 85,943 |
| Income from continuing operations before provision for income taxes and loss of unconsolidated affiliates | $ 147,186 | $ 116,040 | $ 111,110 |

Significant components of the income tax provision are as follows (in thousands):

| | Years Ended August 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Current: | | | |
| U.S. tax expense | $ 16,904 | $ 10,046 | $ 10,878 |
| Foreign tax expense | 35,918 | 31,122 | 29,675 |
| Total | $ 52,822 | $ 41,168 | $ 40,553 |
| Deferred: | | | |
| U.S. tax benefit | $ (10,212) | $ (5,945) | $ (5,978) |
| U.S. valuation allowance change | 9,777 | 5,570 | 6,171 |
| Foreign tax expense (benefit) | (3,125) | (3,157) | 966 |
| Foreign valuation allowance change | (293) | 128 | (4,152) |
| Total | $ (3,853) | $ (3,404) | $ (2,993) |
| Provision for income taxes | $ 48,969 | $ 37,764 | $ 37,560 |

The reconciliation of income tax computed at the Federal statutory tax rate to the provision for income taxes is as follows (in percentages):

| | Years Ended August 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Federal tax provision at statutory rates | 21.0 % | 21.0 % | 21.0 % |
| State taxes, net of federal benefit | 0.1 | 0.1 | 0.3 |
| Differences in foreign tax rates | 6.9 | 9.7 | 10.6 |
| Permanent items and other adjustments | (2.2) | (4.4) | (2.1) |
| Increase in valuation allowance | 7.5 | 6.1 | 4.0 |
| Provision for income taxes | 33.3 % | 32.5 % | 33.8 % |

Significant components of the Company's deferred tax assets as of August 31, 2021 and 2020 are shown below (in thousands):

| | August 31, | |
|---|---|---|
| | 2021 | 2020 |
| Deferred tax assets: | | |
| U.S. net operating loss carryforward | $ 2,866 | $ 4,416 |
| Foreign tax credits | 22,420 | 12,691 |
| Deferred compensation | 2,334 | 1,357 |
| U.S. timing differences | 3,759 | 3,742 |
| Foreign net operating losses | 5,051 | 4,811 |
| Foreign timing differences: | | |
| Accrued expenses and other timing differences | 7,636 | 6,808 |
| Depreciation and amortization | 10,498 | 9,043 |
| Deferred income | 6,422 | 5,241 |
| Gross deferred tax assets | 60,986 | 48,109 |
| U.S. deferred tax liabilities (depreciation and other timing differences) | (4,083) | (4,679) |
| Foreign deferred tax liabilities netted against deferred tax assets | (5,753) | (4,311) |
| U.S. valuation allowance | (22,523) | (12,746) |
| Foreign valuation allowance | (4,402) | (4,701) |
| Net deferred tax assets | $ 24,225 | $ 21,672 |

For fiscal 2021, the effective tax rate was 33.3%. The increase in the effective rate versus the prior year was primarily attributable to the following factors:

1. The comparably favorable impact of 2.5% due to a greater portion of income falling into lower tax jurisdictions;
2. The comparably unfavorable impact of 1.8% resulting from nonrecurrence of changes in income tax liabilities from uncertain tax position for which the applicable statutes of limitations have expired;
3. The comparably unfavorable impact of 0.4% resulting from the effect of the change in foreign currency value and related adjustments;
4. The comparably unfavorable impact of 0.4% resulting from valuation allowances on deferred tax assets from foreign tax credits that are no longer deemed recoverable.

For fiscal 2021, management concluded that a valuation allowance continues to be necessary for certain U.S. and foreign deferred tax assets primarily because of the existence of negative objective evidence, such as the fact that certain subsidiaries are in a cumulative loss position for the past three years, and the determination that certain net operating loss carryforward periods are not sufficient to realize the related deferred tax assets. The Company factored into its analysis the inherent risk of forecasting revenue and expenses over an extended period of time and also considered the potential risks associated with its business. The Company had net foreign deferred tax assets of $19.5 million and $16.9 million as of August 31, 2021 and 2020, respectively.

The Company had U.S. federal and state tax NOLs at August 31, 2021 of approximately $10.3 million and $15.7 million, respectively. Substantially all of the federal and state NOLs expire during periods ranging from 2021 through 2036 unless previously utilized. In calculating the tax provision and assessing the likelihood that the Company will be able to utilize the deferred tax assets, the Company considered and weighed all of the evidence, both positive and negative, and both objective and subjective. The Company factored in the inherent risk of forecasting revenue and expenses over an extended period of time and considered the potential risks associated with its business. Using the Company's U.S. income from continuing operations and projections of future taxable income in the U.S., the Company was able to determine that there was sufficient positive evidence to support the conclusion that it was more likely than not that the Company would be able to realize substantially all of its federal U.S. NOLs by generating sufficient taxable income during the carry-forward period. Further, based on current projections and using current apportionment factors, the Company maintains a partial valuation allowance on its Florida state NOLs ($15.7 million in gross) originating from its acquisition of its Aeropost, Inc. subsidiary, as the Company expects that $11.1 million of this NOL will expire before being utilized.

The Company has determined that due to a deemed change of ownership (as defined in Section 382 of the Internal Revenue Code) in October 2004, for PriceSmart, Inc., and March 2018 for Aeropost, Inc., there will be annual limitations in the amount of U.S. taxable income that may be offset by NOLs of approximately $6.1 million, through 2022. The Company expects substantially all recoverable NOLs will be recovered by 2023.

The Company does not provide for income taxes which would be payable if undistributed earnings of its foreign subsidiaries were remitted to the U.S. because the Company considers these earnings to be permanently reinvested as management has no plans to repatriate undistributed earnings and profits of foreign affiliates. As of August 31, 2021 and 2020, the undistributed earnings of these foreign subsidiaries are approximately $254.5 million and $177.5 million, respectively.

The Company accrues for the estimated additional amount of taxes for uncertain income tax positions if the likelihood of sustaining the tax position does not meet the more-likely-than-not-standard for recognition of tax benefits. These positions are recorded as unrecognized tax benefits.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

| | Years Ended August 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Balance at beginning of fiscal year | $ 4,573 | $ 6,490 | $ 7,005 |
| Gross increase - tax positions in prior period | 135 | 464 | 530 |
| Gross decrease - tax positions in prior period | (306) | — | — |
| Additions based on tax positions related to the current year | 333 | 186 | 94 |
| Expiration of the statute of limitations for the assessment of taxes | (824) | (2,567) | (1,139) |
| Balance at end of fiscal year | $ 3,911 | $ 4,573 | $ 6,490 |

As of August 31, 2021, the liability for income taxes associated with unrecognized tax benefits was $3.9 million and can be reduced by $1.5 million of tax benefits recorded as deferred tax assets and liabilities. The total $3.9 million unrecognized tax benefit includes $400,000 of associated timing adjustments. The net amount of $3.5 million would, if recognized, favorably affect the Company's financial statements and favorably affect the Company's effective income tax rate.

The Company recognizes interest and/or penalties related to unrecognized tax benefits in income tax expense. As of August 31, 2021 and 2020, the Company had accrued an additional $1.6 million and $2.0 million, respectively, for the payment of interest and penalties related to the above-mentioned unrecognized tax benefits.

The Company expects changes in the amount of unrecognized tax benefits in the next 12 months as the result of a lapse in various statutes of limitations. The lapse of statutes of limitations in the twelve-month period ending August 31, 2022 could result in a total income tax benefit amounting up to $900,000.

The Company has various appeals pending before tax courts in its subsidiaries' jurisdictions. Any possible settlement could increase or decrease earnings but is not expected to be significant. Audit outcomes and the timing of audit settlements are subject to significant uncertainty.

In two other countries where the Company operates, minimum income tax rules require the Company to pay taxes based on a percentage of sales rather than income. As a result, the Company is making income tax payments substantially in excess of those it would expect to pay based on taxable income. The Company had income tax receivables of $11.0 million and $10.4 million and deferred tax assets of $3.3 million and $2.8 million as of August 31, 2021 and August 31, 2020, respectively, in these countries. While the rules related to refunds of income tax receivables in these countries are either unclear or complex, the Company has not placed any type of allowance on the recoverability of these tax receivables or deferred tax assets, because the Company believes that it is more likely than not that it will ultimately succeed in its refund requests.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The Company is generally no longer subject to income tax examinations by tax authorities in its major jurisdictions except for the fiscal years subject to audit as set forth in the table below:

| Tax Jurisdiction | Fiscal Years Subject to Audit |
|---|---|
| U.S. federal | 2005, 2007, 2011* to 2016*, 2017 to the present |
| California (U.S.) (state return) | 2005 and 2017 to the present |
| Florida (U.S.) (state return) | 2011* to 2017*, 2018 to the present |
| Aruba | 2016 to the present |
| Barbados | 2015 to the present |
| Costa Rica | 2011 to 2012, 2015 to the present |
| Colombia | 2016 to the present |
| Dominican Republic | 2011 to 2012 and 2016 to the present |
| El Salvador | 2018 to the present |
| Guatemala | 2012 to 2013, 2017 the present |
| Honduras | 2016 to the present |
| Jamaica | 2015 to the present |
| Mexico | 2016 to the present |
| Nicaragua | 2017 to the present |
| Panama | 2017*, 2018 to the present |
| Trinidad | 2015 to the present |
| U.S. Virgin Islands | 2001 to the present |
| Spain | 2018 to the present |
| Chile | 2018* to the present |

*Aeropost only

Generally for U.S. federal and U.S. Virgin Islands tax reporting purposes, the statute of limitations is three years from the date of filing of the income tax return. If and to the extent the tax year resulted in a taxable loss, the statute is extended to three years from the filing date of the income tax return in which the carryforward tax loss was used to offset taxable income in the carryforward year. Given the historical losses in these jurisdictions and the Section 382 change in control limitations on the use of the tax loss carryforwards, there is uncertainty and significant variation as to when a tax year is no longer subject to audit.

## NOTE 11 – DEBT

Short-term borrowings consist of unsecured lines of credit. The following table summarizes the balances of total facilities, facilities used and facilities available (in thousands):

| | | Facilities Used | | | |
|---|---|---|---|---|---|
| | Total Amount of Facilities | Short-term Borrowings | Letters of Credit | Facilities Available | Weighted average interest rate |
| August 31, 2021 | $ 131,000 | $ — | $ 97 | $ 130,903 | — % |
| August 31, 2020 | $ 81,210 | $ 65,143 | $ 388 | $ 15,679 | 3.7 % |

As of August 31, 2021 and August 31, 2020, the Company was in compliance with all covenants or amended covenants for each of its short-term facility agreements. These facilities generally expire annually or bi-annually and are normally renewed.

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The following table provides the changes in long-term debt for the twelve months ended August 31, 2021:

| *(Amounts in thousands)* | Current portion of long-term debt | Long-term debt (net of current portion) | Total | |
|---|---|---|---|---|
| **Balances as of August 31, 2019** | $ 25,875 | $ 63,711 | $ 89,586 | (1) |
| **Proceeds from long-term debt incurred during the period:** | | | | |
| Colombia subsidiary | — | 25,000 | 25,000 | |
| Guatemala subsidiary | — | 20,820 | 20,820 | |
| Trinidad subsidiary | 6,062 | 6,000 | 12,062 | |
| **Regularly scheduled loan payments** | (5,393) | (9,771) | (15,164) | |
| **Refinances of short-term debt** | (11,046) | 11,046 | — | |
| **Reclassifications of long-term debt due in the next 12 months** | 3,875 | (3,875) | — | |
| Translation adjustments on foreign currency debt of subsidiaries whose functional currency is not the U.S. dollar (3) | 64 | (321) | (257) | |
| **Balances as of August 31, 2020** | 19,437 | 112,610 | 132,047 | (2) |
| **Proceeds from long-term debt incurred during the period:** | | | | |
| Trinidad subsidiary | 2,736 | 14,829 | 17,565 | |
| **Regularly scheduled loan payments** | (5,168) | (14,825) | (19,993) | |
| **Reclassifications of long-term debt due in the next 12 months** | 2,368 | (2,368) | — | |
| Translation adjustments on foreign currency debt of subsidiaries whose functional currency is not the U.S. dollar (3) | 22 | (136) | (114) | |
| **Balances as of August 31, 2021** | $ 19,395 | $ 110,110 | $ 129,505 | (4) |

(1) The carrying amount on non-cash assets assigned as collateral for these loans was $111.3 million. No cash assets were assigned as collateral for these loans.

(2) The carrying amount on non-cash assets assigned as collateral for these loans was $158.6 million. No cash assets were assigned as collateral for these loans.

(3) These foreign currency translation adjustments are recorded within other comprehensive loss.

(4) The carrying amount on non-cash assets assigned as collateral for these loans was $153.5 million. The carrying amount on cash assets assigned as collateral for these loans was $7.0 million.

The following table provides a summary of the long-term loans entered into by the Company:

| | August 31, 2021 | August 31, 2020 |
|---|---|---|
| Loans entered into by the Company's subsidiaries for which the subsidiary has entered into a cross-currency interest rate swap with non-cash assets and/or cash or cash equivalents assigned as collateral and with/without established debt covenants | $ 38,531 | $ 42,585 |
| Loans entered into by the Company's subsidiaries for which the subsidiary has entered into an interest rate swap with non-cash assets and/or cash or cash equivalents assigned as collateral and with/without established debt covenants | 42,744 | 45,519 |
| Unswapped loans entered into by the Company's subsidiaries with non-cash assets and/or cash or cash equivalents assigned as collateral and with/without established debt covenants | 48,230 | 43,943 |
| Total long-term debt | 129,505 | 132,047 |
| Less: current portion | 19,395 | 19,437 |
| Long-term debt, net of current portion | $ 110,110 | $ 112,610 |

As of August 31, 2021 and August 31, 2020, the Company had approximately $103.4 million and $107.4 million, respectively, of long-term loans in several foreign subsidiaries that require these subsidiaries to comply with certain annual or quarterly financial covenants, which include debt service and leverage ratios. The Company was in compliance with all covenants or amended covenants for both periods.

Annual maturities of long-term debt are as follows (in thousands):

| Twelve Months Ended August 31, | Amount |
|---|---|
| 2022 | $ 19,395 |
| 2023 | 27,427 |
| 2024 | 11,264 |
| 2025 | 25,730 |
| 2026 | 10,844 |
| Thereafter | 34,845 |
| Total | $ 129,505 |

**NOTE 12 – LEASES**

In accordance with ASC 842, the Company determines if an arrangement is a lease at inception or modification of a contract and classifies each lease as either operating or finance lease at commencement. The Company only reassesses lease classification subsequent to commencement upon a change to the expected lease term or the contract being modified. As of August 31, 2021, the Company only has operating leases for its clubs, distribution centers, office space, and land. Operating leases, net of accumulated amortization, are included in operating lease right of use ("ROU") assets, and current and non-current operating lease liabilities, on the Company's consolidated balance sheets. Lease expense for operating leases is included in selling, general and administrative expense on the Company's consolidated statements of income. Leases with an initial term of twelve months or less are not recorded on the Company's consolidated balance sheet.

The Company is generally obligated for the cost of property taxes, insurance, and maintenance relating to its leases, which are often variable lease payments. Such costs are included in selling, general and administrative expense in the consolidated statements of income.

Certain of the Company's lease agreements provide for lease payments based on future sales volumes at the leased location, or include rental payments adjusted periodically for inflation or based on an index, which are not measurable at the inception of the lease. The Company expenses such variable amounts in the period incurred, which is the period in which it becomes probable that the specified target that triggers the variable lease payments will be achieved. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the reasonably certain lease term. The operating lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option or if an economic penalty may be incurred if the option is not exercised. The initial lease term of the Company's operating leases range from two to 30 years.

Where the Company's leases do not provide an implicit rate, a collateralized incremental borrowing rate ("IBR") is used to determine the present value of lease payments. The IBR is based on a yield curve derived by publicly traded bond offerings for companies with similar credit characteristics that approximate the Company's market risk profile. In addition, we adjust the IBR for jurisdictional risk derived from quoted interest rates from financial institutions to reflect the cost of borrowing in the Company's local markets.

The following table is a summary of the Company's components of total lease costs for fiscal year 2021 and 2020 (in thousands):

| | Years Ended August 31, | |
|---|---|---|
| | 2021 | 2020 |
| Operating lease cost | $ 17,724 | $ 17,305 |
| Short-term lease cost | 167 | 236 |
| Variable lease cost | 4,410 | 3,679 |
| Sublease income | (891) | (1,061) |
| Total lease costs | $ 21,410 | $ 20,159 |

The weighted average remaining lease term and weighted average discount rate for operating leases as of August 31, 2021 and August 31, 2020 were as follows:

| | Years Ended August 31, | |
|---|---|---|
| | 2021 | 2020 |
| Weighted average remaining lease term in years | 18.3 | 18.2 |
| Weighted average discount rate percentage | 6.7% | 6.4% |

Supplemental cash flow information related to leases under which the Company is the lessee was as follows (amounts in thousands):

| | Years Ended August 31, | |
|---|---|---|
| | 2021 | 2020 |
| Operating cash flows paid for operating leases | $ 16,420 | $ 15,392 |

The Company is committed under non-cancelable operating leases for the rental of facilities and land. Future minimum lease commitments for facilities under these leases with an initial term in excess of one year are as follows (in thousands):

| Years Ended August 31, | Leased Locations |
|---|---|
| 2022 | $ 16,436 |
| 2023 | 15,442 |
| 2024 | 14,864 |
| 2025 | 14,606 |
| 2026 | 13,014 |
| Thereafter | 176,386 |
| Total future lease payments | 250,748 |
| Less imputed interest | (112,966) |
| Total operating lease liabilities | $ 137,782 |

## NOTE 13 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to interest rate risk relating to its ongoing business operations. To manage interest rate exposure, the Company enters into hedge transactions (interest rate swaps) using derivative financial instruments. The objective of entering into interest rate swaps is to eliminate the variability of cash flows in the LIBOR interest payments associated with variable-rate loans over the life of the loans. As changes in interest rates impact the future cash flow of interest payments, the hedges provide a synthetic offset to interest rate movements.

In addition, the Company is exposed to foreign currency and interest rate cash flow exposure related to non-functional currency long-term debt of two of its wholly owned subsidiaries. To manage this foreign currency and interest rate cash flow exposure, the Company's subsidiaries entered into cross-currency interest rate swaps that convert their U.S. dollar denominated floating interest payments to functional currency fixed interest payments during the life of the hedging instrument. As changes in foreign exchange and interest rates impact the future cash flow of interest payments, the hedges are intended to offset changes in cash flows attributable to interest rate and foreign exchange movements.

These derivative instruments (cash flow hedging instruments) are designated and qualify as cash flow hedges, with the entire gain or loss on the derivative reported as a component of other comprehensive loss. Amounts are deferred in other comprehensive loss and reclassified into earnings in the same income statement line item that is used to present earnings effect of the hedged item when the hedged item affects earnings.

The Company is exposed to foreign-currency exchange-rate fluctuations in the normal course of business, including foreign-currency exchange-rate fluctuations on U.S. dollar denominated liabilities within its international subsidiaries whose functional currency is other than the U.S. dollar. The Company manages these fluctuations, in part, through the use of non-deliverable forward foreign-exchange contracts (NDFs) that are intended to offset changes in cash flow attributable to currency exchange movements. These contracts are intended primarily to economically address exposure to U.S. dollar merchandise inventory expenditures made by the Company's international subsidiaries whose functional currency is other than the U.S. dollar.

Currently, these contracts do not qualify for derivative hedge accounting. The Company seeks to mitigate foreign-currency exchange-rate risk with the use of these contracts and does not intend to engage in speculative transactions. These contracts do not contain any credit-risk-related contingent features.

The Company uses other derivatives not designated as hedging instruments that consist primarily of written call options in which the Company receives a premium from the holder. This premium lowers the cost of the Company's hedging activities. The Company recognizes changes in fair value of the derivative instrument, as well as the offsetting change in the fair value of the hedged item, in Other expense, net in the consolidated statements of income in the period of change.

*Cash Flow Hedges*

As of August 31, 2021, all of the Company's interest rate swap and cross-currency interest rate swap derivative financial instruments are designated and qualify as cash flow hedges. The Company formally documents the hedging relationships for its derivative instruments that qualify for hedge accounting.

The following table summarizes agreements for which the Company has cash flow hedge accounting transactions as of August 31, 2021:

| Subsidiary | Date Entered into | Derivative Financial Counter-party | Derivative Financial Instruments | Initial US$ Notional Amount | Bank US$ loan Held with | Floating Leg (swap counter-party) | Fixed Rate for PSMT Subsidiary | Settlement Dates | Effective Period of swap |
|---|---|---|---|---|---|---|---|---|---|
| Colombia | 3-Dec-19 | Citibank, N.A. ("Citi") | Cross currency interest rate swap | $ 7,875,000 | Citibank, N.A. | Variable rate 3-month Libor plus 2.45% | 7.87% | 3rd day of each December, March, June, and September, beginning on March 3, 2020 | December 3, 2019 - December 3, 2024 |
| Colombia | 27-Nov-19 | Citibank, N.A. ("Citi") | Cross currency interest rate swap | $ 25,000,000 | Citibank, N.A. | Variable rate 3-month Libor plus 2.45% | 7.93% | 27th day of each November, February, May and August beginning February 27, 2020 | November 27, 2019 - November 27, 2024 |
| Colombia | 24-Sep-19 | Citibank, N.A. ("Citi") | Cross currency interest rate swap | $ 12,500,000 | PriceSmart, Inc. | Variable rate 3-month Libor plus 2.50% | 7.09% | 24th day of each December, March, June and September beginning December 24, 2019 | September 24, 2019 - September 26, 2022 |
| Panama | 25-Jun-18 | Bank of Nova Scotia ("Scotiabank") | Interest rate swap | $ 14,625,000 | Bank of Nova Scotia | Variable rate 3-month Libor plus 3.0% | 5.99% | 23rd day of each month beginning on July 23, 2018 | June 25, 2018 - March 23, 2023 |
| Honduras | 26-Feb-18 | Citibank, N.A. ("Citi") | Cross currency interest rate swap | $ 13,500,000 | Citibank, N.A. | Variable rate 3-month Libor plus 3.00% | 9.75% | 29th day of May, August, November and February beginning May 29, 2018 | February 26, 2018 - February 24, 2024 |
| PriceSmart, Inc | 7-Nov-16 | MUFG Union Bank, N.A. ("Union Bank") | Interest rate swap | $ 35,700,000 | Union Bank | Variable rate 1-month Libor plus 1.7% | 3.65% | 1st day of each month beginning on April 1, 2017 | March 1, 2017 - March 1, 2027 |

For the twelve-month periods ended August 31, 2021, 2020 and 2019 the Company included the gain or loss on the hedged items (that is, variable-rate borrowings) in the same line item—interest expense—as the offsetting gain or loss on the related interest rate swaps as follows (in thousands):

| Income Statement Classification | Interest expense on borrowings[1] | Cost of swaps [2] | Total |
|---|---|---|---|
| Interest expense for the year ended August 31, 2021 | $ 2,619 | $ 3,655 | $ 6,274 |
| Interest expense for the year ended August 31, 2020 | $ 4,045 | $ 2,416 | $ 6,461 |
| Interest expense for the year ended August 31, 2019 | $ 4,732 | $ 511 | $ 5,243 |

(1) This amount is representative of the interest expense recognized on the underlying hedged transactions.

(2) This amount is representative of the interest expense recognized on the interest rate swaps and cross currency swaps designated as cash flow hedging instruments.

The total notional balance of the Company's pay-fixed/receive-variable interest rate swaps and cross-currency interest rate swaps was as follows (in thousands):

| Floating Rate Payer (Swap Counterparty) | Notional Amount as of August 31, 2021 | August 31, 2020 |
|---|---|---|
| Union Bank | $ 32,619 | $ 33,894 |
| Citibank N.A. | 51,032 | 55,086 |
| Scotiabank | 10,125 | 11,625 |
| Total | $ 93,776 | $ 100,605 |

Derivatives listed on the table below were designated as cash flow hedging instruments. The table summarizes the effect of the fair value of interest rate swap and cross-currency interest rate swap derivative instruments that qualify for derivative hedge accounting and its associated tax effect on accumulated other comprehensive (income)/loss (in thousands):

| Derivatives designated as cash flow hedging instruments | Balance Sheet Classification | August 31, 2021 Fair Value | Net Tax Effect | Net OCI | August 31, 2020 Fair Value | Net Tax Effect | Net OCI |
|---|---|---|---|---|---|---|---|
| Cross-currency interest rate swaps | Other non-current assets | $ 2,464 | $ (741) | $ 1,723 | $ 872 | $ (265) | $ 607 |
| Interest rate swaps | Other long-term liabilities | (2,305) | 535 | (1,770) | (3,857) | 898 | (2,959) |
| Cross-currency interest rate swaps | Other long-term liabilities | (705) | 212 | (493) | (828) | 248 | (580) |
| Net fair value of derivatives designated as hedging instruments | | $ (546) | $ 6 | $ (540) | $ (3,813) | $ 881 | $ (2,932) |

*Fair Value Instruments*

From time to time the Company enters into non-deliverable forward foreign-exchange contracts. These contracts are treated for accounting purposes as fair value contracts and do not qualify for derivative hedge accounting. The use of non-deliverable forward foreign-exchange contracts is intended to offset changes in cash flow attributable to currency exchange movements. These contracts are intended primarily to economically hedge exposure to U.S. dollar merchandise inventory expenditures made by the Company's international subsidiaries whose functional currency is other than the U.S. dollar.

The following table summarizes the non-deliverable forward foreign exchange contracts that are open as of August 31, 2021:

| Subsidiary | Dates entered into | Financial Derivative (Counterparty) | Derivative Financial Instrument | Notional Amount (in thousands) | Settlement Date | Effective Period of Forward |
|---|---|---|---|---|---|---|
| Colombia | 28-Apr-21 | Scotiabank Colpatria, S.A. | Forward foreign exchange contracts (USD) | $ 5,000 | 28-Dec-21 | April 28, 2021 - December 28, 2021 |
| Colombia | 28-May-21 | Scotiabank Colpatria, S.A. | Forward foreign exchange contracts (USD) | $ 2,000 | 29-Dec-21 | May 28, 2021 - December 29, 2021 |

While forward derivative gains and (losses) on non-deliverable forward foreign-exchange contracts were immaterial for the twelve months ended August 31 2021, 2020, and 2019, they are included in Other expense, net in the consolidated statements of income in the period of change.

*Other Instruments*

Other derivatives not designated as hedging instruments consist primarily of written call options in which the Company receives a premium that it uses to reduce the costs associated with its hedging activities. As of August 31, 2021, the Company has settled its outstanding call options and does not have any other contracts not designated as hedging instruments.

For the twelve-month periods ended August 31, 2021, 2020 and 2019, the Company included in its consolidated statements of income the loss of its other non-designated derivative contracts as follows (in thousands):

| | Years Ended August 31, | | |
|---|---|---|---|
| Income Statement Classification | 2021 | 2020 | 2019 |
| Other expense, net | $ — | $ (912) | $ — |

**NOTE 14 – RELATED-PARTY TRANSACTIONS**

*Relationships with Edgar Zurcher:* Mr. Zurcher is also a director of a company that owns 40% of Payless ShoeSource Holdings, Ltd., which rents retail space from the Company. The Company recorded approximately $1.4 million, $1.5 million and $1.6 million in rental income for this space during the fiscal years ended 2021, 2020 and 2019. Additionally, Mr. Zurcher is a director of Molinos de Costa Rica S.A. The Company paid approximately $1.1 million, $1.1 million and $741,000 for products purchased from this entity during the fiscal years ended August 31, 2021, 2020 and 2019, respectively.

*Relationships with Price Family Charitable Organizations:* During the years ended August 31, 2021, 2020 and 2019, the Company sold approximately $1.6 million, $525,000 and $527,000, respectively, of supplies to Price Philanthropies Foundation. Robert Price, Chairman of the Company's Board of Directors, is the Chairman of the Board and President of the Price Philanthropies Foundation. Sherry S. Bahrambeygui, a director and the Chief Executive Officer of the Company, serves as Vice President and Vice Chairman of the Board of the Price Philanthropies Foundation. Jeffrey R. Fisher, a director of the Company, serves as the Chief Financial Officer and as a director of the Board of the Price Philanthropies Foundation.

*Relationships with Mitchell G. Lynn:* Mr. Lynn has been a director of the Company since November 2011. Mr. Lynn is a founder and a limited partner of CRI 2000, LP, dba Combined Resources International ("CRI") and Lightspeed Outdoors, LP (“LSO”). CRI designs and imports consumer products for wholesale distribution, primarily through warehouse clubs. LSO designs and imports recreational products for wholesale distribution and online retailing. The Company purchased approximately $179,000 of merchandise from CRI and LSO during fiscal year 2021 and immaterial amounts of merchandise during the fiscal years ended August 31, 2020 and 2019.

*Relationship with Golf Park Plaza, S.A.:* Golf Park Plaza, S.A. is a real estate joint venture located in Panama entered into by the Company in 2008 (see Note 15 - Unconsolidated Affiliate). On December 12, 2013, the Company entered into a lease agreement for approximately 17,976 square feet (1,670 square meters) of land with Golf Park Plaza, S.A. upon which the Company constructed its central offices in Panama. The lease term is for 15 years with three options to renew for five years each at the Company's discretion. The Company recognized $105,700 in rent expense for each of the fiscal years ended August 31, 2021, 2020 and 2019.

## NOTE 15 – UNCONSOLIDATED AFFILIATES

The Company determines whether any of the joint ventures in which it has made investments is a Variable Interest Entity ("VIE") at the start of each new venture and if a reconsideration event has occurred. At this time, the Company also considers whether it must consolidate a VIE and/or disclose information about its involvement in a VIE. A reporting entity must consolidate a VIE if that reporting entity has the power to direct the VIE's activities that most significantly impact the VIE's economic performance and has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The reporting entity that consolidates a VIE is called the primary beneficiary of that VIE.

In 2008, the Company entered into real estate joint ventures to jointly own and operate separate commercial retail centers adjacent to warehouse clubs in Panama (GolfPark Plaza, S.A.) and Costa Rica (Price Plaza Alajuela PPA, S.A.). Due to the initial nature of the joint ventures and the continued commitments for additional financing, the Company determined these joint ventures are VIEs. Since all rights, obligations and the power to direct the activities of a VIE that most significantly impact the VIE's economic performance is shared equally by both parties within each joint venture, the Company has determined that it is not the primary beneficiary of the VIEs and, therefore, has accounted for these entities under the equity method. Under the equity method, the Company's investments in unconsolidated affiliates are initially recorded as an investment in the stock of an investee at cost and are adjusted for the carrying amount of the investment to recognize the investor's share of the earnings or losses of the investee after the date of the initial investment.

On December 12, 2013, the Company entered into a lease agreement for approximately 17,976 square feet (1,670 square meters) of land with Golf Park Plaza, S.A. upon which the Company constructed its central offices in Panama. Construction of the offices was completed in October 2014. The lease term is for 15 years with three options to renew for five years each at the Company's discretion. The Company recognized $105,700 in rent expense for each of the fiscal years ended August 31, 2021, 2020 and 2019.

The table below summarizes the Company's interest in these VIEs and the Company's maximum exposure to loss as a result of its involvement with these VIEs as of August 31, 2021 (in thousands):

| Entity | % Ownership | Initial Investment | Additional Investments | Net Income Inception to Date | Company's Variable Interest in Entity | Commitment to Future Additional Investments[1] | Company's Maximum Exposure to Loss in Entity[2] |
|---|---|---|---|---|---|---|---|
| GolfPark Plaza, S.A. | 50 % | $ 4,616 | $ 2,402 | $ (8) | $ 7,010 | $ 99 | $ 7,109 |
| Price Plaza Alajuela PPA, S.A. | 50 % | 2,193 | 1,236 | 105 | 3,534 | 785 | 4,319 |
| Total | | $ 6,809 | $ 3,638 | $ 97 | $ 10,544 | $ 884 | $ 11,428 |

(1) The parties intend to seek alternate financing for the project, which could reduce the amount of investments each party would be required to provide. The parties may mutually agree on changes to the project, which could increase or decrease the amount of contributions each party is required to provide.

(2) The maximum exposure is determined by adding the Company's variable interest in the entity and any explicit or implicit arrangements that could require the Company to provide additional financial support.

The summarized financial information of the unconsolidated affiliates is as follows (in thousands):

| | August 31, 2021 | August 31, 2020 |
|---|---|---|
| Current assets | $ 1,728 | $ 1,398 |
| Noncurrent assets | 10,253 | 10,686 |
| Current liabilities | 151 | 138 |
| Noncurrent liabilities | 8 | 8 |

| | Years Ended August 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| PriceSmart's share of net loss of unconsolidated affiliates | $ (58) | $ (95) | $ (61) |

**NOTE 16 – SEGMENTS**

The Company and its subsidiaries are principally engaged in the international operation of membership shopping in 47 warehouse clubs located in 12 countries and one U.S. territory that are located in Central America, the Caribbean and Colombia. In addition, the Company operates distribution centers and corporate offices in the United States. The Company has aggregated its warehouse clubs, distribution centers and corporate offices into reportable segments. The Company’s reportable segments are based on management’s organization of these locations into operating segments by general geographic location, used by management and the Company's chief operating decision maker in setting up management lines of responsibility, providing support services, and making operational decisions and assessments of financial performance. Segment amounts are presented after converting to U.S. dollars and consolidating eliminations. Certain revenues, operating costs and inter-company charges included in the United States segment are not allocated to the segments within this presentation, as it is impractical to do so, and they appear as reconciling items to reflect the amount eliminated on consolidation of intersegment transactions. From time to time, the Company revises the measurement of each segment's operating income and net income, including certain corporate overhead allocations, and other measures as determined by the information regularly reviewed by the Company's chief operating decision maker. When the Company does so, the previous period amounts and balances are reclassified to conform to the current period's presentation.

**PRICESMART, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following tables summarize by segment certain revenues, operating costs and balance sheet items (in thousands):

| | United States Operations | Central American Operations | Caribbean Operations[1] | Colombia Operations | Reconciling Items[2] | Total |
|---|---|---|---|---|---|---|
| **Year Ended August 31, 2021** | | | | | | |
| Revenue from external customers | $ 88,397 | $ 2,105,856 | $ 1,004,793 | $ 420,825 | $ — | $ 3,619,871 |
| Intersegment revenues | 1,280,236 | 17,861 | 5,087 | 3,869 | (1,307,053) | — |
| Depreciation, Property and equipment | 6,970 | 31,319 | 15,432 | 8,858 | — | 62,579 |
| Amortization, Intangibles | 2,404 | — | — | — | — | 2,404 |
| Operating income (loss) | 12,687 | 151,933 | 74,769 | 21,932 | (103,301) | 158,020 |
| Interest income from external sources | 13 | 878 | 985 | 103 | — | 1,979 |
| Interest income from intersegment sources | 2,130 | 2,393 | 483 | — | (5,006) | — |
| Interest expense from external sources | 1,606 | 2,831 | 427 | 2,346 | — | 7,210 |
| Interest expense from intersegment sources | 34 | 1,286 | 2,647 | 298 | (4,265) | — |
| Provision for income taxes | 15,919 | 22,661 | 8,006 | 2,383 | — | 48,969 |
| Net income (loss) attributable to PriceSmart, Inc. | (4,777) | 127,879 | 61,025 | 17,333 | (103,497) | 97,963 |
| Long-lived assets (other than deferred tax assets)[3] | 79,404 | 490,099 | 197,030 | 164,970 | — | 931,503 |
| Intangibles, net | 7,762 | — | — | — | — | 7,762 |
| Goodwill | 10,695 | 24,332 | 10,068 | — | — | 45,095 |
| Investment in unconsolidated affiliates | — | 10,544 | — | — | — | 10,544 |
| Total assets | 246,896 | 795,940 | 434,428 | 228,526 | — | 1,705,790 |
| Capital expenditures, net | 9,061 | 45,524 | 23,342 | 28,181 | — | 106,108 |
| **Year Ended August 31, 2020** | | | | | | |
| Revenue from external customers | $ 73,703 | $ 1,895,857 | $ 993,657 | $ 365,971 | $ — | $ 3,329,188 |
| Intersegment revenues | 1,148,004 | 16,524 | 4,909 | 2,723 | (1,172,160) | — |
| Depreciation, Property and equipment | 6,888 | 29,312 | 15,441 | 7,174 | — | 58,815 |
| Amortization, Intangibles | 2,410 | — | — | — | — | 2,410 |
| Operating income (loss) | 3,873 | 125,351 | 57,217 | 18,071 | (82,044) | 122,468 |
| Interest income from external sources | 7 | 612 | 749 | 663 | — | 2,031 |
| Interest income from intersegment sources | 2,065 | 2,566 | 431 | — | (5,062) | — |
| Interest expense from external sources | 1,890 | 3,425 | 310 | 2,000 | — | 7,625 |
| Interest expense from intersegment sources | 39 | 1,547 | 2,258 | 561 | (4,405) | — |
| Provision for income taxes | 10,106 | 20,001 | 6,416 | 1,241 | — | 37,764 |
| Net income (loss) attributable to PriceSmart, Inc. | (7,578) | 103,697 | 50,553 | 13,554 | (82,117) | 78,109 |
| Long-lived assets (other than deferred tax assets)[3] | 81,008 | 475,744 | 177,166 | 146,862 | — | 880,780 |
| Intangibles, net | 10,166 | — | — | — | — | 10,166 |
| Goodwill | 10,696 | 24,418 | 10,092 | — | — | 45,206 |
| Investment in unconsolidated affiliates | — | 10,602 | — | — | — | 10,602 |
| Total assets | 272,190 | 741,523 | 395,244 | 247,868 | — | 1,656,825 |
| Capital expenditures, net | 6,072 | 48,150 | 14,460 | 35,565 | — | 104,247 |
| **Year Ended August 31, 2019** | | | | | | |
| Revenue from external customers | $ 68,335 | $ 1,831,761 | $ 933,886 | $ 389,936 | $ — | $ 3,223,918 |
| Intersegment revenues | 1,205,986 | 11,185 | 4,507 | 1,498 | (1,223,176) | — |
| Depreciation, Property and equipment | 5,334 | 24,684 | 14,052 | 8,484 | — | 52,554 |
| Amortization, Intangibles | 2,404 | — | — | — | — | 2,404 |
| Operating income (loss) | 3,805 | 122,629 | 50,724 | 14,909 | (76,900) | 115,167 |
| Interest income from external sources | 74 | 499 | 568 | 348 | — | 1,489 |
| Interest income from intersegment sources | 1,408 | 1,877 | 724 | — | (4,009) | — |
| Interest expense from external sources | 1,377 | 2,368 | (401) | 595 | — | 3,939 |
| Interest expense from intersegment sources | 60 | 1,505 | 2,132 | 8 | (3,705) | — |
| Provision for income taxes | 11,280 | 19,429 | 6,615 | 236 | — | 37,560 |
| Net income (loss) attributable to PriceSmart, Inc. | (8,518) | 100,614 | 44,168 | 14,124 | (77,197) | 73,191 |
| Long-lived assets (other than deferred tax assets) | 65,278 | 383,665 | 165,584 | 115,838 | — | 730,365 |
| Intangibles, net | 12,576 | — | — | — | — | 12,576 |
| Goodwill | 11,315 | 24,593 | 10,193 | — | — | 46,101 |
| Investment in unconsolidated affiliates | — | 10,697 | — | — | — | 10,697 |
| Total assets | 161,583 | 614,579 | 340,216 | 180,033 | — | 1,296,411 |
| Capital expenditures, net | 8,439 | 85,962 | 28,434 | 22,832 | — | 145,667 |

(1) Management considers its club in the U.S. Virgin Islands to be part of its Caribbean operations.

(2) The reconciling items reflect the amount eliminated on consolidation of intersegment transactions.

(3) Effective September 1, 2019 (fiscal year 2020), we adopted the requirements of Accounting Standards Update (ASU) 2016-02, "Leases (Topic 842)" (ASC 842) using the modified retrospective approach, under which financial results reported in prior periods were not restated. As a result, the Long-lived assets (other than deferred tax assets) as of August 31, 2021 and August 31, 2020 is not comparable with that as of August 31, 2019.

**NOTE 17 – SUBSEQUENT EVENTS**

The Company has evaluated all events subsequent to the balance sheet date of August 31, 2021 through the date of issuance of these consolidated financial statements and has determined that, except as set forth below, there are no subsequent events that require disclosure.

Divestiture

From March 2018 through September 2021, we operated a cross border package forwarding (casillero) and online marketplace business under the "Aeropost" banner in 38 countries in Latin America and the Caribbean. PriceSmart acquired Aeropost in 2018 to leverage Aeropost's technology and its management's experience in developing software and systems for e-commerce and logistics to advance PriceSmart's development of an omni-channel shopping experience for its Members. In October 2021, PriceSmart sold the legacy casillero and marketplace operations, which were not core to our main objectives. PriceSmart retained key Aeropost personnel and technology in the transaction, with which we believe we can continue to leverage and grow our omni-channel business. This technology and talent have helped us combine our brick and mortar operations with online capabilities, supported by a more sophisticated distribution system that provides us with the potential to expand our geography, reach more Members in more ways and continue to develop approaches to gain efficiencies, reduce costs and provide Members with great value. The Company believes this transaction will not have a material impact on our results of operations in fiscal year 2022.

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## ADDITIONAL INFORMATION

**Corporate Offices**
9740 Scranton Road
San Diego, CA 92121
(858) 404-8800

**Stock Exchange Listing**
NASDAQ Global Select Market
Stock Symbol: PSMT

**Annual Meeting**
Thursday, February 3, 2022 at 10:00 AM
PriceSmart, Inc. Corporate Headquarters
9740 Scranton Road
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PriceSmart's annual reports to the Securities and Exchange Commission on Form 10-K and any quarterly reports on Form 10-Q, as amended, will be provided free of charge upon written request to Investor Relations, PriceSmart, Inc., 9740 Scranton Road., San Diego, CA 92121. Internet users can access PriceSmart's web site

**Exhibit 10.42**

**DATED AS OF THE 27 DAY OF AUGUST, 2021**

**AMONG**

**PRICESMART REALTY (TT) LTD**
**(the 'Borrower')**

**AND**

**FIRSTCARIBBEAN INTERNATIONAL BANK**
**(TRINIDAD & TOBAGO) LIMITED**
**(the 'Bank')**

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# SECOND AMENDED AND RESTATED LOAN FACILITY AGREEMENT
**(Up to US$10,000,000.00)**

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**SECOND AMENDED AND RESTATED LOAN FACILITY AGREEMENT**

**THIS SECOND AMENDED AND RESTATED LOAN FACILITY AGREEMENT** (this **'**Agreement') is dated as of the 27 day of August, 2021 and made BETWEEN:

1. The 'Borrower': **PRICESMART REALTY (TT) LTD** (formerly **Pricesmart (Trinidad) Limited**) a company with limited liability incorporated under the Companies Act, 1995 (Ch. 81:01 of the laws of Trinidad and Tobago) with company number P 1916 (95) A and having its registered office at Endeavour Road and Narsaloo Ramaya Road, Chaguanas, in the island of Trinidad; and

2. The 'Bank': **FIRSTCARIBBEAN INTERNATIONAL BANK (TRINIDAD & TOBAGO) LIMITED** a bank licensed under the Financial Institutions Act, 2008 and incorporated as a company with limited liability under the Companies Act Chap. 81:01 of the revised laws of Trinidad and Tobago and having its registered office at 74 Long Circular Road, Maraval, Trinidad.

**RECITALS:**

A. This Agreement is made supplemental to (1) the Loan Facility Agreement (the '**Original Loan Agreement**') dated the 19th day of February, 2009 and made between the Borrower and the Bank and the Loan Facility Agreement Supplement (the '**Supplement**') dated the 27th day of August, 2011 made between the same parties; and (2) the amended and restated loan facility agreement (the '**First Amendment**') dated the 31st day of May, 2016 made between the Borrower and the Bank.

B. By the Original Loan Agreement, the Bank agreed to make available to the Borrower a loan facility of up to **NINE MILLION FIVE HUNDRED THOUSAND US DOLLARS** (US$9,500,000.00) for the purposes set out therein and subject to the terms and conditions in the Original Loan Agreement including that the loan granted thereunder be secured by the Original Security Instruments.

C. By the Supplement, the repayment terms of the Original Loan Agreement were varied as therein mentioned.

D. By the First Amendment, the Original Loan Agreement as varied by the Supplement was amended and restated in their entirety as set out therein.

E. As at the date hereof, the amount outstanding under the First Amendment is the aggregate sum of **TWO MILLION SIXTEEN THOUSAND THREE HUNDRED AND TWENTY-SIX US DOLLARS AND SEVEN US CENTS (US$2,016,326.07)** (the '**Outstanding Sum**') which is due to be repaid by the Borrower on the 27th day of August, 2021.

F. The Borrower and the Bank have agreed to enter into this Agreement for the purposes of:

   (i) making available to the Borrower an additional sum of up to **TEN MILLION US DOLLARS (US$10,000,000.00)** (the **'Additional Loan'**) for the purposes of (a) refinancing the Outstanding Sum; and (b) to repay in part inter-company payables; and

(ii) amending and restating the First Amendment.

F. The First Amendment was stamped as the primary security for the repayment of the Secured Liabilities at bond covenant duty to secure the aggregate sum of US$7,000,000.00, of which the sum of US$2,016,326.07 remains outstanding thereunder. It is intended that this Agreement shall be stamped at bond covenant duty to cover the difference between the Additional Loan and the Outstanding Sum in the sum of US$7,983,673.93.

**NOW THEREFORE IT IS HEREBY AGREED** by and between the parties that in pursuance of the terms of the said agreement and in consideration of the premises and in order to secure the payment and performance of the obligations of the Borrower in this Agreement, the parties agree that the First Amendment shall be amended and restated, as follows:

## 1 DEFINITIONS AND INTERPRETATION

### 1.1 Definitions

In this Agreement, unless the context otherwise requires:

***'Advance'*** means an advance made or to be made by the Bank to the Borrower under this Agreement or, as the context may require, the principal amount thereof from time to time outstanding;

***'Affiliate'*** means any legal entity which controls, is controlled by, or is under common control with another legal entity. An entity is deemed to "control" another if it owns directly or indirectly at least fifty percent of either of the following"

(A) The shares entitled to vote at a general election of directors of such other entity;

(B) The voting interest in such other entity if such other entity does not have either shares or directors;

***'Balloon Payment'*** means a balloon payment in the sum of **FIVE MILLION TWO HUNDRED THOUSAND US DOLLARS (US$5,200,000.00)** payable on the Repayment Date in accordance with Clause 6.1 hereof;

**'*Business Day'*** means a day on which commercial banks in Trinidad and Tobago and the United States of America are open for business of the kind contemplated in this Agreement (not being a Saturday or Sunday or public holiday);

***'Capital Expenditure'*** means any expenses incurred which would be treated as a capital expense in accordance with International Financial Reporting Standards in Trinidad and Tobago, including but not limited to, expenses incurred in acquiring or upgrading physical assets such as buildings and machinery;

**'*Commitment*'** means the commitment of the Bank to make the Advance up to the Facility Amount on the terms and conditions of this Agreement;

***'Conditions Precedent'*** means the conditions precedent set out in Schedule 2;

***'Debenture – RBTT'*** means the debenture dated the 5th day of August 2003 and registered on the 4th day of September 2003 with registration No. DE2003 0326 3635 D001 together with a supplemental mortgage debenture dated as of the 2nd day of December 2008 and registered on the 22nd day of December 2008 with registration No. DE 2008 0306 9674 D001 whereby the Borrower created in favour of RBTT Bank Limited a mortgage over the property known as PriceSmart Chaguanas as more particularly described in the schedule thereto as security for the repayment of all moneys and liabilities specified therein;

***'Deed of Subordination'*** means the deed of subordination of even date herewith entered into in favour of the Bank by the Borrower, PSI and PMST subordinating fifty percent (50%) of the Intercompany Debt to the amounts owing by the Borrower to the Bank;

***'Default Rate'*** means the Interest Rate plus 2% per annum;

**'*Drawdown Date*'** means, in relation to any Advance, the date on which the Advance is made;

**'*Drawdown Notice*'** means a notice in the form set out in Schedule 1;

***'Encumbrance'*** means any mortgage, pledge, charge, lien, assignment by way of security, title retention, hypothecation or other security agreement or arrangement or other interest vested in a third party, including those imposed or arising by operation of law or equity;

**'*Event of Default'*** means any of the events or circumstances described in Clause 11.1 and includes any event which, with the giving of notice and/or lapse of time and/or a determination being made under the relevant sub-clause, would be an Event of Default;

**'*Facilities'*** means the loan facilities made available to the Borrower by the Bank upon the terms and subject to the conditions set out in this Agreement;

**'*Facility Amount*'** means the sum of up to TEN MILLION U .S. DOLLARS (US$10,000,000.00);

**'*Financial Indebtedness'*** means Indebtedness incurred in respect of:

(a) money borrowed, raised or deposited;

(b) any bond bill of exchange note loan stock debenture commercial paper or similar security or instrument;

(c) acceptance, documentary credit or guarantee facilities;

(d) deferred payments for assets or services acquired but excluding trade credit in the ordinary course of business not exceeding ninety (90) calendar days;

(e) rental payments under leases, whether in respect of land buildings machinery equipment or otherwise, entered into primarily as a method of raising finance or financing the acquisition of the relevant asset;

(f) payments under hire purchase contracts;

(g) factored debts, to the extent that there is recourse;

(h) guarantees bonds standby letters of credit or other instruments issued in connection with the performance of contracts or obligations;

(i) interest rate or currency swaps and similar financial transactions;

(j) guarantees indemnities or other assurances against financial loss in respect of Indebtedness of any person falling within any of paragraphs (a) to (i) inclusive above; and

(k) amounts raised or obligations incurred under any other transaction having the commercial effect of any of the above;

***'Financial Costs'*** means all fees charges expenses and disbursements payable by the Borrower to the Bank including all legal charges and disbursements;

***'First Supplemental Mortgage'*** means the deed of supplemental mortgage dated the 30th day of May, 2016 and made by the Borrower in favour of the Bank.

***'First Supplemental Debentures'*** mean:

(1) the supplemental debenture dated the 30th day of May, 2016 and made by PSMT in favour of the Bank;

(2) the supplemental debenture dated the 30th day of May, 2016 and made by PSOL in favour of the Bank;

(3) the supplemental debenture dated the 30th day of May, 2016 and made by the Borrower in favour of the Bank;

'***First Supplemental Guarantee'*** means the supplemental guarantee and indemnity dated the 30th day of May, 2016 and made by PSMT and PSOL in favour of the Bank;

'***First Supplemental Security Instruments***' includes (i) the First Supplemental Debentures; (ii) the First Supplemental Mortgage; (iii) the First Supplemental Guarantee; (iv) any other document designated as such in writing by both or all parties to it, and (v) each variation or amendment of or supplement to any document referred to in (i) to (iv) above from time to time (and where the context permits includes any one or more of them);

**'*Group*'** means the Borrower, PSMT and PSOL;

***'Guarantee'*** means the joint and several guarantee and indemnity dated of even date herewith made by PSMT and PSOL in favour of the Bank, as same may be further amended or supplemented from time to time, by way of further and/or additional and/or collateral security to that created by this Agreement for the repayment and discharge of the Secured Liabilities;

***'Guarantors'*** means as at the date hereof together PSMT and PSOL, and individually each a **'Guarantor'**;

**'*Indebtedness'*** means any obligation for the payment or repayment of money, whether present or future, actual or contingent, sole or joint;

***'Intercompany Debt'*** means the total combined amounts owing from time to time by the Borrower to any member of the Group and/or PSI;

***'Insurance Policies'*** mean (i) that fire and special perils insurance policy no. PCF 10010845001 with Sagicor General Insurance, Inc., providing coverage in respect of the Properties (including business interruption coverage with standard deductibles within the industry (satisfactory to the Bank) for such coverage) for the total declared value of TEN MILLION GIVE HUNDRED THOUSAND US DOLLARS (US$1 0,500,000.00); (ii) that insurance policy no. PCF 10010845001 with Sagicor General Insurance, Inc., providing general insurance cover (including loss of rent and business interruption insurance) in the minimum mount of TWO MILLION NINE HUNDRED THOUSAND US DOLLARS (US$2,900,000.00) with the Bank noted as first loss payee; (iii) any insurance policy replacing any of the above policies; and (iv) any other insurance policy providing coverage in respect of the Properties and/or any business of the Borrower in relation to the Properties, and ***'Insurance Policy'*** shall mean any one of them;

**'*Interest Rate*'** means 3-Month LIBOR plus the Margin until the LIBOR Discontinuation Date, upon which the Interest Rate shall be the Replacement Reference Rate plus the Margin;

**'*LIBOR Discontinuation Date*'** means the date on which the London interbank offered rate ceases to be published or it otherwise unavailable to be used as a benchmark or reference rate;

**'*Loan*'** means the aggregate principal amount of Advance(s) for the time being outstanding under this Agreement;

***'Loan Agreement'*** means this Agreement as same may be amended, supplemented, novated or replaced from time to time;

***'Loan to Value Ratio'*** means, at any time, the percentage obtained by dividing the Loan amount by the Value amount and multiplying the result by 100;

***'Loss Payee Endorsements'*** means endorsements to be made on those policies of insurance selected by the Bank of those taken out by the Borrower on its properties whereby the Bank is shown as loss payee, in such form as the Bank shall approve;

**'*Margin*'** means three point seven five percent (3.75%) per annum

**'*material adverse change*'** means, where used in relation to the affairs of the Borrower, a change in the financial condition or operation of the Borrower which, in the opinion of the Bank, would reasonably be expected to have a material adverse effect.

**'*material adverse effect*'** means a material adverse effect on (a) the operation, or financial or other condition of the Borrower which would negatively affect the ability of the Borrower to perform and discharge their obligations under the facilities or the Facility documents; or (b) the Bank's ability to enforce its rights or remedies under the Security Instruments;

**'*Material Consent*'** means, in relation to any member of the Group, any approval, authorisation, consent, exemption, licence, permission or registration by, of or from any governmental or regulatory or other authority or person necessary or appropriate for (i) the carrying on by it of its business and (ii) the execution, delivery and performance of this Agreement and any Related Document and the use of the Facility;

***'Original Collateral Mortgage'*** has the meaning ascribed to it in Schedule 3 hereto.

***'Original Debentures'*** mean together the Original Debenture – PSMT, the Original Debenture – PSOL and the Original Debenture – PST, and any of them individually an ***'Original Debenture'***;

***'Original Debenture – PSMT'*** has the meaning ascribed to it in Schedule 3 hereto.

***'Original Debenture – PSOL'*** has the meaning ascribed to it in Schedule 3 hereto.

***'Original Debenture – PST'*** has the meaning ascribed to it in Schedule 3 hereto.

**'*Original Deed of Subordination*'** has the meaning ascribed to it in Schedule 3 hereto.

'***Original Letter of Undertaking***' has the meaning ascribed to it in Schedule 3 hereto.

'***Original Guarantee'*** has the meaning ascribed to it in Schedule 3 hereto.

**'*Original Security Instruments*'** means those instruments described in Schedule 3 hereto;

**'*Payment Date*'** means the 27th day of each month in each year after the date hereof up to and including the Repayment Date provided that if any such date is not a Business Day, the relevant Payment Date shall be the first Business Day occurring immediately after such specified date;

***'Permitted Encumbrances'*** means the Debenture – RBTT, the Mortgage – Chaguanas and any of the Encumbrances described in Clause 10.3(2);

**'*Potential Default*'** means any event which, with the giving of notice or any certificate or the lapse of time or the making of any determination or the satisfaction of any other condition (or any combination thereof), might/would constitute an Event of Default;

***'PriceSmart San Fernando'*** means the property located off South Trunk Road, La Romaine, San Fernando, more particularly described in the schedule to the Collateral Mortgage - San Fernando;

***'Properties'*** means PriceSmart San Fernando or any property which may from time to time be added or substituted for the Properties;

***'PSE'*** means PriceSmart Exempt SRL, an exempt society with restricted liability organised under the Societies with Restricted Liability Act of the laws of Barbados with society number 120 the registered address of which is The Ernst & Young Building, Bush Hill, Bay Street, St. Michael, Barbados;

***'PSE Articles of Organisation Amendment'*** means the amendment to the Articles of Organisation of PSE to change the restriction therein preventing it from transacting business with any resident of the Caricom region to one preventing it from transacting business with any resident of Barbados;

***'PSI'*** means PriceSmart, Inc., a corporation incorporated and existing under and by virtue of the General Corporation Law of the laws of the State of Delaware with its registered office at 1209 Orange Street, Wilmington, New Castle Delaware, and with its headquarters at 9740 Scranton Road, San Diego, California, United States of America;

***'PSMT'*** means PSMT Trinidad/Tobago Limited (formerly PSMT Trinidad/Tobago Limited), a company with limited liability incorporated under the Companies Act, 1995 (Ch. 81:01 of the laws of Trinidad and Tobago) with company number P-1676(95) and having its registered office at Endeavour Road and Narsaloo Ramaya Road, Chaguanas, in the island of Trinidad;

***'PSOL'*** means Pricesmart Clubs (TT) Limited (formerly P S Operations Limited), a company with limited liability incorporated under the Companies Act, 1995 (Ch. 81:01 of the laws of Trinidad and Tobago) with company number P-1675(95) and having its registered office at Endeavour Road and Narsaloo Ramaya Road, Chaguanas, in the island of Trinidad;

**'*Related Document'*** means any document or instrument required by this Agreement to be executed delivered or produced by the Borrower or the Guarantors including, but not limited to, the Security Instruments;

'***Repayment Date'*** means the day of August, 2026;

***'Repayment Period'*** means the period commencing with the date hereof and ending on the Repayment Date;

'***Replacement Reference Rate***' means an alternative reference rate selected by the Bank, and agreed by both parties after due consideration to prevailing market convention for determining a rate of interest for loans of a similar type, which may reflect adjustments to the related spread or margin;

***'Reset Date'*** means the day occurring immediately prior to each anniversary date of the first Advance during the Repayment Period;

***'Secured Liabilities'*** means all monies obligations and liabilities whatsoever whether for principal interest or otherwise in whatever currency which may now or at any time in the future be due owing or incurred under the terms of this Agreement and any of the Security Instruments whether actual or contingent and whether alone severally or jointly as principal guarantor surety or otherwise and in whatever name or style and whether on any current or other account or in any other manner whatsoever;

***'Security Assets'*** means the assets rights and property of the Borrower and each of the Guarantors which are the subject of any security created or purported to be created by the Security Instruments and includes any part or any interest in them subject to the Permitted Encumbrances;

***'Security Instruments'*** means the Original Security Instruments as supplemented by the First Supplemental Security Instruments and the Second Supplemental Security Instruments.

***'Security Interest'*** means any mortgage, pledge, lien, hypothecation, encumbrance, security assignment, trust arrangement, title retention or other security interest or arrangement of any kind whatsoever having the effect of conferring security;

***'Security Period'*** means the period commencing on the date hereof and ending on the date when no monies or other obligations of the Borrower or any Guarantor or other security provider remain outstanding under this Agreement;

***'Second Supplemental Debentures'*** mean:

(1) the second supplemental debenture dated of even date herewith and made by PSMT in favour of the Bank;

(2) the second supplemental debenture dated of even date herewith and made by PSOL in favour of the Bank;

(3) the second supplemental debenture dated of even date herewith and made by the Borrower in favour of the Bank;

'***Second Supplemental Guarantee'*** means the second supplemental guarantee and indemnity dated of even date herewith made by PSMT and PSOL in favour of the Bank;

'***Second Supplemental Mortgage***' means the second supplemental mortgage dated of even date herewith and made by the Borrower in favour of the Bank;

'***Second Supplemental Security Instruments***' includes (i) the Second Supplemental Debentures; (ii) the Second Supplemental Mortgage; (iii) the Second Supplemental Guarantee; (iv) any other document designated as such in writing by both or all parties to it, and (v) each variation or amendment of or supplement to any document referred to in (i) to (iv) above from time to time (and where the context permits includes any one or more of them);

**'*Taxes'*** includes all present and future taxes levies imposts duties fees charges or withholdings of whatever nature and wherever levied charged or assessed, together with any interest thereon and any fines surcharge or penalties in respect thereof.

**'*3-Month LIBOR*'** means the rate of interest offered in the London inter-bank market and published on the Bloomberg Financial Market Service for three (3) month loans of an equivalent or similar amount to the Loan as conclusively determined by the Bank at 11:00AM on each Reset Date, and if no such rate is available, the most recent such rate published on the Bloomberg Financial Market Service prior to the relevant Reset Date, subject at all times to a floor of 0.00%;

***'US$'***, ***'US Dollars'***, or ***'USD'*** means the lawful currency of the United States of America;

***'Value'*** means the combined total value of the Properties from time to time determined and provided to the Bank in accordance with Clause 10.2(e).

**1.2 Interpretation**

(1) In this Agreement, unless otherwise expressly provided, any reference to:

(a) the Borrower and the Guarantors shall be construed so as to include their respective successors and assigns from time to time;

(b) a time of day is a reference to Trinidad and Tobago time;

(c) a 'person' shall be construed as a reference to any individual, firm, company, society, body corporate, government, state or state entity or any association or partnership (whether or not having separate legal personality) or any two or more of the foregoing;

(d) this Agreement or any reference to another document or instrument, is a reference to this Agreement or to that other document or instrument, as the same may have been, or may from time to time be, amended or supplemented;

(e) the liquidation, winding-up or dissolution of a company, society or body corporate or the appointment of a receiver, manager or administrator of or in relation to a company, society or body corporate or any of its assets shall be construed so as to include any equivalent or analogous proceedings or, as the case may be, person under the law of the jurisdiction in which it is incorporated or any jurisdiction in which it carries on business or has assets or liabilities;

(f) a Clause or a Schedule is a reference to a clause of or a schedule to this Agreement;

(g) any statutory provision shall include a reference to such provision as from time to time re-enacted, amended, extended or replaced.

(2) Fees, costs and expenses payable under or pursuant to this Agreement shall be exclusive of any value added tax or similar taxes chargeable on them, which shall accordingly be payable in addition.

(3) In this Agreement, words importing the singular shall include the plural and vice versa.

(4) Headings in and the list of contents of this Agreement are for ease of reference only and shall not affect its interpretation.

## 2 THE FACILITY

Subject to the terms and conditions of this Agreement, the Bank agrees to make available to the Borrower a long term loan facility in the maximum aggregate principal amount equal to the Facility Amount.

## 3 PURPOSE

(1) The Advances under the Facilities up to the sum of US$2,016,326.07 shall be applied towards refinancing the Outstanding Sum. The Advances under the Facilities up to the sum of US$7,983,673.93 shall be applied towards the repayment on inter-company payables.

(2) The Borrower shall not use any Advance for any purpose except that permitted in this Clause. However, failure by the Borrower to comply with this Clause shall not prejudice any rights of the Bank, which shall not be responsible for monitoring or ensuring the use or application by the Borrower of any Advance.

## 4 CONDITIONS

### 4.1 Conditions for first Advance

The first Drawdown Notice may not be issued, and the Bank shall not be obliged to make any Advance, unless the Conditions Precedent have been satisfied and it shall have received, in each case in form and substance satisfactory to it, the documents, items and evidence specified in Schedule 2 unless waived by the Bank and shall have notified the Borrower accordingly.

### 4.2 Conditions for all Advances

The obligation of the Bank to make each and every Advance is subject to the further conditions precedent that:

(a) at the time of the giving of the relevant Drawdown Notice and at the time of such Advance, the representations and warranties set out in Clause 9 are true and correct on and as of each such time as if each were made with reference to the facts and circumstances existing at such time; and

(b) at the time of the giving of the relevant Drawdown Notice and at the time of such Advance, no Event of Default or Potential Default shall have occurred and be continuing or would result from the making of such Advance.

## 5 DRAWDOWN

### 5.1 Drawdown

(1) Subject to the terms and conditions of this Agreement, the Borrower may draw Advances up to the Facility Amount provided that:

(a) the Bank shall have received a duly completed and executed Drawdown Notice relating to each proposed Advance not later than 10:00 am on the Business Day prior to the proposed Drawdown Date of such Advance;

(b) the aggregate of all Advances shall not exceed the Facility Amount.

(2) Subject as otherwise expressly provided in this Agreement, each Drawdown Notice shall be irrevocable and the Borrower shall be obliged to borrow accordingly.

### 5.2 Payment of Advances

Subject as otherwise provided in this Agreement, the Facility Amount shall be made available on the Drawdown Date therefor by the Bank (i) satisfying all Financing Costs; and (ii) crediting the balance of the Facility Amount to such bank account of the Borrower as it shall specify to the Bank for this purpose in the relevant Drawdown Notice.

## 6 REPAYMENT, PREPAYMENT AND CANCELLATION

### 6.1 Interest and Repayment

(1) The Borrower shall pay to the Bank interest on the Facility Amount on each relevant Payment Date. Such interest shall be paid at the Interest Rate.

(2) There shall be a moratorium on the repayment of the principal sum of the Loan for a period of one (1) year from the first Drawdown Date (the '**Moratorium**'). Thereafter, the Borrower shall repay the principal sum of the Loan by forty-eight (48) consecutive monthly instalments of principal and interest combined made on each Payment Date occurring after the Moratorium in accordance with the payment schedule provided by the Bank to the Borrower on the date hereof. The principal sum outstanding on the Repayment Date shall be repaid via the payment by the Borrower of the Balloon Payment.

(3) In circumstances where there is a change in the Interest Rate, the Bank shall supply to the Borrower a replacement payment schedule within thirty (30) calendar days thereof.

**6.2 Prepayment**

(1) On any Payment Date, the Borrower may (provided that it shall have given to the Bank not less than thirty (30) calendar days' prior written notice specifying the date and intended amount of the prepayment) prepay to the Bank the whole or any part of the Facility, subject to a minimum prepayment amount of ONE HUNDRED THOUSAND US DOLLARS (US$100,000.00).

(2) Prepayments under this Agreement shall be made together with accrued interest thereon and all other amounts payable under and in relation to this Agreement and any Related Document.

(3) No amount prepaid under this Agreement may be redrawn.

(4) Any notice of prepayment given by the Borrower under this Agreement shall be irrevocable and the Borrower shall be bound to prepay the relevant amount(s) in accordance with such notice. The Borrower may not prepay all or any part of any Advance except in accordance with the express terms of this Agreement.

(5) Any partial prepayment shall be applied against and shall reduce or if applicable extinguish the amounts specified in Clause 6.1 in inverse order of maturity.

**6.3 Default interest**

The Borrower shall, on demand by the Bank, pay to the Bank interest on sums (including but without limitation default interest) not paid on their respective due dates under this Agreement from the due date up to the date of actual payment (as well after as before judgment) at a rate determined by the Bank to be two percent (2%) per annum above the applicable Interest Rate (the '**Default Rate**').

**6.4 Basis of calculation**

All interest and other payments of an annual nature under this Agreement shall accrue from day to day and be calculated on the basis of the actual number of calendar days elapsed and a 360-day year. Any certificate or determination by the Bank as to any rate of interest payable under this Agreement shall, in the absence of manifest error, be conclusive and binding on the Borrower. The Bank shall deliver to the Borrower not later than ten (10) Business Days prior to any Payment Date the Bank's calculation of any change to the payment schedule after determining same.

## 7 FEES AND EXPENSES

### 7.1 Acceptance fee

Unless already paid upon the acceptance of the offer of financing, the Borrower will pay to the Bank, on the first Drawdown Date or if earlier seven (7) calendar days after the date of this Agreement, the following:

(1) a refinance fee in the sum of 0.25% of the sum of US$2,016,326.07; and

(2) a finance fee in the sum of 0.45% if the increased sum of US$7,983,673.93.

### 7.2 Expenses

(1) The Borrower shall pay, on demand and on a full indemnity basis, to the Bank the amount of all reasonable costs and expenses (limited to legal and out-of-pocket expenses) which the Bank incurs in connection with the preparation negotiation execution and delivery of this Agreement and any Related Document.

(2) The Borrower shall pay, on demand and on a full indemnity basis, to the Bank all reasonable costs and expenses (limited to legal and out-of-pocket expenses) incurred by it in connection with any actual or proposed amendment or extension of or any waiver or consent under this Agreement and in contemplation of or otherwise in connection with the enforcement (or attempted enforcement) of, or preservation (or attempted preservation) of any rights under, this Agreement and/or any Related Document or otherwise in respect of any monies from time to time owing under this Agreement.

### 7.3 Duties

The Borrower shall pay all stamp, documentary, registration or other similar duties or Taxes (including any payable by the Bank) imposed on or in connection with this Agreement and/or any other Related Document and shall indemnify the Bank against any liability arising by reason of any delay or omission by the Borrower to pay such duties or Taxes.

### 7.4 Payment by deduction

The Bank shall be entitled to effect payment (to the extent not already discharged) of all fees expenses and other sums due and payable by the Borrower under this Clause 7 out of and by deduction from any Advance and the Borrower hereby irrevocably authorises the Bank to do so.

## 8 PAYMENTS

### 8.1 Payments

(1) All payments to be made by the Borrower under this Agreement shall be made in full, without any set-off or counterclaim whatsoever and free and clear of any deductions or withholdings,

in immediately available, freely transferable, cleared funds in US Dollars as appropriate not later than 11.00 am on the due date to the Bank or such account of the Bank as it may from time to time notify to the Borrower.

(2) In the case of a partial payment by the Borrower, the Bank may appropriate such payment towards such of the obligations of the Borrower under this Agreement as the Bank may decide in order of longest standing maturity. The Borrower waives any right to make an appropriation in respect of a partial payment. Any appropriation by the Bank shall apply to the exclusion of any actual or purported appropriation by the Borrower.

### 8.2 Business Days

Save as otherwise provided in this Agreement, if any payment would otherwise be due on a day which is not a Business Day, the next following Business Day shall be substituted for such day unless such Business Day shall be in a new calendar month in which case such payment shall instead be made on the immediately preceding Business Day. Interest and fees shall be adjusted accordingly.

### 8.3 Accounts

Account(s) maintained by the Bank in connection with the Facility shall (save for manifest error) be *prima facie* evidence of the amounts from time to time owing by the Borrower to the Bank under this Agreement.

## 9 REPRESENTATIONS AND WARRANTIES

### 9.1 Representations and warranties

The Borrower represents and warrants to the Bank that:

(a) it is a company with limited liability duly incorporated and validly existing under the laws of Trinidad and Tobago and has power to carry on its business and to own its property and other assets;

(b) it has power and authority to execute deliver and perform its obligations under this Agreement and any Related Document and to use the Facility; all necessary action has been taken (and not revoked) or will be taken to authorise the execution delivery and performance of this Agreement and any Related Document; and subject to all applicable insolvency laws this Agreement constitutes, and any Related Document is or when executed and delivered will be, its valid and legally binding obligation enforceable in accordance with the terms hereof and thereof;

(c) the execution delivery and performance of this Agreement and any Related Document and the use of the Facility do not and will not:

(i) contravene any law, regulation, directive, judgment or order to which it is subject; or

(ii) result in any actual or potential breach of or default under any obligation agreement instrument or Material Consent to which it is a party or by which it is bound or which it requires to carry on its business; or

(iii) contravene any provision of its articles and by-laws, memorandum and articles of association and/or statutes and/or constitutional documents or that of any member of the Group; or

(iv) result in any limitation on its powers to borrow or incur Financial Indebtedness being exceeded; or

(v) result in the creation or imposition of or oblige it to create any Encumbrance on its undertaking or any of its assets rights or revenues;

(d) its obligations under this Agreement and any Related Document are its direct, general and unconditional obligations and rank at least *pari passu* with all other of its present and future unsecured and unsubordinated Indebtedness (with the exception of any obligations which are mandatorily preferred by law and not by contract);

(e) no litigation, arbitration or administrative proceeding and without limitation no dispute with any statutory or governmental authority is current or pending or threatened against it or any other member of the Group or any of its respective assets which might have a material adverse effect on its respective business, assets or financial condition or its ability to observe or perform its respective obligations under this Agreement or any Related Document having regard to all its other obligations;

(f) no Event of Default or Potential Default has occurred and is continuing;

(g) neither it nor any other member of the Group is in default in the payment of any due and payable Taxes or in the filing, registration or recording of any document or under any legal or statutory obligation or requirement which default might have a material adverse effect on its respective business, assets or financial condition or its ability to observe or perform its respective obligations under this Agreement or any Related Document;

(h) neither it nor any other member of the Group is (or would with the giving of notice or lapse of time or any certificate or the making of any determination or any combination thereof be) in breach of or in default under any agreement relating to Financial Indebtedness to which it or such company is a party or by which it or such company is bound which might have a material adverse effect on its respective business, assets or financial condition or its ability to observe or perform its respective obligations under this Agreement or any Related Document having regard to all its other obligations;

(i) there has been no material adverse change in the financial condition of the Borrower or any other member of the Group since the date of the last audited consolidated accounts before each date on which this warranty is deemed to have been given which would affect the Borrower's ability to perform its obligations hereunder;

(j) there exists no Encumbrance other than any Permitted Encumbrances over the whole or any part of the present or future undertaking, assets, rights or revenues (including uncalled capital) of itself or any of its Subsidiaries and no obligation to create any such Encumbrance;

(k) the latest consolidated report and financial statements of Borrower and the other members of the Group have been prepared in accordance with International Financial Reporting Standards as applicable ('IFRS') which have been consistently applied and give a true and fair view of the financial condition, assets and liabilities of the Group at the date to which such financial statements have been prepared; and since that date there has been no material adverse change in the financial condition or the business, assets or operations of the Group which might have a material adverse effect on its respective business, assets or financial condition or its ability to observe or perform its respective obligations under this Agreement or any Related Document having regard to all its other obligations;

(l) it has obtained and complied with all Material Consents, if any, (and the same are in full force and effect);

(m) it is not necessary or advisable that this Agreement be filed, registered, recorded or enrolled with any court, public office or other authority in any jurisdiction or that any stamp, documentary, registration or similar Tax or duty be paid on or in relation to this Agreement or any Related Document save for stamp duty on this Agreement under the Bond/Covenant heading of the schedule to the Stamp Duty Act (Chap. 76:01) and fixed collateral stamp duty on the other Supplemental Security Instruments and that the Supplemental Collateral Mortgage be registered in the Deeds Registry of Trinidad and Tobago and that statements of charge attaching copies of each of the duly stamped and registered Debentures, Collateral Mortgages, and the Assignment of Insurance Policies be filed in the Companies Registry within thirty (30) calendar days of their execution;

(n) all factual information supplied to the Bank in contemplation or for the purpose of this Agreement or the Facility was true and accurate in all material respects as at its date and did not omit anything material, no change has occurred since the date on which such information was supplied which renders the same untrue or misleading in any material respect, and all projections and statements of belief and opinion given by the Borrower to the Bank were made honestly and in good faith after due and careful enquiry and remain valid;

(o) The Borrower has good and marketable title to the Security Assets subject to the Permitted Encumbrances except as expressly contemplated or permitted by this

Agreement and all information provided by or on behalf of the Borrower was true in all material respects.

### 9.2 Repetition

The representations and warranties in Clause 9.1 will be deemed to be repeated by the Borrower on and as of each Drawdown Date and each Payment Date as if made with reference to the facts and circumstances existing at such respective date.

### 9.3 Effect of investigation

The rights and remedies of the Bank in respect of any misrepresentation or breach of warranty on the part of the Borrower shall not be prejudiced or affected by any investigation of the Borrower or any other person by or on behalf of the Bank or without limitation any other act or matter which, but for this provision, would or might prejudice or affect any such rights or remedies.

## 10 SECURITY AND UNDERTAKINGS

### 10.1 Security

(1) The Loan and all interest and other sums payable under or in respect of the Facility shall at all times be secured or, as the case may be, guaranteed by the Security Instruments**.**

(2) The Borrower shall, and shall procure that PSE and each other member of the Group granting any security or guarantee under or in respect of the Facility shall, forthwith on demand by the Bank, do and execute any and all further acts deeds documents and things as may from time to time be in the reasonable opinion of the Bank necessary or advisable to perfect each Security Document and protect the interests of the Bank thereunder.

### 10.2 General undertakings

The Borrower undertakes with the Bank that, so long as any Commitment is in force or any monies or obligations are outstanding under this Agreement:

(a) it will ensure that its obligations under this Agreement shall at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated Indebtedness (with the exception of any obligations which are mandatorily preferred by law and not by contract);

(b) it will deliver to the Bank, two (2) copies, promptly and in any event not later than thirty (30) calendar days after the relevant period, of internal management accounts relating to the Borrower, containing financial information (in no less detail than such as having been prepared prior to the date of this Agreement) in respect of successive semi-annual periods during each of its financial years;

(c) it will procure that PSMT prepare consolidated financial statements in respect of each financial period in accordance with Clause 10.10 and cause the same to be

audited by its auditors and deliver two (2) copies of the same to the Bank promptly and in any event not later than one hundred and twenty (120) calendar days after the end of the relevant financial period (fiscal year end) and also deliver to the Bank at least twenty-one (21) calendar days before each annual general meeting a copy of its directors' report and any other documents required by law to be attached thereto;

(d) it will procure at its cost and provide to the Bank updated real estate appraisals of the Properties every three years;

(e) if requested by the Bank, it will procure at its cost and provide to the Bank a formal valuation report acceptable to the Bank on PriceSmart San Fernando on every third (3rd) anniversary of the date hereof;

(f) it will provide the Bank with copies of all notices and other communications dispatched to its shareholders (or any class thereof) or its creditors (or any class thereof) concerning default or potential default in the payment of its debts when dispatched;

(g) it will provide the Bank with such financial and other information concerning its business, assets and affairs and those of any members of the Group as the Bank may from time to time reasonably require except that it will not be obliged to provide any such information which is secret or confidential to it except on the basis of a confidentiality undertaking reasonably acceptable to it or if disclosure requires the consent of any third party which it will on request use best endeavours to obtain;

(h) it will obtain, maintain in full force and effect and comply with all Material Consents, if any, and any conditions thereof;

(i) it will not, without the prior written approval of the Bank, (such approval not to be unreasonably withheld or delayed) make or permit any material change in the nature of its business or commence any new type of business materially different from its business at the date of this Agreement;

(j) it will maintain insurances on or in relation to its business and assets with underwriters and insurance companies of repute against such risks of the kinds customarily insured against by, and in amounts reasonably and commercially prudent for, companies carrying on similar businesses, in particular it will confirm to the Bank procurement of insurance coverage for the full replacement value of any of the Properties within thirty (30) calendar days of the expiry of any fire or all perils insurance coverage ;

(k) it will promptly inform the Bank, of any occurrence or circumstance of which it becomes aware which might adversely affect its ability to perform its obligations under this Agreement or any Related Document and of any Event of Default or Potential Default;

(l) it will promptly inform the Bank, of any material litigation, arbitration or administrative proceedings to which the Borrower is a party;

(m) it will from time to time, forthwith on request by the Bank, deliver to it a certificate signed by two of its directors (acting without personal liability except in the case of wilful default or misconduct) confirming that to the best of their knowledge, save as may be notified in detail in such certificate, no Event of Default or Potential Default has occurred and is then subsisting and, without limitation, giving detailed computations so as to establish whether it is in compliance with Clause 10.5 to be accompanied by such evidence as to the information and matters contained in such certificate as the Bank may from time to time reasonably require;

(n) it will promptly deliver to the Bank, and in any case no later than thirty (30) calendar days after the end of each financial year, copies of all rates and tax receipts;

(o) it will conduct all transactions arising directly or indirectly out of this Agreement through or with the Bank (including but not limited to any foreign exchange dealings, any interest rate, currency rate or other debt-related derivative programs or any refinancing of the amounts owed hereunder);

(p) it will ensure that at the end of each fiscal year the Loan to Value Ratio does not exceed sixty-one percent (61%);

(q) unless the Bank provides its prior written consent to vary same, such consent not to be unreasonably withheld once all terms and conditions under this Agreement are being met to the satisfaction of the Bank, it will ensure that at all times at least fifty percent (50%) of Intercompany Debt is subordinated to the amounts owing by the Borrower to the Bank; and

(r) it will not incur any Financial Indebtedness (other than the Indebtedness incurred under this Agreement or other Indebtedness outstanding as at the date hereof) unless the following conditions have been satisfied:

(i) the incurrence of the additional Financial Indebtedness will not cause the Borrower to breach the financial ratios prescribed at Clause 10.11 below;

(ii) the incurrence of the additional Financial Indebtedness will not be to the detriment of the Borrower's operating cash flow or hamper in any way its ability to service the payments due to the Lender under this Agreement; and

(iii) the Borrower has given prior notice of the proposed incurrence of Financial Indebtedness to the Lender.

**10.3 Negative Pledge**

(1) So long as any Commitment is in force or any monies or obligations are outstanding under this Agreement, the Borrower undertakes and agrees that, it will not, without the Bank's prior written consent (such consent not to be unreasonably withheld), create or permit to subsist any Encumbrance, other than any Permitted Encumbrance, over all or any part of the Security Assets. Subject as aforesaid, any mortgage, charge or other security interest created by the Borrower on the Security Assets in favour of any other lender shall be expressed (or if not

specifically expressed shall be deemed) to be subject to the Security Interests created pursuant to the Security Instruments over the Security Assets, and the Borrower will procure that an equivalent security interest is given to the Bank in respect of its obligations hereunder effective from the effective date of such other security interest.

(2) Paragraph (1) above shall not apply to any Encumbrance:

(a) arising by operation of law and not as a result of any default or omission on the part of the Borrower or any other member of the Group having regard to the custom in the relevant trade for settlement of accounts;

(b) arising under any retention of title arrangements entered into in the ordinary course of trading and not entered into primarily for the purpose of securing any Financial Indebtedness;

(c) over goods or documents of title to goods arising in the ordinary course of documentary credit transactions;

(d) created in favour of a plaintiff or defendant in any action, or the court or tribunal before which such action is brought, as security for costs or expenses where the Borrower is prosecuting or defending such action in its bona fide interests;

(e) pursuant to any order of attachment, distraint, garnishee order or injunction restraining disposal of assets or similar legal process arising in connection with legal proceedings;

(f) securing indebtedness incurred to refinance other indebtedness permitted to be secured under paragraphs (a) to (e) above inclusive and/or this paragraph (f), provided that the aggregate principal amount of the Indebtedness secured by such Encumbrance is not increased and such Encumbrance does not extend to any assets other than those which were subject to the Encumbrance securing the refinanced Indebtedness.

**10.4 Disposals**

The Borrower undertakes with the Bank that, so long as any Commitment is in force or any monies or obligations are outstanding under this Agreement, it will not without the prior consent of the Bank, such consent not to be unreasonably withheld, either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, sell, transfer, lease or otherwise dispose of all or any substantial part of the Security Assets save for leases of the Property to third parties on arms length commercial terms.

**10.5 Ownership and Management**

The Borrower will take such steps as are available to it to ensure that there is no change in ownership or management of the Borrower or any Guaranator during the Repayment Period.

**10.6 Dividends.**

(1) Except with the prior written consent of the Bank, such consent not to be unreasonably withheld, the Borrower will not:

(i) pay dividends or extraordinary benefits to directors and managers;

(ii) redeem or purchase any shares in its capital or take any steps to reduce its capital;

(iii) redeem or prepay any loan stock issued by it; or

(iv) pay any directors' fees or other fees or expenses otherwise than, in each case, in the ordinary course of business.

**10.7 Reserved**

**10.8 Restriction on lending.**

The Borrower will procure that the Guarantors do not make or agree to make, available any loan or other financial accommodation whatsoever to or for any person to the detriment of operating cash flow and servicing of the amounts due under this Agreement.

**10.9 Transactions with connected persons.**

Except with the prior written consent of the Bank, such consent not to be unreasonably withheld, the Borrower will not, and will procure that the members of the Group do not, directly or indirectly:

(i) purchase, acquire or lease any property from, or sell, transfer or lease any property to, or otherwise have any dealings or enter into any transactions with, any connected person, except on terms no less favourable to such connected person than would apply in the case of arm's length contracts entered into in the ordinary course of business;

(ii) make any loan or advance to any director, shareholder or subsidiary of the Borrower or guarantee the repayment of any loan made to any director, shareholder or subsidiary of the Borrower;

(iii) to the detriment of operating cash flow and servicing of the amounts due under this Agreement, repay any loan made to the Borrower by any director or shareholder or subsidiary agreed with the lender as being quasi-equity.

**10.10 Financial Statements**

The Borrower will ensure that all audited financial statements prepared by it and each member of the Group and delivered pursuant to this Agreement shall be prepared in accordance with IFRS (as defined in Clause 10.11 below) as applicable and which have been, consistently applied in respect of each financial period or giving details of any inconsistency, on an individual and if applicable

consolidated basis and that such financial statements shall contain a balance sheet giving a true and fair view of the state of affairs of the Borrower and the members of the Group as at the end of the period to which they relate and a profit and loss account giving a true and fair view of their profit or loss for such period.

**10.11 Financial undertakings**

(1) So long as there remains any amount outstanding due to the Bank by the Borrower hereunder the Borrower undertakes with the Bank that it shall procure that:

(a) the Debt Service Coverage Ratio for PSMT shall not be less than 2.0:1;

(b) Bank Debt to EBITDA for PSMT shall not exceed 2.0:1; and

(c) Intercompany Debt to EBITDA for PSMT shall not exceed 2.0:1.

The Borrower's compliance with the foregoing ratios shall be tested by the Bank half-yearly in arrears on a rolling twelve month, consolidated basis.

(2) All calculations made at any time for the purposes of this Clause 10.11 shall be made by reference to the following:

(a) where such calculations relate to the date as at or to which financial statements of PSMT are prepared, the most recent such annual financial statements;

(b) where such calculations relate to a date on which half-yearly accounts or management accounts of PSMT are prepared, the most recent such semi-annual accounts; and

(c) if the Bank in its discretion so decides, the then most recent certificate of officers of the Borrower delivered under Clause 10.

adjusted in each case, as the Bank may in its discretion reasonably consider appropriate, to take account of any changes in the financial condition or circumstances of PSMT which occur after the date as at or to which such financial statements or accounts were or certificate was prepared.

(3) The expressions used in this Clause 10.11 shall be construed in accordance with the accounting principles applied in connection with the preparation of the financial statements of PSMT for the year ended 2021 and subject thereto shall otherwise be construed in accordance with international financial reporting standards in Trinidad and Tobago, as appropriate, (in this clause referred to as 'IFRS') provided that:

(a) 'Bank Debt' means any Financial Indebtedness incurred by the Borrower, other than Intercompany Debt.

(b) 'Debt Service Coverage Ratio' at any time means the ratio of (a) EBITDA to (b) the sum of (i) interest payable on, and amortization of debt discount in respect of, all Financial

Indebtedness of or by PSMT, plus (ii) principal amounts of all Financial Indebtedness payable of or by PSMT for or during the next twelve (12) month period;

(c) 'EBITDA' means (A) the sum of the net income (excluding any extraordinary and non-operating income and expenses including parent company charges for the preceding twelve (12) months) of PSMT for such period plus, (B) to the extent deducted in determining net income of PSMT for such period, the aggregate amount of (i) Interest Costs, (ii) income tax expense (including accrued income tax), (iii) depreciation expense, and (iv) amortization expense;

(d) 'Interest Costs' means in relation to any financial period means the aggregate of all interest, fees, commissions, discounts (other than trade discounts) and other costs, charges or expenses accruing due from PSMT during such financial period in respect of Financial Indebtedness including without limitation:

(i) capitalised interest;

(ii) the portion of any payments under finance leases which exceeds the reduction of the principal indebtedness under such leases resulting from such payments; and

(iii) the amount by which the price payable on redemption of any debt securities issued by PSMT exceeds the original issue proceeds thereof;

less interest (including capitalised interest) received by PSMT during such period.

(4) If there is any dispute as to any computation under this Clause 10.11 or as to the interpretation of any of the terms defined in this Clause 10.11, the decision of the Bank shall, in the absence of manifest error, be conclusive and binding on the parties to this Agreement.

## 11 DEFAULT

### 11.1 Events of Default

There shall be an Event of Default if:

(a) the Borrower fails to pay any principal or interest any other sum due under this Agreement or any Related Document within five (5) Business Days of the due date thereof; or

(b) the Borrower commits any breach of any provision of Clauses 10.1(2) 10.2(a), 10.2(f), 10.3 through 10.9, or 10.11; or

(c) the Borrower commits any material breach of any other provision of this Agreement or any Related Document and either such breach is in the reasonable opinion of the Bank not capable of remedy or such breach is in the reasonable opinion of the Bank capable of remedy and is not remedied within thirty (30) calendar days after the earlier

of the date of notice by the Bank requiring such remedy or the date on which the Borrower first becomes aware of the breach; or

(c) any representation or warranty made or deemed to be made or repeated by the Borrower in or pursuant to this Agreement or any Related Document is or proves to have been untrue or incorrect in any material respect when made or when deemed to be repeated with reference to the facts and circumstances existing at such time; or

(d) any Financial Indebtedness of the Borrower is not paid when due or within any applicable grace period or becomes due or capable of being declared due prior to its stated maturity (and, in the case of a guarantee or an indemnity, is called) and is not, in the reasonable opinion of the Bank, being disputed promptly and in good faith; or

(e) any Encumbrance to secure any Financial Indebtedness of the Borrower becomes enforceable; or

(g) an encumbrancer takes possession or a receiver or administrative receiver or manager or sequestrator is appointed of the whole or any substantial part of the undertaking assets rights or revenues of the Borrower or a distress or other process is levied or enforced upon any of the assets rights or revenues of the Borrower and any such action is not lifted or discharged within thirty (30) calendar days; or

(h) a petition is presented to, or any order is made by, any competent court for the appointment of an administrator in relation to the Borrower; or

(i) the Borrower is, or is adjudicated or found to be, insolvent or stops or suspends payment of its respective debts or is (or is deemed to be) unable to or admits inability to pay its respective debts as they fall due or proposes or enters into any voluntary arrangement or any composition or other arrangement for the benefit of its creditors generally or proceedings are commenced in relation to the Borrower under any law regulation or procedure relating to reconstruction or adjustment of debts; or

(j) any petition is presented by any person (other than a petition which, in the reasonable opinion of the Bank, is frivolous or vexatious and which is withdrawn or stayed within thirty (30) calendar days) or any order is made by any competent court or any resolution is passed by the Borrower for its winding-up or dissolution or for the appointment of a liquidator of the Borrower (except for the purpose of a solvent amalgamation or reconstruction on terms and conditions which shall have first been approved by the Bank); or

(k) the Borrower ceases or threatens to cease to carry on the whole or a substantial part of its business; or

(l) this Agreement or any Related Document is or becomes (or is alleged to be) unlawful or unenforceable in any respect; or

(m) any Material Consent is withdrawn or revoked or expires or is modified or made subject to any condition which in the reasonable opinion of the Bank may materially and adversely affect the Borrower or its respective ability to perform or comply with any of its respective obligations under this Agreement or any Related Document; or

(n) the Borrower becomes a subsidiary of any other person or one person or more than one person acting in concert (within the meaning of The Takeovers and Mergers By-Laws), not having such control at the date of this Agreement, obtain(s) control (as defined in section 4 of the Companies Act Chap. 81:01) of the Borrower; or

(o) the Guarantee of any Guarantor is not (or is alleged by such person not to be) valid and in full force and effect; or

(p) any event described in paragraphs (d) to (k) inclusive above or any analogous event occurs to or in respect of PSI, PSE, or any member of the Group; or

(q) any other event or series of events or any circumstances whether related or not (including but without limitation any material adverse change in the financial, economic and political environment in Trinidad and Tobago, any adverse change in the business, assets or financial condition of the Borrower, PSI, PSE or any members of the Group, taken as a whole) occur(s) or arise(s) which, in the reasonable opinion of the Bank, may have a material adverse effect on the Borrower, PSI, PSE or any member of the Group, taken as a whole or its respective ability or willingness to perform or comply with any of its respective obligations under this Agreement and/or any Related Document (including but without limitation the obligations of the Borrower to make any payments under this Loan Agreement and the Related Documents).

**11.2 Rights on a Default**

The Bank may (without prejudice to any of its rights) upon and at any time after the happening of an Event of Default (whether or notice of same shall have been provided by the Borrower), so long as the same is continuing, by notice to the Borrower declare that:

(a) the Commitment of the Bank and any obligation of the Bank to make any Advance shall be terminated, whereupon such Commitment shall be reduced to zero and such obligation shall be terminated forthwith; and/or

(b) the Loan has become immediately due and payable, whereupon the Borrower shall forthwith repay the same together with all interest accrued and all other sums payable under this Agreement; and/or

(c) the Loan has become due and payable on demand, whereupon the Loan and all interest and other sums payable under this Agreement shall at all times after such declaration be due and payable forthwith on demand.

## 12 INDEMNITIES

### 12.1 Indemnities

The Borrower shall on demand indemnify the Bank against any liability, loss or expense which the Bank shall certify as incurred by it as a consequence of:

(a) any default in payment by the Borrower of any sum under this Agreement when due;

(b) the occurrence of any Event of Default;

(c) any repayment of any Advance or part thereof being received otherwise than on a Payment Date;

(d) the early breaking, termination or reversing (in whole or in part) of any agreement or arrangement entered into by the Bank with the Borrower or any third party for the purpose of or in connection with fixing, capping the rate of or otherwise hedging interest payable under this Agreement; or

(e) any Advance not being made for any reason (excluding any default by the Bank) after a Drawdown Notice therefor has been given

including in any such case, but not limited to, any loss of profit and any loss or expense incurred in maintaining or funding the Loan or any Advance or other sum or in liquidating or re-employing deposits from third parties acquired or contracted for in order to effect or maintain the same.

### 12.2 Currency

If, under any applicable law or regulation or pursuant to a judgment or order being made or registered against or the liquidation of the Borrower or without limitation for any other reason, any payment under or in connection with this Agreement is made or falls to be satisfied in a currency (the 'payment currency') other than the currency in which such payment is expressed to be due under or in connection with this Agreement (the 'contractual currency') then, to the extent that the amount of such payment actually received by the Bank, when converted into the contractual currency at the rate of exchange, falls short of the amount due under or in connection with this Agreement, the Borrower, as a separate and independent obligation, shall indemnify and hold harmless the Bank against the amount of such shortfall. For the purposes of this Clause, the 'rate of exchange' means the rate at which the Bank is able on or about the date of such payment to purchase, in accordance with its normal practice, the contractual currency with the payment currency and shall take into account (and the Borrower shall be liable for) any premium and other costs of exchange including any Taxes incurred by reason of any such exchange.

## 13 TAXES

### 13.1 Grossing up payments

All payments to be made by the Borrower under this Agreement shall be made free and clear of and without deduction for or on account of Taxes unless the Borrower is required to make such a payment subject to the deduction or withholding of Taxes, in which case the amount payable by the Borrower in respect of which such deduction or withholding is required to be made shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Bank receives and retains (free from any liability in respect of any such deduction or withholding) a net amount equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

### 13.2 Notification

If at any time the Borrower is required by law to make any deduction or withholding from any sum payable by it under this Agreement (or if subsequently there is any change in the rates at which or the manner in which such deductions or withholdings are calculated), it shall promptly notify the Bank upon becoming aware of the same.

### 13.3 Tax receipts

If the Borrower is required to make any deduction or withholding from any payment hereunder, it shall pay the full amount required to be deducted or withheld to the relevant taxation or other authority within the time allowed for such payment under applicable law and shall deliver to the Bank within thirty (30) calendar days after it has made such payment to the applicable authority an original official receipt issued by such authority and any other appropriate evidence of the payment to such authority of all amounts so required to be deducted or withheld.

### 13.4 Indemnity

The Borrower shall indemnify and hold harmless the Bank against, and reimburse it on demand, the amount of any Taxes so deducted withheld or accounted for and paid by the Borrower whether or not such Taxes were correctly or legally assessed or demanded.

## 14 CHANGES IN CIRCUMSTANCES

### 14.1 Illegality

If at any time it is or becomes unlawful, or contrary to any request from or requirement of any central bank or other fiscal monetary or other authority (whether or not having the force of law), for the Bank to make fund or allow to remain outstanding any Advance or part of the Loan, then the Bank shall promptly after becoming aware of the same deliver to the Borrower a certificate to that effect and:

(a) the Bank shall not thereafter be obliged to make any Advance and its Commitment shall be reduced to zero; and

(b) if the Bank so requires, the Borrower shall not later than such date as the Bank shall have specified (such date not being earlier than seven (7) Business Days prior to the latest permitted date) repay each Advance together with accrued interest thereon and any other amounts then due to the Bank hereunder.

## 15 GENERAL

### 15.1 Set-off

(1) The Bank may, without prior notice to the Borrower, apply any credit balance (whether or not then due and in whatever currency) which is at any time held by any office or branch of the Bank for the account of the Borrower in or towards satisfaction of any sum then due and payable from the Borrower under this Agreement or any Related Document and in respect of which a default in payment has occurred. The Bank will promptly notify the Borrower of such application.

(2) For the purposes of exercising any rights under this Clause, or any rights under the general law, the Bank may convert or translate all or any part of such a credit balance into another currency applying a rate which in its opinion fairly reflects prevailing rates of exchange.

(3) The Bank is not obliged to exercise any of its rights under this Clause, which shall be without prejudice and in addition to any rights under the general law.

(4) In this Clause 'rights under the general law' means any right of set off, combination or consolidation of accounts, lien or similar right which the Bank has under any applicable law.

### 15.2 Assignment and Facility Offices

(1) This Agreement shall be binding upon, and enure for the benefit of, each of the parties hereto and their respective successors and permitted assigns (and any person to whom the Bank shall transfer or novate any rights and/or obligations under this Agreement).

(2) The Borrower may not, without the prior written approval of the Bank, such approval not to be unreasonably withheld, assign or transfer any of its rights, benefits or obligations under this Agreement.

(3) Upon twenty-one (21) calendar days' prior written notice to the Borrower of any such intended assignment or transfer, the Bank may assign all or any part of its rights or benefits or transfer all or any part of its obligations under this Agreement or any Related Document. The Borrower shall enter into all documents specified by the Bank to be necessary to give effect to any such assignment or transfer.

(4) Upon twenty-one (21) calendar days' prior written notice to the Borrower of any such intended disclosure, the Bank may disclose on a confidential basis to any actual or potential assignee or transferee of any rights, benefits or obligations under this Agreement or any Related Document such information about the Borrower and its business and financial condition as the Bank shall reasonably consider appropriate.

(5) The Bank may at any time and from time to time change its facility office (being the office out of which it will make available and maintain its Commitment and/or any Advance or any part thereof) in which event it will promptly give the Borrower notice thereof.

**15.3 Notices**

(1) Every notice or other communication under this Agreement shall be in writing and may be delivered personally or by letter or facsimile transmission despatched as follows:

(a) if to the Bank, at its address specified at the head of this Agreement or to the following numbers:

FirstCaribbean International Bank (Trinidad & Tobago) Limited

74 Long Circular Road

Maraval

Fax No. + (868) 622-4989

Attention: The Managing Director

(b) if to the Borrower, at its address specified below or its registered or principal office for the time being or to the following numbers:

PriceSmart Realty (TT) Limited

Corner Endeavour Road and Narsaloo Ramaya Road,

Chaguanas

Facsimile + (868) 671-1865

for the attention of: The Regional Financial Controller

With a courtesy copy to:

General Counsel

PriceSmart, Inc.

9740 Scranton Rd, Ste. 125

San Diego, California USA 92121

Facsimile +(858) 404-8828

or (in any case) to such other address and/or facsimile number as may be notified in accordance with this Clause by the relevant party to the other party for such purpose.

(2) Every notice or other communication shall, subject as otherwise provided in this Agreement, be deemed to have been received (if sent by post) 24 hours after dispatch and (if delivered personally or by facsimile transmission) at the time of delivery or dispatch if during normal business hours in the place of intended receipt on a Business Day in that place and otherwise at the opening of business in that place on the next succeeding such Business Day, provided that any notice or communication to be made or delivered to the Bank shall be effective only on actual receipt by the Bank.

**15.4 Waivers**

No delay or omission on the part of the Bank in exercising any right or remedy under this Agreement shall impair that right or remedy or operate as or be taken to be a waiver of it, nor shall any single partial or defective exercise by the Bank or any such right or remedy preclude any other or further exercise under this Agreement of that or any other right or remedy. The remedies provided in this Agreement are cumulative and are not exclusive of any remedies provided by law.

**15.5 Severance**

If at any time any of the provisions of this Agreement is or becomes illegal, invalid or unenforceable in any respect under any law or regulation of any jurisdiction, neither the legality, validity and enforceability of the remaining provisions of this Agreement nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall be in any way affected or impaired as a result.

**15.6 Counterparts**

This Agreement may be executed in any number of counterparts in which case this Agreement will be as effective as if all signatures on the counterparts were on a single copy of this Agreement.

**15.7 Language**

All notices or communications under or in connection with this Agreement (including without limitation documents to be delivered pursuant to Clause 4.1) shall be in English or, if in any other language, accompanied by a translation into English certified as the Bank may require. In the event of any conflict between the English text and the text in any other language, the English text shall prevail.

**15.8 Law and jurisdiction**

(1) This Agreement shall be governed by and construed in accordance with Trinidad and Tobago law.

(2) The Borrower irrevocably agrees for the exclusive benefit of the Bank that the courts of Trinidad and Tobago shall have jurisdiction to hear and determine any suit action or proceeding, and to settle any disputes, which may arise out of or in connection with this Agreement and for such purposes hereby irrevocably submits to the jurisdiction of such courts.

(3) Nothing contained in this Clause shall limit the right of the Bank to take proceedings against the Borrower in any other court of competent jurisdiction, nor shall the taking of any such proceedings in one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not (unless precluded by applicable law).

(4) The Borrower irrevocably waives any objection which it may have now or in the future to the courts of Trinidad and Tobago being nominated for the purpose of sub-clause (2) above and agrees not to claim that any such court is not a convenient or appropriate forum.

AS WITNESS this Agreement has been duly executed the day and year first above written.

[REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK – SIGNATURES APPEAR AFTER THE SCHEDULES]

**SCHEDULE 1**

Drawdown Notice

To: FirstCaribbean International Bank (Trinidad & Tobago) Limited

74 Long Circular Road

Maraval

For the attention of: The Managing Director

Date [_____] 20[_____]

Dear Sirs,

Loan Agreement dated February [_____] 2021

We wish to draw down the Facility Amount under the above Loan Agreement as follows:

(a) Drawdown Date: [_____] 20[_____]

(b) Amount due for Financing Costs: US$[_____]

(c) Bank account to which balance of proceeds are to be paid: [_____]

We confirm that:

(a) the matters represented by us and set out in Clause 10 of the Loan Agreement are true and accurate on the date of this notice as if made on such date; and

(b) no Event of Default or Potential Default, each as defined in the Loan Agreement, has occurred and is continuing or would result from the drawing of the proposed Advance.

Yours faithfully,

for and on behalf of

PRICESMART REALTY (TT) LTD

By:_____

Name:

Title:

SCHEDULE 2

Conditions Precedent

In this Schedule, 'certified' means certified by a director or another duly authorised officer of the Borrower or other relevant company as being a true complete and up-to-date copy as at a date no earlier than the date of this Agreement. Each of the following, unless waived, must be delivered to the Bank or its counsel at or before closing:

(1) A certified copy of the articles and by-laws and the register of members of the Borrower.

(2) A certified copy of a resolution of the board of directors of the Borrower to be provided approving the terms of this Agreement and any Related Document required to be delivered under this Agreement to which it is expressed to be a party, authorising the person(s) executing the same to do so and authorising a person or persons to sign Drawdown Notices and all notices or other communications to be given or made by or on behalf of the Borrower under this Agreement or any such Related Document.

(3) A certified copy of a resolution of the board of directors of each Guarantor and a special resolution duly passed by its members in general meeting, each approving any Related Document to which it is expressed to be a party and authorising the person or persons signing the same to do so.

(4) A certified copy of a solvency certificate issued by a duly authorised officer of each of the Borrower and the Guarantors confirming compliance with the provisions of Section 56 of the Companies Act.

(5) A specimen signature, authenticated to the satisfaction of the Bank, of each person authorised to sign by the resolutions referred to in paragraphs (2) and (4) above.

(6) Each fee payable pursuant to Clause 7 to the extent due and payable.

(7) Each Second Supplemental Security Instrument has been executed and delivered and is valid and binding and in full force and effect.

(8) Evidence that all property taxes and other statutory payables related to the Properties and the Borrower are fully paid up and up to date.

(9) The written consent of RBC Royal Bank (Trinidad & Tobago) Limited to the Loan and to the Security Interests created in respect thereof by the Borrower, PSMT and PSOL respectively.

(10) A certified copy of the latest (consolidated) audited annual financial statements of PSMT Trinidad/Tobago Limited.

(11) The successful preparation, negotiation and execution of all necessary legal documentation to the satisfaction of the Bank.

(12) The absence of any material change in the financial, political, economic or other conditions in Trinidad and Tobago that could, in the sole opinion of the Bank, affect the success of the Borrower or its ability to make any payments hereunder.

(13) No material adverse market condition has occurred in the sole opinion of the Bank. In the event of such occurrence, the Bank will have the right to vary the terms or pricing of the financing provided in this Agreement if it determines that such changes would be advisable and necessary, but will consult with the Borrower prior to implementing any changes it deems necessary. The Borrower will have the right to withdraw from the transaction if the changes in the terms or pricing are not acceptable to it without incurring any incremental costs other than the Financial Costs.

(14) A recent appraisal over PriceSmart San Fernando prepared by an appraiser acceptable to the Bank showing a market value of not less than US$15,500,000.00.

SCHEDULE 3

Original Security Instruments

1. The debenture (***'Original Debenture – PSMT'***) dated the 19th day of February, 2009 and made between PSMT and the Bank whereby PSMT created in favour of the Bank fixed charges by way of mortgage and floating charges over all of its present and future assets as security for the repayment of all moneys and liabilities specified therein, ranking second only to the Debenture – RBTT.

2. The debenture (***'Original Debenture – PSOL'***) dated the 19th day of February, 2009 and made between PSOL and the Bank whereby PSOL created in favour of the Bank fixed charges by way of mortgage and floating charges over all of its present and future assets as security for the repayment of all moneys and liabilities specified therein, ranking second only to the Debenture – RBTT.

3. The debenture dated (***'Original Debenture – PST'***) the 19th day of February, 2009 and made between the Borrower and the Bank whereby the Borrower created in favour of the Bank fixed by way of mortgage and floating charges over all of the Borrower's present and future assets as security for the repayment of all moneys and liabilities specified therein, ranking second only to the Debenture – RBTT.

4. The collateral mortgage (***'Original Collateral Mortgage'***) dated the 19th day of February, 2009 registered as DE200900484926D001 made by the Borrower in favour of the Bank by which the Borrower created a first mortgage over the property known as PriceSmart San Fernando as more properly described in the schedule thereto granted by way of further and/or additional and/or collateral security to that created by the Original Loan Agreement.

5. The joint and several guarantee and indemnity (***'Original Guarantee'***) dated the 19th day of February, 2009 made by PSMT and PSOL in favour of the Bank.

6. The deed of subordination (***'Original Deed of Subordination'***) dated the 19th day of February, 2009 entered into in favour of the Bank by the Borrower, PSI and PMST subordinating fifty percent (50%) of the Intercompany Debt to the amounts owing by the Borrower to the Bank.

**SIGNATORIES TO THE AGREEMENT:**

in the presence of
duly authorised signatory by order of the Board of Directors and signed by them in conformity with the Articles of Incorporation and By-laws thereof in the presence of:

Controller – Caribbean Region

Sr. Accounting Manager – Trinidad & Tobago

THE **COMMON SEAL** of **PRICESMART REALTY (TT) LTD** was hereunto affixed by

its duly authorised signatory in the presence of
its duly authorised signatory by order of the Board of Directors and signed by them in conformity with the Articles of Incorporation and By-laws thereof in the presence of:

Name of Witness: ……...

Signature:…….

Occupation: ……

Address: ……..

……

/s/ Salisha A. Sieupersad
.....
Name:
Title: Controller – Caribbean Region

/s/ Dhanraj Mahabir
.....
Name:
Title: Vice President of Operations – Caribbean Region

THE **COMMON SEAL** of **FIRSTCARIBBEAN INTERNATIONAL BANK (TRINIDAD & TOBAGO) LIMITED** was hereunto affixed by

its Secretary in the presence of
one of its Directors by order of the Board of Directors
and signed by them in conformity with the Articles
of Incorporation thereof in the presence of:

Name of Witness: ……...

Signature:…….

Occupation: ……

Address: ……..

…….

Countersigned /s/

.....
Name:
Title:

.....
Name:
Title:

**Exhibit 21.1**

**LIST OF SUBSIDIARIES OF PRICESMART, INC.**

The following table sets forth a list of the Company's subsidiaries as of August 31, 2021:

| Name | Jurisdiction of Incorporation and Organization | Ownership |
|---|---|---|
| Tortola Express, Ltd. | British Virgin Islands | 50 % |
| PriceSmart Panama, S.A. | Panama | 100 % |
| GolfPark Plaza, S.A. | Panama | 50 % |
| PriceSmart (Guatemala), S.A. | Guatemala | 100 % |
| PSMT Caribe, Inc. | British Virgin Islands | 100 % |
| PriceSmart El Salvador, S.A. de C.V. | El Salvador | 100 % |
| Prismar de Costa Rica, S.A. | Costa Rica | 100 % |
| Plaza Price Alajuela PPA, S.A. | Costa Rica | 50 % |
| PriceSmart Honduras, S.A. de C.V. | Honduras | 100 % |
| PriceSmart Dominicana, S.R.L. | Dominican Republic | 100 % |
| PriceSmart Exempt SRL | Barbados | 100 % |
| PSMT Trinidad/Tobago Limited | Trinidad & Tobago/St. Lucia | 100 % |
| PriceSmart Realty (TT) Limited | Trinidad & Tobago | 100 % |
| PriceSmart Clubs (TT) Limited | Trinidad & Tobago | 100 % |
| PSMT, LLC | U.S. Virgin Islands | 100 % |
| PriceSmart Holdings, Inc. | St. Lucia | 100 % |
| PSMT (Barbados), Inc. | Barbados | 100 % |
| Island Foods and Distributors, N.V. | Aruba | 100 % |
| PriceSmart Jamaica (SL), Inc. | St. Lucia | 100 % |
| PriceSmart (Jamaica) Limited | Jamaica | 100 % |
| PriceSmart Realty (Jamaica) Limited | Jamaica | 100 % |
| PS Exportadora Latinoamericana, S.A. de CV. | Mexico | 100 % |
| PSMT Nicaragua (BVI), Inc | British Virgin Islands | 100 % |
| PSMT Nicaragua, S.A. | Nicaragua | 100 % |
| Inmobiliaria PSMT Nicaragua, S.A. | Nicaragua | 100 % |
| PriceSmart Colombia SAS | Colombia | 100 % |
| PSCR Exportadora, S.A. | Costa Rica | 100 % |
| PriceSmart Latinoamerica SL | Spain | 100 % |
| Aeropost, Inc. | Delaware | 100 % |
| Aeropost International Services, Inc | Florida | 100 % |
| Aeropost.com, LLC | Florida | 100 % |
| Aeropost Holdings, Inc. | Panama | 100 % |
| Aeropost Chile, S.A. | Chile | 100 % |
| Metropolitan Services, Inc. | Panama | 100 % |
| Aeroshop Colombia, SAS | Colombia | 100 % |
| Aeropost Trinidad, Ltd. | Trinidad | 50 % |
| Balderton Business, S.A. | Panama | 100 % |
| Compras Por Internet, S.A. | Panama | 100 % |
| Aerocasillas, S.A. | Costa Rica | 100 % |
| Aerocasillas de El Salvador, S.A. de C.V. | El Salvador | 100 % |
| Aeropost de Guatemala, S.A. | Guatemala | 60 % |

**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements.

(1) Registration Statements on Form S-8 (Nos. 333-38345, 333-61067, 333-82220, 333-102947, 333-132173, 333-158615 and 333-187722) of PriceSmart, Inc., and

(2) Registration Statements on Form S-3 (Nos. 333-42374, 333-67106, 333-83412, 333-86552, 333-96811, 333-100757 and 333-140290) of PriceSmart, Inc.;

of our reports dated October 21, 2021, with respect to the consolidated financial statements and schedule of PriceSmart, Inc. and the effectiveness of internal control over financial reporting of PriceSmart, Inc., included in this Annual Report (Form 10-K) of PriceSmart, Inc. for the year ended August 31, 2021.

/s/ Ernst & Young LLP

San Diego, California
October 21, 2021

**Exhibit 31.1**

**Certification**

I, Sherry S. Bahrambeygui, certify that:

1. I have reviewed this Annual Report on Form 10-K of PriceSmart, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 21, 2021

/s/ SHERRY S. BAHRAMBEYGUI

**Sherry S. Bahrambeygui**
**Chief Executive Officer**
**(Principal Executive Officer)**

**Exhibit 31.2**

**Certification**

I, Michael L. McCleary, certify that:

1. I have reviewed this Annual Report on Form 10-K of PriceSmart, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 21, 2021

/s/ MICHAEL L. MCCLEARY

**Michael L. McCleary**
**Executive Vice President and Chief Financial Officer**
**(Principal Financial Officer and Principal Accounting Officer)**

**Exhibit 32.1**

**Certification of Chief Executive Officer**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of PriceSmart, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the annual period ended August 31, 2021 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 21, 2021

/s/ SHERRY S. BAHRAMBEYGUI

**Sherry S. Bahrambeygui**
**Chief Executive Officer**
**(Principal Executive Officer)**

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Exhibit 32.2**

**Certification of Chief Financial Officer**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of PriceSmart, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the annual period ended August 31, 2021 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 21, 2021

/s/ MICHAEL L. MCCLEARY

**Michael L. McCleary**
**Executive Vice President and Chief Financial Officer**
**(Principal Financial Officer and Principal Accounting Officer)**

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.