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PriceSmart

PriceSmart Q3 2026 Earnings Release Conference Call

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CORPORATE SPEAKERS:

Gualberto Hernandez

PriceSmart; Chief Financial Officer

David Price

PriceSmart; Chief Executive Officer

PARTICIPANTS:

Jon Braatz

Kansas City Capital; Analyst

Hector Maya

Scotiabank; Analyst

PRESENTATION:

Operator^ Good morning, or good afternoon everyone. Welcome to PriceSmart Inc.'s Earnings Release Conference Call for the third quarter of Fiscal Year 2026 which ended on May 31, 2026.

After remarks from our company's representatives, David Price, Chief Executive Officer; and Gualberto Hernandez, Chief Financial Officer; you will be given an opportunity to ask questions as time permits.

As a reminder, this conference call is limited to one hour and is being recorded today Thursday July 9, 2026. (Operator Instructions) For opening remarks, I would like to turn the call over to PriceSmart's Chief Financial Officer, Gualberto Hernandez. Please proceed, sir.

Gualberto Hernandez^ Thank you, Operator. Welcome to PriceSmart's earnings call for the third quarter of fiscal year 2026 which ended on May 31, 2026. We will be discussing the information that we provided in our earnings press release and our 10-Q which were both released yesterday on July 8, 2026. Also in these remarks, we refer to non-GAAP financial measures. You can find a reconciliation of our non-GAAP financial measures to the most directly comparable GAAP measures in our earnings press release and our 10-Q. These documents are available on our Investor Relations website at investors.pricesmart.com, where you can also sign up for e-mail alerts.

As a reminder, all statements made on this conference call other than statements of historical fact, are forward-looking statements concerning the company's anticipated plans, revenues and related matters. Forward-looking statements include but are not limited to statements containing the words expect, believe, plan, will, may should, estimate and some other expressions. All

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forward-looking statements are based on current expectations and assumptions as of today July 9, 2026.

These statements are subject to risks and uncertainties that could cause actual results to differ materially including the risks detailed in the company's most recent annual report on Form 10-K, the quarterly report on Form 10-Q yesterday and other filings with the SEC which are accessible on the SEC's website at www.sec.gov. These risks may be updated from time to time. The company undertakes no obligation to update forward-looking statements made during this call. Now I will turn the call over to David Price, PriceSmart's Chief Executive Officer.

David Price^ Thank you, Gualberto. And good morning, everyone. Thank you for joining us today.

We are happy with the strong results from the third quarter. These results reflect the strength of our offering, the loyalty of our Members and the dedication and passion of every employee across our 14 countries who show up every day to do right by our Members and to live our values. I want to take a moment to sincerely thank each of them. Their hard work and creativity is the foundation of everything we do.

We've delivered these results against the backdrop of continued global uncertainty. Currency volatility, evolving trade policy and broader macroeconomic pressures that every multinational is navigating right now. But our teams stay focused and disciplined, and I'm proud of how they executed.

We're encouraged by how the business is trending as we move into the final quarter of the fiscal year. Before I get into the financial highlights, I want to share a few important leadership updates.

We're pleased to welcome Shweta Bhatia as our new Chief Information Officer. Shweta brings more than 25 years of leadership experience across major global retailers and has a strong track record of improving operations, strengthening teams and driving meaningful business impact. Her people-centered collaborative approach aligns closely with our culture and our expertise in retail operations, modernization, data and AI will support our next phase of growth.

We also want to thank Wayne Sadan for his leadership and meaningful contributions to PriceSmart during his time with us, Wayne, we are grateful for everything you brought to this company.

We're also excited to welcome Shari White, who joined us in January and as of June 1, has made the transition to Chief Merchandising Officer. Sherry brings deep merchandising experience from Petco, Target and Unilever. Since joining PriceSmart, Shari has made an immediate and meaningful impact on our merchandising organization and this appointment reflects our confidence in her leadership and vision for the road ahead.

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Paul Kovalevski has assumed the role of Executive Vice President, Other Business, with oversight of pharmacy, optical, audiology, food service, bakery and tire center. Paul has been with PriceSmart for many years and has made significant contributions across both merchandising and operations.

We are excited about what this expanded scope means for those categories going forward. With that, let's turn to the highlights from the quarter.

During the third quarter, net merchandise sales and total revenue reached almost \$1.5 billion. Net merchandise sales increased by 12.5%, or 8.5% in constant currency. Comparable net merchandise sales increased by 10.7%, or 6.9% in constant currency. Three of our recent club openings, Cartago, Quetzaltenango and La Romana, are not yet included in our comparable sales numbers.

During the first nine months of our fiscal year, net merchandise sales reached almost \$4.3 billion, and total revenue was almost \$4.4 billion. Net merchandise sales increased by 11.0%, or 8.6% in constant currency. Comparable net merchandise sales increased by 8.8%, or 6.4% in constant currency.

During the third quarter, our average sales ticket grew by 5.0% and transactions grew 7.1% versus the same prior year period. The average price per item increased 6.0% year-over-year, while average items per basket decreased 1.0%.

As we mentioned on the second quarter call the timing of Semana Santa shifts each year. This year, it fell earlier than it did in the prior year. So for a cleaner apples-to-apples view, it's worth looking at the 8-week period that captures Semana Santa in both years. For the eight weeks ended April 26, 2026, comparable net merchandise sales increased 11.2%, or 7.5% in constant currency. Now let's take a look at our regions.

First, in Central America, where we had 32 clubs at quarter end, net merchandise sales increased 10.6%, or 7.7% in constant currency. Comparable net merchandise sales increased 7.9%, or 5.2% in constant currency. Our Central America segment contributed approximately 480 basis points of positive impact to the growth in total consolidated comparable net merchandise sales for the third quarter.

Second, in the Caribbean, where we had 15 clubs at quarter end, net merchandise sales increased 6.8%, or 6.2% in constant currency. Comparable net merchandise sales increased 6.2%, or 5.6% in constant currency. Our Caribbean region contributed approximately 170 basis points of positive impact to the growth in total consolidated comparable net merchandise sales for the third quarter.

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Last, in Colombia, where we had 10 clubs at quarter end, net merchandise sales increased 35.3%, or 18.6% in constant currency. Comparable net merchandise sales increased 35.7%, or 18.9% in constant currency. Colombia contributed approximately 420 basis points of positive impact to the growth in total consolidated comparable net merchandise sales for the quarter. The increase was driven in part by the appreciation of the Colombian peso when compared to the same period last year, among other operational and market-driven impacts.

In terms of merchandise categories, when comparing our third quarter sales to the same period in the prior year, our foods category grew approximately 12.5%, and our non-foods category increased approximately 12.3%. On the nonfood side, we reconfigured our sales floor and our warehouse club layouts to enhance the visibility of our softline offerings, and since making these changes, we have continued to see the benefits with improved sales performance in these categories. New product innovation and seasonal events also continue to play a strong role in our sales growth. We saw notable momentum from a range of limited time and seasonal offerings, apparel, housewares, small appliances and sporting goods which reinforces the treasure hunt experience our Members come to our clubs for.

The 2026 FIFA World Cup is also a major global moment, and we always like to share in that excitement in our warehouse clubs and online with special merchandise and savings for that event. It's an occasion that naturally brings Members together and we see it as a meaningful opportunity to drive engagement and showcase our value. We built out a broader assortment around it, food, beverage, electronics and soccer themed offerings, along with digital campaigns featuring match schedules, watch parties and credit card promotions in select markets. We've also seen our Members share content around these promotions organically which is really just the modern version of word of mouth and it reinforces the kind of community feel that's always been at the heart of PriceSmart.

In moving on to other merchandise categories, our food service and bakery category increased approximately 12.6%. Our health services including optical, audiology and pharmacy, increased approximately 14.3%.

Next, let's turn to membership.

We continue to grow our membership base with accounts increasing 8.6% year-over-year to over 2.1 million accounts. We saw a particularly strong account growth in Colombia, up 11.6%, driven in part by the stronger peso and Colombia has been one of our market leaders in Platinum membership sign-ups as well.

We also reintroduced an auto renewal program and are seeing strong adoption across most of our markets. As Latin America and the Caribbean become increasingly digital, auto renewals, one of the ways we're actively reducing friction in the mMMber experience.

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For the quarter, membership income increased 17.6% over the prior year period, and platinum upgrades have been a significant contributor to that growth. This year is built for our most engaged Members, annual cash back on eligible purchases that reinforces loyalty and encourages higher spending. As of May 31, platinum accounts represented 21.3% of our total membership base, up from 16.1% in the same period last year. Our Smart Platinum promotions which we typically run in March and November, have resonated well with our Members and have given them a clear moment to see and act on that value.

Membership income as a percentage of revenue held steadily at 1.7% in the third quarter, consistent year-over-year and indicative of a resilient membership base.

Our 12-month renewal rate was 90.5%, as of May 31, a new all-time high for the second consecutive quarter and a result that we're really proud of.

I'll now highlight our progress in real estate, supply chain transformation and technology and how these investments are strengthening our ability to better serve Members and continue growing the business.

We are excited to announce that in the third quarter, we executed a lease for our first warehouse club in Chile which will be in Comuna Las Condes in Santiago. This club will be located within the Mall Plaza Los Dominicos shopping center and is anticipated to open in the spring of 2027. This will be our first warehouse club located within the mall setting and will offer excellent accessibility in a retail environment that will resonate with the quality and value-focused Members we will serve in Chile.

This club establishes the foundation for what we believe can become a meaningful multi-club market over time. In addition to our plan warehouse at Mall Plaza Los Dominicos, we have entered into executory agreements to acquire land for two additional potential warehouse websites in Chile.

I would like to provide additional color on the scope of our investment in this market. We expect to spend approximately \$100 million in capital expenditures on our first three warehouse clubs and our central offices in Chile over the next several fiscal years. This represents our first phase of investment, and we see potential for future phases given the opportunity that we see in the market.

We have also begun building a strong team in Chile including an experienced country general manager and a local buying team that we're really excited about. To date, we have approximately 20 employees operating out of leased office space as we plan for a larger, permanent central office. Consistent with our approach in other markets, we intend to offer a mix of local and imported goods. We also see an opportunity to meaningfully grow exports out of Chile. We already import a variety of products from Chile into our existing markets, and we believe we can grow that business further.

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In terms of growth in our existing markets, in the fourth quarter of fiscal year 2026, we purchased land for our 11th Club in Costa Rica in Santo Tomas de Santo Domingo in the Heredia province. This club is approximately four miles east from our nearest club in Heredia and will be built on a 6-acre property with an anticipated opening in the spring of 2027.

While the new location is geographically close, the reality is that traffic congestion in Heredia is significant and meaningfully reduces mobility in the city. Consumer demand in this market continues to exceed expectations and supports the need for an additional warehouse club in this part of the city. We see a clear need for both clubs to effectively serve members, reduce travel time and capture the full growth potential of the region.

In addition to these two new clubs, we have also previously announced four other warehouse clubs currently in our pipeline, a new club in Ciudad Quesada, Costa Rica which is scheduled to open next month, two clubs in Jamaica, one in Montego Bay and the other on South Camp Road in Kingston and a new club in Villa Nueva, Guatemala. Once these 6 clubs are opened, we will operate 63 warehouse clubs in total.

We also recently opened our sixth warehouse club in the Dominican Republic in La Romana in May 2026. We are proud to have incorporated sustainable design practices into that build and are encouraged by its initial performance since opening.

In addition to new club growth, we plan to initiate warehouse and parking lot expansions as well as remodeling projects in fiscal 2026 and '27 for our Via Brazil, Panama and Barbados clubs.

On the supply chain front, a central part of our transformation strategy is optimizing distribution to support our value proposition on price.

Currently, we operate major distribution centers in Miami, Costa Rica, Panama, Trinidad and Guatemala. During the third quarter, we began operations at a new distribution center in Colombia. This facility is especially important for us. It is in Bogota prime and highly strategic location from a logistics standpoint. Establishing our DC there allows us to take advantage of the strong concentration of local production in that region, and it underscores how significant Colombia has become within our long-term strategy and how much room for growth we still see in that market.

In addition, we plan to open a distribution center in Jamaica during fiscal year 2026 and the Dominican Republic during fiscal year 2027.

We also expect to relocate and consolidate our Miami cold regional distribution center into our existing Miami regional drive facility during fiscal year 2027 which will help us better leverage space, reduce redundancy and improve efficiency across both operations.

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Alongside these new distribution centers, in the second quarter, we completed our implementation of our third-party distribution centers in China, to consolidate merchandise source in the country. These DCs have already helped reduce landed cost and lead times through direct shipments from Asia to our local markets which is exactly what we were looking for. Our vision for our global distribution center network is to help improve product availability, reduce lead times and lower landed costs among other efficiency gains.

Alongside our physical footprint, we are continuing to make progress on the rollout of the RELEX forecasting and replenishment platform and expect to complete the full implementation in the second quarter of fiscal year 2017. We completed the onboarding our U.S.-sourced inventory procurement process, and now we are focused on our local goods procurement process. We are taking the time to ensure we implement RELEX correctly and set up our teams for long-term success. This thoughtful approach has extended the timeline slightly, but it reflects our commitment to getting the transition right.

During the third quarter of fiscal year 2026, we progressed further in our multiphase implementation of the E2Open Global trade management platform which is designed to improve automation, trade compliance and controls across global import and export operations. Over time we expect it to improve data visibility and support the scalability of our international business. Moving on to other ways we're enhancing membership.

Private label penetration on a comparable basis, excluding a reclassification of the produce category, increased 40 basis points in the first nine months of FY 2026, reflecting continued progress toward our long-term goal of growing this part of our business. Using our updated methodology, penetration of private label was 26.7% of total merchandise sales. Recent additions like macadamia nuts, honey and private label coffee, all from Guatemala, demonstrate our focus on delivering exceptional value across key everyday categories and our ability to leverage unique local suppliers in our markets.

In addition, we are in the process of developing a new membership platform that internally, we are calling the membership omnichannel transformation, MOT -- we plan to use this unified platform to manage the full membership life cycle across all channels and serve as our essential system of record for Member identity, transactions and interactions.

We expect MOT to replace several legacy processes with one consistent auditable framework and ensure that activities like enrollment, renewal upgrades and both in club and digital transactions are low friction and provide consistent and clean Member data across our markets. Down the road, we believe MOT will enable personalized communications, targeted promotions and a frictionless sign-up and renewal experience for our Members.

Now let's turn to our digital and technology growth pillar.

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In the third quarter, digital channel sales reached \$99.6 million, our highest dollar volume to date, up 26.2% year-over-year and representing 6.9% of total net merchandise sales. Orders placed directly through our website or app grew with average transaction value up 4.4%. As of May 31, 75.8% of our Members had created an online profile and 27.1% of Members had made a purchase through pricesmart.com or our app. We are encouraged by the continued momentum in digital engagement, and we'll keep investing in this channel.

On the club technology front, we completed implementation of our new point-of-sale system, Elera, across all English-speaking Caribbean markets and one of our Spanish-speaking countries, and we are continuing to roll out across our remaining Spanish-speaking markets. Early indicators Elera is delivering faster checkout times, improved productivity, and expanded payment options for our Members, tangible improvements to the in-club experience.

On the back office side, we made meaningful progress on our implementation of Workday's human capital management system, rolling out phase one of the project this past quarter. This is part of our broader effort to modernize our HR infrastructure, improving usability for employees, driving greater efficiency and compliance and supporting scalable growth through a more integrated data environment.

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

Across our region, we are seeing several political transitions including Colombia's recent presidential elections, with a new administration set to take office in August. Along with recent leadership changes in Chile, Costa Rica and Honduras, these developments are being accompanied by early times of a more market-oriented and business-friendly approach in these markets. While it is still too early to assess the full direction and pace of policy changes, we are closely monitoring potential implications for the operating environment and the overall business climate.

At the same time the global geopolitical environment remains complex and fluid, trade policy uncertainty and ongoing tensions in the Middle East continue to affect key cost drivers including fuel, freight and energy. These pressures have contributed to inflation across many of our markets which in turn is impacting consumer purchasing power and increasing price sensitivity.

Lastly, I want to provide a brief preview of our June sales. Looking forward into our current fourth quarter, our comparable net merchandise sales for the four weeks ended June 28, 2026, were up 11.2%, or 6.5% in constant currency.

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

Gualberto Hernandez^ Thank you, David. Continuing with the income statement. Total gross margin for the quarter as a percentage of net merchandise sales increased 20 basis points to 16.0% versus Q3 last year. This increase is primarily due to improved margins in our non-foods

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category. Margins may fluctuate up and down, but our strategy remains the same, and our philosophy continues to be identifying cost savings and operational efficiencies and passing on those savings to the meters to ensure the lowest possible price.

Total revenue margins improved 30 basis points to 17.7% of total revenue, from 17.4% in the same period last year. This was mainly driven by the increase in our total gross margin, as I just mentioned and good results in membership renewals and platinum growth as called out by David.

On overhead costs, total SG&A expenses increased slightly to 13.3% of total revenues for the third quarter of fiscal year 2026 compared to 13.2% for the third quarter of fiscal year 2025. This was primarily due to higher warehouse club and other operational costs.

In particular, warehouse club and other operation costs increased from 9.7% of total revenue from 9.6% in the same period last year primarily due to expenses related to supporting our launch in Chile.

General and administrative expenses decreased to 3.5% of total revenue from 3.6% in the same period last year, primarily due to the absence of one-time expenses we had in the third quarter of fiscal year 2025 related to the relocation of the San Diego corporate headquarters.

SG&A is an important metric that we monitor closely. These expenses can fluctuate from quarter-to-quarter based on the timing of necessary investments to support the business. Our focus remains on making thoughtful disciplined decisions that position the company for long-term growth and operational strength.

Operating income for the third quarter of fiscal year 2026 increased 16.7% from the same period last year to \$65.6 million or 4.4% as a percentage of revenue versus 4.3% in the prior year period.

Operating income for the first nine months of fiscal year 2026 increased 13.5% from the same period last year to \$204.0 million or 4.7% as a percentage of revenue versus 4.6% in the prior year period.

Below the operating income line, in the third quarter of fiscal year 2026, we recorded a \$10.5 million net loss in total other expense, an increase from a \$7.2 million net loss in total other expense in the same period last year. The primary cause is a result of additional foreign currency transaction costs.

In terms of income tax, our effective tax rate for the third quarter of 2026 decreased slightly to 28.0% compared to 28.4% for the third quarter of fiscal year 2025. For the nine months ended May 31, 2026, our effective tax rate is almost in line at 27.4% compared to 27.3% for the comparable prior year period.

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Finally, net income for the third quarter of fiscal year 2026 was \$39.7 million, or \$1.28 per diluted share, an increase of 12.3%, up from \$35.2 million or \$1.14 per diluted share, in the third quarter of fiscal year 2025. Adjusted EBITDA for the third quarter of fiscal year 2026 was \$90.4 million, compared to \$79.0 million in the same period last year, a growth of 14.5%.

Net income for the first nine months of fiscal year 2026 was \$128.9 million, or \$4.18 per diluted share, an increase of 10.0%, up from \$116.3 million, or \$3.80 per diluted share in the first nine months of fiscal year 2025. Adjusted EBITDA for the first nine months of fiscal year 2026 was \$277.0 million compared to \$245.1 million in the same period last year, a growth of 13.0%.

Moving on to our balance sheet.

We ended the quarter with cash, cash equivalents and restricted cash totaling \$254.6 million, plus approximately \$113.7 million of short-term investments, typically held in certificates of deposit.

When reviewing our cash balances, it is important to note that as of May 31, 2026, we had \$44.1 million of cash, cash equivalents and short and long-term investments denominated in local currency in Trinidad which we could not really convert into U.S. dollars.

Turning to cash flow, net cash provided by operating activities reached \$192.2 million for the first nine months of fiscal year 2026, an increase of \$13.1 million versus the prior year period. The increase is primarily driven by a \$17.5 million increase in net income without noncash items and \$4.6 million of overall net positive changes in other various operating assets and liabilities. This is partially offset by sales in working capital, mainly due to higher overall inventory balances which consumed \$9.0 million of cash used in operating activities.

Inventory levels are trending higher than they have been in the past as we are taking a more deliberate approach to ensure we're in a stronger in-stock position, particularly in non-foods, so we can better meet Member demand and support a momentum.

Additionally, in the third quarter, the company entered into non-deliverable forward foreign exchange contracts to mitigate foreign currency exchange rate risk associated with forecasted U.S. dollar-denominated inventory expenditures in our Colombian subsidiary. These contracts are designated as cash flow hedges and are intended to reduce exposure to currency fluctuations while providing great predictability around expected inventory costs in Colombia and support more stable pricing.

Net cash used in investing activities increased by \$93.3 million for the first nine months of fiscal year 2026 compared to the prior year, primarily due to a net increase in purchases less proceeds of short-term investments of \$46.2 million, a \$42.5 million increase in property and equipment expenditures, and an \$11.9 million increase in purchases of long-term investments.

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This was partially offset by a \$6.2 million increase in proceeds from disposals of property and equipment, mainly due to the sale of our product distribution center in Guatemala, and \$1.1 million of cash received due to the proceeds from the dissolution for our joint venture.

Net cash used in financing activities increased by \$4.9 million for the first nine months of fiscal year 2026, compared to the prior year, primarily due to a \$19.8 million increase in repayments of short-term bank borrowings, net of proceeds, a \$3.1 million increase in the purchases of treasury stock upon vesting of restricted stock awards to cover employees' tax withholding obligations and a \$2.3 million increase in cash dividend payments. This was partially offset by a \$20.3 million increase in proceeds from long-term bank borrowings, net of repayments.

Looking ahead, we remain focused on sustainable growth, operational excellence and delivering exceptional value to our Members. While macroeconomic conditions across our region remain dynamic, our diversified geographic footprint and disciplined operating model position us well for the remainder of the fiscal year.

We appreciate the continued support of our Members, employees and shareholders, and we thank our teams for their ongoing efforts. Thank you for joining our call today. I will now turn the call over to the operator to take your questions.

Operator, you may now start taking our callers' questions.

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

Jon Braatz^ David, I just want to start with your Chile expansion.

Obviously this is your first new market since Colombia, I think in 2011. And Chile is obviously a different market.

It's smaller, but the GDP per capita is maybe 2x that of Colombia.

I guess my question is, how are you approaching Chile maybe versus Colombia?

It took a while to scale up in Colombia and achieve a decent level of profitability. Can you compare the two markets and how you're approaching it.

I don't think you were necessarily with the company at the time when Chile expansion began.

But obviously you had people there that were.

But can you talk a little bit about Chile versus Colombia?

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David Price^ Yes. I'd be happy to talk about that, John. I think it's a good question. It's something we've thought about and looked out really closely internally. We, of course always want to learn from experiences that we've had.

And there's a lot of things that are different I guess objectively between the two markets, like you referenced, they're dramatically different in size. They're quite dramatically different in GDP per capita, while the GDPs in the aggregate are actually quite similar.

Colombia is kind of multinucleic from a city standpoint, while Chile does have multiple cities, vast majority of the -- over -- around 50%, let's say of the population is in Santiago with a major port around 1.5 hours away versus multiple ports in Colombia.

So there's some -- on the other hand, it's not in the Caribbean basin, and it's on the Pacific and several thousand more miles away than Colombia.

But there are some factors that back in the mid-2000s that impacted Columbia significantly.

You'll probably recall that when we opened Barranquilla, a peso was 1,800:1.

Were -- I would describe that first location as a smashing success.

We went back and looked at the data and we had big sign-ups of memberships and people were flying from Bogota to shop and send those goods back home.

And what happened was that there was a significant devaluation in the peso where it got well over 4,000:1.

That was a big hit to us, but also a big hit to all consumers in Colombia and multinationals.

And since that time Casino exited, macro has exited now in most of the multinationals have really exited Colombia, and we've taken our lines, you could say and have improved. And for sure, we don't want Chile to take that long.

But I'd say there are some factors that are separate. Now looking at the things for sure that we've learned and that we're aiming to ensure that we get right. I mean it's, one is we're building up our local team and really taking the time to make sure we have the right team locally from a management standpoint, the right buyers.

We know that that's critical.

We know that there's going to be a mix of local and imported goods you have to give before you get in this business.

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So it's going to be really important for us to focus on pricing in a true great value proposition for the Member.

So that will take time to get that scale and volume and having multiple locations will help.

But really, we got to get before we get in the market.

That's critical because this is a business based on doing right by the Member and being good fiduciary in their interest, and we aim to do that in Chile.

Jon Braatz^ Thank you, David. When you think about Chile, the -- when would you first begin -- well two things. Number one, are the locals familiar with membership clubs?

Then secondly, when might you first begin accepting taking new membership in the Santiago store?

David Price^ Sure.

So there is not a membership warehouse club today but there's a couple of things I'll note.

One is for many Latinos around the region, especially those that are middle upper income, it's not uncommon for people to travel to the United States to business family into shop. And certainly, Costco is a place where people tend to stop. That being said, there's a number of membership like, I guess what you call recurring revenue type programs for other retailers and services.

For example, there's Uber one which is a monthly rate. There's Jumbo Prime which is a monthly rate and others.

So people are not unfamiliar with paying a membership fee for a subscription service. That was the word I was looking for a subscription service.

Now we have an annual fee versus the monthly fees.

We like to think about our fee being saved and earned for the Member by the value that they get on the purchases, right?

So that's going to be somewhat new.

But I think I'm not concerned about reception of the idea of paying membership because it's something that is happening for sure in the market already that we've seen RapiPrime is another one. I mean all the last milers and some of the retailers happen.

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Now in terms of the membership, we haven't announced -- we have not announced when we're going to start selling memberships.

We certainly will start selling membership several months at least before the opening.

We always do that actually.

When we open a new club, even in the new region of a country or a new part of a city, we'll start selling memberships at least three months before if not more.

It really depends.

We look at how much cannibalization there would be from other clubs.

In this case, since it's the first club, we'll probably start a little earlier just because it's going to be a brand-new concept.

Jon Braatz^ Okay.

One last question. In the quarter, you were able to reduce your turn at ad balances quite sharply.

The currency transaction costs were \$8.5 million versus \$3.7 million a quarter ago. Was there just an opportunity that rose to take advantage of it?

Or is this something that we might see more of?

Gualberto Hernandez^ John, this is Gualberto. Thank you for the question. Yes. Yes. You're totally right.

We sourced more U.S. dollars in Trinidad in this quarter. If you compare, for instance, versus last quarter, and that was -- will allow us to go down to \$44.1 million of fracas in nonconvertible cash and trade at today.

If you remember in Q2, we had lower transactional costs versus the same quarter of the prior year.

That's exactly for the reason you just mentioned.

We want to be very strategic and very opportunistic in sourcing our dollars.

We only buy what we believe we can get a good -- very good transaction cost to access these

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U.S. dollars. There are no changes in the policy or the strategy, we continue permanently looking for options to get access to dollars in different ways.

We have a strong partnership with our financial institutions also internally with the team we are evaluating other avenues.

But for now no major change in our policy, and it just will continue to fluctuate from quarter-to-quarter depending on the availability of U.S. dollars in the market.

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

Hector Maya^ (Foreign Language) First on Colombia, could you please share a few details on why the operating income declined despite the compete?

Then I have a follow-up, if I may or I can also rejoin the queue as instructed, no problem.

Gualberto Hernandez^ Please, the question is about Colombia profitability.

Hector Maya^ Yes.

Why the operating income declined despite the comp yes.

Gualberto Hernandez^ Okay. Colombia had a little bit -- as you know we have a higher running operating compared to our other markets. It's a little bit of the mix of warehouse expenses that have been going up. This is something that, again -- we don't see this as a trend.

We are working closely the evolution of every line in the P&L in particular, Colombia in such a strategic and key market for us.

But we are tracking closely. -- and we're working hard to get back in line.

David Price^ Yes.

One factor, I think to Vector which you may be aware of, but there's been a lot of policy changes in Colombia.

We talked about on earlier calls around the minimum wage change which we were well above there.

But we always like to make sure that not only are we above but that we pay a premium versus other retailers and it's part of our value as a company that we want to ensure that we're paying an ethical wage even at the lowest levels.

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But the other thing that happened in Colombia that's happening is that the work week has actually gone down in terms of the hours that are allowable for work without over time.

So we've gone from 44 to actually 42 hours.

So that's a component of what's going on there as well.

Gualberto Hernandez^ And in particular, the latest comment that exactly the warehouse cloudier exactly. Hope that helps shed a little light there.

Hector Maya^ Yes. Perfect. Perfect. And also, if I may sorry, are you seeing better that dollars to U.S. dollars conversion conditions?

And would that reduce the need to charge a premium in goods in the country looking ahead?

Gualberto Hernandez^ No. We're not seeing any material change in the conditions in the market, like I mentioned a bit earlier, it continues the same level liquidity. I mean we're following closely every macroeconomic announcement and evolution in Trinidad. I mean I'm not in a position to say that, that would change.

So we continue with our premium in our cost to cover for this. And as I said before I think the most important thing is that all other things that we are evaluating internally to either reduce our need for U.S. dollars in ended or get more creative ways, always, of course complying with all the regulation to get access to those dollars.

But the market difficult for me to anticipate.

We don't see any reason to believe it would change -- it's a tough situation. quarter-to-quarter, but we don't see any change in the underlying loan trend.

Hector Maya^ Got it. Got it. And last one, could you quantify the impact that Chile is having on warehouse clubs SG&A line?

And how should we think about this impact over the coming quarters?

Gualberto Hernandez^ In this quarter, so we are starting already, as you probably saw in the 10-Q, investing and a steady explain in preopening expenses.

So in SG&A, it's about 10 basis points, the hit that we had this quarter for the preopening expenses in Chile.

Operator^ And that concludes our question and answer session. I would now like to turn the conference back over to Gualberto Hernandez for closing comments.

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Gualberto Hernandez^ Okay. Thank you, Operator.

Thank you, everybody, for joining this call. It's very important we continue this communication.

We enjoy every of our interactions.

So thank you very much.

David Price^ Thanks, everyone.

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