



PriceSmart Announces Fiscal 2019 Fourth Quarter and Full Year Operating Results

SAN DIEGO, Oct. 29, 2019 /PRNewswire/ -- PriceSmart, Inc. (NASDAQ: PSMT), today announced its results of operations for the fiscal year 2019 fourth quarter and full year, which ended on August 31, 2019.

Total revenues for the fourth quarter of fiscal year 2019 increased 3.0% to \$801.3 million compared to \$777.9 million in the comparable period of the prior year. For the fourth quarter of fiscal year 2019, net merchandise sales increased 3.7% to \$768.9 million from \$741.3 million in the fourth quarter of fiscal year 2018. Foreign currency exchange rate fluctuations impacted net merchandise sales negatively by \$20.5 million, or 2.7%, versus the same period in the prior year.

The Company had 43 warehouse clubs in operation as of August 31, 2019 compared to 41 warehouse clubs in operation as of August 31, 2018.

Comparable net merchandise sales for the 41 warehouse clubs that have been open for greater than 13 ½ calendar months increased 1.5% for the 13-week period ended September 1, 2019 compared to the comparable period of the prior year. Foreign currency exchange rate fluctuations impacted comparable net merchandise sales negatively by \$19.9 million or 2.7% versus the same period in the prior year.

The Company recorded operating income during the quarter of \$32.0 million compared to operating income of \$27.2 million in the prior year. Net income attributable to PriceSmart was \$20.7 million, or \$0.67 per diluted share, in the fourth quarter of fiscal year 2019 as compared to \$19.0 million, or \$0.62 per diluted share, in the fourth quarter of fiscal year 2018.

Total revenues, for the twelve months ended August 31, 2019, increased 1.8% to \$3,224.0 million compared to \$3,166.7 million in the prior year.

Comparable net merchandise sales, for warehouse clubs that have been open for greater than 13 ½ calendar months, decreased 0.6% for the 52-week period ended September 1, 2019 compared to the comparable period of the prior year. Foreign currency exchange rate fluctuations impacted comparable net merchandise sales negatively by \$96.0 million, or 3.2%, versus the prior year.

For the twelve months ended August 31, 2019, the Company recorded operating income of \$115.2 million and net income attributable to PriceSmart of \$73.2 million, or \$2.40 per diluted share. During the twelve months ended August 31, 2018, the Company recorded operating income of \$126.1 million and net income of \$74.3 million, or \$2.44 per diluted share.

The Company will file its Annual Report on Form 10-K for the year ended August 31, 2019 on October 29, 2019.

The Company reports 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 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.

The term "currency exchange rates" refers to the currency exchange rates we use to convert net merchandise and comparable net merchandise sales for all countries where the functional currency is not the U.S. dollar into U.S. dollars. We calculate the effect of changes in currency exchange rates as the difference between current period activities translated using the current period's currency exchange rates, and the comparable prior year period's currency exchange rates. The disclosure of the effects of currency exchange rate fluctuations on the Company's results permits investors to understand better our underlying performance.

PriceSmart management will host a conference call at 12:00 p.m. Eastern time (9:00 a.m. Pacific time) on Wednesday, October 30, 2019, to discuss

the financial results. Individuals interested in participating in the conference call may do so by dialing (855) 209-8211 toll free, or (412) 317-5214 for international callers and asking to join the PriceSmart, Inc. call. A digital replay will be available through November 6, 2019, following the conclusion of the call by dialing (877) 344-7529 for domestic callers, or (412) 317-0088 for international callers, and entering replay passcode 10134778.

PriceSmart Announces Management Transition

Maarten Jager, EVP and Chief Financial Officer, has offered and the Company has accepted his resignation due to personal reasons. Maarten is getting married early next year and has made the decision to move back east to be closer to family. The transition plan is for Mr. Jager to remain with PriceSmart through January 10, 2020 and he will make himself available to enable a smooth transition for his successor.

"PriceSmart had a solid finish to Fiscal 2019 and made significant progress, while undergoing change and dealing with challenges. The Company is on solid footing with an excellent balance sheet, strong cash flows, improving sales and margins, expedited growth and an active real estate pipeline. I want to take this opportunity to thank PriceSmart, the Board of Directors and our CEO Sherry Bahrambeygui for the opportunity to serve as CFO," Jager concluded.

Sherry Bahrambeygui commented "During Maarten's tenure as our CFO, he has recruited and developed talent and increased the role and positive impact of the Finance team on our business. We recognize family is a first priority and offer our congratulations and best wishes to Maarten in his future personal and professional endeavors."

"As we proceed with Fiscal Year 2020, we have a strong management team and high quality Finance department. We will proceed as planned to capitalize on our initiatives, drive sales, expedite club openings, develop omni-channel capabilities and reaffirm our commitment to **The Six Rights**. We will continue to build on our positive momentum," Bahrambeygui concluded.

The Company will be conducting a formal search for the position.

About PriceSmart

PriceSmart, headquartered in San Diego, owns and operates U.S.-style membership shopping warehouse clubs in Latin America and the Caribbean, selling high quality merchandise at low prices to PriceSmart members. PriceSmart operates 44 warehouse clubs in 12 countries and one U.S. territory (seven each in Colombia, Costa Rica, and Panama; five in the Dominican Republic, four in Trinidad; three each in Guatemala and Honduras; two each in El Salvador and Nicaragua; and one each in Aruba, Barbados, Jamaica and the United States Virgin Islands). The Company is currently constructing and plans to open warehouse clubs in San Cristobal, Guatemala in November 2019; Liberia, Costa Rica in the summer of 2020; and Bogota, Colombia in the fall of 2020. The Company also plans to build new warehouse clubs in Portmore, Jamaica and Bucaramanga, Colombia and open them in the fall of 2020. Once these five new clubs are open, the Company will operate 49 warehouse clubs. PriceSmart is expanding its omni-channel capabilities, including through its e-commerce platform, by investing in and integrating the technology, talent and cross-border logistics infrastructure obtained as part of the acquisition of a company in March 2018. PriceSmart expects these investments and this integration to enhance the membership shopping experience, drive efficiencies and fuel sales growth. The Company acquired by PriceSmart also operates a legacy (marketplace and casillero) business through the Aeropost brand in 38 countries in Latin America and the Caribbean, many of which overlap with markets where PriceSmart operates its warehouse clubs.

This press release may contain forward-looking statements concerning the Company's anticipated future revenues and earnings, adequacy of future cash flow, proposed warehouse club openings, the Company's performance relative to competitors, the outcome of tax proceedings 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," 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, exposure to product liability claims and product recalls, recoverability of moneys owed to PriceSmart from governments, and other important factors discussed under the captions "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended August 31, 2019 filed with the United States Securities and Exchange Commission ("SEC") on October 29, 2019, as such factors may be updated from time to time in our other filings with the SEC, which are accessible on the SEC's website at www.sec.gov. Forward-looking statements speak only as of the date that they are made, and the Company does not undertake to update them, except as required by law.

For further information, please contact Maarten O. Jager, Chief Financial Officer and Principal Accounting Officer (858) 404-8826.

PRICESMART, INC.

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

Three Months Ended

Twelve Months Ended

August 31,

August 31,

2019

2018

2019

2018

Revenues:

**Net merchandise
sales**

\$ 768,906

\$ 741,307

\$ 3,091,648

\$ 3,053,754

Export sales

7,667

13,329

30,981

40,581

**Membership
income**

13,432

12,891

52,149

50,821

**Other revenue and
income**

11,295

10,339

49,140

21,546

Total revenues

801,300

777,866

3,223,918

3,166,702

**Operating
expenses:**

Cost of goods sold:

**Net merchandise
sales**

652,070

632,271

2,648,665

2,610,111

Export sales

7,388

12,840

29,524

38,740

| | | | | |
|---|---------|---------|-----------|-----------|
| Non-merchandise | 4,308 | 5,690 | 17,502 | 7,669 |
| Selling, general and administrative: | | | | |
| Warehouse club and other operations | 79,662 | 73,776 | 307,823 | 291,488 |
| General and administrative | 24,597 | 25,294 | 101,432 | 88,461 |
| Pre-opening expenses | 967 | 50 | 2,726 | 913 |
| Asset impairment | — | — | — | 1,929 |
| Loss on disposal of assets | 344 | 752 | 1,079 | 1,339 |
| Total operating expenses | 769,336 | 750,673 | 3,108,751 | 3,040,650 |
| Operating income | 31,964 | 27,193 | 115,167 | 126,052 |
| Other income (expense): | | | | |
| Interest income | 365 | 277 | 1,489 | 1,415 |
| Interest expense | (990) | (1,462) | (3,939) | (5,071) |
| Other income (expense), net | 425 | 279 | (1,607) | 192 |
| Total other income (expense) | (200) | (906) | (4,057) | (3,464) |

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|--|----|----------|----|---------|----|----------|----|----------|
| Income before provision for income taxes and income (loss) of unconsolidated affiliates | | 31,764 | | 26,287 | | 111,110 | | 122,588 |
| Provision for income taxes | | (10,839) | | (7,227) | | (37,560) | | (48,177) |
| Income (loss) of unconsolidated affiliates | | (13) | | (11) | | (61) | | (8) |
| Net income | \$ | 20,912 | \$ | 19,049 | \$ | 73,489 | \$ | 74,403 |
| Less: net (income) loss attributable to noncontrolling interest | | (239) | | (53) | | (298) | | (75) |
| Net income attributable to PriceSmart, Inc. | \$ | 20,673 | \$ | 18,996 | \$ | 73,191 | \$ | 74,328 |
| Net income attributable to PriceSmart, Inc. per share available for distribution: | | | | | | | | |
| Basic | \$ | 0.67 | \$ | 0.62 | \$ | 2.40 | \$ | 2.44 |
| Diluted | \$ | 0.67 | \$ | 0.62 | \$ | 2.40 | \$ | 2.44 |
| Shares used in per share computations: | | | | | | | | |
| Basic | | 30,205 | | 30,143 | | 30,195 | | 30,115 |

| | | | | | | | | |
|---------------------|----|--------|----|--------|----|--------|----|--------|
| Diluted | | 30,205 | | 30,143 | | 30,195 | | 30,115 |
| Dividends per share | \$ | 0.35 | \$ | 0.35 | \$ | 0.70 | \$ | 0.70 |

PRICESMART, INC.

CONSOLIDATED BALANCE SHEETS

(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

August 31,

2019

2018

ASSETS


Current Assets:

| | | | | |
|--|----|---------|----|---------|
| Cash and cash equivalents | \$ | 102,653 | \$ | 93,460 |
| Short-term restricted cash | | 54 | | 405 |
| Short-term investments | | 17,045 | | 32,304 |
| Receivables, net of allowance for doubtful accounts of \$144 as of August 31, 2019 and \$97 as of August 31, 2018, respectively. | | 9,872 | | 8,859 |
| Merchandise inventories | | 331,273 | | 321,025 |
| Prepaid expenses and other current assets (includes \$2,736 and \$0 as of August 31, 2019 and August 31, 2018, respectively, for the fair value of derivative instruments) | | 30,999 | | 31,800 |

| | | |
|---|--------------|--------------|
| Total current assets | 491,896 | 487,853 |
| Long-term restricted cash | 3,529 | 3,049 |
| Property and equipment, net | 671,151 | 594,403 |
| Goodwill | 46,101 | 46,329 |
| Other intangibles, net | 12,576 | 14,980 |
| Deferred tax assets | 15,474 | 10,166 |
| Other non-current assets (includes \$0 and \$4,364 as of August 31, 2019 and August 31, 2018, respectively, for the fair value of derivative instruments) | 44,987 | 48,854 |
| Investment in unconsolidated affiliates | 10,697 | 10,758 |
| Total Assets | \$ 1,296,411 | \$ 1,216,392 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities: | | |
| Short-term borrowings | \$ 7,540 | \$ — |
| Accounts payable | 286,219 | 255,739 |
| Accrued salaries and benefits | 25,401 | 22,836 |
| Deferred income | 25,340 | 23,018 |
| Income taxes payable | 4,637 | 4,636 |
| Other accrued expenses | 32,442 | 28,281 |

| | | |
|--|----------------|----------------|
| Long-term debt, current portion | 25,875 | 14,855 |
| Total current liabilities | 407,454 | 349,365 |
| Deferred tax liability | 2,015 | 1,894 |
| Long-term portion of deferred rent | 11,198 | 8,885 |
| Long-term income taxes payable, net of current portion | 5,069 | 4,622 |
| Long-term debt, net of current portion | 63,711 | 87,720 |
| Other long-term liabilities (includes \$2,910 and \$502 for the fair value of derivative instruments and \$5,421 and \$4,715 for post-employment plans as of August 31, 2019 and August 31, 2018, respectively) | 8,685 | 5,268 |
| Total Liabilities | 498,132 | 457,754 |
| Stockholders' Equity: | | |
| Common stock \$0.0001 par value, 45,000,000 shares authorized; 31,461,359 and 31,372,752 shares issued and 30,538,788 and 30,460,353 shares outstanding (net of treasury shares) as of August 31, 2019 and August 31, 2018, respectively | 3 | 3 |
| Additional paid-in capital | 443,084 | 432,882 |
| Tax benefit from stock-based compensation | 11,486 | 11,486 |
| Accumulated other comprehensive loss | (144,339) | (121,216) |
| Retained earnings | 525,804 | 473,954 |
| Less: treasury stock at cost, 924,332 shares as of August 31, 2019 and 912,399 shares as of August 31, 2018 | (38,687) | (39,107) |

| | | |
|---|--------------|--------------|
| Total stockholders' equity attributable to PriceSmart, Inc. stockholders | 797,351 | 758,002 |
| Noncontrolling interest in consolidated subsidiaries | 928 | 636 |
| Total stockholders' equity | 798,279 | 758,638 |
| Total Liabilities and Equity | \$ 1,296,411 | \$ 1,216,392 |

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