# PriceSmart Announces Fiscal 2020 Second Quarter Operating Results

SAN DIEGO, April 8, 2020 /PRNewswire/ -- PriceSmart, Inc. (NASDAQ: PSMT), operator of 45 warehouse clubs in 12 countries and one U.S. territory, today announced its results of operations for the second quarter of fiscal year 2020 which ended on February 29, 2020.

**Comments from Sherry Bahrambeygui, Chief Executive Officer**

"As always, and especially in response to the threats caused by the COVID-19 pandemic that we face in our 13 different markets, our top priority is to provide a safe work environment for our employees, who in turn ensure that our members have uninterrupted access to fresh, affordable food and basic goods, especially now. We have proactively taken numerous precautions to keep our warehouses clean, our members safe and our employees informed of current and developing best practices to reduce the risk of exposure. We have adopted additional and novel initiatives to provide goods and services to, and transact with, our members in ways that reduce the need for physical contact. We continuously adapt our practices to utilize our warehouse clubs and distribution centers most effectively, manage our supply chain to ensure a continued supply of essential goods, and expedite our adoption of technological innovation, despite continual changes caused by the effects of this pandemic. We also are working to deploy our workforce in a thoughtful manner, including by developing a program to teach employees skills so they can support our efforts to provide members with additional alternative ways to shop. I am so incredibly proud of the extraordinary work and selflessness of our employees at all levels of the company under extremely challenging conditions.

As noted in our March 2020 Merchandise Sales press release, we saw a significant increase in our net merchandise sales in March driven in part by initial stockpiling, primarily of foods and essentials. Following a strong start, sales moderated and later decreased in the second half of the month as various governments in our markets responded to the outbreak with travel restrictions, 'shelter in place' advisories, curfews, and social distancing measures. Many governments have imposed or are experimenting with policies and restrictions affecting the retail sectors of our markets. Many of these policies and restrictions have resulted in limiting access for our members and impacting our club operations, including temporary club closures, limits on the number of days during the week and hours per day our clubs can be open, restrictions on segments of the population permitted to shop on particular days, and limits on the number of people that can be in a club. These restrictions change day-to-day and vary from market-by-market.

To best accommodate our members within these developing restrictions, we have introduced an online catalog that enables our members to see, almost real-time, the availability of products for all clubs. For certain warehouse clubs, we have launched curbside pickup and home delivery by us or in coordination with third-party delivery services. We also are launching online ordering and pick-up at club, which we refer to as "Click and Go." Where we have experienced the most significant limitations, we have offered a "drive-through" alternative with a limited offering of basic goods. We are committed to making sure our members have the essential items they need during this difficult time. However, we expect the impact of the pandemic and the related varied restrictions on our operations to adversely affect traffic and sales over the next few months.

As we disclosed yesterday, due to the uncertainty surrounding the potential impact of the outbreak on our results of operations and cash flows, we are proactively taking steps to access and preserve cash available on-hand, including, but not limited to, drawing funds on our short-term facilities and delaying strategic capital expenditures. Although we will complete the construction of our warehouse club in Liberia, Costa Rica in May 2020, we have decided to postpone the opening of that club. Additionally, with respect to our previously announced future warehouse club openings on land that we have acquired in Bogota and Bucaramanga, Colombia and in Jamaica, we have decided, at this time, to suspend or not to initiate the construction and opening of those clubs. We are considering and planning for additional cost savings measures in the U.S. and in the markets where we operate.

Even though the world looks dramatically different today than it did even a month ago, our values, our commitments and our discipline remain unchanged. We believe adhering to these core tenets will allow us to emerge from this challenging time strengthened by the experience. We wish you and your families good health and safety, as we all work together to emerge from this crisis."

**Second Quarter Financial Results**

Total revenues for the second quarter of fiscal year 2020 increased 6.1% to $906.7 million compared to $854.4 million in the second quarter of the prior year. For the second quarter of fiscal year 2020, net merchandise sales increased 6.3% to $871.7 million from $820.3 million in the second quarter of fiscal year 2019. Foreign currency exchange rate fluctuations impacted net merchandise sales negatively by $2.9 million or 0.3% of net merchandise sales.

The Company had 45 clubs in operation as of February 29, 2020, compared to 41 warehouse clubs in operation as of February 28, 2019.

For the thirteen-week period ended March 1, 2020, comparable net merchandise sales increased 0.4% compared to the same thirteen-week period a year ago. Foreign currency exchange rate fluctuations impacted comparable net merchandise sales negatively by $3.3 million, or 0.4% of comparable net merchandise sales.

The Company recorded operating income for the second quarter of fiscal year 2020 of $38.8 million, as compared to operating income of $36.5 million in the prior year. Net income attributable to PriceSmart was $25.6 million, or $0.85 per diluted share, in the second quarter of fiscal year 2020. Net income in the second quarter of fiscal year 2019 was $23.8 million, or $0.79 per diluted share.

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 plans to host a conference call at 12:00 p.m. Eastern time (9:00 a.m. Pacific time) on Thursday, April 9, 2020 to discuss the financial results. Individuals interested in participating in the conference call may do so by dialing (855) 209-8211 for domestic callers or (412) 317-5214 for international callers, and asking to join the PriceSmart, Inc. call. A digital replay will be available through April 16, 2020, following the conclusion of the call by dialing (877) 344-7529 for domestic callers, or (412) 317-0088 for international callers, and entering replay access code 10139915.

***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 and services at low prices to PriceSmart members. PriceSmart operates 45 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 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).

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, epidemic, pandemic or other public health issues, 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. These risk 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 Michael L. McCleary, EVP, Chief Financial Officer and Principal Accounting Officer (858) 404-8826 or send an email to ir@pricesmart.com.

---

**PRICESMART, INC.**

**CONSOLIDATED STATEMENTS OF INCOME**

**(UNAUDITED AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)**

| | **Three Months Ended** | | **Six Months Ended** | |
|---|---|---|---|---|
| | **February 29, 2020** | **February 28, 2019** | **February 29, 2020** | **February 28, 2019** |
| Revenues: | | | | |
| Net merchandise sales | $ 871,726 | $ 820,290 | $ 1,650,454 | $ 1,567,733 |
| Export sales | 8,434 | 6,844 | 16,708 | 15,033 |
| Membership income | 14,093 | 12,845 | 27,839 | 25,585 |
| Other revenue and income | 12,482 | 14,446 | 23,675 | 25,711 |
| Total revenues | 906,735 | 854,425 | 1,718,676 | 1,634,062 |
| Operating expenses: | | | | |
| Cost of goods sold: | | | | |
| Net merchandise sales | 743,434 | 705,546 | 1,406,158 | 1,346,701 |
| Export sales | 8,078 | 6,486 | 16,049 | 14,264 |

| | | | | |
|---|---|---|---|---|
| Non-merchandise | 4,662 | 4,826 | 8,913 | 9,073 |
| Selling, general and administrative: | | | | |
| Warehouse club and other operations | 84,022 | 75,708 | 163,395 | 149,930 |
| General and administrative | 27,618 | 24,968 | 53,502 | 52,303 |
| Pre-opening expenses | 44 | 97 | 997 | 112 |
| Loss on disposal of assets | 68 | 258 | 139 | 473 |
| Total operating expenses | 867,926 | 817,889 | 1,649,153 | 1,572,856 |
| Operating income | 38,809 | 36,536 | 69,523 | 61,206 |
| Other income (expense): | | | | |
| Interest income | 586 | 423 | 879 | 814 |
| Interest expense | (1,690) | (1,001) | (2,552) | (2,034) |
| Other income (expense), net | 723 | (372) | (262) | (2,191) |
| Total other expense | (381) | (950) | (1,935) | (3,411) |
| Income before provision for income taxes and loss of unconsolidated affiliates | 38,428 | 35,586 | 67,588 | 57,795 |
| Provision for income taxes | (12,702) | (11,703) | (22,105) | (19,243) |
| Loss of unconsolidated affiliates | (15) | (20) | (63) | (44) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Net income | | 25,711 | | 23,863 | | 45,420 | | 38,508 |
| Less: net income attributable to noncontrolling interest | | (111) | | (53) | | (92) | | (86) |
| Net income attributable to PriceSmart, Inc. | $ | 25,600 | $ | 23,810 | $ | 45,328 | $ | 38,422 |
| Net income attributable to PriceSmart, Inc. per share available for distribution: | | | | | | | | |
| Basic | $ | 0.85 | $ | 0.79 | $ | 1.49 | $ | 1.27 |
| Diluted | $ | 0.85 | $ | 0.79 | $ | 1.49 | $ | 1.27 |
| Shares used in per share computations: | | | | | | | | |
| Basic | | 30,255 | | 30,206 | | 30,266 | | 30,189 |
| Diluted | | 30,258 | | 30,211 | | 30,271 | | 30,200 |
| Dividends per share | $ | 0.70 | $ | 0.70 | $ | 0.70 | $ | 0.70 |

**PRICESMART, INC.**

**CONSOLIDATED BALANCE SHEETS**

**(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)**

| | **February 29, 2020** | **August 31,** |
|---|---|---|

| | (Unaudited) | 2019 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 132,845 | $ 102,653 |
| Short-term restricted cash | 93 | 54 |
| Short-term investments | 30,448 | 17,045 |
| Receivables, net of allowance for doubtful accounts of $125 as of February 29, 2020 and $144 as of August 31, 2019, respectively | 10,905 | 9,872 |
| Merchandise inventories | 323,022 | 331,273 |
| Prepaid expenses and other current assets (includes $0 and $2,736 as of February 29, 2020 and August 31, 2019, respectively, for the fair value of derivative instruments) | 28,242 | 30,999 |
| Total current assets | 525,555 | 491,896 |
| Long-term restricted cash | 3,831 | 3,529 |
| Property and equipment, net | 706,848 | 671,151 |
| Operating lease right-of-use assets, net | 123,231 | — |
| Goodwill | 45,413 | 46,101 |
| Other intangibles, net | 11,378 | 12,576 |
| Deferred tax assets | 18,823 | 15,474 |
| Other non-current assets (includes $241 and $0 as of February 29, 2020 and August 31, 2019, respectively, for the fair value of derivative instruments) | 52,578 | 44,987 |

| | | | | |
|---|---|---|---|---|
| Investment in unconsolidated affiliates | | 10,635 | | 10,697 |
| Total Assets | $ | 1,498,292 | $ | 1,296,411 |
| **LIABILITIES AND EQUITY** | | | | |
| Current Liabilities: | | | | |
| Short-term borrowings | $ | 3,579 | $ | 7,540 |
| Accounts payable | | 281,098 | | 286,219 |
| Accrued salaries and benefits | | 25,118 | | 25,401 |
| Deferred income | | 27,084 | | 25,340 |
| Income taxes payable | | 7,773 | | 4,637 |
| Other accrued expenses and other current liabilities (includes $45 and $0 as of February 29, 2020 and August 31, 2019, respectively, for the fair value of derivative instruments | | 41,824 | | 32,442 |
| Operating lease liabilities, current portion | | 8,402 | | — |
| Dividends payable | | 10,719 | | — |
| Long-term debt, current portion | | 16,247 | | 25,875 |
| Total current liabilities | | 421,844 | | 407,454 |
| Deferred tax liability | | 1,718 | | 2,015 |
| Long-term portion of deferred rent | | — | | 11,198 |
| Long-term income taxes payable, net of current portion | | 4,784 | | 5,069 |
| Long-term operating lease liabilities | | 127,042 | | — |

| | | |
|---|---|---|
| Long-term debt, net of current portion | 113,879 | 63,711 |
| Other long-term liabilities (includes $3,920 and $2,910 for the fair value of derivative instruments and $5,828 and $5,421 for post-employment plans as of February 29, 2020 and August 31, 2019, respectively) | 10,158 | 8,685 |
| Total Liabilities | 679,425 | 498,132 |
| Stockholders' Equity: | | |
| Common stock $0.0001 par value, 45,000,000 shares authorized; 31,450,817 and 31,461,359 shares issued and 30,599,058 and 30,538,788 shares outstanding (net of treasury shares) as of February 29, 2020 and August 31, 2019, respectively | 3 | 3 |
| Additional paid-in capital | 441,372 | 443,084 |
| Tax benefit from stock-based compensation | 11,486 | 11,486 |
| Accumulated other comprehensive loss | (152,573) | (144,339) |
| Retained earnings | 549,703 | 525,804 |
| Less: treasury stock at cost, 851,759 shares as of February 29, 2020 and 924,332 shares as of August 31, 2019 | (32,098) | (38,687) |
| Total stockholders' equity attributable to PriceSmart, Inc. stockholders | 817,893 | 797,351 |
| Noncontrolling interest in consolidated subsidiaries | 974 | 928 |
| Total stockholders' equity | 818,867 | 798,279 |
| Total Liabilities and Equity | $ 1,498,292 | $ 1,296,411 |

View original content to download multimedia:http://www.prnewswire.com/news-releases/pricesmart-announces-fiscal-2020-second-quarter-operating-results-301037702.html

SOURCE PriceSmart, Inc.