

PRICESMART INC
Form 8-K
July 07, 2011

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 7, 2011

PriceSmart, Inc.
(Exact name of registrant as specified in its charter)

| | | |
|--|--|---|
| Delaware (State or Other Jurisdiction of Incorporation) | 000-22793 (Commission File Number) | 33-0628530 (I.R.S. Employer Identification No.) |
|--|--|---|

9740 Scranton Road, San Diego, CA 92121
(Address of Principal Executive Offices, including Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2)(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On July 7, 2011, PriceSmart, Inc. issued a press release regarding its results of operations for its third quarter ended May 31, 2011. A copy of the press release is furnished herewith as Exhibit 99.1. Pursuant to the rules and regulations of the Securities and Exchange Commission, such exhibit and the information set forth therein and herein shall be deemed “furnished” and not “filed” for purpose of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section.

Item 8.01. Other Events

In May 2011 the Company entered into an option agreement to acquire approximately 131,524 square feet of land in Cali, Colombia upon which the Company anticipates constructing its second warehouse club in Colombia.

Item 9.01. Financial Statements and Exhibits.

(d) The following exhibit is furnished herewith:

| Exhibit No. | Description |
|----------------|---|
| 99.1 | Press Release of PriceSmart, Inc. dated July 7, 2011. |

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 hereunto duly authorized.

Date: July 7, 2011

/S/ JOHN M. HEFFNER
John M. Heffner
Executive Vice President and Chief Financial
Officer
(Principal Financial Officer and
Principal Accounting Officer)

EXHIBIT INDEX

| Exhibit Number | Description |
|-------------------|---|
| 99.1 | Press Release of PriceSmart, Inc. dated July 7, 2011. |

PriceSmart Announces Third Quarter Results of Operations
And Option Agreement to Purchase Land in Cali, Colombia

San Diego, CA (July 7, 2011) – PriceSmart, Inc. (NASDAQ: PSMT, www.pricessmart.com) today announced its results of operations for the third quarter of fiscal year 2011 which ended on May 31, 2011.

For the third quarter of fiscal year 2011, net warehouse club sales increased 23.6% to \$421.6 million from \$341.2 million in the third quarter of fiscal year 2010. Total revenue for the third quarter was \$431.1 million, compared to \$348.6 million in the prior year. The Company had 28 warehouse clubs in operation as of May 2011 compared to 27 warehouse clubs in 2010.

The Company recorded operating income during the quarter of \$22.4 million, as compared to operating income of \$18.1 million in the prior year. Net income attributable to PriceSmart was \$16.3 million, or \$0.55 per diluted share, in the third quarter of fiscal 2011 as compared to \$12.0 million, or \$0.40 per diluted share, in the third quarter of fiscal 2010. During the quarter the Company recorded approximately \$1.2 million, or approximately \$0.04 per diluted share, in gains on the sale of property in Panama.

For the first nine months of fiscal year 2011, net warehouse club sales increased 22.8% to \$1,239.2 million from \$1,008.8 million in the first nine months of fiscal year 2010. Total revenues for the first nine months of the fiscal year increased 23.0% to \$1,266.8 million from \$1,030.2 million in the same period of the prior year. For the first nine months of fiscal year 2011, the Company recorded operating income of \$72.2 million and net income attributable to PriceSmart of \$49.1 million, or \$1.65 per diluted share. During the same nine month period in fiscal year 2010, the Company recorded operating income of \$54.7 million and net income attributable to PriceSmart of \$36.1 million, or \$1.21 per diluted share.

The Company entered into an option agreement in May 2011, to acquire approximately 131,524 square feet of land in Cali, Colombia upon which the Company anticipates constructing its second warehouse club in Colombia. The transaction, which is subject to certain contingencies, is currently planned to close in the first quarter of fiscal year 2012.

About PriceSmart

PriceSmart, headquartered in San Diego, owns and operates U.S.-style membership shopping warehouse clubs in Central America and the Caribbean, selling high quality merchandise at low prices to PriceSmart members. PriceSmart now operates 28 warehouse clubs in 11 countries and one U.S. territory (five in Costa Rica; four each in Panama and Trinidad; three each in Guatemala and Dominican Republic; two each in El Salvador and Honduras; and one each in Aruba, Barbados, Jamaica, Nicaragua 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 and related matters. These forward-looking statements include, but are not limited to, statements containing the words “expect,” “believe,” “will,” “may,” “should,” “project,” “estimate,” “anticipate,” “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 the following risks: the Company’s financial performance is dependent on international operations which exposes the Company to various risks; any failure by the Company to manage its widely dispersed operations could adversely affect its business; the Company faces significant competition; the Company may encounter difficulties in the shipment of, and risks inherent in the acquisition

and importation of, merchandise to its warehouse clubs; the Company is exposed to weather and other natural disaster risks; declines in the economies of the countries in which the Company operates its warehouse clubs would harm its business; a few of the Company's stockholders own nearly 33% of the Company's voting stock, which may make it difficult to complete some corporate transactions without their support and may impede a change in control; the loss of key personnel could harm the Company's business; the Company is subject to volatility in foreign currency exchange; the Company faces the risk of exposure to product liability claims, a product recall and adverse publicity; a determination that the Company's long-lived or intangible assets have been impaired could adversely affect the Company's future results of operations and financial position; although the Company takes steps to continuously review, enhance, and implement improvements to its internal controls, there may be material weaknesses or significant deficiencies that the Company has not yet identified; as well as the other risks detailed in the Company's U.S. Securities and Exchange Commission ("SEC") reports, including the Company's Annual Report on Form 10-K filed for the year ended August 31, 2010 filed pursuant to the Securities Exchange Act of 1934 on November 9, 2010. We assume no obligation and expressly disclaim any duty to update any forward-looking statement to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events.

For further information, please contact John M. Heffner, Principal 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 May 31, | | Nine Months Ended May 31, | |
|---|-------------------------------|------------|------------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenues: | | | | |
| Net warehouse club sales | \$ 421,637 | \$ 341,215 | \$ 1,239,232 | \$ 1,008,760 |
| Export sales | 1,890 | 868 | 5,170 | 2,461 |
| Membership income | 5,824 | 5,056 | 16,825 | 14,532 |
| Other income | 1,797 | 1,477 | 5,610 | 4,404 |
| Total revenues | 431,148 | 348,616 | 1,266,837 | 1,030,157 |
| Operating expenses: | | | | |
| Cost of goods sold: | | | | |
| Net warehouse club | 358,535 | 288,289 | 1,050,921 | 854,873 |
| Export | 1,804 | 825 | 4,906 | 2,314 |
| Selling, general and administrative: | | | | |
| Warehouse club operations | 38,819 | 31,834 | 111,192 | 92,109 |
| General and administrative | 9,293 | 8,752 | 26,977 | 24,987 |
| Pre-opening expenses | 284 | 840 | 672 | 1,126 |
| Total operating expenses | 408,735 | 330,540 | 1,194,668 | 975,409 |
| Operating income | 22,413 | 18,076 | 72,169 | 54,748 |
| Other income (expense): | | | | |
| Interest income | 300 | 122 | 667 | 460 |
| Interest expense | (984) | (595) | (3,012) | (1,859) |
| Other income (expense), net | 1,838 | (240) | 1,535 | (247) |
| Total other income (expense) | 1,154 | (713) | (810) | (1,646) |
| Income from continuing operations before provision for income taxes and loss of unconsolidated affiliates | | | | |
| | | 17,363 | 71,359 | 53,102 |
| Provision for income taxes | (7,199) | (5,309) | (22,093) | (16,901) |
| Loss of unconsolidated affiliates | (3) | (6) | (45) | (11) |
| Income from continuing operations | 16,365 | 12,048 | 49,221 | 36,190 |
| Income (loss) from discontinued operations, net of tax | (75) | (4) | (161) | 40 |
| Net income including noncontrolling interest | 16,290 | 12,044 | 49,060 | 36,230 |
| Net (loss) attributable to noncontrolling interest | — | (20) | — | (132) |
| Net income attributable to PriceSmart | \$ 16,290 | \$ 12,024 | \$ 49,060 | \$ 36,098 |
| Net income per share attributable to PriceSmart and available for distribution: | | | | |
| Basic net income per share from continuing operations | \$ 0.55 | \$ 0.40 | \$ 1.65 | \$ 1.21 |
| | — | \$ | — | \$ |

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|--|----|--------|----|--------|----|--------|
| Basic net income (loss) per share from discontinued operations, net of tax | | \$ | — | | | |
| Basic net income per share | \$ | 0.55 | \$ | 0.40 | \$ | 1.21 |
| Diluted net income per share from continuing operations | \$ | 0.55 | \$ | 0.40 | \$ | 1.21 |
| Diluted net income (loss) per share from discontinued operations, net of tax | \$ | — | \$ | — | \$ | — |
| Diluted net income per share | \$ | 0.55 | \$ | 0.40 | \$ | 1.21 |
| Shares used in per share computations: | | | | | | |
| Basic | | 29,493 | | 29,336 | | 29,422 |
| Diluted | | 29,502 | | 29,345 | | 29,430 |
| Dividends per share | \$ | 0.00 | \$ | 0.00 | \$ | 0.60 |
| | \$ | | \$ | | \$ | 0.50 |

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

| | May 31, 2011 (Unaudited) | August 31, 2010 |
|---|--------------------------------|--------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 65,846 | \$ 73,346 |
| Short-term restricted cash | 1,240 | 1,240 |
| Receivables, net of allowance for doubtful accounts of \$13 and \$15 as of May 31, 2011 and August 31, 2010, respectively | 3,865 | 2,855 |
| Merchandise inventories | 167,687 | 131,190 |
| Deferred tax assets – current | 4,491 | 3,639 |
| Prepaid expenses and other current assets | 27,969 | 21,879 |
| Assets of discontinued operations | 507 | 692 |
| Total current assets | 271,605 | 234,841 |
| Long-term restricted cash | 20,590 | 5,640 |
| Property and equipment, net | 281,389 | 265,544 |
| Goodwill | 37,465 | 37,471 |
| Deferred tax assets – long term | 14,452 | 16,637 |
| Other assets | 4,127 | 4,341 |
| Investment in unconsolidated affiliates | 8,063 | 8,091 |
| Total Assets | \$ 637,691 | \$ 572,565 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities: | | |
| Short-term borrowings | \$ 4,642 | \$ 3,551 |
| Accounts payable | 137,756 | 124,401 |
| Accrued salaries and benefits | 11,904 | 10,911 |
| Deferred membership income | 10,950 | 9,729 |
| Income taxes payable | 7,141 | 6,615 |
| Other accrued expenses | 10,865 | 12,095 |
| Dividends payable | 8,970 | — |
| Long-term debt, current portion | 7,767 | 7,715 |
| Deferred tax liability – current | 429 | 357 |
| Liabilities of discontinued operations | 194 | 109 |
| Total current liabilities | 200,618 | 175,483 |
| Deferred tax liability – long-term | 1,824 | 1,198 |
| Long-term portion of deferred rent | 3,895 | 3,272 |
| Long-term income taxes payable, net of current portion | 3,087 | 3,564 |
| Long-term debt, net of current portion | 60,030 | 53,005 |
| Total liabilities | 269,454 | 236,522 |
| Equity: | | |
| Common stock, \$0.0001 par value, 45,000,000 shares authorized; 30,691,147 and 30,624,666 shares issued and 29,896,954 and 29,897,909 shares outstanding (net of treasury shares) as of May 31, 2011 and August 31, 2010, respectively. | 3 | 3 |

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| | | |
|--|------------|------------|
| Additional paid-in capital | 382,588 | 379,368 |
| Tax benefit from stock-based compensation | 5,366 | 4,490 |
| Accumulated other comprehensive loss | (17,091) | (16,672) |
| Retained earnings (accumulated deficit) | 15,543 | (15,578) |
| Less: treasury stock at cost; 794,193 and 726,757 shares as of May 31, 2011 and August 31, 2010, respectively. | (18,172) | (15,568) |
| Total PriceSmart stockholders' equity and total equity | 368,237 | 336,043 |
| Total Liabilities and Equity | \$ 637,691 | \$ 572,565 |