

PRICESMART INC
Form 8-K
November 09, 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): November 9, 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 November 9, 2011, PriceSmart, Inc. issued a press release regarding its results of operations for its fourth quarter and twelve months ended August 31, 2011 and net warehouse club sales for the month ended October 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 9.01. Financial Statements and Exhibits.

(d)The following exhibit is furnished herewith:

| Exhibit No. | Description |
|----------------|---|
| 99.1 | Press Release of PriceSmart, Inc. dated November 9, 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: November 9, 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 November 9, 2011. |

PriceSmart Announces Fourth Quarter and
Fiscal Year Results of Operations October Sales

San Diego, CA (November 9, 2011) – PriceSmart, Inc. (NASDAQ: PSMT, www.pricemart.com) today announced its results of operations for the fourth quarter and fiscal year 2011 which ended on August 31, 2011.

For the fourth quarter of fiscal year 2011, net warehouse club sales were \$436.0 million compared to \$357.0 million in the fourth quarter of fiscal year 2010. Total revenue for the fourth quarter was \$447.0 million compared to \$365.7 million in the prior year. The Company had 29 warehouse clubs in operation as of the end of fiscal year 2011 compared to 27 warehouse clubs in operation at the end of fiscal year 2010.

Operating income in the fourth quarter of fiscal year 2011 was \$18.7 million compared to operating income of \$20.1 million in the fourth quarter of fiscal year 2010.

The Company recorded net income attributable to PriceSmart for the fourth quarter of \$12.7 million or \$0.42 per diluted share compared to net income attributable to PriceSmart of \$13.2 million or \$0.44 per diluted share in the fourth quarter of fiscal year 2010.

Net warehouse club sales increased 22.7% to \$1.68 billion during fiscal year 2011 compared to \$1.37 billion in the prior year, and total revenue for fiscal year 2011 increased 22.8% to \$1.71 billion from \$1.40 billion in fiscal year 2010. For fiscal year 2011, the Company recorded operating income of \$90.9 million and net income attributable to PriceSmart of \$61.8 million, or \$2.07 per diluted share. For fiscal year 2010, the Company recorded operating income of \$74.9 million and net income attributable to PriceSmart of \$49.3 million or \$1.65 per diluted share.

The Company will file its Annual Report on Form 10-K for the year ended August 31, 2011 on or before November 14, 2011.

The Company also today announced that for the month of October 2011 net warehouse club sales increased 23.9% to \$159.6 million from \$128.8 million in October a year earlier. For the two months ended October 31, 2011, net warehouse club sales increased 24.7% to \$305.9 million from \$245.4 million for the two months ended October 31, 2010. There were 29 warehouse clubs in operation at the end of October 2011 and 27 warehouse clubs in operation at the end of October 2010.

For the four weeks ended October 30, 2011, comparable warehouse sales for the warehouse clubs open at least 13 1/2 full months increased 18.9%, compared to the same four-week period last year. For the eight-week period ended October 30, 2011, comparable warehouse sales increased 18.9%, compared to the same eight-week period a year ago.

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 now operates 29 warehouse clubs in 12 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, Colombia, 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 31.9% 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
(amounts in thousands, except per share data)

| | Three Months Ended August 31, | | Twelve Months Ended August 31, | |
|---|----------------------------------|------------|-----------------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenues: | | | | |
| Net warehouse club sales | \$ 436,016 | \$ 357,040 | \$ 1,675,247 | \$ 1,365,801 |
| Export sales | 3,660 | 1,678 | 8,831 | 4,139 |
| Membership income | 5,992 | 5,210 | 22,817 | 19,742 |
| Other income | 1,742 | 1,806 | 7,352 | 6,209 |
| Total revenues | 447,410 | 365,734 | 1,714,247 | 1,395,891 |
| Operating expenses: | | | | |
| Cost of goods sold: | | | | |
| Net warehouse club | 371,411 | 301,501 | 1,422,332 | 1,156,374 |
| Export | 3,466 | 1,576 | 8,372 | 3,890 |
| Selling, general and administrative: | | | | |
| Warehouse club operations | 43,628 | 34,165 | 154,819 | 126,274 |
| General and administrative | 9,459 | 8,332 | 36,436 | 33,319 |
| Pre-opening expenses | 736 | (3) | 1,408 | 1,123 |
| Asset impairment and closure costs (income) | — | 18 | — | 18 |
| Total operating expenses | 428,700 | 345,589 | 1,623,367 | 1,320,998 |
| Operating income | 18,710 | 20,145 | 90,880 | 74,893 |
| Other income (expense): | | | | |
| Interest income | 184 | 94 | 852 | 553 |
| Interest expense | (905) | (864) | (3,916) | (2,723) |
| Other income (expense), net | 8 | (237) | 1,540 | (483) |
| Total other income (expense) | (713) | (1,007) | (1,524) | (2,653) |
| Income from continuing operations before provision for income taxes and loss of unconsolidated affiliates | | | | |
| | 17,997 | 19,138 | 89,356 | 72,240 |
| Provision for income taxes | (5,375) | (5,887) | (27,468) | (22,787) |
| Income (loss) of unconsolidated affiliates | (7) | (11) | (52) | (22) |
| Income from continuing operations | 12,615 | 13,240 | 61,836 | 49,431 |
| Income (loss) from discontinued operations, net of tax | | | | |
| | 75 | (24) | (86) | 16 |
| Net income including noncontrolling interests | \$ 12,690 | \$ 13,216 | \$ 61,750 | \$ 49,447 |
| Net income attributable to noncontrolling interests | — | — | — | (132) |
| Net income attributable to PriceSmart | \$ 12,690 | \$ 13,216 | \$ 61,750 | \$ 49,315 |

| | | | | | | | | |
|---|----|--------|----|--------|----|--------|----|--------|
| Net income attributable to PriceSmart: | | | | | | | | |
| Income from continuing operations | \$ | 12,615 | \$ | 13,240 | \$ | 61,836 | \$ | 49,299 |
| Income (loss) from discontinued operations, net of tax | | 75 | | (24) | | (86) | | 16 |
| | \$ | 12,690 | \$ | 13,216 | \$ | 61,750 | \$ | 49,315 |
| Net income per share attributable to PriceSmart and available for distribution: | | | | | | | | |
| Basic net income per share from continuing operations | \$ | 0.42 | \$ | 0.44 | \$ | 2.07 | \$ | 1.66 |
| Basic net income per share from discontinued operations, net of tax | \$ | — | \$ | — | \$ | — | \$ | — |
| Basic net income per share | \$ | 0.42 | \$ | 0.44 | \$ | 2.07 | \$ | 1.66 |
| Diluted net income per share from continuing operations | | | | | | | | |
| | \$ | 0.42 | \$ | 0.44 | \$ | 2.07 | \$ | 1.65 |
| Diluted net income per share from discontinued operations, net of tax | | | | | | | | |
| | \$ | — | \$ | — | \$ | — | \$ | — |
| Diluted net income per share | \$ | 0.42 | \$ | 0.44 | \$ | 2.07 | \$ | 1.65 |
| Shares used in per share computations: | | | | | | | | |
| Basic | | 29,498 | | 29,351 | | 29,441 | | 29,254 |
| Diluted | | 29,509 | | 29,356 | | 29,450 | | 29,279 |
| Dividends per share | \$ | 0.30 | \$ | 0.25 | \$ | 0.60 | \$ | 0.50 |

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

| | August 31, | |
|--|------------|------------|
| | 2011 | 2010 |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 76,817 | \$ 73,346 |
| Short-term restricted cash | 1,240 | 1,240 |
| Receivables, net of allowance for doubtful accounts of \$5 and \$15 as of August 31, 2011 and August 31, 2010, respectively | 3,655 | 2,855 |
| Merchandise inventories | 177,232 | 131,190 |
| Deferred tax assets – current | 4,252 | 3,639 |
| Prepaid expenses and other current assets | 29,117 | 21,879 |
| Assets of discontinued operations | 464 | 692 |
| Total current assets | 292,777 | 234,841 |
| Long-term restricted cash | 22,626 | 5,640 |
| Property and equipment, net | 281,111 | 265,544 |
| Goodwill | 37,361 | 37,471 |
| Deferred tax assets – long term | 17,000 | 16,637 |
| Other assets | 5,390 | 4,341 |
| Investment in unconsolidated affiliates | 8,063 | 8,091 |
| Total Assets | \$ 664,328 | \$ 572,565 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities: | | |
| Short-term borrowings | \$ 2,259 | \$ 3,551 |
| Accounts payable | 163,432 | 124,401 |
| Accrued salaries and benefits | 11,681 | 10,911 |
| Deferred membership income | 11,416 | 9,729 |
| Income taxes payable | 7,655 | 6,615 |
| Other accrued expenses (includes \$884,000 and \$767,000 as of August 31, 2011 and August 31, 2010, respectively, for the fair value of derivative instruments) | 13,440 | 12,095 |
| Long-term debt, current portion | 7,771 | 7,715 |
| Deferred tax liability – current | 533 | 357 |
| Liabilities of discontinued operations | 40 | 109 |
| Total current liabilities | 218,227 | 175,483 |
| Deferred tax liability – long-term | 1,888 | 1,198 |
| Long-term portion of deferred rent | 4,143 | 3,272 |
| Long-term income taxes payable, net of current portion | 3,310 | 3,564 |
| Long-term debt, net of current portion | 60,451 | 53,005 |
| Other long-term liabilities | 471 | — |
| Total liabilities | 288,490 | 236,522 |
| Equity: | | |
| Common stock, \$0.0001 par value, 45,000,000 shares authorized; 30,695,933 and 30,624,666 shares issued and 29,900,030 and 29,897,909 shares outstanding (net of treasury shares) as of August 31, 2011 and August 31, 2010, respectively. | 3 | 3 |

Edgar Filing: PRICESMART INC - Form 8-K

| | | |
|---|------------|------------|
| Additional paid-in capital | 383,549 | 379,368 |
| Tax benefit from stock-based compensation | 5,242 | 4,490 |
| Accumulated other comprehensive loss | (22,915) | (16,672) |
| Retained earnings (accumulated deficit) | 28,238 | (15,578) |
| Less: treasury stock at cost; 795,903 and 726,757 shares as of August 31, 2011 and August 31, 2010, respectively. | (18,279) | (15,568) |
| Total equity | 375,838 | 336,043 |
| Total Liabilities and Equity | \$ 664,328 | \$ 572,565 |

See accompanying notes.