

PRICESMART INC
Form 8-K
July 10, 2014

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 10, 2014

PriceSmart, Inc.

(Exact name of registrant as specified in its charter)

Delaware

000-22793

33-0628530

(State or Other Jurisdiction of
Incorporation)

(Commission File Number)

(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 10, 2014, PriceSmart, Inc. issued a press release regarding the results of operations for the third quarter of fiscal year 2014 and its sales for the month of June. 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 July 10, 2014.

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 10, 2014

/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 10, 2014.

PriceSmart Announces Third Quarter Results of Operations and June Sales

San Diego, CA (July 10, 2014) - PriceSmart, Inc. (NASDAQ: PSMT) today announced its results of operations for the third quarter of fiscal year 2014 which ended on May 31, 2014.

For the third quarter of fiscal year 2014, net warehouse club sales increased 7.6% to \$597.9 million from \$555.8 million in the third quarter of fiscal year 2013. Total revenues for the third quarter of fiscal year 2014 were \$615.0 million compared to \$571.7 million in the comparable period of the prior year. The Company had 33 warehouse clubs in operation as of May 2014 compared to 31 warehouse clubs in operation as of May 2013.

The Company recorded operating income during the quarter of \$31.2 million, as compared to operating income of \$28.5 million in the prior year. Net income was \$21.3 million, or \$0.70 per diluted share, in the third quarter of fiscal year 2014 as compared to \$18.5 million, or \$0.61 per diluted share, in the third quarter of fiscal year 2013.

For the first nine months of fiscal year 2014, net warehouse club sales increased 10.4% to \$1,844.7 million from \$1,671.3 million in the first nine months of fiscal year 2013. Total revenues for the first nine months of the fiscal year 2014 increased 10.5% to \$1,895.0 million from \$1,714.4 million in the same period of the prior year. For the first nine months of fiscal year 2014, the Company recorded operating income of \$102.9 million and net income of \$71.0 million, or \$2.34 per diluted share. During the nine month period in fiscal year 2013, the Company recorded operating income of \$94.6 million and net income of \$63.4 million, or \$2.09 per diluted share.

The Company also announced that for the month of June 2014, net warehouse club sales increased 4.0% to \$194.3 million, from \$186.9 million in June a year earlier. For the ten months ended June 30, 2014, net warehouse club sales increased 9.7% to \$2,039.0 million, from \$1,858.1 million for the ten months ended June 30, 2013. There were 33 warehouse clubs in operation at the end of June 2014 and 31 warehouse clubs in operation at the end of June 2013.

For the four weeks ended June 29, 2014, comparable warehouse sales for the 30 warehouse clubs open at least 13 1/2 full months increased 1.0%, compared to the same four-week period last year. For the forty-three week period ended June 29, 2014, comparable warehouse sales increased 5.4%, compared to the comparable forty-three week period a year ago.

PriceSmart management will host a conference call at 12:00 p.m. Eastern time (9:00a.m. Pacific time) on Friday, July 11, 2014, to discuss the financial results. Individuals interested in participating in the conference call may do so by dialing (877) 719-9789 toll free, or (719) 325-4784 for international callers and entering participant code 9238757. A digital replay will be available through July 31, 2014, following the conclusion of the call by dialing (888) 203-1112 for domestic callers, or (719) 457-0820 for international callers, and entering replay passcode 9238757.

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 33 warehouse clubs in 12 countries and one U.S. territory (six in Costa Rica; four each in Panama and Trinidad; three each in Guatemala, the Dominican Republic, Honduras and Colombia; two in El Salvador; 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, 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 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; future sales growth depends, in part, on the Company's ability to successfully open new warehouse clubs; the Company might not identify in a timely manner or effectively respond to changes in consumer trends and changes in consumer preferences for merchandise and shopping modalities, which could adversely affect its relationship with members, demand for its products and market share; the Company faces difficulties in the shipment of, and risks inherent in the importation of, merchandise to its warehouse clubs; the Company is exposed to weather and other natural disaster risks; general economic conditions could adversely impact the Company's business in various respects; the Company is subject to changes in relationships and agreements with third parties with which the Company does business and/or from which the Company acquires merchandise; the Company relies extensively on computer systems to process transactions, summarize results and manage its business and a failure to adequately maintain the Company's systems and disruptions in its systems could harm its business and adversely affect its results of operations; the Company could be subject to additional tax liabilities; a few of the Company's stockholders own approximately 28.1% 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 rates; the Company faces the risk of exposure to product liability claims, a product recall and adverse publicity; potential future impairments of long lived assets could adversely affect the Company's future results of operations and financial position; write-offs of goodwill and other intangible assets could adversely affect the Company's future results of operations and financial position; the Company faces increased public company compliance risks and compliance risks related to the Company's international operations; the Company faces increased compliance risks associated with compliance with Section 404 of the Sarbanes-Oxley Act of 2002; if remediation costs or hazardous substance contamination levels at certain properties for which the Company maintains financial responsibility exceed management's current expectations, the Company's financial condition and results of operations could be adversely impacted. The risks described above 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 fiscal year ended August 31, 2013 filed on October 30, 2013 pursuant to the Securities Exchange Act of 1934. 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 BALANCE SHEETS
(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

	May 31, 2014 (Unaudited)	August 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 123,759	\$ 121,874
Short-term restricted cash	2,356	5,984
Receivables, net of allowance for doubtful accounts of \$2 and \$0 as of May 31, 2014 and August 31, 2013, respectively	4,507	3,130
Merchandise inventories	230,693	217,413
Deferred tax assets – current	6,075	6,290
Prepaid expenses and other current assets (includes \$378 and \$0 as of May 31, 2014 and August 31, 2013, respectively, for the fair value of derivative instruments)	23,756	20,890
Total current assets	391,146	375,581
Long-term restricted cash	26,923	34,775
Property and equipment, net	396,749	338,478
Goodwill	36,176	36,364
Deferred tax assets – long term	12,862	12,871
Other non-current assets (includes \$729 and \$1,505 as of May 31, 2014 and August 31, 2013, respectively, for the fair value of derivative instruments)	25,734	19,866
Investment in unconsolidated affiliates	8,861	8,104
Total Assets	\$ 898,451	\$ 826,039
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 197,671	\$ 199,425
Accrued salaries and benefits	18,041	17,862
Deferred membership income	17,770	16,528
Income taxes payable	6,867	8,059
Other accrued expenses	18,696	20,136
Dividends payable	10,593	—
Long-term debt, current portion	15,742	12,757
Deferred tax liability – current	189	111
Total current liabilities	285,569	274,878
Deferred tax liability – long-term	2,716	2,622
Long-term portion of deferred rent	5,116	4,440
Long-term income taxes payable, net of current portion	2,001	2,184
Long-term debt, net of current portion	78,353	60,263
Other long-term liabilities (includes \$104 and \$14 for the fair value of derivative instruments and \$664 and \$589 for the defined benefit plan as of May 31, 2014 and August 31, 2013, respectively)	768	603
Total liabilities	374,523	344,990
Equity:		
Common stock, \$0.0001 par value, 45,000,000 shares authorized; 30,948,290 and 30,924,392 shares issued and 30,209,596 and 30,234,506 shares outstanding (net of 3 treasury shares) as of May 31, 2014 and August 31, 2013, respectively	3	3
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Preferred stock \$0.0001 par value; 2,000,000 shares authorized; no shares issued and outstanding as of May 31, 2014 and August 31, 2013

Additional paid-in capital	395,569	390,581
Tax benefit from stock-based compensation	9,489	8,016
Accumulated other comprehensive loss	(50,323) (41,475)
Retained earnings	193,738	143,871
Less: treasury stock at cost; 738,694 and 689,886 shares as of May 31, 2014 and August 31, 2013, respectively	(24,548) (19,947)
Total equity	523,928	481,049
Total Liabilities and Equity	\$898,451	\$826,039

PRICESMART, INC.

CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2014	2013	2014	2013
Revenues:				
Net warehouse club sales	\$597,885	\$555,815	\$1,844,746	\$1,671,269
Export sales	6,577	6,224	19,062	15,620
Membership income	9,552	8,774	28,301	24,773
Other income	1,023	909	2,903	2,756
Total revenues	615,037	571,722	1,895,012	1,714,418
Operating expenses:				
Cost of goods sold:				
Net warehouse club	509,684	475,727	1,575,623	1,425,396
Export	6,246	5,907	18,110	14,728
Selling, general and administrative:				
Warehouse club operations	53,617	49,421	158,592	143,476
General and administrative	12,604	11,404	37,065	34,450
Pre-opening expenses	1,125	525	1,939	1,409
Loss/(gain) on disposal of assets	558	249	746	353
Total operating expenses	583,834	543,233	1,792,075	1,619,812
Operating income	31,203	28,489	102,937	94,606
Other income (expense):				
Interest income	202	338	576	1,078
Interest expense	(1,043)	(427)	(2,967)	(2,951)
Other income (expense), net	489	(785)	1,512	(1,051)
Total other expense	(352)	(874)	(879)	(2,924)
Income before provision for income taxes and income (loss) of unconsolidated affiliates	30,851	27,615	102,058	91,682
Provision for income taxes	(9,534)	(9,082)	(31,035)	(28,254)
Income (loss) of unconsolidated affiliates	3	6	7	(2)
Net income	\$21,320	\$18,539	\$71,030	\$63,426
Net income per share available for distribution:				
Basic net income per share	\$0.70	\$0.61	\$2.35	\$2.09
Diluted net income per share	\$0.70	\$0.61	\$2.34	\$2.09
Shares used in per share computations:				
Basic	29,784	29,683	29,733	29,634
Diluted	29,792	29,692	29,743	29,644
Dividends per share	\$—	\$—	\$0.70	\$0.60