

PRICESMART INC
Form 10-Q
July 03, 2007
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended May 31, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

COMMISSION FILE NUMBER 0-22793

PriceSmart, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

9740 Scranton Road, San Diego, CA 92121

(Address of principal executive offices)

(858) 404-8800

(Registrant's telephone number, including area code)

33-0628530
(I.R.S. Employer
Identification No.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The registrant had 29,635,560 shares of its common stock, par value \$.0001 per share, outstanding at June 30, 2007.

Table of Contents

PRICESMART, INC.

INDEX TO FORM 10-Q

| | Page |
|--|-------------|
| PART I FINANCIAL INFORMATION | |
| ITEM 1. <u>FINANCIAL STATEMENTS</u> | 3 |
| <u>CONSOLIDATED BALANCE SHEETS AS OF AUGUST 31, 2006 AND MAY 31, 2007 (UNAUDITED)</u> | 4 |
| <u>UNAUDITED CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2006 AND MAY 31, 2007</u> | 5 |
| <u>UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED MAY 31, 2006 AND MAY 31, 2007</u> | 6 |
| <u>UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE NINE MONTHS ENDED MAY 31, 2006 AND MAY 31, 2007</u> | 7 |
| <u>NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS</u> | 8 |
| ITEM 2. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u> | 23 |
| ITEM 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u> | 32 |
| ITEM 4. <u>CONTROLS AND PROCEDURES</u> | 33 |
| PART II OTHER INFORMATION | |
| ITEM 1. <u>LEGAL PROCEEDINGS</u> | 34 |
| ITEM 1A. <u>RISK FACTORS</u> | 34 |
| ITEM 2. <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u> | 34 |
| ITEM 3. <u>DEFAULTS UPON SENIOR SECURITIES</u> | 35 |
| ITEM 4. <u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u> | 35 |
| ITEM 5. <u>OTHER INFORMATION</u> | 35 |
| ITEM 6. <u>EXHIBITS</u> | 36 |

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PriceSmart, Inc. s (PriceSmart or the Company) unaudited consolidated balance sheet as of May 31, 2007, the consolidated balance sheet as of August 31, 2006, the unaudited consolidated statements of income for the three and nine months ended May 31, 2007 and 2006, the unaudited consolidated statements of cash flows and the unaudited consolidated statements of stockholders equity for the nine months ended May 31, 2007 and 2006, are included elsewhere herein. Also included herein are notes to the unaudited consolidated financial statements.

Table of Contents**PRICESMART, INC.****CONSOLIDATED BALANCE SHEETS**

(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

| | May 31, 2007 (Unaudited) | August 31, 2006 (See Note) |
|--|-----------------------------|-------------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 11,554 | \$ 39,995 |
| Short-term restricted cash | 7,945 | 7,651 |
| Receivables, net of allowance for doubtful accounts of \$205 and \$191, respectively | 4,476 | 3,599 |
| Merchandise inventories | 90,211 | 77,432 |
| Prepaid expenses and other current assets | 11,747 | 8,985 |
| Assets of discontinued operations | 1,661 | 1,594 |
| Total current assets | 127,594 | 139,256 |
| Long-term restricted cash | 407 | 531 |
| Notes receivable | 2,231 | |
| Property and equipment, net | 173,569 | 162,029 |
| Goodwill | 31,727 | 31,870 |
| Deferred tax asset | 19,548 | 20,183 |
| Other assets | 3,934 | 1,903 |
| Investment in unconsolidated affiliate | 2,999 | 3,271 |
| Total Assets | \$ 362,009 | \$ 359,043 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current Liabilities: | | |
| Short-term borrowings | \$ 2,812 | \$ 158 |
| Accounts payable | 67,736 | 65,520 |
| Accounts payable to unconsolidated affiliate | | 381 |
| Accrued salaries and benefits | 6,354 | 5,765 |
| Deferred membership income | 6,605 | 5,780 |
| Income taxes payable | 4,346 | 4,098 |
| Other accrued expenses | 16,138 | 15,194 |
| Dividend payable | 4,665 | |
| Long-term debt, current portion | 1,000 | 5,417 |
| Liabilities of discontinued operations | 141 | 130 |
| Total current liabilities | 109,797 | 102,443 |
| Deferred tax liability | 1,321 | 1,101 |
| Deferred rent | 1,843 | 1,730 |
| Accrued closure costs | 3,112 | 3,226 |
| Long-term debt, net of current portion | 37 | 13,252 |
| Total liabilities | 116,110 | 121,752 |
| Minority interest | 2,999 | 2,672 |
| Commitments and contingencies | | |
| Stockholders Equity: | | |
| | 3 | 3 |

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| | | |
|--|-------------------|-------------------|
| Common stock, \$.0001 par value, 45,000,000 shares authorized; 29,638,440 and 29,404,457 shares issued and 29,162,216 and 28,966,294 shares outstanding (net of treasury shares), respectively | | |
| Additional paid-in capital | 366,004 | 364,132 |
| Tax benefit from stock-based compensation | 3,935 | 3,509 |
| Accumulated other comprehensive loss | (13,810) | (13,883) |
| Accumulated deficit | (103,157) | (109,676) |
| Less: treasury stock at cost; 476,224 shares and 438,163 shares held, respectively | (10,075) | (9,466) |
| Total stockholders' equity | 242,900 | 234,619 |
| | | |
| Total Liabilities and Stockholders' Equity | \$ 362,009 | \$ 359,043 |

Note: The consolidated balance sheet at August 31, 2006 has been derived from the audited consolidated financial statements.

See accompanying notes.

Table of Contents**PRICESMART, INC.****UNAUDITED CONSOLIDATED STATEMENTS OF INCOME****(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)**

| | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|--|---------------------------------------|-----------------|--------------------------------------|-----------------|
| | 2007 | 2006 | 2007 | 2006 |
| Revenues: | | | | |
| Sales: | | | | |
| Net warehouse club | \$ 219,515 | \$ 180,781 | \$ 644,337 | \$ 536,856 |
| Export | 190 | 9 | 456 | 20 |
| Membership income | 3,559 | 2,961 | 10,221 | 8,423 |
| Other income | 1,048 | 886 | 3,652 | 2,570 |
| Total revenues | 224,312 | 184,637 | 658,666 | 547,869 |
| Operating expenses: | | | | |
| Cost of goods sold: | | | | |
| Net warehouse club | 185,762 | 153,619 | 547,220 | 458,309 |
| Export | 172 | 7 | 432 | 23 |
| Selling, general and administrative: | | | | |
| Warehouse club operations | 22,252 | 20,068 | 64,294 | 57,556 |
| General and administrative | 7,024 | 6,312 | 19,869 | 17,691 |
| Preopening expenses | 1 | | 256 | 336 |
| Asset impairment and closure costs | 68 | 59 | 731 | 172 |
| Total operating expenses | 215,279 | 180,065 | 632,802 | 534,087 |
| Operating income | 9,033 | 4,572 | 25,864 | 13,782 |
| Other income (expense): | | | | |
| Interest income | 395 | 624 | 1,238 | 1,348 |
| Interest expense | (129) | (708) | (574) | (2,258) |
| Other income (expense), net | (100) | (71) | (122) | (46) |
| Total other income (expense) | 166 | (155) | 542 | (956) |
| Income from continuing operations before provision for income taxes, loss of unconsolidated affiliate and minority interest | | | | |
| | 9,199 | 4,417 | 26,406 | 12,826 |
| Provision for income taxes | (3,819) | (1,192) | (10,011) | (4,686) |
| Loss of unconsolidated affiliate | (99) | (12) | (282) | (56) |
| Minority interest | (75) | (88) | (337) | (261) |
| Income from continuing operations | 5,206 | 3,125 | 15,776 | 7,823 |
| Discontinued operations, net of tax | 25 | 103 | 71 | 650 |
| Net income | \$ 5,231 | \$ 3,228 | \$ 15,847 | \$ 8,473 |
| Basic income per share: | | | | |
| Continuing operations | \$ 0.18 | \$ 0.11 | \$ 0.55 | \$ 0.29 |
| Discontinued operations, net of tax | | | | 0.02 |

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| | | | | |
|---|---------|---------|---------|---------|
| Net income | \$ 0.18 | \$ 0.11 | \$ 0.55 | \$ 0.31 |
| Diluted income per share: | | | | |
| Continuing operations | \$ 0.18 | \$ 0.11 | \$ 0.54 | \$ 0.29 |
| Discontinued operations, net of tax | | | | 0.02 |
| Net income | \$ 0.18 | \$ 0.11 | \$ 0.54 | \$ 0.31 |
| Shares used in per share computations: | | | | |
| Basic | 28,549 | 28,373 | 28,485 | 26,970 |
| Diluted | 29,250 | 29,067 | 29,206 | 27,412 |
| Dividends per share | \$ 0.00 | \$ 0.00 | \$ 0.32 | \$ 0.00 |

See accompanying notes.

Table of Contents

PRICESMART, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(AMOUNTS IN THOUSANDS)