

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 November 30, 2024

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 000-22793

PriceSmart, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

9740 Scranton Road, San Diego, CA
(Address of principal executive offices)

92121
(Zip Code)

(858) 404-8800

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|----------------------------------|----------------|---|
| Common Stock, \$0.0001 par value | PSMT | NASDAQ Global Select Market |

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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒

No ☐

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

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller Reporting Company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 30,662,345 shares of its common stock, par value \$0.0001 per share, outstanding at December 31, 2024.

PRICESMART, INC.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PriceSmart, Inc.'s ("PriceSmart," "we," the "Company" or "our") unaudited consolidated balance sheet as of November 30, 2024 and the consolidated balance sheet as of August 31, 2024, the unaudited consolidated statements of income for the three months ended November 30, 2024 and 2023, the unaudited consolidated statements of comprehensive income for the three months ended November 30, 2024 and 2023, the unaudited consolidated statements of equity for the three months ended November 30, 2024 and 2023, and the unaudited consolidated statements of cash flows for the three months ended November 30, 2024 and 2023 are included herein. Also included herein are the notes to the unaudited consolidated financial statements.

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

| | November 30, 2024 (Unaudited) | August 31, 2024 |
|--|-------------------------------------|---------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 120,943 | \$ 125,364 |
| Short-term restricted cash | 3,309 | 1,383 |
| Short-term investments | 101,252 | 100,165 |
| Receivables, net of allowance for credit losses of \$ 52 as of November 30, 2024 and August 31, 2024 | 23,606 | 18,847 |
| Merchandise inventories | 585,850 | 528,678 |
| Prepaid expenses and other current assets (includes \$ 1,754 and \$4,480 as of November 30, 2024 and August 31, 2024, respectively, for the fair value of derivative instruments) | 57,564 | 57,910 |
| Total current assets | 892,524 | 832,347 |
| Long-term restricted cash | 12,209 | 9,564 |
| Property and equipment, net | 934,087 | 936,108 |
| Operating lease right-of-use assets, net | 100,202 | 96,415 |
| Goodwill | 43,215 | 43,197 |
| Deferred tax assets | 34,801 | 36,618 |
| Other non-current assets (includes \$2,962 and \$1,482 as of November 30, 2024 and August 31, 2024, respectively, for the fair value of derivative instruments) | 63,767 | 61,563 |
| Investment in unconsolidated affiliates | 6,877 | 6,882 |
| Total Assets | \$ 2,087,682 | \$ 2,022,694 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities: | | |
| Short-term borrowings | \$ 7,764 | \$ 8,007 |
| Accounts payable | 537,076 | 485,961 |
| Accrued salaries and benefits | 37,241 | 48,263 |
| Deferred income | 38,999 | 38,079 |
| Income taxes payable | 4,018 | 6,516 |
| Other accrued expenses and other current liabilities (includes \$ 0 and \$1,179 as of November 30, 2024 and August 31, 2024, respectively, for the fair value of derivative instruments) | 52,898 | 50,035 |
| Operating lease liabilities, current portion | 7,519 | 7,370 |
| Long-term debt, current portion | 22,055 | 35,917 |
| Total current liabilities | 707,570 | 680,148 |
| Deferred tax liability | 1,048 | 1,644 |
| Long-term income taxes payable, net of current portion | 4,712 | 4,762 |
| Long-term operating lease liabilities | 107,556 | 103,890 |
| Long-term debt, net of current portion | 93,567 | 94,443 |
| Other long-term liabilities (includes \$1,561 and \$2,100 for the fair value of derivative instruments and \$ 13,090 and \$12,742 for post-employment plans as of November 30, 2024 and August 31, 2024, respectively) | 14,651 | 14,842 |
| Total Liabilities | 929,104 | 899,729 |

Stockholders' Equity:

| | | |
|--|---------------------|---------------------|
| Common stock \$0.0001 par value, 45,000,000 shares authorized; 32,633,540 and 32,570,858 shares issued and 30,662,345 and 30,635,556 shares outstanding (net of treasury shares) as of November 30, 2024 and August 31, 2024, respectively | 3 | 3 |
| Additional paid-in capital | 519,035 | 514,542 |
| Accumulated other comprehensive loss | (167,606) | (164,590) |
| Retained earnings | 927,700 | 890,272 |
| Less: treasury stock at cost, 1,971,195 shares as of November 30, 2024 and 1,935,302 shares as of August 31, 2024 | (120,554) | (117,262) |
| Total Stockholders' Equity | 1,158,578 | 1,122,965 |
| Total Liabilities and Equity | <u>\$ 2,087,682</u> | <u>\$ 2,022,694</u> |

See accompanying notes.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED—AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

| | Three Months Ended | |
|---|----------------------|----------------------|
| | November 30, 2024 | November 30, 2023 |
| Revenues: | | |
| Net merchandise sales | \$ 1,223,859 | \$ 1,135,014 |
| Export sales | 9,618 | 10,009 |
| Membership income | 20,199 | 17,749 |
| Other revenue and income | 4,268 | 3,703 |
| Total revenues | 1,257,944 | 1,166,475 |
| Operating expenses: | | |
| Cost of goods sold: | | |
| Net merchandise sales | 1,029,877 | 952,728 |
| Export sales | 9,013 | 9,550 |
| Selling, general and administrative: | | |
| Warehouse club and other operations | 117,855 | 109,965 |
| General and administrative | 42,565 | 35,439 |
| Pre-opening expenses | 22 | 487 |
| Loss on disposal of assets | 352 | 93 |
| Total operating expenses | 1,199,684 | 1,108,262 |
| Operating income | 58,260 | 58,213 |
| Other income (expense): | | |
| Interest income | 2,220 | 2,866 |
| Interest expense | (2,695) | (2,816) |
| Other expense, net | (6,856) | (2,126) |
| Total other expense | (7,331) | (2,076) |
| Income before provision for income taxes and income (loss) of unconsolidated affiliates | 50,929 | 56,137 |
| Provision for income taxes | (13,496) | (18,153) |
| Income (loss) of unconsolidated affiliates | (5) | 63 |
| Net income | \$ 37,428 | \$ 38,047 |
| Net income per share available for distribution: | | |
| Basic | \$ 1.21 | \$ 1.24 |
| Diluted | \$ 1.21 | \$ 1.24 |
| Shares used in per share computations: | | |
| Basic | 30,019 | 30,269 |
| Diluted | 30,020 | 30,269 |

See accompanying notes.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED—AMOUNTS IN THOUSANDS)

| | Three Months Ended | |
|--|----------------------|----------------------|
| | November 30, 2024 | November 30, 2023 |
| Net income | \$ 37,428 | \$ 38,047 |
| Other Comprehensive Income, net of tax: | | |
| Foreign currency translation adjustments ⁽¹⁾ | (2,853) | 3,537 |
| Defined benefit pension plan: | | |
| Net gain (loss) arising during period | (7) | 25 |
| Amortization of prior service cost and actuarial gains included in net periodic pensions cost | 78 | 96 |
| Total defined benefit pension plan | 71 | 121 |
| Derivative instruments: ⁽²⁾ | | |
| Unrealized gains (losses) on change in derivative obligations | (238) | 1,174 |
| Unrealized losses on change in fair value of interest rate swaps | (2,140) | (1,252) |
| Amounts reclassified from accumulated other comprehensive income to other expense, net for settlement of derivatives | 2,144 | — |
| Total derivative instruments | (234) | (78) |
| Other comprehensive income (loss) | (3,016) | 3,580 |
| Comprehensive income | \$ 34,412 | \$ 41,627 |

⁽¹⁾ Translation adjustments arising in translating the financial statements of a foreign entity have no effect on the income taxes of that foreign entity. They may, however, affect: (a) the amount, measured in the parent entity's reporting currency, of withholding taxes assessed on dividends paid to the parent entity and (b) the amount of taxes assessed on the parent entity by the government of its country. The Company has determined that the reinvestment of earnings of its foreign subsidiaries are indefinite because of the long-term nature of the Company's foreign investment plans. Therefore, deferred taxes are not provided for on translation adjustments related to non-remitted earnings of the Company's foreign subsidiaries.

⁽²⁾ See Note 8 - Derivative Instruments and Hedging Activities.

See accompanying notes.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED—AMOUNTS IN THOUSANDS)

| | Three Months Ended | | | | | | | |
|---------------------------------------|--------------------|--------|----------------------------------|---|----------------------|----------------|--------------|-----------------|
| | Common Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Retained Earnings | Treasury Stock | | Total Equity |
| | Shares | Amount | | | | Shares | Amount | |
| Balance at August 31, 2023 | 31,935 | \$ 3 | \$ 497,434 | \$ (163,992) | \$ 817,559 | 958 | \$ (43,961) | \$ 1,107,043 |
| Purchase of treasury stock | — | — | — | — | — | 944 | (69,972) | (69,972) |
| Issuance of treasury stock | (3) | — | (185) | — | — | (3) | 185 | — |
| Issuance of restricted stock awards | 488 | — | — | — | — | — | — | — |
| Forfeiture of restricted stock awards | (4) | — | — | — | — | — | — | — |
| Stock-based compensation | — | — | 3,546 | — | — | — | — | 3,546 |
| Net income | — | — | — | — | 38,047 | — | — | 38,047 |
| Other comprehensive income | — | — | — | 3,580 | — | — | — | 3,580 |
| Balance at November 30, 2023 | 32,416 | \$ 3 | \$ 500,795 | \$ (160,412) | \$ 855,606 | 1,899 | \$ (113,748) | \$ 1,082,244 |
| Balance at August 31, 2024 | 32,571 | \$ 3 | \$ 514,542 | \$ (164,590) | \$ 890,272 | 1,935 | \$ (117,262) | \$ 1,122,965 |
| Purchase of treasury stock | — | — | — | — | — | 36 | (3,292) | (3,292) |
| Issuance of restricted stock awards | 66 | — | — | — | — | — | — | — |
| Forfeiture of restricted stock awards | (3) | — | — | — | — | — | — | — |
| Stock-based compensation | — | — | 4,493 | — | — | — | — | 4,493 |
| Net income | — | — | — | — | 37,428 | — | — | 37,428 |
| Other comprehensive loss | — | — | — | (3,016) | — | — | — | (3,016) |
| Balance at November 30, 2024 | 32,634 | \$ 3 | \$ 519,035 | \$ (167,606) | \$ 927,700 | 1,971 | \$ (120,554) | \$ 1,158,578 |

See accompanying notes.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED—AMOUNTS IN THOUSANDS)

| | Three Months Ended | |
|--|------------------------------|------------------------------|
| | November 30, 2024 | November 30, 2023 |
| Operating Activities: | | |
| Net income | \$ 37,428 | \$ 38,047 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 20,862 | 19,494 |
| Allowance for credit losses | — | (5) |
| Loss on sale of property and equipment | 352 | 93 |
| Deferred income taxes | 907 | 1,310 |
| Equity in losses (gains) of unconsolidated affiliates | 5 | (63) |
| Stock-based compensation | 4,493 | 3,546 |
| Change in operating assets and liabilities: | | |
| Receivables, prepaid expenses and other current assets, non-current assets, accrued salaries and benefits, deferred membership income and other accruals | (19,269) | (28,390) |
| Merchandise inventories | (57,172) | (58,491) |
| Accounts payable | 50,924 | 65,557 |
| Net cash provided by operating activities | 38,530 | 41,098 |
| Investing Activities: | | |
| Additions to property and equipment | (28,181) | (33,300) |
| Purchases of short-term investments | (38,313) | (55,204) |
| Proceeds from settlements of short-term investments | 37,147 | 58,331 |
| Proceeds from disposal of property and equipment | 41 | 57 |
| Net cash used in investing activities | (29,306) | (30,116) |
| Financing Activities: | | |
| Proceeds from long-term bank borrowings | 5,441 | — |
| Repayment of long-term bank borrowings | (19,943) | (4,849) |
| Proceeds from short-term bank borrowings | 524 | 1,160 |
| Repayment of short-term bank borrowings | (318) | (848) |
| Purchase of treasury stock | (3,292) | (69,972) |
| Net cash used in financing activities | (17,588) | (74,509) |
| Effect of exchange rate changes on cash and cash equivalents and restricted cash | 8,514 | (1,787) |
| Net increase (decrease) in cash, cash equivalents | 150 | (65,314) |
| Cash, cash equivalents and restricted cash at beginning of period | 136,311 | 252,202 |
| Cash, cash equivalents and restricted cash at end of period | \$ 136,461 | \$ 186,888 |
| Supplemental disclosure of noncash investing activities: | | |
| Capital expenditures accrued, but not yet paid | \$ 4,962 | \$ 8,312 |

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)
(UNAUDITED—AMOUNTS IN THOUSANDS)

The following table provides a breakdown of cash and cash equivalents, and restricted cash reported within the statement of cash flows:

| | Three Months Ended | |
|--|------------------------------|------------------------------|
| | November 30, 2024 | November 30, 2023 |
| Cash and cash equivalents | \$ 120,943 | \$ 174,452 |
| Short-term restricted cash | 3,309 | 2,869 |
| Long-term restricted cash | 12,209 | 9,567 |
| Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows | <u>\$ 136,461</u> | <u>\$ 186,888</u> |

See accompanying notes.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
November 30, 2024

NOTE 1 – COMPANY OVERVIEW AND BASIS OF PRESENTATION

PriceSmart, Inc.'s ("PriceSmart," the "Company," "we" or "our") business consists primarily of international membership shopping warehouse clubs similar to, but typically smaller in size than, warehouse clubs in the United States. As of November 30, 2024, the Company had 54 warehouse clubs in operation in 12 countries and one U.S. territory (ten in Colombia; eight in Costa Rica; seven in Panama; six in Guatemala; five in Dominican Republic; four each in Trinidad and El Salvador; three in Honduras; two each in Nicaragua and Jamaica; and one each in Aruba, Barbados and the United States Virgin Islands), of which the Company owns 100% of the corresponding legal entities (see Note 2 - Summary of Significant Accounting Policies). In addition, the Company plans to open one warehouse club in Cartago, Costa Rica in the spring of 2025 and one new warehouse club in Quetzaltenango, Guatemala in the summer of 2025. Once these two new clubs are open, the Company will operate 56 warehouse clubs. Our operating segments are the United States, Central America, the Caribbean and Colombia.

PriceSmart continues to invest in technology and talent to support the following three major drivers of growth:

1. **Invest in Remodeling Current PriceSmart Clubs, Adding New PriceSmart Locations and Opening More Distribution Centers;**
2. **Increase Membership Value; and**
3. **Drive Incremental Sales via PriceSmart.com and Enhanced Online, Digital and Technological Capabilities.**

Basis of Presentation – The interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q for interim financial reporting pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC").

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2024 (the "2024 Form 10-K"). The interim consolidated financial statements include the accounts of PriceSmart, Inc., a Delaware corporation, and its subsidiaries. Intercompany transactions between the Company and its subsidiaries have been eliminated in consolidation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements of the Company included herein include the assets, liabilities and results of operations of the Company's wholly owned subsidiaries and subsidiaries in which it has a controlling interest. The consolidated financial statements also include the Company's investment in, and the Company's share of the income (loss) of, joint ventures recorded under the equity method. All significant inter-company accounts and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the SEC and reflect all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to fairly present the financial position, results of operations and cash flows for the periods presented. The results for interim periods are not necessarily indicative of the results for the year.

The Company determines whether any of the joint ventures in which it has made investments is a Variable Interest Entity ("VIE") at the start of each new venture and if a reconsideration event has occurred. At this time, the Company also considers whether it must consolidate a VIE and/or disclose information about its involvement in a VIE. A reporting entity must consolidate a VIE if that reporting entity has a variable interest (or combination of variable interests) and is determined to be the primary beneficiary. If the Company determines that it is not the primary beneficiary of the VIE, then the Company records its investment in, and the Company's share of the income (loss) of, joint ventures recorded under the equity method. Due to the nature of the joint ventures that the Company participates in and the continued commitments for additional financing, the Company determined these joint ventures are VIEs.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In the case of the Company's ownership interest in a real estate development joint venture, both parties to the joint venture share all rights, obligations and the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. As a result, the Company has determined that it is not the primary beneficiary of the VIE and, therefore, has accounted for this entity under the equity method. Under the equity method, the Company's investments in unconsolidated affiliates are initially recorded as an investment in the stock of an investee at cost and are adjusted for the carrying amount of the investment to recognize the investor's share of the earnings or losses of the investee after the date of the initial investment. The Company's ownership interest in a real estate development joint venture the Company has recorded under the equity method as of November 30, 2024 is listed below:

| Real Estate Development Joint Venture | Country | Ownership | Basis of Presentation |
|---------------------------------------|---------|-----------|-----------------------|
| GolfPark Plaza, S.A. | Panama | 50.0 % | Equity ⁽¹⁾ |

⁽¹⁾ Joint venture interests are recorded as investment in unconsolidated affiliates on the consolidated balance sheets.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and assumptions take into account historical and forward-looking factors that the Company believes are reasonable. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents – The Company considers as cash and cash equivalents all cash on deposit, highly liquid investments with a maturity of three months or less at the date of purchase and proceeds due from credit and debit card transactions in the process of settlement. In addition, the Company invests some of our cash in money market funds which are considered equity securities and are held at fair value in Cash and cash equivalents on the consolidated balance sheets. The fair value of money market funds held was \$ 2.1 million as of November 30, 2024 and \$7.0 million as of August 31, 2024. We receive interest payments from the money market funds which are recorded in the Interest income line item under the Total other expense caption within the consolidated statements of income.

Restricted Cash – The following table summarizes the restricted cash reported by the Company (in thousands):

| | November 30, 2024 | August 31, 2024 |
|--------------------------------------|----------------------|--------------------|
| Short-term restricted cash | \$ 3,309 | \$ 1,383 |
| Long-term restricted cash | 12,209 | 9,564 |
| Total restricted cash ⁽¹⁾ | <u>\$ 15,518</u> | <u>\$ 10,947</u> |

⁽¹⁾ Restricted cash consists of cash deposits held within banking institutions in compliance with federal regulatory requirements in Costa Rica and Panama. In addition, the Company is required to maintain a certificate of deposit and/or security deposits of Trinidad dollars, as measured in U.S. dollars, of approximately \$8.8 million with a few of its lenders as compensating balances for several U.S. dollar and euro denominated loans payable over several years. The certificates of deposit will be reduced annually commensurate with the loan balances.

Short-Term Investments – The Company considers certificates of deposit and similar time-based deposits with financial institutions with original maturities over three months and up to one year to be short-term investments.

Long-Term Investments – The Company considers certificates of deposit and similar time-based deposits with financial institutions with original maturities over one year to be long-term investments.

Goodwill – Goodwill totaled \$43.2 million as of November 30, 2024 and August 31, 2024. The Company reviews reported goodwill at the reporting unit level for impairment. The Company tests goodwill for impairment at least annually or when events or changes in circumstances indicate that it is more likely than not that the asset is impaired.

Receivables – Receivables consist primarily of credit card receivables and receivables from vendors and are stated net of allowances for credit losses. The determination of the allowance for credit losses is based on the Company's assessment of collectability along with the consideration of current and expected market conditions that could impact collectability.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Tax Receivables – The Company pays Value Added Tax (“VAT”) or similar taxes, income taxes, and other taxes within the normal course of business in most of the countries in which it operates related to the procurement of merchandise and/or services the Company acquires and/or on sales and taxable income. VAT is a form of indirect tax applied to the value added at each stage of production (primary, manufacturing, wholesale and retail). This tax is similar to, but operates somewhat differently than, sales tax paid in the United States. The Company generally collects VAT from its Members upon sale of goods and services and pays VAT to its vendors upon purchase of goods and services. Periodically, the Company submits VAT reports to governmental agencies and reconciles the VAT paid and VAT received. The net overpaid VAT may be refunded or applied to subsequent returns, and the net underpaid VAT must be remitted to the government. With respect to income taxes paid, if the estimated income taxes paid or withheld exceed the actual income tax due this creates an income tax receivable. In most countries where the Company operates, the governments have implemented additional collection procedures, such as requiring credit card processors to remit a portion of sales processed via credit and debit cards directly to the government as advance payments of VAT and/or income tax. This collection mechanism generally leaves the Company with net VAT and/or income tax receivables, forcing the Company to process significant refund claims on a recurring basis. These refund or offset processes can take anywhere from several months to several years to complete. Additionally, we are occasionally required to make payments for tax assessments that we are appealing, notwithstanding that we believe it is more likely than not we will ultimately prevail.

Minimum tax rules, applicable in some of the countries where the Company operates, require the Company to pay taxes based on a percentage of sales if the resulting tax were greater than the tax payable based on a percentage of income (Alternative Minimum Tax or “AMT”). This can result in AMT payments substantially in excess of those the Company would expect to pay based on taxable income. As the Company believes that, in one country where it operates, it should only be ultimately liable for an income-based tax, it has accumulated income tax receivables of \$11.3 million and \$10.9 million and deferred tax assets of \$3.7 million and \$3.4 million as of November 30, 2024 and August 31, 2024, respectively, in this country.

While the rules related to refunds of income tax receivables in this country are unclear and complex, the Company has not placed any type of allowance on the recoverability of these tax receivables, deferred tax assets or amounts that may be deemed under-paid, because the Company believes that it is more likely than not that it will ultimately succeed in its refund requests and appeals of these rules.

The Company's various outstanding VAT receivables and/or income tax receivables are based on cases or appeals with their own set of facts and circumstances. The Company consults and evaluates with legal and tax advisors regularly to understand the strength of its legal arguments and probability of successful outcomes in addition to its own experience handling complex tax issues. Based on those evaluations, the Company has not placed any type of allowance on the recoverability of the remaining tax receivables or deferred tax assets, because the Company believes that it is more likely than not that it will ultimately succeed in its refund requests.

The Company's policy for classification and presentation of VAT receivables, income tax receivables and other tax receivables is as follows:

- Short-term VAT and Income tax receivables, recorded as Prepaid expenses and other current assets: This classification is used for any countries where the Company's subsidiary has generally demonstrated the ability to recover the VAT or income tax receivable within one year. The Company also classifies as short-term any approved refunds or credit notes to the extent that the Company expects to receive the refund or use the credit notes within one year.
- Long-term VAT and Income tax receivables, recorded as Other non-current assets: This classification is used for amounts not approved for refund or credit in countries where the Company's subsidiary has not demonstrated the ability to obtain refunds within one year and/or for amounts which are subject to outstanding disputes. An allowance is provided against VAT and income tax receivable balances in dispute when the Company does not expect to eventually prevail in its recovery. The Company does not currently have any allowances provided against VAT and income tax receivables.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the VAT receivables reported by the Company (in thousands):

| | November 30, 2024 | August 31, 2024 |
|---|----------------------|--------------------|
| Prepaid expenses and other current assets | \$ 992 | \$ 3,322 |
| Other non-current assets | 33,905 | 30,845 |
| Total amount of VAT receivables reported | <u>\$ 34,897</u> | <u>\$ 34,167</u> |

The following table summarizes the Income tax receivables reported by the Company (in thousands):

| | November 30, 2024 | August 31, 2024 |
|---|----------------------|--------------------|
| Prepaid expenses and other current assets | \$ 19,951 | \$ 20,088 |
| Other non-current assets | 21,376 | 23,679 |
| Total amount of income tax receivables reported | <u>\$ 41,327</u> | <u>\$ 43,767</u> |

Lease Accounting – The Company's leases are operating leases for warehouse clubs and non-warehouse club facilities such as corporate headquarters, regional offices, and regional distribution centers. The Company determines if an arrangement is a lease and classifies it as either a finance or operating lease at lease inception. Operating leases are included in Operating lease right-of-use assets, net; Operating lease liabilities, current portion; and Long-term operating lease liabilities on the consolidated balance sheets. The Company does not have finance leases.

Operating lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. The Company's leases generally do not have a readily determinable implicit interest rate; therefore, the Company uses a collateralized incremental borrowing rate at the commencement date in determining the present value of future payments. The incremental borrowing rate is based on a yield curve derived from publicly traded bond offerings for companies with credit characteristics that approximate the Company's market risk profile.

In addition, we adjust the incremental borrowing rate for jurisdictional risk derived from quoted interest rates from financial institutions to reflect the cost of borrowing in the Company's local markets. The Company's lease terms may include options to purchase, extend or terminate the lease, which are recognized when it is reasonably certain that the Company will exercise that option. The Company does not combine lease and non-lease components.

The Company measures Right-of-use ("ROU") assets based on the corresponding lease liabilities, adjusted for any initial direct costs and prepaid lease payments made to the lessor before or at the commencement date (net of lease incentives). The lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Variable lease payments are not included in the calculation of the ROU asset and the related lease liability and are recognized as incurred. The Company's variable lease payments generally relate to amounts the Company pays for additional contingent rent based on a contractually stipulated percentage of sales.

Merchandise Inventories – Merchandise inventories, which include merchandise for resale, are valued at the lower of cost (average cost) or net realizable value. The Company provides for estimated inventory losses and obsolescence based on a percentage of sales. The provision is adjusted every reporting period to reflect the trend of actual physical inventory and cycle count results. In addition, the Company may be required to take markdowns below the carrying cost of certain inventory to expedite the sale of such merchandise.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Stock Based Compensation – The Company utilizes three types of equity awards: restricted stock awards (“RSAs”), restricted stock units (“RSUs”) and, performance-based restricted stock units (“PSUs”). Compensation cost related to RSAs, RSUs and PSUs is based on the fair market value at the time of the grant. The Company recognizes the compensation cost related to RSAs and RSUs over the requisite service period as determined by the grant, amortized ratably or on a straight-line basis over the life of the grant. The Company also recognizes compensation cost for PSUs over the performance period of each tranche, adjusting this cost based on the Company's estimate of the probability that performance metrics will be achieved.

The Company accounts for actual forfeitures as they occur. The Company records the tax savings resulting from tax deductions in excess of expense for stock-based compensation and the tax deficiency resulting from stock-based compensation in excess of the related tax deduction as income tax expense or benefit. In addition, the Company reflects the tax savings (deficiency) resulting from the taxation of stock-based compensation as an operating cash flow in its consolidated statement of cash flows.

RSAs are outstanding shares of common stock and have the same cash dividend and voting rights as other shares of common stock. Shares of common stock subject to RSUs are not issued nor outstanding until vested, and RSUs do not have the same dividend and voting rights as common stock. However, all outstanding RSUs have accompanying dividend equivalents, requiring payment to the employees and directors with unvested RSUs of amounts equal to the dividend they would have received had the shares of common stock underlying the RSUs been actually issued and outstanding. Payments of dividend equivalents to employees are recorded as compensation expense.

PSUs, similar to RSUs, are awarded with dividend equivalents, subject to achievement of applicable performance criteria.

Treasury Stock – Shares of common stock repurchased by the Company are recorded at cost, including transaction costs and excise taxes, as treasury stock and result in the reduction of stockholders' equity in the Company's consolidated balance sheets. The Company may reissue these treasury shares as part of its stock-based compensation programs. When treasury shares are reissued, the Company uses the first in/first out (“FIFO”) cost method for determining cost of the reissued shares. If the issuance price is higher than the cost, the excess of the issuance price over the cost is credited to additional paid-in capital (“APIC”). If the issuance price is lower than the cost, the difference is first charged against any credit balance in APIC from treasury stock and the balance is charged to retained earnings.

Fair Value Measurements – The Company measures the fair value for all financial and non-financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring or nonrecurring basis. The fair value of an asset is the price at which the asset could be sold in an orderly transaction between unrelated, knowledgeable and willing parties able to engage in the transaction. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor in a transaction between such parties, not the amount that would be paid to settle the liability with the creditor.

ASC 820, Fair Value Measurements and Disclosures, sets forth a fair value hierarchy that categorizes inputs to valuation techniques used to measure and revalue fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The Company was not required to revalue any assets or liabilities utilizing Level 1 or Level 3 inputs at the balance sheet dates. The Company's Level 2 assets and liabilities revalued at the balance sheet dates, on a recurring basis, consisted of cash flow hedges (interest rate swaps and cross-currency interest rate swaps) and forward foreign exchange contracts. In addition, the Company utilizes Level 2 inputs in determining the fair value of long-term debt.

Non-financial assets and liabilities are revalued and recognized at fair value subsequent to initial recognition when there is evidence of impairment. For the periods reported, no impairment of such non-financial assets were recorded.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company's current and long-term financial assets and liabilities have fair values that approximate their carrying values. The Company's long-term financial liabilities consist of long-term debt, which is recorded on the balance sheet at issuance price and adjusted for any applicable unamortized discounts or premiums and debt issuance costs. There have been no significant changes in the fair market value of the Company's current and long-term financial assets and liabilities, and there have been no material changes to the valuation techniques utilized in the fair value measurement of assets and liabilities disclosed in the Company's 2024 Annual Report on Form 10-K.

Derivatives Instruments and Hedging Activities – The Company uses derivative financial instruments for hedging and non-trading purposes to manage its exposure to changes in interest and currency exchange rates. In using derivative financial instruments for the purpose of hedging the Company's exposure to interest and currency exchange rate risks, the contractual terms of a hedged instrument closely mirror those of the hedged item and are intended to provide a high degree of risk reduction and correlation. Contracts that are effective at meeting the risk reduction and correlation criteria (effective hedge) are recorded using hedge accounting. If a derivative financial instrument is an effective hedge, changes in the fair value of the instrument will be reported in accumulated other comprehensive loss until the hedged item completes its contractual term. Instruments that do not meet the criteria for hedge accounting, or contracts for which the Company has not elected hedge accounting, are valued at fair value with unrealized gains or losses reported in earnings during the period of the change.

The Company did not change valuation techniques utilized in the fair value measurement of assets and liabilities presented on the Company's consolidated balance sheets from previous practice during the reporting period. The Company seeks to manage counterparty risk associated with these contracts by limiting transactions to counterparties with which the Company has an established banking relationship. There can be no assurance, however, that this practice effectively mitigates counterparty risk.

Cash Flow Instruments. The Company is a party to receive floating interest rate and pay fixed-rate interest rate swaps to hedge the interest rate risk of certain U.S. dollar denominated debt within its international subsidiaries. The swaps are designated as cash flow hedges of interest expense risk. These instruments are considered effective hedges and are recorded using hedge accounting. The Company is also a party to receive variable or fixed interest rate and pay fixed interest rate cross-currency interest rate swaps to hedge the interest rate and currency exposure associated with the expected payments of principal and interest of U.S. denominated debt within its international subsidiaries whose functional currency is other than the U.S. dollar. The swaps are designated as cash flow hedges of the currency risk and interest-rate risk related to payments on the U.S. denominated debt. These instruments are also considered to be effective hedges and are recorded using hedge accounting. Under cash flow hedging, the entire gain or loss of the derivative, calculated as the net present value of the future cash flows, is reported on the consolidated balance sheets in accumulated other comprehensive loss. Amounts recorded in accumulated other comprehensive loss are released to earnings in the same period that the hedged transaction impacts consolidated earnings. Refer to "Note 8 - Derivative Instruments and Hedging Activities" for information on the fair value of interest rate swaps and cross-currency interest rate swaps as of November 30, 2024 and August 31, 2024.

Fair Value Instruments. The Company is exposed to foreign currency exchange rate fluctuations in the normal course of business. This includes exposure to foreign currency exchange rate fluctuations on U.S. dollar denominated liabilities within the Company's international subsidiaries whose functional currency is other than the U.S. dollar. The Company manages these fluctuations, in part, through the use of non-deliverable forward foreign-exchange contracts that are intended to offset changes in cash flows attributable to currency exchange movements. The contracts are intended primarily to economically address exposure to U.S. dollar merchandise inventory expenditures made by the Company's international subsidiaries whose functional currency is other than the U.S. dollar. Currently, these contracts are treated for accounting purposes as fair value instruments and do not qualify for derivative hedge accounting, and as such the Company does not apply derivative hedge accounting to record these transactions. As a result, these contracts are valued at fair value with unrealized gains or losses reported in earnings during the period of the change. The Company seeks to mitigate foreign currency exchange-rate risk with the use of these contracts and does not intend to engage in speculative transactions. These contracts do not contain any credit-risk-related contingent features and are limited to less than one year in duration.

Revenue Recognition – The accounting policies and other disclosures such as the disclosure of disaggregated revenues are described in "Note 3 – Revenue Recognition."

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Cost of Goods Sold – The Company includes the cost of merchandise and food service and bakery raw materials in cost of goods sold - net merchandise sales. The Company also includes in cost of goods sold - net merchandise sales the external and internal distribution and handling costs for supplying merchandise, raw materials and supplies to the warehouse clubs, and, when applicable, costs of shipping to Members. External costs include inbound freight, duties, drayage, fees, insurance, and non-recoverable value-added tax related to inventory shrink, spoilage and damage. Internal costs include payroll and related costs, utilities, consumable supplies, repair and maintenance, rent expense and building and equipment depreciation at the Company's distribution facilities and payroll and other direct costs for in-club demonstrations.

For export sales, the Company includes the cost of merchandise and external and internal distribution and handling costs for supplying merchandise in cost of goods sold - exports.

Vendor consideration consists primarily of volume rebates, time-limited product promotions, cooperative marketing efforts, digital advertising, slotting fees, demonstration reimbursements and prompt payment discounts. Volume rebates and time-limited promotions are recognized on a systematic and rational allocation of the cash consideration as the Company progresses toward earning the rebate, provided the amounts to be earned are probable and reasonably estimable. Cooperative marketing efforts and digital advertising are related to consideration received by the Company from vendors for non-distinct online advertising services on the Company's website and social media platforms. Slotting fees are related to consideration received by the Company from vendors for preferential "end cap" placement of the vendor's products within the warehouse club. Demonstration reimbursements are related to consideration received by the Company from vendors for the in-club promotion of the vendors' products. The Company records the reduction in cost of goods sold on a transactional basis for these programs. On a quarterly basis, the Company calculates the amount of rebates recorded in cost of goods sold that relates to inventory on hand and this amount is reclassified as a reduction to inventory, if significant. Prompt payment discounts are taken in substantially all cases and therefore are applied directly to reduce the acquisition cost of the related inventory, with the resulting effect recorded to cost of goods sold when the inventory is sold.

Selling, General and Administrative – Selling, general and administrative costs consist primarily of expenses associated with operating warehouse clubs and non-income based taxes such as alternative minimum taxes based on revenue or sales. These costs include payroll and related costs, utilities, consumable supplies, repair and maintenance, rent expense, building and equipment depreciation, bank fees, credit card processing fees, and amortization of intangibles. Also included in selling, general and administrative expenses are the payroll and related costs for the Company's U.S. and regional management and purchasing centers.

Pre-Opening Costs – The Company expenses pre-opening costs (the costs of start-up activities, including organization costs and rent) for new warehouse clubs as incurred.

Asset Impairment and Closure Costs – The Company periodically evaluates its long-lived assets for indicators of impairment. Management's judgments are based on market and operational conditions at the time of the evaluation and can include management's best estimate of future business activity. These periodic evaluations could cause management to conclude that impairment factors exist, requiring an adjustment of these assets to their then-current fair value. Future business conditions and/or activity could differ materially from the projections made by management causing the need for additional impairment charges.

Loss Contingencies and Litigation – The Company records and reserves for loss contingencies if (a) information available prior to issuance of the consolidated financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the consolidated financial statements and (b) the amount of loss can be reasonably estimated. If one or both criteria for accrual are not met, but there is at least a reasonable possibility that a material loss will occur, the Company does not record and reserve for a loss contingency but describes the contingency within a note and provides detail, when possible, of the estimated potential loss or range of loss. If an estimate cannot be made, a statement to that effect is made.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Foreign Currency Translation – The assets and liabilities of the Company's foreign operations are translated to U.S. dollars when the functional currency in the Company's international subsidiaries is the local currency and not U.S. dollars. Assets and liabilities of these foreign subsidiaries are translated to U.S. dollars at the exchange rate on the balance sheet date, and revenue, costs and expenses are translated at average rates of exchange in effect during the period. The corresponding translation gains and losses are recorded as a component of accumulated other comprehensive income or loss. These adjustments will affect net income upon the sale or liquidation of the underlying investment.

The following table discloses the net effect of translation into the reporting currency on other comprehensive income (loss) for these local currency denominated accounts for the three months ended November 30, 2024 and 2023 (in thousands):

| | Three Months Ended | |
|---|----------------------|----------------------|
| | November 30, 2024 | November 30, 2023 |
| Effect on other comprehensive income (loss) due to foreign currency restatement | \$ (2,853) | \$ 3,537 |

Monetary assets and liabilities denominated in currencies other than the functional currency of the respective entity (primarily U.S. dollars) are revalued to the functional currency using the exchange rate on the balance sheet date. These foreign exchange transaction gains (losses), including transactions recorded involving these monetary assets and liabilities, are recorded as Other income (expense) in the consolidated statements of income (in thousands):

| | Three Months Ended | |
|---------------|----------------------|----------------------|
| | November 30, 2024 | November 30, 2023 |
| Currency loss | \$ (6,718) | \$ (2,701) |

Recent Accounting Pronouncements - Not Yet Adopted

FASB ASC 280 ASU 2023-07—Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued ASU No. 2023-07, Improvements to Reportable Segment Disclosures. ASU No. 2023-07 focuses on improving reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. The ASU is effective for annual periods beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company expects to adopt ASU No. 2023-07 for our annual reporting for fiscal year 2025. The Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

FASB ASC 740 ASU 2023-09—Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures. ASU No. 2023-09 focuses on income tax disclosures around effective tax rates and cash income taxes paid. The ASU is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company expects to adopt ASU No. 2023-09 for our annual reporting for fiscal year 2026. The Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

NOTE 3 – REVENUE RECOGNITION

Performance Obligations

The Company identifies each distinct performance obligation to transfer goods (or bundle of goods) or services. The Company recognizes revenue when (or as) it satisfies a performance obligation by transferring control of the goods or services to the customer.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net Merchandise Sales. The Company recognizes merchandise sales revenue, net of sales taxes, on transactions where the Company has determined that it is the principal in the sale of merchandise. These transactions may include shipping commitments and/or shipping revenue if the transaction involves delivery to the customer.

Membership Fee Revenue. Membership income represents annual membership fees paid by the Company's warehouse club Members, which are recognized ratably over the 12-month term of the membership. Our membership policy allows Members to cancel their membership in the first 60 days and receive a full refund. After the 60-day period, membership refunds are prorated over the remaining term of the membership. The Company has significant experience with membership refund patterns and expects membership refunds will not be material. Therefore, no refund reserve was required for the periods presented. Membership fee revenue is included in membership income in the Company's consolidated statements of income. The deferred membership fee is included in deferred income in the Company's consolidated balance sheets.

Platinum Points Reward Programs. The Company currently offers Platinum Memberships in all of its markets. The Platinum Membership provides Members with a 2% rebate on most items, up to an annual maximum of \$ 500. The rebate is issued annually to Platinum Members on March 1 and expires August 31. Platinum Members can apply this rebate to future purchases at the warehouse club during the redemption period. The Company records this 2% rebate as a reduction of revenue at the time of the sales transaction. Accordingly, the Company has reduced warehouse sales and has accrued a liability within other accrued expenses and other current liabilities, platinum rewards. The Company has determined that breakage revenue is 5% of the awards issued; therefore, it records 95% of the Platinum Membership liability at the time of sale. Annually, the Company reviews for expired unused rebates outstanding, and the expired unused rebates are recognized as "Other revenue and income" on the consolidated statements of income.

Co-branded Credit Card Points Reward Programs. Most of the Company's subsidiaries have points reward programs related to co-branded credit cards. These points reward programs provide incremental points that a Member can use at a future time to acquire merchandise within the Company's warehouse clubs. This results in two performance obligations, the first performance obligation being the initial sale of the merchandise or services purchased with the co-branded credit card and the second performance obligation being the future use of the points rewards to purchase merchandise or services. As a result, upon the initial sale, the Company allocates the transaction price to each performance obligation with the amount allocated to the future use points rewards recorded as a contract liability within other accrued expenses and other current liabilities on the consolidated balance sheet. The portion of the selling price allocated to the reward points is recognized as Net merchandise sales when the points are used or when the points expire. The Company reviews on an annual basis expired points rewards outstanding, and the expired rewards are recognized as Net merchandise sales on the consolidated statements of income within markets where the co-branded credit card agreement allows for such treatment.

Gift Cards. Members' purchases of gift cards to be utilized at the Company's warehouse clubs are not recognized as sales until the card is redeemed and the customer purchases merchandise using the gift card. The outstanding gift cards are reflected as other accrued expenses and other current liabilities in the consolidated balance sheets. These gift cards generally have a one-year stated expiration date from the date of issuance and are generally redeemed prior to expiration. However, the absence of a large volume of transactions for gift cards impairs the Company's ability to make a reasonable estimate of the redemption levels for gift cards; therefore, the Company assumes a 100% redemption rate prior to expiration of the gift cards. The Company periodically reviews unredeemed outstanding gift cards, and the gift cards that have expired are recognized as "Other revenue and income" on the consolidated statements of income.

Co-branded Credit Card Revenue Sharing Agreements. As part of the co-branded credit card agreements that the Company has entered into with financial institutions within its markets, the Company often enters into revenue sharing agreements. As part of these agreements, in some countries, the Company receives a portion of the interest income generated from the average outstanding balances on the co-branded credit cards from these financial institutions ("interest generating portfolio" or "IGP"). The Company recognizes its portion of interest received as revenue during the period it is earned. The Company has determined that this revenue should be recognized as "Other revenue and income" on the consolidated statements of income.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Contract Performance Liabilities

Contract performance liabilities as a result of transactions with customers primarily consist of deferred membership income, other deferred income, deferred gift card revenue, Platinum points programs, and liabilities related to co-branded credit card points rewards programs which are included in deferred income and other accrued expenses and other current liabilities in the Company's consolidated balance sheets. The following table provides these contract balances from transactions with customers as of the dates listed (in thousands):

| | Contract Liabilities | |
|--|----------------------|--------------------|
| | November 30, 2024 | August 31, 2024 |
| Deferred membership income | \$ 37,135 | \$ 36,222 |
| Other contract performance liabilities | \$ 23,091 | \$ 15,479 |

Disaggregated Revenues

In the following table, net merchandise sales are disaggregated by merchandise category (in thousands):

| | Three Months Ended | |
|-------------------------|----------------------|----------------------|
| | November 30, 2024 | November 30, 2023 |
| Foods & Sundries | \$ 579,999 | \$ 558,231 |
| Fresh Foods | 366,284 | 329,602 |
| Hardlines | 144,195 | 132,564 |
| Softlines | 67,888 | 54,842 |
| Food Service and Bakery | 54,030 | 50,269 |
| Health Services | 11,463 | 9,506 |
| Net Merchandise Sales | \$ 1,223,859 | \$ 1,135,014 |

NOTE 4 – EARNINGS PER SHARE

The Company presents basic net income per share using the two-class method. The two-class method is an earnings allocation formula that treats a participating security as having rights to earnings that otherwise would have been available to common stockholders and that determines basic net income per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings that would have been available to common stockholders. A participating security is defined as a security that may participate in undistributed earnings with common stock. The Company's capital structure includes securities that participate with common stock on a one-for-one basis for distribution of dividends. These are the restricted stock awards ("RSAs"), restricted stock units ("RSUs") and performance stock units ("PSUs") issued pursuant to the 2013 Equity Incentive Award Plan, provided that the Company does not include PSUs as participating securities until the performance conditions have been met. RSAs are outstanding shares of common stock and have the same cash dividend and voting rights as other shares of common stock. Shares of common stock subject to RSUs are not issued nor outstanding until vested, and RSUs do not have the same dividend and voting rights as common stock. However, all outstanding RSUs have accompanying dividend equivalents, requiring payment to the employees and directors with unvested RSUs of amounts equal to the dividend they would have received had the shares of common stock underlying the RSUs been actually issued and outstanding. PSUs, similar to RSUs, are awarded with dividend equivalents, provided that such amounts become payable only if the performance criteria are achieved. At the time the Compensation Committee confirms the performance criteria have been achieved, the corresponding dividend equivalents are paid on the PSUs. The Company determines the diluted net income per share by using the more dilutive of the two class-method or the treasury stock method and by including the basic weighted average of outstanding performance stock units in the calculation of diluted net income per share under the two-class method and including all potential common shares assumed issued in the calculation of diluted net income per share under the treasury stock method.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table sets forth the computation of net income per share for the three months ended November 30, 2024 and 2023 (in thousands, except per share amounts):

| | Three Months Ended | |
|---|----------------------|----------------------|
| | November 30, 2024 | November 30, 2023 |
| Net income | \$ 37,428 | \$ 38,047 |
| Less: Allocation of income to unvested stockholders | (1,043) | (631) |
| Net income available for distribution | \$ 36,385 | \$ 37,416 |
| Basic weighted average shares outstanding | 30,019 | 30,269 |
| Add dilutive effect of performance stock units (two-class method) | 1 | — |
| Diluted average shares outstanding | 30,020 | 30,269 |
| Basic net income per share | \$ 1.21 | \$ 1.24 |
| Diluted net income per share | \$ 1.21 | \$ 1.24 |

NOTE 5 – STOCKHOLDERS' EQUITY

Dividends

No dividends were declared by the Company's Board of Directors during the first three months of fiscal year 2025. The following table summarizes the dividends declared and paid during fiscal year 2024 (amounts are per share):

| Declared | Amount | First Payment | | Amount | Second Payment | | Amount |
|----------|---------|---------------|-----------|---------|----------------|-----------|---------|
| | | Record Date | Date Paid | | Record Date | Date Paid | |
| 2/1/2024 | \$ 1.16 | 2/15/2024 | 2/29/2024 | \$ 0.58 | 8/15/2024 | 8/30/2024 | \$ 0.58 |
| 4/3/2024 | \$ 1.00 | 4/19/2024 | 4/30/2024 | \$ 1.00 | N/A | N/A | N/A |

On February 1, 2024 the Company's Board of Directors declared an annual cash dividend in the total amount of \$1.16 per share, with \$0.58 per share paid on February 29, 2024 to stockholders of record as of February 15, 2024 and \$0.58 per share paid on August 30, 2024 to stockholders of record as of August 15, 2024. Additionally, on April 3, 2024, the Company's Board of Directors declared a one-time \$ 1.00 per share special dividend paid on April 30, 2024 to stockholders of record on April 19, 2024 to distribute excess cash to stockholders. The declaration of future dividends (ongoing or otherwise), if any, the amount of such dividends, and the establishment of record and payment dates is subject to final determination by the Board of Directors at its discretion after its review of the Company's financial performance and anticipated capital requirements, taking into account the uncertain macroeconomic conditions on our results of operations and cash flows.

Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Loss

The following tables disclose the effects on accumulated other comprehensive loss of each component of other comprehensive income (loss), net of tax (in thousands):

| | Amount |
|--|--------------|
| Beginning balance, September 1, 2024 | \$ (164,590) |
| Foreign currency translation adjustments | (2,853) |
| Defined benefit pension plans ⁽¹⁾ | 71 |
| Derivative instruments ⁽²⁾ | (234) |
| Ending balance, November 30, 2024 | \$ (167,606) |

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

| | Amount |
|--|---------------------|
| Beginning balance, September 1, 2023 | \$ (163,992) |
| Foreign currency translation adjustments | 3,537 |
| Defined benefit pension plans ⁽¹⁾ | 121 |
| Derivative instruments ⁽²⁾ | (78) |
| Ending balance, November 30, 2023 | <u>\$ (160,412)</u> |

| | Amount |
|--|---------------------|
| Beginning balance, September 1, 2023 | \$ (163,992) |
| Foreign currency translation adjustments | 693 |
| Defined benefit pension plans ⁽¹⁾ | 501 |
| Derivative instruments ⁽²⁾ | (2,189) |
| Amounts reclassified from accumulated other comprehensive loss | 397 |
| Ending balance, August 31, 2024 | <u>\$ (164,590)</u> |

⁽¹⁾ Amounts reclassified from accumulated other comprehensive loss related to the minimum pension liability are included in warehouse club and other operations in the Company's consolidated statements of income.

⁽²⁾ Refer to "Note 8 - Derivative Instruments and Hedging Activities."

Retained Earnings Not Available for Distribution

The following table summarizes retained earnings designated as legal reserves of various subsidiaries which cannot be distributed as dividends to PriceSmart, Inc. according to applicable statutory regulations (in thousands):

| | November 30, 2024 | August 31, 2024 |
|--|----------------------|--------------------|
| Retained earnings not available for distribution | \$ 9,689 | \$ 9,615 |

Share Repurchase Program

In July 2023 we announced a program authorized by our Board of Directors to repurchase up to \$ 75 million of our common stock. We began repurchases in the fourth quarter of fiscal year 2023 and successfully completed the program in the first quarter of fiscal year 2024. We purchased a total of approximately 1,007,000 shares of our common stock under the program. The repurchases were made on the open market pursuant to a trading plan established pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, which permitted us to repurchase common stock at times when we might otherwise have been precluded from doing so under insider trading laws or self-imposed trading restrictions. We have no plans to continue repurchases or adopt a new repurchase plan at this time. However, the Board of Directors could choose to commence another program in the future at its discretion after its review of the Company's financial performance and anticipated capital requirements.

Share repurchase activity under the Company's repurchase programs for the periods indicated was as follows (total cost in thousands):

| | Three Months Ended | |
|---|----------------------|----------------------|
| | November 30, 2024 | November 30, 2023 |
| Number of common shares acquired | — | 935,663 |
| Average price per common share acquired | \$ — | \$ 74.13 |
| Total cost of common shares acquired | \$ — | \$ 69,362 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 6 – COMMITMENTS AND CONTINGENCIES**Legal Proceedings**

From time to time, the Company and its subsidiaries are subject to legal proceedings, claims and litigation arising in the ordinary course of business related to the Company's operations and property ownership. The Company evaluates such matters on a case by case basis, and vigorously contests any such legal proceedings or claims which the Company believes are without merit. The Company believes that the final disposition of these matters will not have a material adverse effect on its financial position, results of operations or liquidity. It is possible, however, that the Company's results of operations for a particular quarter or fiscal year could be impacted by changes in circumstances relating to such matters.

The Company establishes an accrual for legal proceedings if and when those matters reach a stage where they present loss contingencies that are both probable and reasonably estimable. In such cases, there may be a possible exposure to loss in excess of any amounts accrued. The Company monitors those matters for developments that would affect the likelihood of a loss and the accrued amount, if any, thereof, and adjusts the amount as appropriate. If the loss contingency at issue is not both probable and reasonably estimable, the Company does not establish an accrual, but will continue to monitor the matter for developments that will make the loss contingency both probable and reasonably estimable. If it is at least a reasonable possibility that a material loss will occur, the Company will provide disclosure regarding the contingency.

Income Taxes

For interim reporting, we estimate an annual effective tax rate (AETR) to calculate income tax expense. Our income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect management's best estimate of current and future taxes to be paid.

We are required to file federal and state income tax returns in the United States and income tax and various other tax returns in multiple foreign jurisdictions, each with changing tax laws, regulations and administrative positions. This requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. We record the benefits of uncertain tax positions in our financial statements only after determining it is more likely than not the uncertain tax positions would sustain challenge by taxing authorities, including resolution of related appeals or litigation processes, if any. We develop our assessment of an uncertain tax position based on the specific facts and legal arguments of each case and the associated probability of our reporting position being upheld, using internal expertise and the advice of third-party experts. However, our tax returns are subject to routine reviews by the various taxing authorities in the jurisdictions in which we file our tax returns. As part of these reviews, taxing authorities may challenge, and in some cases presently are challenging, the interpretations we have used to calculate our tax liability. In addition, any settlement with the tax authority or the outcome of any appeal or litigation process might result, and in some cases has resulted, in an outcome that is materially different from our estimated liability. When facts and circumstances change, we reassess these probabilities and record any changes in the consolidated financial statements as appropriate. Variations in the actual outcome of these cases could materially impact our consolidated financial statements.

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. In evaluating our ability to recover our deferred tax assets in the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, we begin with historical results and incorporate assumptions about the amount of future state, federal, and foreign pretax operating income adjusted for items that do not have tax consequences. The assumptions about future taxable income require the use of significant judgment and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income.

In evaluating the exposure associated with various non-income tax filing positions, the Company accrues for probable and estimable exposures for non-income tax related tax contingencies. As of November 30, 2024 and August 31, 2024, the Company has recorded within other accrued expenses and other current liabilities a total of \$1.2 million for various non-income tax related tax contingencies.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

While the Company believes the recorded liabilities are adequate, there are inherent limitations in projecting the outcome of litigation, in estimating probable additional income tax liability taking into account uncertain tax positions and in evaluating the probable additional tax associated with various non-income tax filing positions. As such, the Company is unable to make a reasonable estimate of the sensitivity to change of estimates affecting its recorded liabilities. As additional information becomes available, the Company assesses the potential liability and revises its estimates as appropriate.

Minimum tax rules, applicable in some of the countries where the Company operates, require the payment of taxes based on a percentage of sales, when the resulting tax is greater than the tax payable based on a percentage of income (Alternative Minimum Tax or "AMT"). This can result in AMT payments substantially in excess of those the Company would expect to pay based on taxable income. As the Company believes that, in one country where it operates, it should only be ultimately liable for an income-based tax, it has accumulated income tax receivables of \$11.3 million and \$10.9 million and deferred tax assets of \$3.7 million and \$3.4 million as of November 30, 2024 and August 31, 2024, respectively, in this country.

Other Commitments

The Company is committed to non-cancelable construction service obligations for various warehouse club developments and expansions. As of November 30, 2024 and August 31, 2024, the Company had approximately \$17.0 million and \$14.7 million, respectively, in contractual obligations for construction services not yet rendered.

As of November 30, 2024, the Company has signed a lease agreement for a facility to be built by the lessor related to the relocation of its warehouse club in Miraflores, Guatemala. As part of the agreement, the landlord has agreed to build a shell building which is estimated to be delivered in the first half of calendar year 2026. Once this building is ready, the Company expects to use approximately \$12.1 million in cash to outfit this club. The lease will have a term of approximately 20 years, with a 5-year renewal option, and will commence upon delivery of the shell building to the Company. Per the lease agreement, the Company will pay monthly fixed base rent payments which increase annually based on the Consumer Price Index. The Company will also pay variable rent payments if the yearly warehouse sales for the location are in excess of a certain threshold. A collateralized incremental borrowing rate was used to determine the present value of estimated future minimum lease commitments. The present value of estimated future minimum lease commitments for this lease are as follows (in thousands):

| Twelve Months Ended November 30, | Amount |
|---|------------------|
| 2026 | \$ 559 |
| 2027 | 1,626 |
| 2028 | 1,584 |
| 2029 | 1,543 |
| 2030 | 1,503 |
| Thereafter | 19,299 |
| Total future lease payments | \$ 26,114 |

From time to time, the Company has entered into general land purchase and land purchase option agreements. The Company's land purchase agreements are typically subject to various conditions, including, but not limited to, the ability to obtain necessary governmental permits or approvals. A deposit under an agreement is typically returned to the Company if all permits or approvals are not obtained. Generally, the Company has the right to cancel any of its agreements to purchase land without cause by forfeiture of some or all of the deposits it has made pursuant to the agreement. As of November 30, 2024 the Company had entered into five land purchase agreements that, if completed, would result in the use of approximately \$16.6 million in cash. Additionally, the Company has signed one executory lease agreement for a distribution center in Guatemala. Once the construction contingency is complete, the Company would take possession and expect an increase in its total lease liability of approximately \$11.7 million.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The table below summarizes the Company's interest in a real estate joint venture, commitments to additional future investments and the Company's maximum exposure to loss as a result of its involvement in this joint venture as of November 30, 2024 (in thousands):

| Entity | % Ownership | Initial Investment | Additional Investments | Net Loss Inception to Date | Company's Variable Interest in Entity | Commitment to Future Additional Investments ⁽¹⁾ | Company's Maximum Exposure to Loss in Entity ⁽²⁾ |
|----------------------|----------------|-----------------------|---------------------------|----------------------------------|--|---|---|
| GolfPark Plaza, S.A. | 50 % | \$ 4,616 | \$ 2,402 | \$ (141) | \$ 6,877 | \$ 99 | \$ 6,976 |

⁽¹⁾ The parties intend to seek alternate financing for the project, which could reduce the amount of investments each party would be required to provide. The parties may mutually agree on changes to the project, which could increase or decrease the amount of contributions each party is required to provide.

⁽²⁾ The maximum exposure is determined by adding the Company's variable interest in the entity and any explicit or implicit arrangements that could require the Company to provide additional financial support.

NOTE 7 – DEBT

Short-term borrowings consist of unsecured lines of credit and short-term overdraft borrowings. The following table summarizes the balances of total facilities, facilities used and facilities available (in thousands):

| | Total Amount of Facilities | Facilities Used | | Facilities Available | Weighted average interest rate |
|---------------------------------|-------------------------------|--------------------------|----------------------|-------------------------|-----------------------------------|
| | | Short-term Borrowings | Letters of Credit | | |
| November 30, 2024 - Committed | \$ 75,000 | \$ — | \$ — | \$ 75,000 | — % |
| November 30, 2024 - Uncommitted | 96,000 | 7,764 | — | 88,236 | 9.6 |
| November 30, 2024 - Total | <u>\$ 171,000</u> | <u>\$ 7,764</u> | <u>\$ —</u> | <u>\$ 163,236</u> | <u>— %</u> |
| August 31, 2024 - Committed | \$ 75,000 | \$ — | 225 | \$ 74,775 | — % |
| August 31, 2024 - Uncommitted | 96,000 | 8,007 | — | 87,993 | 11.3 |
| August 31, 2024 - Total | <u>\$ 171,000</u> | <u>\$ 8,007</u> | <u>\$ 225</u> | <u>\$ 162,768</u> | <u>— %</u> |

As of November 30, 2024 and August 31, 2024, the Company was in compliance with all covenants or amended covenants for each of its short-term facility agreements. These facilities generally expire annually or bi-annually and are normally renewed. One of these facilities is a committed credit agreement with one bank for \$75.0 million. In exchange for the bank's commitment to fund any drawdowns the Company requests, the Company pays an annual commitment fee of 0.25%, payable quarterly, on any unused portion of this facility. Additionally, the Company has uncommitted facilities in most of the countries where it operates, with drawdown requests subject to approval by the individual banks each time a drawdown is requested.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table provides the changes in long-term debt for the three months ended November 30, 2024:

| <i>(Amounts in thousands)</i> | Current portion of long-term debt | Long-term debt (net of current portion) | Total |
|--|--------------------------------------|---|---------------------------|
| Balances as of August 31, 2024 | \$ 35,917 | \$ 94,443 | \$ 130,360 ⁽¹⁾ |
| Proceeds from long-term debt received during the period: | | | |
| Trinidad subsidiary | 1,760 | 3,681 | 5,441 |
| Total proceeds from long-term debt received during the period | 1,760 | 3,681 | 5,441 |
| Repayments of long-term debt: | (15,832) | (4,111) | (19,943) |
| Reclassifications of long-term debt due in the next 12 months | 225 | (225) | — |
| Translation adjustments on foreign currency debt of subsidiaries whose functional currency is not the U.S. dollar ⁽²⁾ | (15) | (221) | (236) |
| Balances as of November 30, 2024 | \$ 22,055 | \$ 93,567 | \$ 115,622 ⁽³⁾ |

⁽¹⁾ The carrying amount of non-cash assets assigned as collateral for these loans was \$155.1 million. The carrying amount of cash assets assigned as collateral for these loans was \$1.7 million.

⁽²⁾ These foreign currency translation adjustments are recorded within other comprehensive income.

⁽³⁾ The carrying amount of non-cash assets assigned as collateral for these loans was \$135.0 million. The carrying amount of cash assets assigned as collateral for these loans was \$6.6 million.

As of November 30, 2024 and August 31, 2024, the Company had approximately \$ 63.2 million and \$76.6 million, respectively, of long-term loans held in the U.S. entity and in several foreign subsidiaries, which require these entities to comply with certain annual or quarterly financial covenants, which include debt service and leverage ratios. The Company was in compliance with all covenants or amended covenants for both periods.

Annual maturities of long-term debt are as follows (in thousands):

| Twelve Months Ended November 30, | Amount |
|----------------------------------|-------------------|
| 2025 | \$ 22,055 |
| 2026 | 18,119 |
| 2027 | 38,576 |
| 2028 | 8,977 |
| 2029 | 4,466 |
| Thereafter | 23,429 |
| Total | \$ 115,622 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 8 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to interest rate risk relating to its ongoing business operations. To manage interest rate exposure, the Company enters into hedge transactions (interest rate swaps) using derivative financial instruments. The objective of entering into interest rate swaps is to eliminate the variability of cash flows in the SOFR interest payments associated with variable-rate loans over the life of the loans. As changes in interest rates impact the future cash flow of interest payments, the hedges provide a synthetic offset to interest rate movements.

In addition, the Company is exposed to foreign currency and interest rate cash flow exposure related to non-functional currency long-term debt of one of its wholly owned subsidiaries. To manage this foreign currency and interest rate cash flow exposure, some of the Company's subsidiaries have entered into cross-currency interest rate swaps that convert their U.S. dollar denominated floating interest payments to functional currency fixed interest payments during the life of the hedging instrument. As changes in foreign exchange and interest rates impact the future cash flow of interest payments, the hedges are intended to offset changes in cash flows attributable to interest rate and foreign exchange movements.

These derivative instruments (cash flow hedging instruments) are designated and qualify as cash flow hedges, with the entire gain or loss on the derivative reported as a component of other comprehensive loss. Amounts are deferred in other comprehensive loss and reclassified into earnings in the same income statement line item that is used to present the earnings effect of the hedged item when the hedged item affects earnings.

The Company is exposed to foreign-currency exchange-rate fluctuations in the normal course of business, including foreign-currency exchange-rate fluctuations on U.S. dollar denominated liabilities within its international subsidiaries whose functional currency is other than the U.S. dollar. The Company manages these fluctuations, in part, through the use of non-deliverable forward foreign-exchange contracts (NDFs) that are intended to offset changes in cash flow attributable to currency exchange movements. These contracts are intended primarily to economically address exposure to U.S. dollar merchandise inventory expenditures made by the Company's international subsidiaries whose functional currency is other than the U.S. dollar. Currently, these contracts do not qualify for derivative hedge accounting. The Company seeks to mitigate foreign-currency exchange-rate risk with the use of these contracts and does not intend to engage in speculative transactions. These contracts do not contain any credit-risk-related contingent features.

Cash Flow Hedges

As of November 30, 2024, all of the Company's interest rate swap and cross-currency interest rate swap derivative financial instruments are designated and qualify as cash flow hedges. The Company formally documents the hedging relationships for its derivative instruments that qualify for hedge accounting.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes agreements for which the Company has recorded cash flow hedge accounting for the three months ended November 30, 2024:

| Entity | Date Entered into | Derivative Financial Counter-party | Derivative Financial Instruments | Initial US\$ Notional Amount | US\$ Loan Held With | Floating Leg (swap counter-party) | Fixed Rate for PSMT Subsidiary | Settlement Dates | Effective Period of swap |
|---------------------|-------------------|------------------------------------|-----------------------------------|------------------------------|---------------------|---------------------------------------|--------------------------------|--|---|
| Colombia subsidiary | 25-Nov-24 | Citibank, N.A. ("Citi") | Cross currency interest rate swap | \$18,700,000 | PriceSmart, Inc. | 6.00% | 10.91 % | 27th day of each November, February, May and August beginning on February 27, 2025 | November 27, 2024 - November 27, 2027 |
| Colombia subsidiary | 15-Nov-24 | Citibank, N.A. ("Citi") | Cross currency interest rate swap | \$10,000,000 | PriceSmart, Inc. | 3.00% | 7.61 % | 17th day of each February, May, August and November beginning on February 18, 2025 | November 18, 2024 - November 17, 2026 |
| Colombia subsidiary | 19-Sep-24 | Citibank, N.A. ("Citi") | Cross currency interest rate swap | \$12,500,000 | PriceSmart, Inc. | 4.00% | 9.15 % | 24th day of each September, December, March and June beginning on December 24, 2024 | September 24, 2024 - September 24, 2029 |
| Colombia subsidiary | 30-Nov-23 | Citibank, N.A. ("Citi") | Cross currency interest rate swap | \$10,000,000 | PriceSmart, Inc. | 5.00% | 11.27 % | 30th day of each November, May, August and 28th day of each February (except in case of a leap year, 29th day of each February) beginning on February 29, 2024 | November 30, 2023 - November 30, 2026 |
| Colombia subsidiary | 12-Apr-23 | Citibank, N.A. ("Citi") | Cross currency interest rate swap | \$10,000,000 | PriceSmart, Inc. | 4.00% | 11.40 % | 11th day of each July, October, January and April, beginning on July 11, 2023 | April 12, 2023 - April 11, 2028 |
| Colombia subsidiary | 3-May-22 | Citibank, N.A. ("Citi") | Cross currency interest rate swap | \$10,000,000 | PriceSmart, Inc. | 3.00% | 9.04 % | 3rd day of each May, August, November and February, beginning on August 3, 2022 | May 3, 2022 - May 3, 2027 |
| Colombia subsidiary | 3-Dec-19 | Citibank, N.A. ("Citi") | Cross currency interest rate swap | \$7,875,000 | Citibank, N.A. | Variable rate 3-month SOFR plus 2.45% | 7.87 % | 3rd day of each December, March, June and September beginning March 3, 2020 | December 3, 2019 - December 3, 2024 |
| Panama subsidiary | 11-Jul-24 | Bank of Nova Scotia ("Scotiabank") | Interest rate swap | \$16,500,000 | Bank of Nova Scotia | 3-month SOFR with a 2.95% floor | 4.43 % | 1st day of each March, June, September and December beginning June 3, 2024 | February 29, 2024 - March 1, 2029 |
| PriceSmart, Inc. | 7-Nov-16 | U.S. Bank, N.A. ("U.S. Bank") | Interest rate swap | \$35,700,000 | U.S. Bank | Variable rate 3-month SOFR plus 1.7% | 3.65 % | 1st day of each month beginning on April 1, 2017 | March 1, 2017 - March 1, 2027 |

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For the three months ended November 30, 2024 and November 30, 2023, the Company included the gain or loss on the hedged items (that is, variable-rate borrowings) in the same line item—interest expense—as the offsetting gain or loss on the related interest rate swaps as follows (in thousands):

| Income Statement Classification | Interest expense on borrowings ⁽¹⁾ | Cost of swaps ⁽²⁾ | Total |
|---|---|------------------------------|----------|
| Interest expense for the three months ended November 30, 2024 | \$ 1,225 | \$ 397 | \$ 1,622 |
| Interest expense for the three months ended November 30, 2023 | \$ 1,062 | \$ 415 | \$ 1,477 |

⁽¹⁾ This amount is representative of the interest expense recognized on the underlying hedged transactions.

⁽²⁾ This amount is representative of the interest expense recognized on the interest rate swaps and cross-currency swaps designated as cash flow hedging instruments.

The total notional balance of the Company's pay-fixed/receive-variable interest rate swaps and cross-currency interest rate swaps was as follows (in thousands):

| Floating Rate Payer (Swap Counterparty) | Notional Amount as of | |
|---|-----------------------|-----------------|
| | November 30, 2024 | August 31, 2024 |
| U.S. Bank | \$ 28,475 | \$ 28,794 |
| Citibank N.A. | 75,138 | 72,270 |
| Scotiabank | 16,500 | 16,500 |
| Total | \$ 120,113 | \$ 117,564 |

Derivatives listed on the table below were designated as cash flow hedging instruments. The table summarizes the effect of the fair value of interest rate swap and cross-currency interest rate swap derivative instruments that qualify for derivative hedge accounting and its associated tax effect on accumulated other comprehensive income/(loss) (in thousands):

| Derivatives designated as cash flow hedging instruments | Balance Sheet Classification | November 30, 2024 | | | August 31, 2024 | | |
|---|------------------------------|-------------------|----------------|----------|-----------------|----------------|----------|
| | | Fair Value | Net Tax Effect | Net OCI | Fair Value | Net Tax Effect | Net OCI |
| Cross-currency interest rate swaps | Other current assets | \$ 816 | \$ (286) | \$ 530 | \$ 4,030 | \$ (1,411) | \$ 2,619 |
| Cross-currency interest rate swaps | Other non-current assets | 1,684 | (589) | 1,095 | 259 | (90) | 169 |
| Cross-currency interest rate swaps | Other current liabilities | — | — | — | (1,179) | 413 | (766) |
| Cross-currency interest rate swaps | Other long-term liabilities | (1,354) | 474 | (880) | (1,778) | 622 | (1,156) |
| Interest rate swaps | Other non-current assets | 1,278 | (286) | 992 | 1,223 | (274) | 949 |
| Interest rate swaps | Other long-term liabilities | (207) | 58 | (149) | (322) | 90 | (232) |
| Net fair value of derivatives designated as hedging instruments | | \$ 2,217 | \$ (629) | \$ 1,588 | \$ 2,233 | \$ (650) | \$ 1,583 |

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Fair Value Instruments

From time to time the Company enters into non-deliverable forward foreign-exchange contracts. These contracts are treated for accounting purposes as fair value contracts and do not qualify for derivative hedge accounting. The use of non-deliverable forward foreign-exchange contracts is intended to offset changes in cash flow attributable to currency exchange movements. These contracts are intended primarily to economically hedge exposure to U.S. dollar merchandise inventory expenditures made by the Company's international subsidiaries whose functional currency is other than the U.S. dollar.

The following table summarizes the non-deliverable forward foreign exchange contracts that are open as of November 30, 2024:

| Financial Derivative (Counterparty) | Subsidiary | Dates Entered into (Range) | Derivative Financial Instrument | Total Notional Amounts (in thousands) | Settlement Dates (Range) |
|--|------------|----------------------------------|--|---|-----------------------------|
| Citibank, N.A. ("Citi") | Colombia | 21-May-2024 - 19-Nov-2024 | Forward foreign exchange contracts (USD) | \$ 26,500 | 18-Dec-2024 - 24-Jul-2025 |

Forward derivative gains and (losses) on non-deliverable forward foreign-exchange contracts are included in Other income (expense), net in the consolidated statements of income in the period of change, but the amounts were immaterial for the three month periods ended November 30, 2024 and November 30, 2023.

NOTE 9 – SEGMENTS

The Company and its subsidiaries are principally engaged in the international operation of membership shopping in 54 warehouse clubs located in 12 countries and one U.S. territory that are located in Central America, the Caribbean and Colombia. In addition, the Company operates distribution centers and corporate offices in the United States. The Company has aggregated its warehouse clubs, distribution centers and corporate offices into reportable segments. The Company's reportable segments are based on management's organization of these locations into operating segments by general geographic location, which are used by management in setting up management lines of responsibility, providing support services, and making operational decisions and assessments of financial performance. Segment amounts are presented after converting to U.S. dollars and consolidating eliminations. Certain revenues, operating costs and inter-company charges included in the United States segment are not allocated to the segments within this presentation, as it is impractical to do so, and they appear as reconciling items to reflect the amount eliminated on consolidation of intersegment transactions. From time to time, the Company revises the measurement of each segment's operating income and net income, including certain corporate overhead allocations, and other measures as determined by the information regularly reviewed by management. When the Company does so, the previous period amounts and balances are reclassified to conform to the current period's presentation.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables summarize by segment certain revenues, operating costs and balance sheet items (in thousands):

| | United States Operations | Central American Operations | Caribbean Operations ⁽¹⁾ | Colombia Operations | Reconciling Items ⁽²⁾ | Total |
|--|--------------------------------|-----------------------------------|--|------------------------|-------------------------------------|--------------|
| Three Months Ended November 30, 2024 | | | | | | |
| Revenue from external customers | \$ 9,618 | \$ 760,296 | \$ 345,382 | \$ 142,648 | \$ — | \$ 1,257,944 |
| Intersegment revenues | 515,594 | 9,333 | 1,825 | 1,026 | (527,778) | — |
| Depreciation, property and equipment | 1,768 | 10,944 | 5,005 | 3,145 | — | 20,862 |
| Operating income | (1,540) | 59,715 | 26,090 | 4,425 | (30,430) | 58,260 |
| Net income | (6,245) | 50,921 | 21,677 | 1,505 | (30,430) | 37,428 |
| Long-lived assets (other than deferred tax assets) | 71,614 | 627,942 | 230,920 | 186,666 | — | 1,117,142 |
| Goodwill | 8,981 | 24,204 | 10,030 | — | — | 43,215 |
| Total assets | 210,842 | 1,103,690 | 496,459 | 276,691 | — | 2,087,682 |
| Capital expenditures, net | 572 | 15,445 | 9,890 | 2,465 | — | 28,372 |
| Three Months Ended November 30, 2023 | | | | | | |
| Revenue from external customers | \$ 10,009 | \$ 700,567 | \$ 326,967 | \$ 128,932 | \$ — | \$ 1,166,475 |
| Intersegment revenues | 446,337 | 6,092 | 1,400 | 1,025 | (454,854) | — |
| Depreciation, property and equipment | 1,324 | 10,010 | 4,821 | 3,339 | — | 19,494 |
| Operating Income | 9,949 | 56,902 | 23,332 | 3,617 | (35,587) | 58,213 |
| Net income | 3,325 | 48,533 | 19,081 | 2,695 | (35,587) | 38,047 |
| Long-lived assets (other than deferred tax assets) | 72,359 | 578,707 | 214,936 | 208,054 | — | 1,074,056 |
| Goodwill | 8,981 | 24,110 | 10,044 | — | — | 43,135 |
| Total assets | 217,158 | 1,067,842 | 447,639 | 296,640 | — | 2,029,279 |
| Capital expenditures, net | 2,939 | 21,340 | 8,989 | 3,814 | — | 37,082 |
| As of August 31, 2024 | | | | | | |
| Long-lived assets (other than deferred tax assets) | \$ 72,727 | \$ 614,382 | \$ 224,019 | \$ 199,404 | \$ — | \$ 1,110,532 |
| Goodwill | 8,981 | 24,193 | 10,023 | — | — | 43,197 |
| Investment in unconsolidated affiliates | — | 6,882 | — | — | — | 6,882 |
| Total assets | 220,076 | 1,065,493 | 451,265 | 285,860 | — | 2,022,694 |

⁽¹⁾ Management considers its club in the U.S. Virgin Islands to be part of its Caribbean operations.

⁽²⁾ The reconciling items reflect the amount eliminated on consolidation of intersegment transactions.

NOTE 10 – SUBSEQUENT EVENTS

The Company has evaluated all events subsequent to the balance sheet date as of November 30, 2024 through the date of issuance of these consolidated financial statements and has determined that there are no subsequent events that require disclosure.

PRICESMART, INC.**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains forward-looking statements concerning PriceSmart, Inc.'s ("PriceSmart", the "Company", "we" or "our") anticipated future revenues and earnings, adequacy of future cash flows, omni-channel initiatives, proposed warehouse club openings, the Company's performance relative to competitors 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," "intend," 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 the risks detailed in this Quarterly Report under the heading "Part II. Item 1A. Risk Factors" and in the Annual Report on Form 10-K under the heading "Part I. Item 1A. Risk Factors" and "Part I 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, 2024 filed with the United States Securities and Exchange Commission ("SEC") on October 30, 2024. Forward-looking statements speak only as of the date they are made, and we do not undertake to update these statements, except as required by law. In addition, these risks are not the only risks that the Company faces. The Company could also be affected by additional factors that apply to all companies operating globally and in the U.S., as well as other risks that are not presently known to the Company or that the Company currently considers to be immaterial.

Overview

PriceSmart was founded in 1996 by Sol and Robert Price, the creators of Price Club, the original warehouse club operator. The mission of PriceSmart is to operate its warehouse club business in the countries in which we do business at operating standards as good as, or superior to, warehouse club operations in the United States.

As of November 30, 2024, we had 54 warehouse clubs in operation in 12 countries, plus the U.S. Virgin Islands, with revenues in excess of \$4.9 billion in fiscal year 2024. We believe PriceSmart has become one of the most respected and trusted brands in the region. With nearly two million membership accounts and almost four million cardholders, we believe PriceSmart is an essential part of the shopping experience for consumers and small businesses in PriceSmart's markets.

The annual fee for a Diamond Membership in most markets as of November 30, 2024 was approximately \$40 and our Platinum Members generally pay \$80 per year in exchange for an annual 2% cash-back rebate. These membership fees are applied to lowering the price of the products we sell. We believe membership also provides a sense of identity and loyalty that, in turn, reduces the need for PriceSmart to spend money on advertising.

PriceSmart sources approximately half of its merchandise from suppliers within the region, with the balance of merchandise sourced throughout the rest of the world. Product selection includes basic consumable merchandise for consumers and businesses, "*Member's Selection*®" private label merchandise and unique consumable and non-consumable products that are often not otherwise available in our markets.

PriceSmart continually focuses on innovation. In recent years, PriceSmart has added optical, audiology, and pharmacy services in many of its locations. PriceSmart provides online shopping to our Members and offers both home delivery and curbside pickup. PriceSmart is making significant investments in technology to both improve the online shopping experience for its Members and to enhance operating efficiencies in its supply chain and the back office.

PriceSmart seeks to provide the best working conditions possible for our almost 12,000 employees. We seek to provide safe and pleasant working environments for our employees, along with excellent pay and benefits, including healthcare coverage and retirement benefits.

PriceSmart is committed to improving the quality of life for people living in the communities in which it does business. In partnership with Price Philanthropies Foundation, PriceSmart provides school supplies to approximately 150,000 children, and eye exams to thousands of children through its Aprender y Crecer program. In addition, the PriceSmart Foundation makes grants to support work force development and small business entrepreneurship, and to improve the environment.

We believe that operating our business at the highest standards, providing outstanding jobs for our employees and being good stewards of the communities in which we operate result in PriceSmart being a good investment for our stockholders.

The number of warehouse clubs for each country or territory were as follows:

| Country/Territory | Number of Warehouse Clubs in Operation as of November 30, 2023 | Number of Warehouse Clubs in Operation as of November 30, 2024 | Anticipated Warehouse Club Openings in Fiscal Year 2025 |
|---------------------|--|--|---|
| Colombia | 10 | 10 | — |
| Costa Rica | 8 | 8 | 1 |
| Panama | 7 | 7 | — |
| Guatemala | 6 | 6 | 1 |
| Dominican Republic | 5 | 5 | — |
| Trinidad | 4 | 4 | — |
| El Salvador | 3 | 4 | — |
| Honduras | 3 | 3 | — |
| Nicaragua | 2 | 2 | — |
| Jamaica | 2 | 2 | — |
| Aruba | 1 | 1 | — |
| Barbados | 1 | 1 | — |
| U.S. Virgin Islands | 1 | 1 | — |
| Totals | 53 | 54 | 2 |

Our warehouse clubs, one regional distribution center and several smaller local distribution centers are located in Latin America and the Caribbean, and our corporate headquarters, U.S. buying operations and our larger regional distribution center are located in the United States. Our operating segments are the United States, Central America, the Caribbean and Colombia.

We have purchased land and plan to open our ninth warehouse club in Costa Rica, located in Cartago, approximately 10 miles east from the nearest club in the capital of San Jose. The club is under construction on a six-acre property and is anticipated to open in the spring of 2025. Additionally, we finalized execution of a land lease in the first quarter of fiscal year 2025 and plan to build our seventh warehouse club in Guatemala, located in Quetzaltenango, approximately 122 miles west from the nearest club in the capital of Guatemala City. This club will be built on a four-acre property and is anticipated to open in the summer of 2025. Once these two new clubs are open, we will operate 56 warehouse clubs in total.

We also historically exported products to a retailer in the Philippines, but effective August 31, 2024, our business relationship with that retailer ceased, except for some outstanding merchandise orders being fulfilled during the current fiscal year. However, we are exploring expansion of our export business in other markets and recently began exporting to a retailer in the Bahamas.

Factors Affecting the Business

Overall economic trends, foreign currency exchange volatility, and other factors impacting the business.

Our sales and profits vary from market to market depending on general economic factors, including GDP growth; consumer preferences; foreign currency exchange rates; political and social conditions; local demographic characteristics (such as population growth); the number of years we have operated in a particular market; and the level of retail and wholesale competition in that market. The economies of many of our markets are dependent on foreign trade, tourism, and foreign direct investments. Uncertain economic conditions and slowdown in global economic growth and investment may impact the economies in our markets, causing significant declines in GDP and employment and devaluations of local currencies against the U.S. dollar.

Although inflationary pressures have subsided somewhat, substantial product cost increases and commodity price increases have and could again impact our financial results and could lead to reduced sales, fewer units sold, and/or margin pressure. Events, such as COVID-19, directly or indirectly resulted in market and supply-chain disruptions, which increased the complexity of managing our inventory flow and business and resulted in substantial inventory markdowns on certain non-food product categories in the third quarter of fiscal year 2022. In addition, shipping and freight rates increased dramatically during that time. These or other challenges could reoccur in the future. While supply chains and transportation rates have normalized, we continue to work to hold down and/or mitigate price increases passed on to our Members while maintaining the right inventory mix to grow sales. One key factor has been our expanded network of distribution centers, which has facilitated alternative shipping routes, increased merchandise throughput, and provided flexibility to mitigate our supply chain challenges and risks more effectively.

Currency fluctuation can be one of the largest variables affecting our overall sales and profit performance because many of our markets are susceptible to foreign currency exchange rate volatility. In the first quarter of fiscal year 2025, some markets, especially Costa Rica, benefited from currency appreciation, which helped offset currency devaluations we experienced in some of the other countries where we operate, primarily Colombia and the Dominican Republic. During the first quarter of fiscal year 2025, approximately 80.0% of our net merchandise sales were in currencies other than the U.S. dollar. Of those sales, 50.2% consisted of sales of products we purchased in U.S. dollars.

A devaluation of local currency reduces the value of sales and membership income that is generated in that country when translated to U.S. dollars for our consolidated results. In addition, when local currency experiences devaluation, we may elect to increase the local currency price of imported merchandise to maintain our target margins, which could impact demand for the merchandise affected by the price increase. Alternatively, we may elect not to raise prices to fully cover the impact of the devaluation, adversely affecting our margins. For example, during fiscal year 2023, the currency in Colombia devalued approximately 15%, but we held pricing steady or took pricing actions to mitigate declines in demand that negatively impacted our consolidated Total Gross Margin rate. We may also modify the mix of imported versus local merchandise and/or the source of imported merchandise to mitigate the impact of currency fluctuations. Information about the effect of local currency devaluations is discussed further in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Net Merchandise Sales and Comparable Sales."

Our wallet-share capture of total retail and wholesale sales can vary from market to market due to competition and the availability of other shopping options for our Members. Demographic characteristics within each of our markets can affect both the overall level of sales and future sales growth opportunities. Certain island markets, such as Aruba, Barbados and the U.S. Virgin Islands, offer limited upside for sales growth given their overall market size.

We continue to face the risk of political instability which may have significant effects on our business. For example, protestors set up roadblocks in Panama during October and November 2023 as a reaction to an agreement between the Panamanian government and a mining company, disrupting traffic to our clubs throughout most of the market. Roadblocks in Guatemala in October 2023 relating to election protests also limited access to certain of our warehouse clubs. Civil unrest in Colombia in response to tax reform and austerity measures paralyzed significant portions of the country's infrastructure during the third quarter of fiscal year 2021.

Our operations are subject to volatile weather conditions and natural disasters. In November 2020, Hurricanes Eta and Iota brought severe rainfall, winds, and flooding to a significant portion of Central America, especially Honduras, which caused significant damage to parts of that country's infrastructure. Although our warehouse clubs were not significantly affected and we were able to manage our supply chain to keep our warehouse clubs stocked with merchandise, similar natural disasters could adversely impact our overall sales, costs and profit performance in the future.

At times we face difficulties in the shipment of, and the risks inherent in the importation of, merchandise to our warehouse clubs. One of those difficulties is possible governmental restrictions on the importation of merchandise. In late May 2023, disputes with Nicaraguan customs and tax authorities resulted in delays in the issuance of our importation clearance, and general delays in the customs inspection process. While this situation has occurred frequently in the last few years, we generally have been able to plan around these import blockages and resume imports within a matter of days. However, the most recent delay in obtaining importation clearance resulted in us being unable to import merchandise into Nicaragua for several weeks in June 2023. While our tax clearances and imports have returned to a normal cadence, we could see delays of imports into Nicaragua again as well as in other jurisdictions in which we operate.

Our operations depend on shipping, trucking, ports and other elements of the supply chain that often rely on unionized labor. A work stoppage or other limitation on operations from union or other labor-related matters could occur for any number of reasons, including as a result of disputes under existing collective bargaining agreements with labor unions or in connection with negotiation of new collective bargaining agreements. For example, while it did not impact our export activities, we experienced a brief disruption to the flow of imported merchandise into our Miami distribution center operations because of the U.S. dockworkers strike in October 2024.

Changes in tax laws, increases in the enacted tax rates, adverse outcomes in connection with tax audits in any jurisdiction, or any change in the pronouncements relating to accounting for income taxes could have a material adverse effect on our financial condition and results of operations. In one of the countries where we operate, the government made changes several years ago in the method of computing minimum tax payments, under which the government sought to require retailers to pay taxes based on a percentage of sales if the resulting tax were greater than the tax payable based on a percentage of income (Alternative Minimum Tax or "AMT"). We, together with our tax and legal advisers, appealed these interpretations and litigated our cases in the country's court system. Nevertheless, in fiscal year 2023, we recorded a \$7.2 million charge to settle the minimum tax payment dispute. To address the inherent risk of operating in a country in which tax legislation changes can significantly impact our low margin business model and in which our ability to successfully appeal the application of these taxes is limited, we have increased prices in this market to offset or partially offset the rise in costs to comply with the annual AMT payment. These and other challenges may persist or become more acute and could have a material adverse effect on our business and results of operations.

From time to time, we have experienced a lack of availability of U.S. dollars in certain markets (U.S. dollar illiquidity). This impedes our ability to convert local currencies obtained through merchandise sales into U.S. dollars to settle the U.S. dollar liabilities associated with our imported products or otherwise fund our operations. This illiquidity also increases our foreign exchange exposure to any devaluation of the local currency relative to the U.S. dollar. Additionally, the Company may incur significant premium costs to convert our local currencies into available tradable currencies and U.S. dollars. For instance, since fiscal year 2017, we have experienced this situation in Trinidad and have been unable to source a sufficient level of tradable currencies. We are working with our banks in Trinidad and government officials to convert all of our Trinidad dollars into tradable currencies. Our balance as of November 30, 2024 of Trinidad dollar denominated cash and cash equivalents and short and long-term investments measured in U.S. dollars was \$70.1 million, a decrease of \$30.4 million from the peak of \$100.5 million as of November 30, 2020. However, as the Trinidad central bank strictly manages the exchange rate of the Trinidad dollar with the U.S. dollar and affects the level of U.S. Dollar liquidity in the market through its interventions, we are subject to continued challenges in converting our Trinidad dollars to U.S. dollars, as well as being exposed to the risk of a potential devaluation of the currency.

Additionally, during fiscal year 2023, the Honduran Central Bank began limiting the availability and controlling the allocation of U.S. dollars for the conversion from Honduran lempiras to U.S. dollars. As of November 30, 2024, our Honduran subsidiary had approximately \$10.9 million of cash and cash equivalents and short-term investments denominated in lempiras, which cannot be readily converted to U.S. dollars for general use within the Company. We are actively working with our banking partners and government authorities to address this situation.

Mission and Business Strategy

PriceSmart exists to improve the lives and businesses of our Members, our employees and our communities through the responsible delivery of the best quality goods and services at the lowest possible prices. We aim to serve as a model company, which operates profitably and provides a good return to our investors, by providing Members in emerging and developing markets with exciting, high-quality merchandise sourced from around the world and valuable services at compelling prices in safe U.S.-style clubs and through PriceSmart.com. We prioritize the well-being and safety of our Members and employees. We provide good jobs, fair wages and benefits and opportunities for advancement. We strive to treat our suppliers right and empower them when we can, including both our regional suppliers and those from around the world. We try to conduct ourselves in a socially responsible manner as we endeavor to improve the quality of the lives of our Members and their businesses, while respecting the environment and the laws of all the countries in which we operate. We also believe in facilitating philanthropic contributions to the communities in which we do business. We charge Members an annual membership fee that enables us to operate our business with lower margins than traditional retail stores. As we continue to invest in technological capabilities, we are increasing our tools to drive sales and operational efficiencies. We believe we are well positioned to blend the excitement and appeal of our brick-and-mortar business with the convenience and additional benefits of online shopping and services and, meanwhile, enhance Member experience and engagement.

Growth

As we look to the future, our Company is focused on three major drivers of growth:

- ***Invest in Remodeling Current PriceSmart Clubs, Adding New PriceSmart Locations and Opening More Distribution Centers***
- ***Increase Membership Value***
- ***Drive Incremental Sales via PriceSmart.com and Enhanced Online, Digital and Technological Capabilities***

- I. *Invest in Remodeling Current PriceSmart Clubs, Adding New PriceSmart Locations and Opening More Distribution Centers.*** We believe that one of the quickest and most effective ways to increase sales and profitability is to increase the size and efficiency of our existing warehouse clubs and the number of parking spaces at our high-volume locations. For instance, we are currently expanding our warehouse clubs in San Salvador, El Salvador and Portmore, Jamaica. In the first quarter of fiscal year 2025, we completed the remodel of our clubs in San Pedro Sula, Honduras and Santiago, Dominican Republic. During fiscal year 2024, we entered into a lease agreement to relocate and extend the lease term for our Miraflores club, which is our highest selling location in Guatemala. The new warehouse will have increased sales floor square footage and a greater number of parking spaces, along with covered parking for our Members. We continue to pursue opportunities to add new warehouse clubs in our existing markets and to assess opportunities in new markets. We have plans to open a new warehouse club in Cartago, near the capital of San Jose, in Costa Rica, in the spring of 2025. Additionally, we finalized execution of a land lease in the first quarter of fiscal year 2025 and plan to build and open our seventh warehouse club in Guatemala, in the city of Quetzaltenango, in the summer of 2025. We are enhancing our distribution and logistics network through the opening of distribution centers in China and in each of our multi-club markets, either operated by PriceSmart or through the use of third-party logistics providers. We expect to reduce landed costs and lead times (via direct shipments from Asia to our local markets) and improve our working capital. In addition to our regional distribution center in Costa Rica, we have PriceSmart-operated distribution centers in various stages of development and implementation in markets such as Panama, Guatemala, and Trinidad.
- II. *Increase Membership Value.*** We are seeking to attract more Members and retain our current Members by expanding the benefits of being a Member of PriceSmart. As benefits grow and the value of being a PriceSmart Member increases, adjustments to the membership fee may be warranted. A larger membership base and higher membership fee contribute to the bottom line of the business or can be reinvested in providing better pricing to our Members. We focus on growth of our membership base, Member renewal rates and spend per Member as part of determining how Members see our value. By adding more benefits that Members can only obtain with us, we believe we can achieve growth in the number of Members, which drives Membership income and Net merchandise sales. Recent examples of enhancements we have made to the value of membership include: providing the ability for all of our Members to transact on PriceSmart.com; pickup and delivery service in our clubs; and the implementation and expansion of our Well-being initiative, which offers optical services with free eye exams for our Members and additional members of their families and lower prices on discounted eyeglass frames; audiology services with free hearing exams and deeply discounted hearing aids; and, in some of our markets, pharmacies. Another way we enhance Membership value is by offering private label merchandise under the “Member’s Selection[®]” brand, which is available only to PriceSmart Members. We believe the “Member’s Selection[®]” brand carries goodwill and is recognized in our markets for value. Private label products also provide the opportunity to source quality items locally. Select local sourcing has multiple benefits, including support of local communities in which we operate by enhancing business activity and creating direct and indirect jobs, mitigation of foreign currency exchange risk, and reduced supply chain exposure. These initiatives offer additional benefits and services for our Members, whether they choose to shop on-line, in-club, or both. During the first quarter of fiscal year 2025, our private label sales represented 27.7% of total merchandise sales, up from 27.2% in the same period of fiscal year 2024, and we plan to continue to invest in the development of additional private label products under the “Member’s Selection[®]” brand.

- III. Drive Incremental Sales via PriceSmart.com and Enhanced Online, Digital and Technological Capabilities.** We recognize the growing expectation of consumers to control their shopping experience. Consumers are more engaged than ever before and want access 24 hours a day and seven days a week. We've continued to tailor our digital experience to match this expectation and meet our Members when and where they want to shop. In fiscal year 2024, we completed a country by country roll out of our new PriceSmart.com website and mobile application (Android and iOS) to complement our in-club shopping. The website and app use a MACH or headless architecture, which is designed for speed and scalability. We can now build and release new Member-facing digital experiences without a full, end-to-end, technology redevelopment. This provides us the opportunity to continually strengthen and expand the scope of our relationship with each Member and offer new products and services in the future. Additionally, we can strengthen our data analytics around Member behavior on the website and app to better serve their preferences. Identification of delivery service areas, patterns in site searches, most viewed items and segmented homepage offerings are a few examples of the capabilities we now have through our investment in the digital experience for the Member. We are also continually finding ways to deploy technology that improves efficiency. For example, we have and will continue to enhance our order picking technology to reduce the time it takes to fulfill an order for the Member. This allows us to meet our Member's service expectations and expand our capacity for more orders.

Financial highlights for the first quarter of fiscal year 2025 included:

- Total revenues increased 7.8% over the comparable prior-year period.
- Net merchandise sales increased 7.8% over the comparable prior-year period. We ended the quarter with 54 warehouse clubs compared to 53 warehouse clubs at the end of the first quarter of fiscal year 2024. Net merchandise sales - constant currency increased 8.2% over the comparable prior-year period.
- Comparable net merchandise sales (that is, sales in the 52 warehouse clubs that have been open for more than 13 ½ calendar months) for the 13 weeks ended December 1, 2024 increased 5.7%. Comparable net merchandise sales - constant currency for the 13 weeks ended December 1, 2024 increased 6.1%.
- Membership income for the first quarter of fiscal year 2025 increased 13.8% to \$20.2 million over the comparable prior year period.
- Total gross margins (net merchandise sales less associated cost of goods sold) increased 6.4% over the prior-year period, and merchandise gross profits as a percent of net merchandise sales were 15.9%, a decrease of 20 basis points or 0.2% from the same period in the prior year.
- Selling, general and administrative expenses increased 10.1% compared to the first quarter of fiscal year 2024, primarily due to investments in technology.
- Operating income for the first quarter of fiscal year 2025 was \$58.3 million, effectively flat when compared to the prior year.
- We recorded a \$7.3 million net loss in total other expense in the first quarter of fiscal year 2025 compared to a \$2.1 million net loss in total other expense in the same period last year. This increase in total other expense was primarily due to an increase in other expense, net of \$4.7 million, primarily driven by an increase in total foreign currency transaction losses as well as lower interest income of \$0.6 million, comparatively.
- Our effective tax rate decreased in the first quarter of fiscal year 2025 to 26.5% from 32.3% in the first quarter of fiscal year 2024. The decrease in the effective tax rate is primarily related to the implementation of certain tax optimization initiatives at the end of fiscal year 2024.
- Net income for the first quarter of fiscal year 2025 was \$37.4 million, or \$1.21 per diluted share, compared to \$38.0 million, or \$1.24 per diluted share, in the first quarter of fiscal year 2024.
- Adjusted EBITDA for the first quarter of fiscal year 2025 was \$79.1 million compared to \$77.8 million in the same period last year.

Non-GAAP (Generally Accepted Accounting Principles) Financial Measures

The accompanying Consolidated Financial Statements, including the related notes, are presented in accordance with U.S. GAAP (Generally Accepted Accounting Principles). In addition to relevant GAAP measures, we also provide non-GAAP measures including adjusted EBITDA, net merchandise sales - constant currency and comparable net merchandise sales - constant currency because management believes these metrics are useful to investors and analysts by excluding items that we do not believe are indicative of our core operating performance. These measures are customary for our industry and commonly used by competitors. However, these non-GAAP financial measures should not be reviewed in isolation or considered as an alternative to any other performance measure derived in accordance with GAAP and may not be comparable to similarly titled measures used by other companies in our industry or across different industries.

Adjusted EBITDA

Adjusted EBITDA is defined as net income before interest expense, provision for income taxes and depreciation and amortization, adjusted for the impact of certain other items, including interest income and other income (expense), net. The following is a reconciliation of our Net income to Adjusted EBITDA for the periods presented:

| | Three Months Ended | |
|-----------------------------------|----------------------|----------------------|
| | November 30, 2024 | November 30, 2023 |
| (Amounts in thousands) | | |
| Net income as reported | \$ 37,428 | \$ 38,047 |
| Adjustments: | | |
| Interest expense | 2,695 | 2,816 |
| Provision for income taxes | 13,496 | 18,153 |
| Depreciation and amortization | 20,862 | 19,494 |
| Interest income | (2,220) | (2,866) |
| Other expense, net ⁽¹⁾ | 6,856 | 2,126 |
| Adjusted EBITDA | \$ 79,117 | \$ 77,770 |

⁽¹⁾ Primarily consists of transaction costs of converting the local currencies into available tradable currencies in some of our countries with liquidity issues and foreign currency losses or gains due to the revaluation of monetary assets and liabilities (primarily U.S. dollars) for the three months ended November 30, 2024 and 2023.

Net Merchandise Sales – Constant Currency and Comparable Net Merchandise Sales – Constant Currency

As a multinational enterprise, we are exposed to changes in foreign currency exchange rates. The translation of the operations of our foreign-based entities from their local currencies into U.S. dollars is sensitive to changes in foreign currency exchange rates and can have a significant impact on our reported financial results. We believe that constant currency is a useful measure, indicating the actual growth of our operations. When we use the term "net merchandise sales – constant currency," it means that we have translated current year net merchandise sales at prior year monthly average exchange rates. Net merchandise sales - constant currency results exclude the effects of foreign currency translation. Similarly, when we use the term "comparable net merchandise sales – constant currency," it means that we have translated current year comparable net merchandise sales at prior year monthly average exchange rates. Comparable net merchandise sales – constant currency results exclude the effects of foreign currency translation. Refer to "Management's Discussion & Analysis – Net Merchandise Sales" and "Management's Discussion & Analysis – Comparable Net Merchandise Sales" for our quantitative analysis and discussion. Reconciliations between net merchandise sales – constant currency and comparable net merchandise sales - constant currency and the most directly comparable GAAP measures are included where applicable.

COMPARISON OF THE THREE MONTHS ENDED NOVEMBER 30, 2024 AND 2023

The following discussion and analysis compares the results of operations for the three-month period ended on November 30, 2024 with the three-month period ended on November 30, 2023 and should be read in conjunction with the consolidated financial statements and the accompanying notes included elsewhere in this report. Unless otherwise noted, all tables present U.S. dollar amounts in thousands. Certain percentages presented are calculated using actual results prior to rounding.

Net Merchandise Sales

The following tables indicate the net merchandise club sales in the reportable segments in which we operate and the percentage growth in net merchandise sales by segment during the three months ended November 30, 2024 and November 30, 2023:

| | Three Months Ended | | | | | |
|-----------------------|--------------------|----------------|--------------------------|--------|-------------------|----------------|
| | November 30, 2024 | | | | November 30, 2023 | |
| | Amount | % of Net Sales | Increase from Prior Year | Change | Amount | % of Net Sales |
| Central America | \$ 744,835 | 60.9 % | \$ 57,842 | 8.4 % | \$ 686,993 | 60.5 % |
| Caribbean | 339,639 | 27.7 | 17,498 | 5.4 | 322,141 | 28.4 |
| Colombia | 139,385 | 11.4 | 13,505 | 10.7 | 125,880 | 11.1 |
| Net merchandise sales | \$ 1,223,859 | 100.0 % | \$ 88,845 | 7.8 % | \$ 1,135,014 | 100.0 % |

Comparison of Three Months Ended November 30, 2024 and 2023

Overall, total net merchandise sales grew by 7.8% for the first quarter of fiscal year 2025 compared to the first quarter of fiscal year 2024, driven by a 5.3% increase in transactions and a 2.4% increase in average ticket. Transactions represent the total number of visits our Members make to our warehouse clubs resulting in a sale and the total number of PriceSmart.com curbside pickup and delivery service transactions. Average ticket represents the amount our Members spend on each visit or PriceSmart.com order. We had 54 clubs in operation as of November 30, 2024 compared to 53 clubs as of November 30, 2023.

Net merchandise sales in our Central America segment increased 8.4% during the first quarter of fiscal year 2025. This increase had a 510 basis point (5.1%) positive impact on total net merchandise sales growth. We opened our fourth warehouse club in El Salvador in February 2024. We also opened our sixth warehouse club in Guatemala in November 2023.

Net merchandise sales in our Caribbean segment increased 5.4% during the first quarter of fiscal year 2025. This increase had a 150 basis point (1.5%) positive impact on total net merchandise sales growth.

Net merchandise sales in our Colombia segment increased 10.7% during the first quarter of fiscal year 2025. This increase had a 120 basis point (1.2%) positive impact on total net merchandise sales growth.

The following table indicates the impact that currency exchange rates had on our net merchandise sales in dollars and the percentage change from the three-month period ended November 30, 2024. When we use the term "net merchandise sales - constant currency," it means that we have translated current year net merchandise sales at prior year monthly average exchanges rates. Net merchandise sales - constant currency results exclude the effects of foreign currency translation. Impact of foreign currency is the effect of currency fluctuations on our net merchandise sales.

**Three Months Ended
November 30, 2024**

| | Net Merchandise Sales | Net Merchandise Sales - Constant Currency | Impact of Foreign Currency Exchange | Net Merchandise Sales Growth | Net Merchandise Sales - Constant Currency Growth | % Impact of Foreign Currency Exchange |
|--------------------|--------------------------------------|--|--|---|---|--|
| Central America | \$ 744,835 | \$ 734,893 | \$ 9,942 | 8.4 % | 7.0 % | 1.4 % |
| Caribbean | 339,639 | 347,491 | (7,852) | 5.4 | 7.9 | (2.5) |
| Colombia | 139,385 | 146,144 | (6,759) | 10.7 | 16.1 | (5.4) |
| Consolidated total | <u>\$ 1,223,859</u> | <u>\$ 1,228,528</u> | <u>\$ (4,669)</u> | <u>7.8 %</u> | <u>8.2 %</u> | <u>(0.4) %</u> |

Overall, the effects of currency fluctuations within our markets had approximately \$4.7 million, or 40 basis points (0.4%) of negative impact on net merchandise sales for the three months ended November 30, 2024.

Currency fluctuations had a \$9.9 million, or 140 basis points (1.4%), positive impact on net merchandise sales in our Central America segment for the three months ended November 30, 2024. These currency fluctuations contributed approximately 90 basis points (0.9%) of positive impact on net merchandise sales for the quarter ended November 30, 2024. The Costa Rica colón appreciated significantly against the dollar as compared to the same three-month period a year ago and was a significant factor in the contribution to the favorable currency fluctuations in this segment.

Currency fluctuations had a \$7.9 million, or 250 basis points (2.5%), negative impact on net merchandise sales in our Caribbean segment for the three months ended November 30, 2024. These currency fluctuations contributed approximately 70 basis points (0.7%) of negative impact on total net merchandise sales growth for the period. This negative impact was primarily driven by the devaluation of the Dominican Peso as compared to the same three-month period a year ago.

Currency fluctuations had a \$6.8 million, or 540 basis points (5.4%), negative impact on net merchandise sales in our Colombia segment for the three months ended November 30, 2024. These currency fluctuations contributed approximately 60 basis points (0.6%) of negative impact on total net merchandise sales for the current fiscal year period. The Colombian peso depreciated significantly against the dollar as compared to the same three-month period a year ago and was a significant factor in the contribution to the unfavorable currency fluctuations in this segment.

Comparable Merchandise Sales

We report 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. Further, 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. As a result, sales related to two of our clubs opened during fiscal year 2024 will not be used in the calculation of comparable sales until they have been open for at least 13 ½ months. Therefore, comparable net merchandise sales includes 52 warehouse clubs for the 13-week period ended December 1, 2024.

The following tables indicate the comparable net merchandise sales in the reportable segments in which we operate and the percentage changes in net merchandise sales by segment during the 13-week period ended December 1, 2024 and December 3, 2023 compared to the prior year:

| | 13 Weeks Ended | |
|---|--|--|
| | December 1, 2024 | December 3, 2023 |
| | % Increase in Comparable Net Merchandise Sales | % Increase in Comparable Net Merchandise Sales |
| Central America | 5.1 % | 9.1 % |
| Caribbean | 5.2 | 6.0 |
| Colombia | 10.3 | 7.1 |
| Consolidated comparable net merchandise sales | 5.7 % | 8.0 % |

Comparison of 13-Week Periods Ended December 1, 2024 and December 3, 2023

Comparable net merchandise sales for those warehouse clubs that were open for at least 13 ½ months for some or all of the 13-week period ended December 1, 2024 increased 5.7%.

Comparable net merchandise sales in our Central America segment increased 5.1% for the 13-week period ended December 1, 2024. All of our markets in Central America except El Salvador had positive comparable net merchandise sales growth. We opened one new club in El Salvador in February 2024 that has not entered into the calculation of comparable net merchandise sales, and the transfer of sales from the existing clubs included in the comparable net merchandise sales calculation to the new club not yet included adversely affected comparable net merchandise sales in El Salvador. The positive comparable net merchandise sales growth for our Central America segment contributed approximately 310 basis points (3.1%) of positive impact in total comparable merchandise sales.

Comparable net merchandise sales in our Caribbean segment increased 5.2% for the 13-week period ended December 1, 2024. This increase contributed approximately 150 basis points (1.5%) of positive impact on total comparable merchandise sales for the period.

Comparable net merchandise sales in our Colombia segment increased 10.3% for the 13-week period ended December 1, 2024. This increase contributed approximately 110 basis points (1.1%) of positive impact in total comparable merchandise sales for the period.

When we use the term "comparable net merchandise sales - constant currency," it means that we have translated current year comparable net merchandise sales at prior year monthly average exchange rates. Comparable net merchandise sales - constant currency results exclude the effects of foreign currency translation. The following tables illustrate the comparable net merchandise sales - constant currency percentage growth and the impact that changes in foreign currency exchange rates had on our comparable merchandise sales percentage growth for the 13-week period ended December 1, 2024:

| | 13 Weeks Ended December 1, 2024 | | |
|---|--|---|--|
| | Comparable Net Merchandise Sales Growth | Comparable Net Merchandise Sales - Constant Currency Growth | % Impact of Foreign Currency Exchange |
| Central America | 5.1 % | 3.7 % | 1.4 % |
| Caribbean | 5.2 | 7.6 | (2.4) |
| Colombia | 10.3 | 16.2 | (5.9) |
| Consolidated comparable net merchandise sales | 5.7 % | 6.1 % | (0.4) % |

Overall, the mix of currency fluctuations within our markets had 40 basis points (0.4%) of negative impact on comparable net merchandise sales for the 13-week period ended December 1, 2024.

Currency fluctuations within our Central America segment accounted for approximately 80 basis points (0.8%) of positive impact on total comparable merchandise sales for the 13-week period ended December 1, 2024. Our Costa Rica market was the main contributor as the market experienced currency appreciation when compared to the same period last year.

Currency fluctuations within our Caribbean segment accounted for approximately 60 basis points (0.6%) of negative impact on total comparable merchandise sales for the 13-week period ended December 1, 2024. Our Dominican Republic and Jamaica markets were the main contributors as these markets experienced currency devaluation when compared to the same period last year.

Currency fluctuations within our Colombia segment accounted for approximately 60 basis points (0.6%) of negative impact on total comparable merchandise sales for the 13-week period ended December 1, 2024. This reflects the devaluation of the Colombian peso's foreign currency exchange rate when compared to the same period last year.

Membership Income

Membership income is recognized ratably over the one-year life of the membership.

| | Three Months Ended | | | | | | |
|--------------------------------------|--------------------|-----------------------------|--------------------------|---------------|--|-------------------|-----------------------------|
| | November 30, 2024 | | | | | November 30, 2023 | |
| | Amount | % of Total Operating Income | Increase from Prior Year | % Change | Membership Income % to Net Merchandise Sales | Amount | % of Total Operating Income |
| Membership income - Central America | \$ 11,774 | | \$ 1,457 | 14.1 % | 1.6 % | \$ 10,317 | |
| Membership income - Caribbean | 5,450 | | 821 | 17.7 | 1.6 | 4,629 | |
| Membership income - Colombia | 2,975 | | 172 | 6.1 | 2.1 | 2,803 | |
| Membership income - Total | <u>\$ 20,199</u> | 34.7 % | <u>\$ 2,450</u> | <u>13.8 %</u> | <u>1.7 %</u> | <u>\$ 17,749</u> | 30.5 % |
| Number of accounts - Central America | 1,066,373 | | 50,617 | 5.0 % | | 1,015,756 | |
| Number of accounts - Caribbean | 487,059 | | 14,045 | 3.0 | | 473,014 | |
| Number of accounts - Colombia | 357,648 | | 22,720 | 6.8 | | 334,928 | |
| Number of accounts - Total | <u>1,911,080</u> | | <u>87,382</u> | <u>4.8 %</u> | | <u>1,823,698</u> | |

Comparison of Three Months Ended November 30, 2024 and November 30, 2023

The number of Member accounts as of November 30, 2024 was 4.8% higher than the number of accounts as of November 30, 2023. Membership income increased 13.8% over the three-month period ended November 30, 2024 compared to the same prior-year period.

Membership income increased in all of our segments in the three-month period ended November 30, 2024. The consolidated increase in membership income is primarily due to the \$5 increase to our membership fee in all but one market during fiscal year 2024 and an increase in the membership base since the comparable prior year period. In our Central America segment, membership income increased compared to the first quarter of fiscal year 2024, primarily attributable to the \$5 increase to our membership club and the opening of one new club. Similarly, in the Caribbean segment, membership income rose compared to the same period of fiscal year 2024, primarily attributable to the \$5 increase to our membership fee. In the Colombia segment, membership income increased compared to the first quarter of fiscal year 2024 due to the increase in the number of membership accounts and was partially offset by the devaluation of the Colombian peso against the U.S. dollar. Additionally, all of our segments have increased their membership base since August 31, 2024.

We offer the Platinum Membership program in all locations where PriceSmart operates. The annual fee for a Platinum Membership in most markets is approximately \$80, depending on the market in which the Member lives. The Platinum Membership program provides Members with a 2% rebate on most items, up to an annual maximum of \$500. We record the 2% rebate as a reduction of net merchandise sales at the time of the sales transaction. Platinum Membership accounts are 14.0% of our total membership base as of November 30, 2024, an increase from 9.3% as of November 30, 2023. Platinum Members tend to have higher renewal rates than our Diamond Members. During fiscal year 2024 and the first quarter of fiscal year 2025, we ran platinum promotional campaigns, resulting in an increase in the total number of Platinum Members.

Our trailing twelve-month renewal rate was 87.8% and 87.4% for the periods ended November 30, 2024 and November 30, 2023, respectively. This compares to a trailing twelve-month renewal rate of 87.9% for the period ended August 31, 2024.

Other Revenue

Other revenue primarily consists of our interest-generating portfolio from our co-branded credit cards and rental income from operating leases where the Company is the lessor.

| | Three Months Ended | | | |
|----------------------|--------------------|-----------------------------|----------|-------------------|
| | November 30, 2024 | | | November 30, 2023 |
| | Amount | Increase from Prior Year | % Change | Amount |
| Miscellaneous income | \$ 3,617 | \$ 488 | 15.6 % | \$ 3,129 |
| Rental income | 651 | 77 | 13.4 | 574 |
| Other revenue | \$ 4,268 | \$ 565 | 15.3 % | \$ 3,703 |

Comparison of Three Months Ended November 30, 2024 and November 30, 2023

The primary driver of the increase in other revenue for the first quarter of fiscal year 2024 was an increase in Miscellaneous income primarily driven by an increase in incentive fee revenue due to Members having higher average outstanding balances on our co-branded credit cards compared to the prior-year period.

Results of Operations

| | Three Months Ended | | |
|--|----------------------|----------------------|---------------------|
| | November 30, 2024 | November 30, 2023 | Increase/(Decrease) |
| Results of Operations Consolidated | | | |
| (Amounts in thousands, except percentages and number of warehouse clubs) | | | |
| Net merchandise sales | | | |
| Net merchandise sales | \$ 1,223,859 | \$ 1,135,014 | \$ 88,845 |
| Total gross margin | \$ 193,982 | \$ 182,286 | \$ 11,696 |
| Total gross margin percentage | 15.9% | 16.1% | (0.2)% |
| Revenues | | | |
| Total revenues | \$ 1,257,944 | \$ 1,166,475 | \$ 91,469 |
| Percentage change from prior period | | | 7.8% |
| Comparable net merchandise sales | | | |
| Total comparable net merchandise sales increase | 5.7% | 8.0% | (2.3)% |
| Total revenue margin | | | |
| Total revenue margin | \$ 219,054 | \$ 204,197 | \$ 14,857 |
| Total revenue margin percentage | 17.4% | 17.5% | (0.1)% |
| Selling, general and administrative | | | |
| Selling, general and administrative | \$ 160,794 | \$ 145,984 | \$ 14,810 |
| Selling, general and administrative percentage of total revenues | 12.8% | 12.5% | 0.3 % |
| Operational data | | | |
| Adjusted EBITDA ⁽¹⁾ | \$ 79,117 | \$ 77,770 | \$ 1,347 |
| Warehouse clubs at period end | 54 | 53 | 1 |
| Warehouse club sales floor square feet at period end | 2,646 | 2,600 | 46 |

⁽¹⁾ See "Item 2. Management's Discussion & Analysis – Non - GAAP Financial Measures" for the definition of Adjusted EBITDA and a reconciliation to GAAP net income as reported.

| | Three Months Ended | | | |
|---|----------------------|-----------------------|----------------------|-----------------------|
| | November 30, 2024 | % of Total Revenue | November 30, 2023 | % of Total Revenue |
| Results of Operations Consolidated | | | | |
| Operating income by segment | | | | |
| Central America | \$ 59,715 | 4.7 % | 56,902 | 4.9 % |
| Caribbean | 26,090 | 2.1 | 23,332 | 2.0 |
| Colombia | 4,425 | 0.4 | 3,617 | 0.3 |
| United States | (1,540) | (0.1) | 9,949 | 0.9 |
| Reconciling Items ⁽¹⁾ | (30,430) | (2.5) | (35,587) | (3.1) |
| Operating income - Total | \$ 58,260 | 4.6 % | 58,213 | 5.0 % |

⁽¹⁾ The reconciling items reflect the amount eliminated upon consolidation of intersegment transactions.

The following table summarizes the selling, general and administrative expense for the periods disclosed:

| | Three Months Ended | | | |
|--|----------------------|-----------------------|----------------------|-----------------------|
| | November 30, 2024 | % of Total Revenue | November 30, 2023 | % of Total Revenue |
| Warehouse club and other operations | \$ 117,855 | 9.4 % | \$ 109,965 | 9.4 % |
| General and administrative | 42,565 | 3.4 | 35,439 | 3.1 |
| Pre-opening expenses | 22 | — | 487 | — |
| Loss on disposal of assets | 352 | — | 93 | — |
| Total Selling, general and administrative | \$ 160,794 | 12.8 % | \$ 145,984 | 12.5 % |

Comparison of Three Months Ended November 30, 2024 and November 30, 2023

Total gross margin is derived from our Revenue – Net merchandise sales less our Cost of goods sold – Net merchandise sales and represents our sales and cost of sales generated from the business activities of our warehouse clubs. We express our Total gross margin percentage as a percentage of our Net merchandise sales.

On a consolidated basis, total gross margin as a percent of net merchandise sales for the three months ended November 30, 2024 was 20 basis points (0.2%) lower than the comparable prior year period.

Total revenue margin is derived from Total revenues, which includes our Net merchandise sales, Membership income, Export sales, and Other revenue and income less our Cost of goods sold for net merchandise sales, Export sales, and Non-merchandise revenues. We express our Total revenue margin as a percentage of Total revenues.

Total revenue margin decreased 10 basis points (0.1%) for the three months ended November 30, 2024, primarily due to lower total gross margin percentage of 20 basis points (0.2%) and partially offset by increases in membership income and other income when compared to the same period of the prior year.

Selling, general, and administrative expenses consist of warehouse club and other operations, general and administrative expenses, pre-opening expenses, and loss on disposal of assets. In total, selling, general and administrative expenses increased \$14.8 million compared to the prior year, and increased as a percentage of total revenue by 30 basis points (0.3%) to 12.8% of total revenue for the first quarter of fiscal year 2025 compared to 12.5% of total revenues for the first quarter of fiscal year 2024. The increase was primarily due to investments in technology contributing 30 basis points (0.3%) when compared to the same period of the prior year.

Warehouse club and other operations expenses remained unchanged at 9.4% of total revenues for the first quarter of fiscal year 2025 compared to the first quarter of fiscal year 2024.

General and administrative expenses increased to 3.4% of total revenues for the first quarter of fiscal year 2025 compared to 3.1% of total revenues for the first quarter of fiscal year 2024 primarily due to investments in technology necessary to support future growth of the business.

Operating income in the first quarter of fiscal year 2025 increased to \$58.3 million (4.6% of total revenue) compared to \$58.2 million (5.0% of total revenue) for the same period last year. This reflects the decrease in total revenue margin of 10 basis points (0.1%), along with a 30 basis points (0.3%) decrease due to the deleveraging of selling, general and administrative expenses over the comparable prior year period.

Interest Income

Interest income represents the earnings generated from interest-bearing assets held by PriceSmart, Inc. and our wholly owned foreign subsidiaries. These assets include investments in fixed income securities and deposits held with financial institutions. The interest income is derived from the interest payments received on these assets, which serve to enhance our overall financial returns.

| | Three Months Ended | | |
|-----------------|--------------------|----------|-------------------|
| | November 30, 2024 | | November 30, 2023 |
| | Amount | Change | Amount |
| Interest income | \$ 2,220 | \$ (646) | \$ 2,866 |

Comparison of Three Months Ended November 30, 2024 and November 30, 2023

Net interest income decreased for the three-month period ended November 30, 2024, primarily due to a decrease in interest rates and decreases in amounts on deposit when compared to the comparable prior-year period.

Interest Expense

| | Three Months Ended | | |
|--|--------------------|----------|-------------------|
| | November 30, 2024 | | November 30, 2023 |
| | Amount | Change | Amount |
| Interest expense on loans | \$ 2,593 | \$ (305) | \$ 2,898 |
| Interest expense related to hedging activity | 397 | (18) | 415 |
| Less: Capitalized interest | (295) | 202 | (497) |
| Interest expense | \$ 2,695 | \$ (121) | \$ 2,816 |

Comparison of Three Months Ended November 30, 2024 and November 30, 2023

Interest expense reflects borrowings by PriceSmart, Inc. and our wholly owned foreign subsidiaries to finance new land acquisition and construction for new warehouse clubs and distribution centers, warehouse club expansions, the capital requirements of warehouse club and other operations, and ongoing working capital requirements.

Interest expense decreased for the three-month period ended November 30, 2024 primarily due to lower interest expense on loans and partially offset by less capitalized interest when compared to the comparable prior year period.

Other Expense, Net

Other expense, net consists of currency gains or losses, as well as net benefit costs related to our defined benefit plans and other items considered to be non-operating in nature.

| | Three Months Ended | | |
|--------------------|--------------------|------------|-------------------|
| | November 30, 2024 | | November 30, 2023 |
| | Amount | Change | Amount |
| Other expense, net | \$ (6,856) | \$ (4,730) | \$ (2,126) |

Monetary assets and liabilities denominated in currencies other than the functional currency of the respective entity (primarily U.S. dollars) are revalued to the functional currency using the exchange rate on the balance sheet date. These foreign exchange transaction gains/(losses) are recorded as currency gains or losses. Additionally, gains or losses from transactions denominated in currencies other than the functional currency of the respective entity also generate currency gains or losses.

Comparison of Three Months Ended November 30, 2024 and November 30, 2023

For the three-months ended November 30, 2024, the primary drivers of Other expense, net were \$3.4 million of transaction costs in some of our countries with liquidity issues associated with increased spreads and converting the local currencies into available tradable currencies before converting them to U.S. dollars as well as \$3.3 million of losses due to revaluation of monetary assets and liabilities (primarily U.S. dollars) in several of our markets during the three months ended November 30, 2024.

Provision for Income Taxes

| | Three Months Ended | | |
|----------------------------|--------------------|------------|-------------------|
| | November 30, 2024 | | November 30, 2023 |
| | Amount | Change | Amount |
| Provision for income taxes | \$ 13,496 | \$ (4,657) | \$ 18,153 |
| Effective tax rate | 26.5% | | 32.3% |

Comparison of Three Months Ended November 30, 2024 and November 30, 2023

For the three months ended November 30, 2024, the effective tax rate was 26.5% compared to 32.3% for the prior year period. The decrease in the effective tax rate versus the prior year as primarily attributable to the following factors;

A comparably favorable net tax impact from recurring items of 3.7% primarily resulting from the implementation of certain tax optimization initiatives at the end of fiscal year 2024; and

A comparably favorable net tax impact from non-recurring items of 2.1%, primarily related to foreign currency exchange.

Other Comprehensive Income

| | Three Months Ended | | |
|-----------------------------------|--------------------|------------|-------------------|
| | November 30, 2024 | | November 30, 2023 |
| | Amount | Change | % Change |
| Other Comprehensive Income (Loss) | \$ (3,016) | \$ (6,596) | (184.2)% |

Comparison of Three Months Ended November 30, 2024 and November 30, 2023

Other comprehensive loss for the first quarter of fiscal year 2025 resulted primarily from foreign currency translation adjustments related to assets and liabilities and the translation of the statements of income related to revenue, costs and expenses of our subsidiaries whose functional currency is not the U.S. dollar. During the first three months of fiscal year 2025, the largest translation adjustments were related to the devaluation of the local currency against the U.S. dollar of our Colombia subsidiary, partially offset by the appreciation of the local currency against the U.S. dollar for our Costa Rica subsidiary.

LIQUIDITY AND CAPITAL RESOURCES

Financial Position and Cash Flow

Our operations have historically supplied us with a significant source of liquidity. We generate cash from operations primarily through net merchandise sales and membership fees. Cash used in operations generally comprises payments to our merchandise vendors, warehouse club and distribution center operating costs (including payroll, employee benefits and utilities), as well as payments for income taxes. Our cash flows provided by operating activities, supplemented with our long-term debt and short-term borrowings, have generally been sufficient to fund our operations while allowing us to invest in activities that support the long-term growth of our operations. We also have returned cash to stockholders through a semiannual dividend, a one-time special dividend in the third quarter of fiscal year 2024, and by repurchasing shares of our common stock pursuant to the stock repurchase program we commenced in the fourth quarter of fiscal year 2023 and completed in the first quarter of fiscal year 2024. We evaluate our funding requirements on a regular basis to cover any shortfall in our ability to generate sufficient cash from operations to meet our capital requirements. We may consider funding alternatives to provide additional liquidity if necessary. Refer to "Item 1. Financial Statements: Notes to Consolidated Financial Statements, Note 7 - Debt" for additional information regarding our available short-term facilities, short-term and long-term borrowings, and any repayments.

Repatriation of cash and cash equivalents held by foreign subsidiaries may require us to accrue and pay taxes for certain jurisdictions. If we decide to repatriate cash through the payment of a cash dividend by our foreign subsidiaries to our domestic operations, we will accrue taxes if and when appropriate.

The following table summarizes the cash and cash equivalents, including restricted cash, held by our foreign subsidiaries and domestically (in thousands):

| | November 30, 2024 | August 31, 2024 |
|--|----------------------|--------------------|
| Amounts held by foreign subsidiaries | \$ 132,606 | \$ 121,580 |
| Amounts held domestically | 3,855 | 14,731 |
| Total cash and cash equivalents, including restricted cash | <u>\$ 136,461</u> | <u>\$ 136,311</u> |

The following table summarizes the short-term investments held by our foreign subsidiaries and domestically (in thousands):

| | November 30, 2024 | August 31, 2024 |
|--------------------------------------|----------------------|--------------------|
| Amounts held by foreign subsidiaries | \$ 101,252 | \$ 100,165 |
| Amounts held domestically | — | — |
| Total short-term investments | <u>\$ 101,252</u> | <u>\$ 100,165</u> |

As of November 30, 2024 and August 31, 2024, there were no certificates of deposit with a maturity of over one year held by our foreign subsidiaries or domestically.

From time to time, we have experienced a lack of availability of U.S. dollars in certain markets (U.S. dollar illiquidity). This impedes our ability to convert local currencies obtained through merchandise sales into U.S. dollars to settle the U.S. dollar liabilities associated with our imported products or otherwise fund our operations. For instance, since fiscal year 2017, we have experienced this situation in Trinidad and have been unable to source a sufficient level of tradable currencies. We are working with our banks in Trinidad and government officials to convert all of our Trinidad dollars into tradable currencies. Additionally, during fiscal year 2023, the Honduran Central Bank began limiting the availability and controlling the allocation of U.S. dollars for the conversion from Honduran lempiras to U.S. dollars. We are actively working with our banking partners and government authorities to address this situation. We have and continue to take additional actions in this respect. Refer to "Management's Discussion & Analysis – Factors Affecting Our Business" for our quantitative analysis and discussion.

Our cash flows are summarized as follows (in thousands):

| | Three Months Ended | | |
|--|----------------------|----------------------|------------|
| | November 30, 2024 | November 30, 2023 | Change |
| Net cash provided by operating activities | \$ 38,530 | \$ 41,098 | \$ (2,568) |
| Net cash used in investing activities | (29,306) | (30,116) | 810 |
| Net cash used in financing activities | (17,588) | (74,509) | 56,921 |
| Effect of exchange rates | 8,514 | (1,787) | 10,301 |
| Net increase (decrease) in cash and cash equivalents | \$ 150 | \$ (65,314) | \$ 65,464 |

Net cash provided by operating activities totaled \$38.5 million and \$41.1 million for the three months ended November 30, 2024 and November 30, 2023, respectively. For the three months ended November 30, 2024, net cash provided by operating activities decreased primarily due to shifts in working capital resulting from changes in our merchandise inventory and accounts payable positions, which contributed \$13.3 million to the overall decrease. This was partially offset by a net positive change in our other various operating assets and liabilities, which contributed \$9.1 million, as well as an increase in net income without non-cash items which contributed \$1.6 million for the three months ended November 30, 2024.

Net cash used in investing activities totaled \$29.3 million and \$30.1 million for the three months ended November 30, 2024 and November 30, 2023, respectively. The \$0.8 million decrease in net cash used in investing activities is primarily due to a \$16.9 million decrease in purchases of short-term investments and a \$5.1 million decrease in property and equipment expenditures to support growth of our real estate footprint, compared to the same three-month period a year-ago. This was partially offset by a \$21.2 million decrease in proceeds from settlements of short-term investments.

Net cash used in financing activities totaled \$17.6 million and \$74.5 million for the three months ended November 30, 2024 and November 30, 2023, respectively. The \$56.9 million decrease in net cash used in financing activities is primarily the result of fewer repurchases of our common stock during the first three months of fiscal year 2025, partially offset by an increase in repayments of long-term bank borrowings compared to the same period a year ago.

The following table summarizes the dividends declared and paid during fiscal year 2024 (amounts are per share):

| Declared | Amount | First Payment | | Amount | Second Payment | | |
|----------|---------|---------------|-----------|---------|----------------|-----------|---------|
| | | Record Date | Date Paid | | Record Date | Date Paid | Amount |
| 2/1/2024 | \$ 1.16 | 2/15/2024 | 2/29/2024 | \$ 0.58 | 8/15/2024 | 8/30/2024 | \$ 0.58 |
| 4/3/2024 | \$ 1.00 | 4/19/2024 | 4/30/2024 | \$ 1.00 | N/A | N/A | N/A |

On February 1, 2024 the Company's Board of Directors declared an annual cash dividend in the total amount of \$1.16 per share, with \$0.58 per share paid on February 29, 2024 to stockholders of record as of February 15, 2024 and \$0.58 per share paid on August 30, 2024 to stockholders of record as of August 15, 2024. Additionally, on April 3, 2024, the Company's Board of Directors declared a one-time \$1.00 per share special dividend paid on April 30, 2024 to stockholders of record on April 19, 2024 to distribute excess cash to stockholders. The declaration of future dividends (ongoing or otherwise), if any, the amount of such dividends, and the establishment of record and payment dates is subject to final determination by the Board of Directors at its discretion after its review of the Company's financial performance and anticipated capital requirements, taking into account the uncertain macroeconomic conditions on our results of operations and cash flows.

Capital Expenditures

Capital expenditures were \$28.2 million for the three months ended November 30, 2024, of which \$14.1 million were for maintenance and growth expenditures each, respectively. Capital expenditures for fiscal year 2024 were \$168.5 million, of which \$72.3 million and \$96.2 million were maintenance and growth expenditures, respectively. Maintenance expenditures are typically for operational fixtures and equipment, building refurbishment, solar, technology and other expenses. Growth expenditures are for new clubs, purchases of previously leased clubs, investments to move existing clubs to better locations, supply chain improvements, and major remodels and expansions.

Short-Term Borrowings and Long-Term Debt

Our financing strategy is to ensure liquidity and access to capital markets while minimizing our borrowing costs. The proceeds of these borrowings were or will be used for general corporate purposes, which may include, among other things, funding for working capital, capital expenditures, acquisitions, dividends and repayment of existing debt. Refer to "Item 1. Financial Statements: Notes to Consolidated Financial Statements, Note 7 – Debt" for further discussion.

Future Lease and Other Commitments

We place a strong emphasis on managing future lease commitments related to various facilities and equipment that support our operations. We believe our current liquidity and cash flow projections can cover future lease commitments. As of November 30, 2024, we have signed one lease agreement for a facility to be built by the lessor which has not yet commenced. Please refer to "Item 1. Financial Statements: Notes to Consolidated Financial Statements, Note 6 – Commitments and Contingencies" for further discussion.

Derivatives

Please refer to "Item 1. Financial Statements: Notes to Consolidated Financial Statements, Note 8 – Derivative Instruments and Hedging Activities" for further discussion.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have had, or are reasonably likely to have, a material current or future effect on its financial condition or consolidated financial statements.

Repurchase of Common Stock and Reissuance of Treasury Shares Related to Employee Stock Awards

At the vesting dates for restricted stock awards to our employees, we repurchase a portion of the shares that have vested at the prior day's closing price per share and apply the proceeds to pay the employees' tax withholding requirements, not to exceed the maximum statutory tax rate, related to the vesting of restricted stock awards. The Company expects to continue this practice going forward.

Shares of common stock repurchased by us are recorded at cost as treasury stock and result in the reduction of stockholders' equity in our consolidated balance sheets. We may reissue these treasury shares in the future.

Share Repurchase Program

In July 2023 we announced a program authorized by our Board of Directors to repurchase up to \$75 million of our common stock. We began repurchases in the fourth quarter of fiscal year 2023 and successfully completed the share repurchase program in the first quarter of fiscal year 2024. We purchased a total of approximately 1,007,000 shares of our common stock under the program. The repurchases were made on the open market pursuant to a trading plan established pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, which permitted us to repurchase common stock at a time that we might otherwise have been precluded from doing so under insider trading laws or self-imposed trading restrictions. We have no plans to continue repurchases or adopt a new repurchase plan at this time. However, the Board of Directors could choose to commence another program in the future at its discretion after its review of the Company's financial performance and anticipated capital requirements.

Share repurchase activity under the Company's repurchase programs for the periods indicated was as follows (total cost in thousands):

| | Three Months Ended | |
|---|----------------------|----------------------|
| | November 30, 2024 | November 30, 2023 |
| Number of common shares acquired | — | 935,663 |
| Average price per common share acquired | \$ — | \$ 74.13 |
| Total cost of common shares acquired | \$ — | \$ 69,362 |

Critical Accounting Estimates

The preparation of our consolidated financial statements requires that management make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Some of our accounting policies require management to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Management continues to review its accounting policies and evaluate its estimates, including those related to business acquisitions, contingencies and litigation, income taxes, value added taxes, and long-lived assets. We base our estimates on historical experience and on other assumptions that management believes to be reasonable under the present circumstances. Using different estimates could have a material impact on our financial condition and results of operations.

Income Taxes

For interim reporting, we estimate an annual effective tax rate (AETR) to calculate income tax expense. Our income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect management's best estimate of current and future taxes to be paid.

We are required to file federal and state income tax returns in the United States and income tax and various other tax returns in multiple foreign jurisdictions, each with changing tax laws, regulations and administrative positions. This requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. We record the benefits of uncertain tax positions in our financial statements only after determining it is more likely than not the uncertain tax positions would sustain challenge by taxing authorities, including resolution of related appeals or litigation processes, if any. We develop our assessment of an uncertain tax position based on the specific facts and legal arguments of each case and the associated probability of our reporting position being upheld, using internal expertise and the advice of third-party experts. However, our tax returns are subject to routine reviews by the various taxing authorities in the jurisdictions in which we file our tax returns. As part of these reviews, taxing authorities may challenge, and in some cases presently are challenging, the interpretations we have used to calculate our tax liability. In addition, any settlement with the tax authority or the outcome of any appeal or litigation process might result, and in some cases has resulted, in an outcome that is materially different from our estimated liability. When facts and circumstances change, we reassess these probabilities and record any changes in the consolidated financial statements as appropriate. Variations in the actual outcome of these cases could materially impact our consolidated financial statements.

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. In evaluating our ability to recover our deferred tax assets in the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, we begin with historical results and incorporate assumptions about the amount of future state, federal, and foreign pretax operating income adjusted for items that do not have tax consequences. The assumptions about future taxable income require the use of significant judgment and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income.

Tax Receivables

We pay Value Added Tax ("VAT") or similar taxes, income taxes, and other taxes within the normal course of our business in most of the countries in which we operate related to the procurement of merchandise and/or services we acquire and/or on sales and taxable income. VAT is a form of indirect tax applied to the value added at each stage of production (primary, manufacturing, wholesale and retail). This tax is similar to, but operates somewhat differently than, sales tax paid in the United States. We generally collect VAT from our Members upon sale of goods and services and pay VAT to our vendors upon purchase of goods and services. Periodically, we submit VAT reports to governmental agencies and reconcile the VAT paid and VAT received. The net overpaid VAT may be refunded or applied to subsequent returns, and the net underpaid VAT must be remitted to the government.

With respect to income taxes paid, if the estimated income taxes paid or withheld exceed the actual income tax due this creates an income tax receivable. In most countries where we operate, the governments have implemented additional collection procedures, such as requiring credit card processors to remit a portion of sales processed via credit and debit cards directly to the government as advance payments of VAT and/or income tax. This collection mechanism generally leaves us with net VAT and/or income tax receivables, forcing us to process significant refund claims on a recurring basis. These refund or offset processes can take anywhere from several months to several years to complete.

Minimum tax rules, applicable in some of the countries where the Company operates, require the Company to pay taxes based on a percentage of sales if the resulting tax were greater than the tax payable based on a percentage of income (Alternative Minimum Tax or "AMT"). This can result in AMT payments substantially in excess of those the Company would expect to pay based on taxable income. As the Company believes that, in one country where it operates, it should only be ultimately liable for an income-based tax, it has accumulated income tax receivables of \$11.3 million and \$10.9 million and deferred tax assets of \$3.7 million and \$3.4 million as of November 30, 2024 and August 31, 2024, respectively, in this country.

The Company's various outstanding VAT receivables and/or income tax receivables are based on cases or appeals with their own set of facts and circumstances. The Company consults and evaluates with legal and tax advisors regularly to understand the strength of its legal arguments and probability of successful outcomes in addition to its own experience handling these complex tax issues. While the rules related to refunds of income tax receivables in these countries are unclear and complex, the Company has not placed any type of allowance on the recoverability of the remaining tax receivables or deferred tax assets, because the Company believes that it is more likely than not that it will ultimately succeed in its refund requests. Similarly, we have not placed any recoverability allowances on tax receivables that arise from payments we are required to make pursuant to tax assessments that we are appealing because we believe it is more likely than not that we will ultimately prevail in the related appeals. There can be no assurance, however, that the Company will be successful in recovering all tax receivables or deferred tax assets.

Our policy for classification and presentation of VAT receivables, income tax receivables and other tax receivables is as follows:

- Short-term VAT and Income tax receivables, recorded as Prepaid expenses and other current assets: This classification is used for any countries where our subsidiary has generally demonstrated the ability to recover the VAT or income tax receivable within one year. We also classify as short-term any approved refunds or credit notes to the extent that we expect to receive the refund or use the credit notes within one year.
- Long-term VAT and Income tax receivables, recorded as Other non-current assets: This classification is used for amounts not approved for refund or credit in countries where our subsidiary has not demonstrated the ability to obtain refunds within one year and/or for amounts which are subject to outstanding disputes. An allowance is provided against VAT and income tax receivable balances in dispute when we do not expect to eventually prevail in our recovery of such balances. We do not currently have any allowances provided against VAT and income tax receivables.

Long-lived Assets

We evaluate quarterly our long-lived assets for indicators of impairment. Indicators that an asset may be impaired are:

- the asset's inability to continue to generate income from operations and positive cash flow in future

- periods;
- loss of legal ownership or title to the asset;
- significant changes in its strategic business objectives and utilization of the asset(s); and
- the impact of significant negative industry or economic trends.

Management's judgments are based on market and operational conditions at the time of the evaluation and can include management's best estimate of future business activity, which in turn drives estimates of future cash flows from these assets. These periodic evaluations could cause management to conclude that impairment factors exist, requiring an adjustment of these assets to their then-current fair market value. Future business conditions and/or activity could differ materially from the projections made by management causing the need for additional impairment charges. We did not record any impairment charges during the first quarter of fiscal year 2025 related to the loss of legal ownership or title to assets; significant changes in the Company's strategic business objectives or utilization of assets; or the impact of significant negative industry or economic trends. Loss on disposal of assets recorded during the years reported resulted from improvements to operations and normal preventive maintenance.

Seasonality

Historically, our merchandising businesses have experienced holiday retail seasonality in their markets. In addition to seasonal fluctuations, our operating results fluctuate quarter-to-quarter as a result of economic and political events in markets that we serve, the timing of holidays, weather, the timing of shipments, product mix, and currency effects on the cost of U.S.-sourced products which may make these products more or less expensive in local currencies and therefore more or less affordable. Because of such fluctuations, the results of operations of any quarter are not indicative of the results that may be achieved for a full fiscal year or any future quarter. In addition, there can be no assurance that our future results will be consistent with past results or the projections of securities analysts.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to our operations result primarily from changes in interest rates and changes in currency exchange rates. There have been no material changes in our market risk factors at November 30, 2024 compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended August 31, 2024.

From time to time, we have experienced a lack of availability of U.S. dollars in certain markets (U.S. dollar illiquidity). This impedes our ability to convert local currencies obtained through merchandise sales into U.S. dollars to settle the U.S. dollar liabilities associated with our imported products or otherwise fund our operations. For instance, since fiscal year 2017, we have experienced this situation in Trinidad and have been unable to source a sufficient level of tradable currencies. We are working with our banks in Trinidad and government officials to convert all of our Trinidad dollars into tradable currencies. Additionally, during fiscal year 2023, the Honduran Central Bank began limiting the availability and controlling the allocation of U.S. dollars for the conversion from Honduran lempiras to U.S. dollars. We are actively working with our banking partners and government authorities to address this situation. We have and continue to take additional actions in this respect. Refer to "Item 2. Management's Discussion & Analysis – Factors Affecting Our Business" and "Item 2. Management's Discussion & Analysis – Liquidity: Financial Position and Cash Flow" for our quantitative analysis and discussion.

Information about the financial impact of foreign currency exchange rate fluctuations for the three-month period ended November 30, 2024 is disclosed in "Item 2. Management's Discussion & Analysis – Other Expense, net."

Information about the change in the fair value of our hedges and the financial impact thereof for the three-month period ended November 30, 2024 is disclosed in "Item 1. Financial Statements: Notes to Consolidated Financial Statements, Note 8 – Derivative Instruments and Hedging Activities."

Information about the movements in currency exchange rates and the related impact on the translation of the balance sheets of our subsidiaries whose functional currency is not the U.S. dollar for the three-month period ended November 30, 2024 is disclosed in "Item 2. Management's Discussion & Analysis – Other Comprehensive Income."

ITEM 4. CONTROLS AND PROCEDURES

Limitations on Effectiveness of Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the timelines specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have investments in certain unconsolidated entities. Because we do not control or manage those entities, our control procedures with respect to those entities were substantially more limited than those we maintain with respect to our consolidated subsidiaries.

Evaluation of Disclosure Controls and Procedures

As required by SEC Rules 13a-15(e) or 15d-15(e), we carried out an evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon their evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

In the ordinary course of business, we review our system of internal control over financial reporting and make changes to our systems and processes to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems and automating manual processes. There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as Exhibit 31.1 and 31.2 to this report.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are often involved in claims arising in the ordinary course of business seeking monetary damages and other relief. Based upon information currently available to us, none of these claims is expected to have a material adverse effect on our business, financial condition or results of operations. Refer to Part I, "Item 1. Financial Statements and Supplementary Data: Notes to Consolidated Financial Statements, Note 6 – Commitments and Contingencies" for additional information regarding our legal proceedings.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report on Form 10-Q, the reader should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2024. There have been no material changes in the Company's risk factors from those discussed in Part I, Item 1A of the Company's Annual Report Form 10-K for the fiscal year ended August 31, 2024.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

- (a) None.
- (b) None.
- (c) Purchase of Equity Securities by the Issuer and Affiliated Purchasers.

Upon vesting of restricted stock awarded by the Company to employees, the Company repurchases shares and withholds the amount of the repurchase payment to cover employees' tax withholding obligations. As set forth in the table below, during the quarter ended November 30, 2024, the Company repurchased 35,893 shares in the indicated months. These were the only repurchases of equity securities made by the Company during the first quarter of fiscal year 2025. The Company does not currently have a stock repurchase program. However, the Board of Directors could choose to commence a stock repurchase program in the future, at its discretion, after its review of the Company's financial performance and anticipated capital requirements.

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs |
|--|--|---------------------------------|---|---|
| September 1, 2024 - September 30, 2024 | — | \$ — | — | N/A |
| October 1, 2024 - October 31, 2024 | 35,893 | 91.70 | — | N/A |
| November 1, 2024 - November 30, 2024 | — | — | — | N/A |
| Total | 35,893 | \$ 91.70 | — | N/A |

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the first quarter of fiscal year 2025, none of our directors or executive officers adopted or terminated a Rule 10b5-1 Trading Plan, or a "non-Rule 10b5-1 trading arrangement" (as defined in Item 408(c) of Regulation S-K).

ITEM 6. EXHIBITS

(a) *Exhibits:*

| | |
|--------------------|---|
| 3.1 ⁽¹⁾ | Amended and Restated Certificate of Incorporation of the Company. |
| 3.2 ⁽²⁾ | Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Company. |
| 3.3 ⁽³⁾ | Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Company. |
| 3.4 ⁽⁴⁾ | Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Company. |
| 3.5 ⁽⁵⁾ | Second Amended and Restated Bylaws of the Company. |
| 3.6 ⁽⁶⁾ | Amendment to Second Amended and Restated Bylaws of PriceSmart, Inc. |
| 31.1* | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1*# | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2*# | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | Inline XBRL Instance Document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101). |

* Filed herewith as an exhibit.

These certifications are being furnished solely to accompany this Report pursuant to 18 U.S.C. 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of PriceSmart, Inc. whether made before or after the date hereof, regardless of any general incorporation language in such filing.

⁽¹⁾ Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 1997 filed with the Commission on November 26, 1997.

⁽²⁾ Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 29, 2004 filed with the Commission on April 14, 2004.

⁽³⁾ Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2004 filed with the Commission on November 24, 2004.

⁽⁴⁾ Incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on February 2, 2024.

⁽⁵⁾ Incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on July 17, 2015.

⁽⁶⁾ Incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on December 9, 2022.

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 thereunto duly authorized.

PRICESMART, INC.

Date: January 8, 2025

By:

/s/ ROBERT E. PRICE

Robert E. Price
Interim Chief Executive Officer
(Principal Executive Officer)

Date: January 8, 2025

By:

/s/ MICHAEL L. MCCLEARY

Michael L. McCleary
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Certification

I, Robert E. Price, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PriceSmart, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 8, 2025

/s/ ROBERT E. PRICE

Robert E. Price
Interim Chief Executive Officer
(Principal Executive Officer)

Certification

I, Michael L. McCleary, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PriceSmart, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 8, 2025

/s/ MICHAEL L. MCCLEARY

Michael L. McCleary
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of PriceSmart, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended November 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 8, 2025

/s/ ROBERT E. PRICE

Robert E. Price
Interim Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of PriceSmart, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended November 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 8, 2025

/s/ MICHAEL L. MCCLEARY

Michael L. McCleary
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.