

PRICESMART INC
Form 10-Q
July 03, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

OR

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

COMMISSION FILE NUMBER 0-22793

PriceSmart, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

9740 Scranton Road, San Diego, CA 92121

(Address of principal executive offices)

(858) 404-8800

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

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

(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

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

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

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

See accompanying notes.

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

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

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

See accompanying notes.

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PRICESMART, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(AMOUNTS IN THOUSANDS)