

PRICESMART INC
Form 10-Q
April 07, 2011

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 February 28, 2011

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 33-0628530
(State or other jurisdiction (I.R.S. Employer
of Identification No.)
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)

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 and posted on its corporate

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Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes

No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

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 29,897,996 shares of its common stock, par value \$0.0001 per share, outstanding at March 31, 2011.

PRICESMART, INC.

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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 February 28, 2011 and the consolidated balance sheet as of August 31, 2010, the unaudited consolidated statements of income for the three- and six-month periods ended February 28, 2011 and 2010, the unaudited consolidated statements of equity and the unaudited consolidated statements of cash flows for the six months ended February 28, 2011 and 2010, 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)

	February 28, 2011 (Unaudited)	August 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 70,659	\$ 73,346
Short-term restricted cash	1,240	1,240
Receivables, net of allowance for doubtful accounts of \$16 and \$15 as of February 28, 2011 and August 31, 2010, respectively.	3,167	2,855
Merchandise inventories	151,692	131,190
Deferred tax assets – current	4,086	3,639
Prepaid expenses and other current assets	24,031	21,879
Assets of discontinued operations	803	692
Total current assets	255,678	234,841
Long-term restricted cash	13,670	5,640
Property and equipment, net	280,919	265,544
Goodwill	37,533	37,471
Deferred tax assets – long term	15,344	16,637
Other assets	4,301	4,341
Investment in unconsolidated affiliates	8,061	8,091
Total Assets	\$ 615,506	\$ 572,565
LIABILITIES AND EQUITY		
Current Liabilities:		
Short-term borrowings	\$ 2,984	\$ 3,551
Accounts payable	142,567	124,401
Accrued salaries and benefits	9,442	10,911
Deferred membership income	11,014	9,729
Income taxes payable	6,216	6,615
Other accrued expenses	11,490	12,095
Dividends payable	8,969	—
Long-term debt, current portion	7,761	7,715
Deferred tax liability – current	425	357
Liabilities of discontinued operations	212	109
Total current liabilities	201,080	175,483
Deferred tax liability – long-term	1,718	1,198
Long-term portion of deferred rent	3,744	3,272
Long-term income taxes payable, net of current portion	3,361	3,564
Long-term debt, net of current portion	54,185	53,005
Total liabilities	264,088	236,522
Equity:		
	3	3

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Common stock, \$0.0001 par value, 45,000,000 shares authorized; 30,688,399 and 30,624,666 shares issued and 29,896,805 and 29,897,909 shares outstanding (net of treasury shares) as of February 28, 2011 and August 31, 2010, respectively.

Additional paid-in capital	381,436	379,368
Tax benefit from stock-based compensation	5,371	4,490
Accumulated other comprehensive loss	(16,565)	(16,672)
Accumulated deficit	(746)	(15,578)
Less: treasury stock at cost; 791,594 and 726,757 shares as of February 28, 2011 and August 31, 2010, respectively.	(18,081)	(15,568)
Total PriceSmart stockholders' equity and total equity	351,418	336,043
Total Liabilities and Equity	\$ 615,506	\$ 572,565

See accompanying notes.

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

	Three Months Ended February 28,		Six Months Ended February 28,	
	2011	2010	2011	2010
Revenues:				
Net warehouse club sales	\$ 440,263	\$ 358,893	\$ 817,595	\$ 667,545
Export sales	1,872	1,006	3,280	1,593
Membership income	5,576	4,827	11,001	9,476
Other income	1,906	1,396	3,813	2,926
Total revenues	449,617	366,122	835,689	681,540
Operating expenses:				
Cost of goods sold:				
Net warehouse club	374,573	304,867	692,386	566,584
Export	1,758	935	3,102	1,489
Selling, general and administrative:				
Warehouse club operations	37,239	31,041	72,373	60,274
General and administrative	8,874	8,667	17,684	16,235
Pre-opening expenses	(15)	175	388	286
Total operating expenses	422,429	345,685	785,933	644,868
Operating income	27,188	20,437	49,756	36,672
Other income (expense):				
Interest income	239	122	367	338
Interest expense	(1,071)	(634)	(2,028)	(1,264)
Other income (expense), net	(260)	(10)	(303)	(7)
Total other expense	(1,092)	(522)	(1,964)	(933)
Income from continuing operations before provision for income taxes and loss of unconsolidated affiliates				
	26,096	19,915	47,792	35,739
Provision for income taxes	(8,049)	(6,190)	(14,894)	(11,592)
Loss of unconsolidated affiliates	(37)	(3)	(42)	(5)
Income from continuing operations	18,010	13,722	32,856	24,142
Income (loss) from discontinued operations, net of tax				
	(93)	35	(86)	44
Net income	17,917	13,757	32,770	24,186
Net income attributable to noncontrolling interest				
	—	(60)	—	(112)
Net income attributable to PriceSmart	\$ 17,917	\$ 13,697	\$ 32,770	\$ 24,074
Net income attributable to PriceSmart:				
Income from continuing operations	18,010	13,662	32,856	24,030
Income (loss) from discontinued operations, net of tax	(93)	35	(86)	44
	\$ 17,917	\$ 13,697	\$ 32,770	\$ 24,074

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Net income per share attributable to
PriceSmart and available for
distribution:

Basic net income per share from continuing operations	\$ 0.60	\$ 0.46	\$ 1.11	\$ 0.81
Basic net income (loss) per share from discontinued operations, net of tax	\$ —	\$		