

## Risk Factors Comparison 2024-10-30 to 2023-10-30 Form: 10-K

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In evaluating the Company's business, you should consider the following discussion of risk factors, in addition to other information contained in this report and in the Company's other public filings with the U. S. Securities and Exchange Commission. Any such risks could materially and adversely affect our business, results of operations, cash flow, financial condition, liquidity and prospects. However, the risks described below are not the only risks facing us. Our business operations could also be affected by additional factors that apply to all companies operating in the U. S. and globally. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition, results of operations, cash flow and prospects. External Factors that Could Adversely Affect Us. Our financial performance is dependent on international operations, which exposes us to various risks. Our international operations account for nearly all of our total revenues. Our financial performance is subject to risks inherent in operating and expanding our international membership warehouse club business, which include:

- changes in, and inconsistent enforcement of, laws and regulations, including those related to tariffs and taxes;
- the imposition of foreign and domestic governmental controls, including expropriation risks;
- natural disasters;
- trade restrictions, including import-export quotas and general restrictions on importation;
- difficulty and costs associated with international sales and the administration of an international merchandising business;
- crime and security concerns that can adversely affect the economies of the countries in which we operate and which require us to incur additional costs to provide additional security at our warehouse clubs;
- political instability, such as **the anti-government protests in Panama and Guatemala in 2023** and civil unrest in Colombia in 2022 and 2021, **in Honduras and Nicaragua in 2019, and a general strike in Costa Rica in 2018**;
- product registration, permitting and regulatory compliance;
- volatility in foreign currency exchange rates;
- ~~limitations on our ability to convert foreign currencies~~;
- general economic and business conditions;
- pandemics; and
- interruption of our supply chain.

These risks may result in disruption to our sales, banking transactions, operations and merchandise shipments, any of which could have a material adverse effect on our business and results of operations. For example, the Colombian peso exchange rate with the U.S. dollar devalued approximately 15 % on average throughout fiscal year 2023 compared to fiscal year 2022, reducing our U.S. dollar value of sales and negatively affecting overall demand for our merchandise in Colombia during that period. **As a result, beginning later in the second quarter of fiscal year 2023**, in order to mitigate the significant price increase to our Members that would be required to maintain our target margins, we **strategically held** absorbed the increase in the costs of goods resulting from the devaluation and we took pricing actions on certain **steady across several** product categories that reduced ~~of our U.S. merchandise~~ **imported into Colombia instead of increasing the prices to reflect the rising costs of these items. This action adversely impacted** our Total gross ~~Gross margin~~ **Margin percentage for our Colombia segment and our Company overall** during that period until the exchange rate normalized and **third quarter of fiscal year 2023. In the fourth quarter of fiscal year 2023, the Colombian peso began to strengthen; however, we continued** were able to return to a more normalized **hold pricing steady which resulted in** margin ~~margins~~ **profit improving from the results of the third quarter**. However, if the Colombia peso were to weaken again and we **hold pricing steady** were to again absorb the costs of the devaluation or take pricing actions to lower the cost to our Members to mitigate a decrease in demand, **then** consolidated Total gross ~~Gross margins~~ **Margins** could be negatively impacted. Fluctuations in exchange rates for foreign currencies have and could continue to reduce the U.S. dollar value of sales, earnings and cash flows we receive from our non-U.S. markets, increase our supply costs (as measured in U.S. dollars) in those markets, negatively impact our competitiveness in those markets or otherwise adversely impact our business results or financial condition. **In** Our business depends heavily on the **spring** uninterrupted operation of **2020** our distribution facilities located in Miami, Florida and San Jose, Costa Rica, our warehouse clubs located in Colombia, Central America and the **novel coronavirus (** Caribbean, and our headquarters and buying operations in San Diego, California. Our operations were disrupted by the COVID-19 pandemic and actions **resulted in** government authorities in our markets **taking actions** to mitigate the spread of COVID-19, including travel restrictions, border closings, restrictions on public gatherings, stay-at-home orders and other quarantine and isolation measures. **Our business depends heavily on the uninterrupted operation of our distribution facilities located in Miami, Florida and San Jose, Costa Rica, our warehouse clubs located in Colombia, Central America and the Caribbean, and our headquarters and buying operations in San Diego, California. The operation of all of our facilities is highly dependent on our employees who staff these locations, and the coronavirus, or similar pandemic-pandemics, could directly threaten the health of our employees and Members. It** also resulted in delays or difficulty sourcing products, **which negatively affected our business and threatened financial results. Certain of our suppliers had the their** health of our employees **manufacturing operations disrupted by the outbreak, and Members were subject to significant shipping delays impacting our supply chain**. Pandemics or events of this sort have had, and may have in the future, an adverse effect on our business. Political and other factors in each of our markets may have significant effects on our business. For example, **protestors set up roadblocks arose** in Guatemala in October 2023 **general following instability from recent** elections. In addition, **protestors set up roadblocks also arose** in Panama in October and **November** 2023 disrupting traffic to our clubs throughout most of the market as a reaction to an agreement between the Panamanian government and a mining company. **The Civil civil** unrest in Colombia paralyzed significant portions of the country's infrastructure as roadblocks and riots disrupted normal economic activity during the third quarter of fiscal year 2021. Austerity and tax reform measures for Colombia and other Latin American countries with high national debt levels and income disparity pose a risk for political instability. **From time to time, we have experienced Similar unrest happened in**

**Nicaragua and Honduras in 2019; Costa Rica also had a general strike against tax reform measures that significantly** lack of availability of U.S. dollars in certain markets (U.S. dollar illiquidity). This impedes **impeded regular economic activity** 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. For more information about the lack of U.S. dollar availability risks we face, see "Financial and Accounting Risks—We are subject to volatility in **2018** foreign currency exchange rates. Negative economic conditions created or exacerbated by inflation, and higher interest rates could adversely impact our business in various respects. A slowdown in the economies of one or more of the countries in which we operate or adverse changes in economic conditions affecting discretionary consumer spending could adversely affect consumer demand for the products we sell, change the mix of products we sell to a mix with a lower average gross margin, cause a slowdown in discretionary purchases of goods, adversely affect our net sales or result in slower inventory turnover and greater markdowns of inventory. **The retail Sales of food business is and groceries are especially hypersensitive** ----- **sensitive** to general changes in economic conditions. A significant decline in the economies of the countries in which our warehouse clubs are located may adversely affect our operating results. Economic conditions such as **in our markets can be adversely affected by contraction contractions** in the financial market markets, increased governmental ownership or regulation of the economy, higher interest rates, high rates of inflation or deflation, higher fuel prices, increased barriers to entry such as higher tariffs and taxes, and other macroeconomic factors that affect consumer spending may adversely affect the demand for and prices of the products we sell in our warehouse clubs. The economic factors that affect our operations may also adversely affect the operations of our suppliers, which can result in an increase in the cost to us of the goods we sell to our customers or, in more extreme cases, in certain suppliers not producing goods in the volume typically available to us. Our profitability is vulnerable to cost increases. Future increases in costs, such as the cost of merchandise, wage and benefits costs, shipping rates, freight costs, fuel costs, utilities and other store occupancy costs, may reduce our profitability. We seek to adjust our product sales pricing, operate more efficiently, and increase our comparable store net sales to **help** offset inflation, **as well as** currency rate changes, changes in tax rates or in the methods used to calculate or collect taxes on our sales or income and other factors that can increase costs. We might not be able to adjust prices, operate more efficiently or increase our comparable store net sales in the future to a great enough extent to offset increased costs. **Although we have seen recent Inflationary-inflationary pressures in general subsiding, substantial product cost increases and commodity** significant foreign currency devaluation such as in our Colombian market affected our ability to adjust prices **price during most of fiscal year 2023 increases have and could continue to impact our financial results and could lead to reduced sales, fewer units sold, and / or margin pressure**. Please see Part II. "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," of this Form 10-K for further discussion of the effect of currency rate changes, inflation and other economic factors on our operations. **Our financial performance is dependent on..... significantly impeded regular economic activity in 2018**. We face significant competition. Our international warehouse club business competes with exporters, importers, wholesalers, local retailers and trading companies in various international markets. Some of our competitors have greater resources, buying power and name recognition than we have. We also face competition from online retailers who serve our markets, and we expect that this type of competition will grow and intensify in the future. In the countries in which we operate, we do not currently face direct competition from U.S. membership warehouse club operators. However, we do face competition from various retail formats such as hypermarkets, supermarkets, cash and carry outlets, home improvement centers, electronic retailers and specialty stores, including those within Latin America that are owned and operated by large U. S. and international retailers, including Walmart Inc. in Central America and Grupo Éxito and Cencosud in Colombia. We have noted that certain retailers are making investments in upgrading their locations **or opening of new stores** which may result in increased competition. Further, it is possible that **other** current U.S. warehouse club operators may decide to enter our markets and compete more directly with us in a similar warehouse club format. Our ability to operate profitably in our markets, particularly small markets, may be adversely affected by the existence or entry of competing warehouse clubs or discount retailers. We compete in a variety of ways, including the value and prices at which we sell our merchandise, merchandise selection and availability, services offered to Members, location, store hours, safety protocols and the shopping convenience and overall shopping experience we offer. We may be required to implement price reductions to remain competitive if any of our competitors reduce prices in any of our markets. In response to the increasing threat associated with online retailers, we are making technology investments, which may result in increases in the use of cash and reduced profitability in the near term. Our sales could be adversely affected if one or more major international online retailers were to enter our markets or if other competitors were to offer a superior online experience. Although online sales are currently a smaller proportion of total sales in our markets for the types of merchandise we offer than in the U. S., online shopping is becoming more prevalent in our markets as we and our competitors begin to offer more opportunities for online shopping and as delivery systems in our markets improve. While major international online retailers have not established a significant penetration in any of our markets, **AmazonGlobal Amazon.com, Inc.** continues to expand its online marketplace and **make additional investments ships into most of our markets. However, other regional online retailers, such as MercadoLibre, have continued to bolster its increase their presence in our markets. In the case of Rappi in Colombia** . Also **. it we have a partnership with them in which our Members can use their platform to place online orders; however, this may not be the case for other online retailers. It** is possible that Amazon **com** or other major international retailers will **establish a direct presence** **Inc.** or smaller regional companies will increase **the their** penetration of online shopping in the rest of our markets. **In either case,** We continue to invest in our websites and systems with the long-term objective of offering our Members a seamless **sales** omni-channel experience through **our online** PriceSmart.com, which includes both curbside pickup and delivery in all markets. Operating an e-commerce platform and fulfillment of online orders is a complex undertaking, and there is no guarantee that the resources we have applied to this effort will result in increased revenues or

improved operating performance. If we do not maintain a successful and relevant omni-channel experience for our warehouse clubs our Members, our ability to compete and our results of operations could be adversely affected. We are exposed to significant weather events and other natural disaster risks that might not be adequately compensated by insurance, and we are susceptible to the long-term impacts of climate change. Our operations are subject to volatile weather conditions and natural disasters, such as earthquakes, hurricanes and volcanic activity, which are encountered periodically in the regions in which our warehouse clubs and other facilities are located. Natural disasters could result in physical damage to, or the complete loss of, one or more of our properties, the closure of one or more clubs or distribution centers, limitations on store or club operating hours, the lack of an adequate work force in a market, the inability of customers and employees to reach our clubs, the unavailability of our digital platforms to our customers, disruption in the supply of products or increases in the costs of procuring products. For example, in early fiscal year 2018, operations at our USVI warehouse club were adversely affected by Hurricanes Irma and Maria. The warehouse club was closed for nine days, and after re-opening, the warehouse club operated with limited hours for 16 days due to a government-imposed curfew. Damaged and destroyed roads restricted traffic flow, adversely affecting customer access for some time after the hurricane. Future losses from business interruption may not be adequately compensated by insurance and could have a material adverse effect on our business, financial condition, and results of operations. Furthermore, the long-term impacts of climate change, whether involving physical risks (such as extreme weather conditions, drought, or rising sea levels) or transition risks (such as regulatory or technology changes) are expected to be widespread and unpredictable. Physical risks include extreme storms that damage or destroy our buildings and inventory or interrupt our business operations and supply chain and temperature changes that increase the heating and cooling costs at clubs and distribution and fulfillment centers. We also may experience changes in energy and commodity prices driven by climate change as well as new regulatory requirements resulting in higher compliance risk and operational costs. We face difficulties in the shipment of, and risks inherent in the importation of, merchandise to our warehouse clubs. Our warehouse clubs typically import nearly half or more of the merchandise that they sell. This merchandise originates from various countries and is transported over long distances, over water and over land, which results in: • substantial lead times needed between the procurement and delivery of products, thus complicating merchandising and inventory controls; • the possible loss of products due to theft or potential damage to, or destruction of, ships or containers delivering goods; • product markdowns due to the prohibitive cost of returning merchandise upon importation; • product registration, tariffs, customs and shipping regulation issues in the locations we ship to and from; • **the possibility of business interruption due to transportation and port strikes;** • ocean freight and duty costs; and • possible governmental restrictions on the importation of merchandise. In addition, as a result of COVID-19 and the measures designed to contain the spread of the virus, we faced and may again face delays or difficulty sourcing products, which could negatively affect our business and financial results. Certain of our suppliers had their manufacturing operations disrupted by the coronavirus outbreak and, even when goods had been completed, they often were subject to weeks-long shipping delays. If our third-party suppliers' operations are curtailed, again, or transportation systems are disrupted, we may need to seek alternate sources of supply, which may be more expensive. If the production and distribution closures were to resume for an extended period of time, the impact on our supply chain could have a material adverse effect on our results of operations and cash flows. Civil unrest in certain countries in which we operate may adversely affect the flow of goods through those countries. 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** ~~protestors~~ **protests also limited** in Guatemala erected roadblocks limiting access to some ~~certain~~ of our warehouse clubs. **Civil unrest** in that **Colombia in response to tax reform and austerity measures paralyzed significant portions of the country's infrastructure as** ~~In April 2021, protestors in Colombia erected roadblocks inside and~~ **riots** between major cities and damaged public transport, businesses and state buildings, which disrupted the normal flow of goods and economic activity **during** ~~In~~ **2019, political and civil unrest in Honduras and Nicaragua resulted in roadblocks in many portions of these** ~~the third quarter~~ **fiscal year 2021** goods through Costa Rica's ports or over Honduras and Nicaragua's highways could impair our ability to supply warehouse clubs not just in those countries, but in countries throughout the region as well. Moreover, each country in which we operate has different governmental rules and regulations regarding the importation of foreign products. Changes to the rules and regulations governing the importation of merchandise may result in additional delays, costs or barriers in our deliveries of products to our warehouse clubs or may affect the type of products we select to import. In addition, only a limited number of transportation companies service our regions. The inability or failure of one or more key transportation companies to provide transportation services to us, any collusion among the transportation companies regarding shipping prices or terms, changes in the regulations that govern shipping tariffs or the importation of products, or any other disruption to our ability to import our merchandise could have a material adverse effect on our business and results of operations. We are subject to payment related risks, including risks to the security of payment card information. We accept payments using an increasing variety of methods, including cash, checks, wire transfers, our co-branded credit cards and a variety of other credit and debit cards. Our operations, like those of most retailers, require the transmission of information associated with cashless payments. As we offer new payment options to our Members, we may be subject to additional rules, regulations and compliance requirements, along with the risk of higher fraud losses. For certain payment methods, we pay interchange and other related card acceptance fees, along with additional transaction processing fees. We rely on third parties to provide secure and reliable payment transaction processing services, including the processing of credit and debit cards, and it could disrupt our business if these companies become unwilling or unable to provide these services to us. We are also subject to payment card association and network operating rules, including data security rules, certification requirements and rules governing electronic funds transfers, which could change over time. If we fail to comply with these rules or transaction processing requirements, we may not be able to accept certain payment methods. In addition, if our internal systems are

breached or compromised, we may be liable for banks' compromised card re-issuance costs, we may be subject to fines and higher transaction fees and lose our ability to accept credit and / or debit card payments from our Members, and our business and operating results could be adversely affected. Failures or disruptions in data communication and transfer services also could significantly impact our ability to transact payments to vendors and process credit and debit card transactions. Lastly, we or our customers may experience "spoofing" transactions, particularly with respect to wire transfers, which could cause us to make payments to impostor vendors or result in our not receiving timely payment from customers for merchandise we have sold. We face the possibility of operational interruptions related to union work stoppages. We currently have **labor unions unionized employees** in three of our markets (Trinidad, Barbados and Panama), **and 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.** A lengthy work stoppage or significant limitation on operations could have a substantial adverse effect on our financial condition and results of **operation-operations**. Risks Associated with Our Business Strategy and Operations Any failure by us to manage our widely dispersed operations could adversely affect our business. As of August 31, ~~2023~~ **2024**, we had ~~51~~ **54** warehouse clubs in operation, located in 12 countries and one U. S. territory (~~nine~~ **ten** in Colombia; eight in Costa Rica; seven in Panama; **six in Guatemala**; five in ~~the Dominican Republic and Guatemala~~; four ~~each~~ in Trinidad **and El Salvador**; three in Honduras ~~and El Salvador~~; two each in Nicaragua and Jamaica; and one each in Aruba, Barbados and the United States Virgin Islands). We will need to continually evaluate the adequacy of our existing infrastructure, systems and procedures, financial controls, operating controls, inventory, and safety controls and make upgrades from time to time. Moreover, we will be required to continually analyze the sufficiency of our inventory distribution channels and systems and may require additional or expanded facilities in order to support our operations. We may not adequately anticipate all the changing demands that will be imposed on these systems. Any failure of our systems or our inability to effectively update our internal systems or procedures as required could have a material adverse effect on our business, financial condition and results of operations. **We depend on maintaining and expanding our membership base, and any harm to our relationship with our Members could have a material adverse effect on our business, net sales and results of operations. Our membership provides a competitive advantage. Membership has been a basic operating characteristic in the warehouse club industry, beginning over 48 years ago at Price Club, the first membership warehouse club business. We believe membership promotes Member loyalty, and membership fees contribute to our ability to operate our business on lower margins than conventional retailers and wholesalers. The extent to which we achieve growth in our membership base and sustain high renewal rates materially influences our profitability. Further, our net sales are directly affected by the number of membership cardholders, the frequency with which our Members shop at our clubs and online and the amount they spend, which means the loyalty and enthusiasm of our Members directly impacts our net sales and operating income. Accordingly, anything that would harm our relationship with our existing Members or our ability to continue to attract new Members could materially adversely affect our net sales, membership fee income and results of operations. Factors that could adversely affect our relationship with our Members include: our failure to provide good value to Members on the goods and services we offer; our failure to provide the expected quality of merchandise; our failure to offer the right mix of merchandise; events that harm our reputation or the reputation of our "Member's Selection®" brand; our failure to provide convenience online and in-store shopping; increases to our membership fees; and increased competition**. We might not identify in a timely manner or effectively respond to changes in consumer preferences for merchandise, which could adversely affect our relationship with Members, demand for our products and market share. Our success depends, in part, on our ability to identify and respond to trends in demographics and changes in consumer preferences for merchandise. It is difficult to consistently and successfully predict the products and services our Members will demand. Failure to timely identify or respond effectively to changing consumer tastes, preferences or spending patterns could adversely affect our relationship with our Members, the demand for our products and our market share. If we are not successful at predicting sales trends and adjusting purchases accordingly, we might have too much or too little inventory of certain products. If we buy too much of a product, we might be required to reduce prices or otherwise liquidate the excess inventory, which could have an adverse effect on margins (net sales less merchandise costs) and operating income. If we do not have sufficient quantities of a popular product, we might lose sales and profits we otherwise could have made. **As our customers expect a more personalized experience, our ability to collect, use, retain, and protect relevant customer data is important to our ability to effectively meet their expectations. Our ability to collect and use that data, however, is subject to a number of external factors, including the impact of legislation or regulations governing data privacy, data-driven technologies such as artificial intelligence, and data security, as well as customer expectations around data collection, retention, and use.** Future sales growth depends, in part, on our ability to successfully open new warehouse clubs in our existing and new markets. Sales growth at existing warehouse clubs can be impacted by, among other things, the physical limitations of the warehouse clubs, which restrict the amount of merchandise that can be safely stored and displayed in the warehouse clubs and the number of Members that can be accommodated during business hours. As a result, sales growth will depend, in part, upon our acquiring suitable sites for additional warehouse clubs. Land for purchase or lease, or buildings to be leased, in the size and locations in those markets that would be suitable for new PriceSmart warehouse clubs may be limited in number or not be available or financially feasible. In this regard, we compete with other retailers and businesses for suitable locations. Additionally, local land use, environmental and other regulations restricting the construction and operation of our warehouse clubs may impact our ability to find suitable locations, and increase the cost of constructing, leasing and operating our warehouse clubs. We have experienced these

limitations in Colombia, primarily in Bogotá, and in some of our other existing markets, which has negatively affected our growth rates in those markets. Limitations on the availability of appropriate sites for new warehouse clubs in the areas targeted by us could have a material adverse effect on the future growth of PriceSmart. In some cases, we have more than one warehouse club in a single metropolitan area, and we may open new warehouse clubs in certain areas where we already have warehouse clubs. A new warehouse club in an area already served by existing warehouse clubs may draw Members away from existing warehouse clubs and adversely affect comparable store sales performance. We operate in relatively small markets. Given the growth of our sales over the past few years, market saturation could impact the rate of future sales growth. We might open warehouse clubs in new markets in the future. The risks associated with entering a new market include potential difficulties in attracting Members due to a lack of familiarity with us and our lack of familiarity with local Member preferences. In addition, entry into new markets may bring us into competition with new competitors or with existing competitors with a large, established market presence. As a result, our new warehouse clubs might not be successful in new markets. Failure to grow our e-commerce business through the integration of physical and digital retail channels and the investments we are making to develop a robust e-commerce platform could materially adversely affect our market position, net sales and / or financial performance. The retail business is quickly evolving, and consumers are increasingly embracing shopping online and through mobile commerce applications. As a result, the portion of total consumer expenditures with all retailers and wholesale clubs occurring online and through mobile commerce applications is increasing and the pace of this increase could accelerate. As demonstrated by our launch of our PriceSmart.com curbside pickup and delivery service, our mobile app and the upgrade of our point-of-sale system, we are increasing our investments in e-commerce, technology and other customer initiatives. The success of our e-commerce initiative continues to depend in large measure on our ability to build and deliver a seamless shopping experience across the physical and digital retail channels. **Operating an e-commerce initiative platform and fulfillment of online orders is a complex undertaking, and there is no guarantee that the resources we have applied to this effort will result in increased revenues or improved operating market position, net sales and financial performance.** **If we do not maintain a successful and relevant omni-channel experience for our Members, our ability to compete and our results of operations** could be adversely affected. In addition, a greater concentration of e-commerce sales could result in a reduction in the amount of traffic in our warehouse clubs, which would, in turn, reduce the opportunities for cross-club sales of merchandise that such traffic creates and could reduce our sales within our clubs, materially adversely affecting the financial performance of the physical retail side of our operations. In addition, our investments in e-commerce and technology initiatives will adversely impact our short-term financial performance, and our failure to realize the benefits of these investments may adversely impact our financial performance over the longer term. We are subject to risks associated with our dependence on third-party suppliers and service providers, and we have no assurances of continued supply, pricing or access to new merchandise. We have important ongoing relationships with various third-party suppliers of services and merchandise. These include, but are not limited to, local, regional, and international merchandise suppliers, information technology suppliers, equipment suppliers, financial institutions, credit card issuers and processors, and lessors. Significant changes in the relationships or the agreements that govern the terms through which business is conducted could have a material adverse effect on our business, financial condition and results of operations. We have no assurances of continued supply, pricing or access to new merchandise, and any supplier could at any time change the terms upon which it sells to us or discontinue selling to us. One of our significant suppliers operates a warehouse club business and may in the future seek to compete with us in some of our markets. In addition, the manner in which we acquire merchandise, either directly from the supplier's parent company or through a local subsidiary or distributor, is subject to change from time to time based on changes initiated by the supplier and for reasons beyond our control. Significant changes or disruptions in how we acquire merchandise from these suppliers could negatively affect our access to such merchandise, as well as the cost of merchandise to us and hence our Members, which could have a material adverse effect on our business and results of operations. Our failure to maintain our brand and reputation could adversely affect our results of operations. Our success depends on our ability to continue to preserve and enhance our brand and reputation. Damage to the PriceSmart brand could adversely impact merchandise sales, diminish Member trust, reduce Member renewal rates and impair our ability to add new Members. A failure to maintain and enhance our reputation also could lead to loss of new opportunities or employee retention and recruiting difficulties. Negative incidents, such as a data breach or product recall, can quickly erode trust and confidence, particularly if they result in adverse publicity, governmental investigations or litigation. In particular, the propagation of negative publicity on social media, whether merited or not, can have a damaging effect on our business in one or more markets. In addition, we sell many products under our private label "Member's Selection®" brand. If we do not maintain consistent product quality of our "Member's Selection®" products, which generally carry higher margins than national brand products carried in our warehouse clubs, our net warehouse sales and gross margin results could be adversely affected and Member loyalty could be harmed. Also, accidents or personal injuries that sometimes occur in our facilities, such as a Member slipping and falling or **injuries caused by** product falling from a rack, could result in negative publicity or otherwise damage the Company's reputation. We face the risk of exposure to product liability claims, a product recall and adverse publicity. If our merchandise, such as food and prepared food products for human consumption, medication, children's products, pet products and durable goods, do not meet or are perceived not to meet applicable safety standards or our Members' expectations regarding safety, we could experience lost sales, increased costs, litigation or reputational harm. The sale of these items exposes us to the risk of product liability claims, a product recall and adverse publicity. We may inadvertently redistribute food products or prepare food products that are contaminated, which may result in illness, injury or death if the contaminants are not eliminated by processing at the food service or consumer level. We package and market fresh produce products within our markets, so we may be exposed to additional risk of product liability and adverse publicity if those fresh food products are contaminated, which may result in illness, injury or death if the contaminants are not eliminated by processing at our packaging service centers. We generally seek contractual indemnification and proof of

insurance from our major suppliers and carry product liability insurance for all products we sell to or package for our Members. However, if we do not have adequate insurance or contractual indemnification available, product liability claims relating to products that are contaminated or otherwise harmful could have a material adverse effect on our ability to successfully market our products and on our financial condition and results of operations. In addition, even if a product liability claim is not successful or is not fully pursued, the negative publicity surrounding a product recall or any assertion that our products caused illness or injury could have a material adverse effect on our reputation with existing and potential Members and on our business, financial condition and results of operations. We rely extensively on computer systems to process transactions, summarize results and manage our business. Failure to adequately maintain our systems or disruptions of our systems could harm our business and adversely affect our results of operations. Given the high number of individual transactions we have each year, we seek to maintain uninterrupted operation of our business- critical computer systems. Our computer systems, including back- up systems, are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, internal or external security breaches, catastrophic events such as fires, earthquakes, tornadoes and hurricanes, and errors by our employees. Our information systems are not fully redundant, and our disaster recovery planning cannot account for all eventualities. If our computer systems and back- up systems are damaged or cease to function properly, we may have to make significant investments to fix or replace them, and we may suffer interruptions in our operations in the interim. Any material interruption in our computer systems could have a material adverse effect on our business or results of operations. We depend on third- party service providers to support transaction and payment processing, data security and other technology services. Any interruption in the operations of these service providers could, in turn, have a material adverse effect on us. For example, in 2022, a third party that supported our point- of- sale system became insolvent, which required us to quickly develop and implement short- term workarounds and delayed our migration to a cloud- based system integrating in- store and online functionality. From time to time, we make technology investments to improve or replace our information processes and systems that are key to managing our business. The risk of system disruption increases when system changes are undertaken. Targeting the wrong opportunities, failing to make the right investments, or making an investment commitment significantly above or below our needs could result in the loss of our competitive position and adversely impact our financial condition and results of operations. Additionally, the potential problems and interruptions associated with implementing technology initiatives could disrupt or reduce the efficiency of our operations in the short term. These initiatives might not provide the anticipated benefits or may provide them on a delayed schedule or at a higher cost. For example, we have begun migrating to a new **the Elera™** point- of- sale system, **which is Elera™**, a Toshiba product, and if we are not able to successfully implement this product, or experience significant delays, it may jeopardize our operations or result in additional costs. Not updating our systems on a timely basis could leave us at a disadvantage relative to our competitors. **We will be at a competitive disadvantage if, over time, our competitors are more effective than us in their utilization and integration of rapidly evolving technologies, including artificial intelligence and machine learning technologies.** Our current ERP (Enterprise Resource Planning) system is **not- no longer** supported by the developer of the software, which could increase the risk of a system disruption. In addition, there are newer versions available from the vendors of some of our other internal systems offering greater functionality and reliability **which that** we have not yet implemented. We also continue to rely on other systems we developed internally a number of years ago, and we **plan to- are in the process of migrate- migrating these systems** to more industry- standard technologies. Several years ago, we began evaluating options to replace our ERP system. However, we intentionally deferred this project as originally contemplated in order to more thoroughly assess our overall IT landscape. We **have- have** decided that the risk, cost, and implementation cycle time of a holistic ERP system was not a sound strategy. We **have- have** instead turned our focus to a coordinated program of upgrading packaged applications and replacing in- house applications with packaged applications designed to improve our capabilities with less risk, and in less time. **We are continuing Upgrades planned and expected to work on the implementation of start in fiscal year 2024 include-** a packaged forecast and replenishment system (RELEX) for buying and upgrades to our packaged WMS (Warehouse Management System) and TMS (Transportation Management System) for logistics. We believe these upgrades plus several **other** projects **begun in fiscal year 2023-**, such as our point- of- sale system replacement and e- commerce replacement, will modernize our key revenue- generating systems and reduce risk of disruption. However, if we are not successful in this strategy, we might be required to operate with obsolete technology and will be subject to risks of system disruption, which would put us at a disadvantage relative to our competitors. We have also begun evaluation of a modern financial management application and an integrated human resources information system for timekeeping, payroll and other HR functions to replace older applications that rely mostly on internal support. These initiatives might not provide the anticipated benefits, may provide them on a delayed schedule or at a higher cost or may cause disruptions in our business. Any failure by us to maintain the security of the information that we hold relating to our Company, Members, employees and vendors, could damage our reputation with them, could disrupt our operations, could cause us to incur substantial additional costs and to become subject to litigation and could materially **adversely** affect our operating results. We receive, retain, and transmit personal information about our Members and employees and entrust that information to third- party business associates, including cloud service- providers that perform activities for us. In addition, we and our third- party service providers store and maintain health- related personal information, pharmacy, and medical records in connection with our health and wellness and pharmacy businesses. We also utilize third- party service providers for a variety of reasons, including, without limitation, cloud services, back- office support, and other functions. In addition, our online operations depend upon the secure transmission of confidential information over public networks, including information permitting cashless payments. Each year, computer hackers, cyber terrorists, and others make numerous attempts to access the information stored in companies' information systems. The increased use of remote work infrastructure has also increased cybersecurity risk, as remote work continues even post COVID- 19. **Additionally, the rapid evolution of artificial intelligence and integration of machine learning technologies into our internal systems may intensify our cybersecurity risks and create new risks to our business,**

**operations, and financial condition**. The use of data by our business and our business associates is regulated in all of our operating countries. Privacy and information- security laws and regulations change, and compliance with them may result in cost increases due to, among other things, systems changes and the development of new processes. If we or those with whom we share information fail to comply with these laws and regulations, we could be subjected to legal risk as a result of non-compliance. We or our third- party service providers may be unable to anticipate one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to defeat our security measures or those of our third- party service providers and breach our or our third- party service providers' information systems. Cyber threats are rapidly evolving and are becoming increasingly sophisticated. As cyber threats evolve and become more difficult to detect and successfully defend against, one or more hackers, cyber terrorists or others might defeat our security measures or those of our third- party service providers and obtain the personal information of Members, employees and vendors that we hold or to which our third- party service providers have access, and we or our third- party service providers may not discover any security breach and loss of information for a significant period of time after the security breach occurs. We or one of our third- party service providers also may be subject to a ransomware or cyber- extortion attack, which could significantly disrupt our operations. In the enterprise context, ransomware attacks involve restricting access to computer systems or vital data until a ransom is paid. Error or malfeasance by our employees and consultants, faulty password management or other irregularities may result in a defeat of our or our third- party service providers' security measures and breach our or our third- party service providers' information systems (whether digital or otherwise). Any breach of our security measures or those of our third- party service providers and loss of our confidential information, which could be undetected for a period of time, or any failure by us to comply with applicable privacy and information security laws and regulations, could cause us to incur significant costs to protect any Members and / or employees whose personal data was compromised and to restore Member and employee confidence in us and to make changes to our information systems and administrative processes to address security issues and compliance with applicable laws and regulations. In addition, such events could have a material adverse effect on our reputation with our Members, employees, vendors and stockholders, as well as our **operations**, results of operations, financial condition and liquidity ; could result in the release to the public of confidential information about our operations and financial condition and performance ; and could result in litigation against us or the imposition of penalties or liabilities. Moreover, a security breach could require us to devote significant management resources to address the problems created by the security breach and to expend significant additional resources to upgrade further the security measures that we employ to guard such important personal information against cyberattacks and other attempts to access such information, resulting in a disruption of our **operations**. We regularly reassess these risks in response to the evolving cybersecurity landscape, and any significant changes are promptly communicated to executive management and our Board or Audit Committee. There are no assurances that our cybersecurity risk management program, policies, controls, or procedures will be fully implemented, complied with, or effectively protect our systems and information. We have not identified and are not aware of any risks from cybersecurity threats, including as a result of any prior cybersecurity incidents, which have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition. Despite our security measures, however, there can be no assurance that we, or third parties with which we interact, will not experience a cybersecurity incident in the future that will materially affect us. Our use of artificial intelligence in our business or more rapid adoption of artificial intelligence by our competitors could result in harm to our brand and adversely affect our results of operations. Some of our computer systems currently, and might in the future, incorporate artificial intelligence (“ AI ”) solutions, including machine learning and generative AI tools that collect, aggregate, and analyze data to assist in the development of our services and products and in the use of internal tools that support our business. These applications may become increasingly important in our operations over time. This emerging technology presents a number of risks inherent in its use. For example, AI algorithms are based on machine learning and predictive analytics, which can create accuracy issues, unintended biases, and discriminatory outcomes that could harm our brand, reputation, business, or customers. Additionally, any investments we make in AI technologies might not actually make us more efficient. Our competitors or other third parties may incorporate AI into their businesses more rapidly or more successfully than us, which could hinder our ability to compete effectively and adversely affect our results of operations. The technologies underlying AI are rapidly developing, and it is not possible to predict all of the legal, operational or technological risks related to the use of AI. While new AI initiatives, laws, and regulations are emerging and evolving, what they ultimately will look like remains uncertain, and our obligation to comply with them could entail significant costs, negatively affect our business, or limit our ability to incorporate certain AI capabilities into our business. Any failure by us to protect our trademarks, trade secrets and other intellectual property, or our actual or alleged infringement of other companies' intellectual property, could harm our business. We depend on our brands, such as the PriceSmart name and logo, to attract Members and make sales of goods and services. We monitor and protect against activities that might infringe, dilute or otherwise violate our trademarks and other intellectual property, and rely on trademark and other laws of the United States and other countries in which we operate. We also rely on copyright, trade secret and other intellectual property laws, as well as nondisclosure and confidentiality agreements and other methods, to protect our trademarks, trade names, proprietary information, technologies, and processes. Moreover, the steps we take to protect our intellectual property may not adequately protect our rights or prevent third parties from infringing or misappropriating our proprietary rights, and we may be unable to broadly enforce all of our trademarks. Any unauthorized use of our trademarks or other intellectual property could harm our competitive position and have a material adverse effect on our financial condition, cash flows or results of operations. Additionally, we cannot be certain that we do not, or will not in the future, infringe on the intellectual property rights of third parties. Any intellectual property infringement claims against us could be costly, time-

**consuming and harmful to our reputation or could result in injunctive or other equitable relief that may require us to make changes to our business, any of which could have a material adverse effect on our financial condition, cash flows or results of operations. We may need to engage in litigation or similar activities to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of proprietary rights of others. Any such litigation, whether or not resolved in our favor, could require us to expend significant resources and divert the efforts and attention of our management and other personnel from our business**

operations. Business acquisitions or divestitures and new business initiatives could adversely impact the Company's performance. From time to time, we may consider acquisition opportunities and new business initiatives. During fiscal year 2018, we acquired Aeropost, Inc. ("Aeropost"). Acquisitions and new business initiatives involve certain inherent risks, including the failure to retain key personnel from an acquired business; undisclosed or subsequently arising liabilities or accounting, internal control, regulatory or compliance issues associated with an acquired business; challenges in the successful integration of operations, and alignment of standards, policies and systems; future developments that may impair the value of our purchased goodwill or intangible assets; and the potential diversion of management resources from existing operations to respond to unforeseen issues arising in the context of the integration of a new business or initiative. We sold the legacy casillero and marketplace businesses operated by Aeropost in October 2021. In connection with this sale, we retained the technology and intellectual property rights required for the furtherance of our business interest in PriceSmart.com and related capabilities. We could incur unforeseen expenses or other issues in connection with the separation of these businesses. In addition, we and the buyer of the legacy casillero and marketplace businesses agreed to indemnify each other for any breach of representations and warranties we made to one another in the purchase agreement. Pursuant to these indemnification obligations, during fiscal year 2023, we wrote off approximately \$ 700, 000 of accounts receivable from Aeropost to fully settle claims from Aeropost's acquiror alleging that we breached representations and warranties regarding cybersecurity matters and worker classification. Failure to attract and retain qualified employees could materially adversely affect our financial performance. Our success depends, to a significant degree, on the continued contributions of members of our senior management and other key operations, merchandising and administrative personnel, and the loss of any such persons could have a material adverse effect on our business. We must attract, develop and retain a growing number of qualified employees, while controlling related labor costs and maintaining our core values. We compete with other retail and non-retail businesses for these employees and invest significant resources in training and motivating them. There is no assurance that we will be able to adequately attract, develop and retain highly qualified employees in the future or to execute management transitions when members of the Company's senior leadership retire or otherwise leave the Company, which could have a material adverse effect on our business, financial condition and results of operations. We do not maintain life or disability insurance for our key executives. ~~We recently completed our previously announced stock repurchase programs, which may result in a decrease in the trading price of our common stock. In late fiscal year 2023, we put in place a \$ 75 million stock repurchase program, which we successfully completed in October 2023. We purchased a total of approximately 1, 007, 000 shares of our common stock. The existence of a stock repurchase program could also cause our stock price to be higher than it would be in the absence of such a program, and completion of the repurchases could cause the market price of our common stock to decline below the levels at which we repurchased shares of common stock.~~

**Legal and Compliance Risks** We face compliance risks related to our international operations. In the United States and within the international markets where we operate, there are multiple laws and regulations that relate to our business and operations. These laws and regulations are subject to change, and any failure by us to effectively manage our operations and reporting obligations as required by the various laws and regulations can result in our incurring significant legal costs and fines as well as disruptions to our business and operations. Such failure could also result in investors' loss of confidence in us, which could have a material adverse effect on our stock price. In foreign countries in which we have operations, a risk exists that our employees, contractors or agents could, in contravention of our policies, engage in business practices prohibited by U. S. laws and regulations applicable to us, such as the Foreign Corrupt Practices Act and the laws and regulations of other countries. We maintain policies prohibiting such business practices and have in place global anti-corruption compliance programs designed to ensure compliance with these laws and regulations. Nevertheless, we remain subject to the risk that one or more of our employees, contractors or agents, including those based in or from countries where practices that violate such U. S. laws and regulations or the laws and regulations of other countries may be customary, will engage in business practices that are prohibited by our policies or circumvent our compliance programs and, by doing so, violate such laws and regulations. Any violations of anti-corruption laws, even if prohibited by our internal policies, could adversely affect our reputation, business, or financial performance. We could be subject to additional tax liabilities or subject to reserves on the recoverability of tax receivables. **We are subject to income taxes in the U. S. and many foreign jurisdictions. Significant judgment is required in determining our consolidated provision for income taxes. In the course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We may recognize additional tax expense and be subject to additional tax liabilities due to changes in tax laws, regulations, and administrative practices and principles, including changes to the global tax framework, in various jurisdictions and any changes we make to our intercompany transaction structure. In recent years, multiple domestic and international tax proposals were proposed to impose greater tax burdens on large multinational enterprises. For example, the Organisation for Economic Co-operation and Development ("OECD") continues to advance proposals or guidance in international taxation, including the establishment of a global minimum tax.** We compute our income tax based on enacted tax rates in the countries in which we operate. As the tax rates vary among countries, a change in earnings attributable to the various jurisdictions in which we operate could result in an unfavorable change in our overall taxes. Changes in tax laws ~~or their implementation~~, 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 ~~two~~ **one of the** countries ~~, there where have been~~ **we operate, the**

~~government made~~ changes ~~several years ago~~ in the method of computing minimum tax payments, under which the ~~governments~~ ~~government have~~ sought to require ~~retailers~~ ~~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"**). As a result, the Company has made and may continue to make income tax payments substantially in excess of those it would expect to pay based on taxable income, and the rules that allow the Company to obtain refunds or to offset payments that are substantially in excess of taxes payable based on taxable income are unclear or complex. **For example, in In the fourth quarter of fiscal year 2023**, we recorded a \$ 7. 2 million charge to settle the minimum tax payment dispute in one ~~of the aforementioned countries~~ **country**. Of this amount, \$ 1. 0 million is a reserve we recorded against an income tax receivable for one of the tax years for which we sought a refund and the remaining \$ 6. 2 million ~~is an accrual~~ for the unpaid years of the dispute in which we made tax payments using the original computation based on taxable income. As part of the settlement, we will pay the minimum tax on a go- forward basis ~~, including for fiscal year 2023. In the other country, we, together with our tax and legal advisers, are still currently appealing these interpretations. In the meantime, we are taking other actions to recover excess taxes paid or withheld and to limit further increases in these receivables. However, if we do not prevail in these efforts, we may be required to establish a valuation reserve against these tax receivables or record a reserve for any amounts deemed underpaid and take an accompanying charge, which would adversely affect our financial condition and results of operations.~~ A few of our stockholders own approximately 15. ~~9-3~~ % of our voting stock as of August 31, ~~2023~~ **2024**, which may make it difficult to complete some corporate transactions without their support and may impede a change in control. Robert E. Price, the Company's Chairman of the Board and Interim Chief Executive Officer, and affiliates of Mr. Price, including Price Philanthropies, The Price Group, LLC, The Robert & Allison Price Charitable Remainder Trust and various other trusts, collectively beneficially own approximately 15. ~~9-3~~ % of our outstanding shares of common stock. Of this amount, approximately ~~73-71~~ . 1 % (i. e., ~~11-10~~ . ~~6-9~~ % of our total outstanding shares) is held by charitable entities. As a result of their beneficial ownership, these stockholders have the ability to significantly affect the outcome of all matters submitted to our stockholders for approval, including the election of directors. In addition, this ownership could discourage the acquisition of our common stock by potential investors and could have an anti- takeover effect, possibly depressing the trading price of our common stock. **Financial and Accounting Risks** We are subject to volatility in foreign currency exchange rates and limits on our ability to convert foreign currencies into U. S. dollars. As of August 31, ~~2023~~ **2024**, we had a total of ~~51-54~~ warehouse clubs operating in 12 foreign countries and one U. S. territory, ~~40-42~~ of which operate under currencies other than the U. S. dollar. For fiscal year ~~2023~~ **2024**, approximately ~~78-79~~ . ~~8-5~~ % of our net merchandise sales were in foreign currencies. We may enter into additional foreign countries in the future or open additional locations in existing countries, which may increase the percentage of net merchandise sales denominated in foreign currencies. Our consolidated financial statements are denominated in U. S. dollars, and to prepare those financial statements we must translate the amounts of the assets, liabilities, net sales, other revenues, and expenses of our operations outside of the U. S. from foreign currencies into U. S. dollars using exchange rates for the current period. As a result of such translations, fluctuations in currency exchange rates from period- to- period may result in our consolidated financial statements reflecting significant adverse period- over- period changes in our financial performance or reflecting a period- over- period improvement in our financial performance that is not as robust as it would be without such fluctuations in the currency exchange rates. In addition, devaluing foreign local currencies compared to the U. S. dollar could negatively impact the purchasing power of our Members for imported merchandise in those countries. Merchandise imported into our markets is generally purchased by the Company in U. S. dollars and priced and sold in the local currency of that country. If the local currency devalues against the U. S. dollar, we may elect to increase prices in the local currency to maintain our target margins, making the products more expensive for our Members. We may also decide to reduce or modify the flow of merchandise into those markets. Depending on the severity of the devaluation and corresponding price increase (as experienced in Colombia in fiscal 2023), the demand for, sales of, and profitability of those products could be negatively impacted. **Finally From time to time, the we have experienced a lack of availability of U. S. dollars in certain markets (U. S. dollar illiquidity). This impedes our** ability of the Company to convert local ~~currency~~ **currencies obtained through merchandise sales** into U. S. dollars to settle ~~the~~ U. S. dollar **liabilities associated with** invoices can be impacted in certain markets due to economic factors or our government policies creating imported products or otherwise fund our operations. This illiquidity **also increases our foreign exchange exposure to any devaluation** of the local currency **relative**. This was the case in Trinidad in 2021, which led us to reduce shipments from the U. S. **dollar. Additionally,** to Trinidad to amounts that our Trinidad subsidiary could pay for using the amount of **Company may incur significant premium costs to convert our local currencies into available tradable currency** **currencies that could be sourced in that market and U. S. dollars. For instance, since** resulting in lost sales during that 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. For instance, during fiscal year 2021, we experienced significant limitations on our ability to convert Trinidad dollars to U. S. dollars or other tradable currencies.** Our balance as of August 31, ~~2023~~ **2024** of Trinidad dollar denominated cash and cash equivalents and short and long- term investments measured in U. S. dollars was \$ ~~18-60~~ . 2 million, a decrease of \$ ~~82-40~~ . 3 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** ~~during~~ the third quarter of 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 August 31, ~~2023~~ **2024**, our Honduran subsidiary had approximately \$ ~~19-22~~ . ~~6-3~~ million of cash and cash equivalents 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. Volatility and uncertainty regarding the currencies and economic conditions in the countries where we operate could have a material impact on our operations in future periods. Changes in accounting standards and assumptions, projections, estimates and judgments by management related to complex accounting matters could significantly affect our financial condition and results of operations. Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business are highly complex and involve many subjective assumptions, projections, estimates and judgments by our management. These include, but are not limited to assumptions, projections, estimates and judgements related to contingencies and litigation, income taxes, value added taxes, and long-lived assets. Changes in these rules or their interpretation or changes in underlying assumptions, projections, estimates or judgments by our management could significantly change our reported or expected financial performance. For example, because of Accounting Standards Update ASU 2016-02 – Leases (Topic 842), which the Company adopted September 1, 2019, the Company is required to recognize a “Right-of-Use” (ROU) asset and lease liability for each of the Company’s long-term leases. Accounting Standard Codification (ASC) 842 requires that the ROU asset be designated as a non-monetary asset and the lease liability as a monetary liability. Therefore, when accounting for a lease that is denominated in a foreign currency, if remeasurement into the lessee’s functional currency is required, the lease liability is remeasured using the current exchange rate. We have leases in several of our subsidiaries in which the lease payments are denominated in a foreign currency that is not the functional currency of that entity. Therefore, we are subject to additional volatility in foreign currency exchange rates as a result of this accounting standard update. The monetary lease liability subject to revaluation as of August 31, ~~2023~~ **2024** was \$ ~~32~~ **31**.5 million. Due to the mix of foreign currency exchange rate fluctuations during fiscal year ~~2023~~ **2024**, the impact to the consolidated statements of income of revaluing this liability was immaterial.