SnapShotReport



Third Quarter Snapshot

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Key Personnel

Michael Creedon Jr.	CEO
Jeffrey Davis	CFO

Business Description

Dollar Tree is an operator of discount variety stores. The Company operates more than 16,000 locations across 48 states and five Canadian provinces, split roughly evenly between the Dollar Tree and Family Dollar banners. Average store size is approximately 8,000 square feet. Stores operate under the Dollar Tree, Family Dollar, and Dollar Tree Canada banners.

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Comps up 1.8% / FD Review Remains "On Track"

CreditRating : **B1** **ARMS Payment Score** **857**

Analyst Highlights

- 3Q24 sales and comps up 3.5% and 1.8% respectively
- Comp gains due to 1.6% increase in traffic and 0.2% in average ticket
- Profitability rebounded; operating income up 10.5%
- Narrowed FY sales guidance

Store Highlights

- During 3Q24, opened 255 stores (249 new Dollar Tree and 6 new Family Dollar stores), rebannered four, closed 49 (41 Family Dollar and 8 Dollar Tree stores).
- Approximately 2,300 Dollar Tree stores have been converted to its in-line multi-price format.

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3Q24 Operational Results

Dollar Tree reported improved results in 3Q24 primarily due to comp gains. Enterprise sales grew 3.5% and comps came in at 1.8%, with the latter driven by a 1.6% increase in traffic and a 0.2% increase in average ticket. Family Dollar experienced the biggest lift with comps advancing 1.9%, driven by a 1.8% increase in traffic and flat average ticket. Though management did not opine, the rebound is likely driven by the closure of 670 Family Dollar stores earlier this year. Meanwhile, Dollar Tree's comps advanced 1.8% driven by 1.5% in traffic and 0.3% in average ticket. Gross margin expanded 120 bps driven primarily by lower freight costs and improved sharing results, partially offset by higher distribution costs. Meanwhile, SG&A margin eroded 90 bps, driven by a number of factors including, higher store investments, increased professional fees related to FD strategic alternatives, and temporary labor in DT segment to support multi-price rollout. Overall, operating income and operating margin increased 10.5% and 30 bps, respectively.

During the quarter, 255 stores were opened while 49 stores were closed and four were re-bannered. Of the store closures, 41 and eight were closed at the FD and DT banners, respectively, in relation to the Company's portfolio optimization plan (details below). The Company ended the quarter with 8,868 DT stores and 7,722 FD stores, totaling 16,590. Additionally, management repurchased $91 million of common stock, leaving $952 million authorization for future repurchases.

Financial Snapshot

(U.S. Dollar in Millions)

	3 Months Ended			9 Months Ended		
	11/02/24	10/28/23	% Change	11/02/24	10/28/23	% Change
Sales	$ 7,568.2	$ 7,314.8	3.5%	$ 22,579.8	$ 21,963.9	2.8%
Store Count	16,590	16,622	-0.2%	16,590	16,622	-0.2%
Comps (1)	1.8%	3.9%		1.2%	5.2%	
Operating Income (2)	$ 333.4	$ 301.7	10.5%	$ 957.1	$ 1,039.2	-7.9%
Operating Margin	4.4%	4.1%	0.3%	4.2%	4.7%	-0.5%
Cash	$ 697.6	$ 444.6	56.9%	$ 697.6	$ 444.6	56.9%
Total Debt	$ 3,430.0	$ 3,654.7	-6.1%	$ 3,430.0	$ 3,654.7	-6.1%
Net Debt (Cash)	$ 2,732.4	$ 3,210.1	-14.9%	$ 2,732.4	$ 3,210.1	-14.9%

(1) Represents consolidated comps. Dollar Tree up 1.8%. Family Dollar up 1.9%.
(2) Company-provided operating income.

Strategic and Portfolio Optimization Review Update

After announcing a strategic review of its Family Dollar fleet in November 2023, management reiterated it remains "on track" to complete a formal review which could include among others, a potential sale, spin-off, or other disposition of the business. The process is moving forward as planned. There is no set deadline or definitive timeline for the completion of the strategic alternatives review process, and there can be no assurance that this process will result in any transaction or particular outcome.

Additionally:

- Approximately 670 Family Dollar stores were closed in YTD24; with another 25 stores to close by end of FY24.
- Approximately 370 additional Family Dollar stores will be closed over the next several years at the end of each store's lease.
- Approximately 39 Dollar Tree stores will be closed over the next several years at the end of each store's lease.

Guidance/Management Comments

Dollar Tree provided the following guidance for 4Q24 and raised its FY24 outlook as follows:

4Q24

- Sales of $8.10 billion to $8.30 billion, compared to $8.64 billion last year (included extra week)
- Enterprise comps in the low single digits, compared to 3.0% last year
- Dollar Tree and Family Dollar segment comps in the low single digits

FY24

- Sales of $30.70 to $30.90 billion, narrowed from previous expectations for sales of $30.6 to $30.9 billion (compared to $30.60 billion in FY23)
- Enterprise comps in the low single digits (remains unchanged)
- Dollar Tree and Family Dollar segment comps in the low single digits (previously expecting Dollar Tree comps of mid-single digit and low-single digit comps at Family Dollar)

Commenting on operating results, Interim CEO Mike Creedon stated, “Our Dollar Tree and Family Dollar merchandising efforts produced tangible results, and our third quarter sales came in at the high-end of our expected range. As an organization, our top priorities remain accelerating the growth of the Dollar Tree segment, completing the Family Dollar strategic review process, and unlocking value for Dollar Tree shareholders.”

CFO Jeff Davis has agreed that he will step down from his role with the Company. Davis will remain with the company through the filing of Dollar Tree's FY24 10-K.

Analytical Support

For questions or analytical support, please contact Taylor Ricketts at 800-789-0123 Ext. 139 or taylorr@fdreports.com



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