



Dollar Tree Inc. (NASDAQ:DLTR)

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Market Data as of 11-29-2022

Quality opportunity amidst activist investor engagement with key levers of value creation

Business Overview

- Dollar Tree is a leading operator of discount variety stores in North America with over 16,000 Dollar Tree and Family Dollar stores across 48 states and 5 provinces
- Dollar Tree stores are in predominately suburban locations and merchandise begins at a \$1.25 price point, operating on a “thrill-of-the-hunt” shopping experience

Investment Thesis

- DLTR turnaround is not fully appreciated by the market, and DLTR’s strong moat, defensive cash flow profile, and discount to peers make this an attractive buy during a multi-year turnaround

Why Is This a Good Business?

- Dollar Tree provides the best value in discount stores, with very competitive pricing and a dynamic product mix
- “Breaking-the-buck” will drive unit growth and same store sales, as multi-price point strategy mimics Dollarama’s successful playbook

What Is The Market Missing?

- Investor’s impatience and ‘short-termism’ paired with skepticism around Family Dollar execution sees mispricing for attractive long-term turnaround story

*We recommend YUSIF **BUY** DLTR at a price target of ~\$166, showing an implied upside of ~14%*

Dollar Tree is a leading operator of dollar store stores

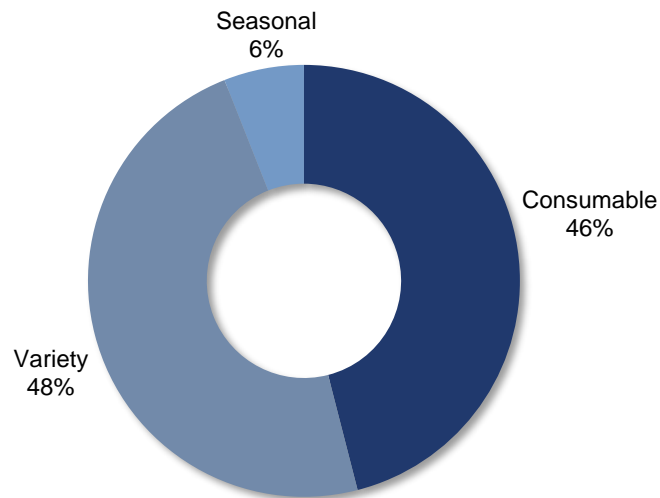
What Does Dollar Tree Do?

- A leading operator of discount stores in North America with over 16,000 Dollar Tree and Family Dollar stores across 48 states and 5 Canadian provinces
- Dollar Tree is the only true 'dollar store' (competitors priced higher) as it continues to deliver on its core value proposition of affordable prices where DT banners sell at \$1.25
- Dollar Tree sells consumables, variety, and seasonal items with stronger emphasis on discretionary goods
- Family Dollar (acquired in 2015), operates general merchandise retail discount stores at price points of up to \$10
 - Target market have lower average net income compared to typical consumers

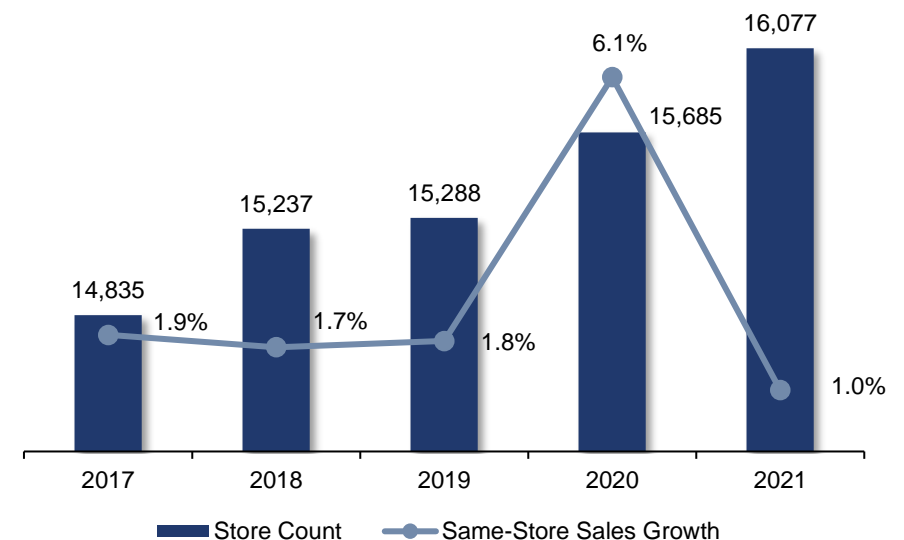
Business Strategy

- Dollar Tree stores are in predominately suburban locations; suburban demographic loves "thrill-of-the-hunt" shopping
- Customers can find new discretionary, celebratory and seasonal items every week; DLTR has a strong focus on delivering value to its customers
 - Rollout of Dollar Tree Plus stores that will add \$3-\$5 price points; plan to expand to 5,000 stores by FY'24
- Family Dollar locations are in urban and rural areas with a greater focus on consumables and staple items
- New 'H2' format introduces discrete Dollar Tree sections within Family Dollar that provide a mix of staple and discretionary items
 - Combo store formats offers the greatest opportunity to serve various customer segments

Dollar Tree Revenue Segmentation



Enterprise Store Count and Same Store Sales



Business Overview

Dollar Tree is a long-dated consolidator in discount retail

Corporate Timeline

1990's

- Sold to KB Toys and name changed to Dollar Tree Stores
- Initial Public Offering in 1995 at \$15 per share
- Acquired Dollar Bill Store, 98-Cent Clearance, and Only One Dollar

2000's

- Acquired Dollar Express, Greenbacks Inc., and 138 Deal Dollar Stores
- Earned spot on Fortune 500 list in 2008 and one of the highest performing stocks that year

2015

DLTR acquires Family Dollar. Opens 15,000th store

2019

Introduction of Family Dollar Plus with \$3-\$5 price points

Starboard acquires stake in DLTR in Jan/19 (later sells in Apr/19)

2021

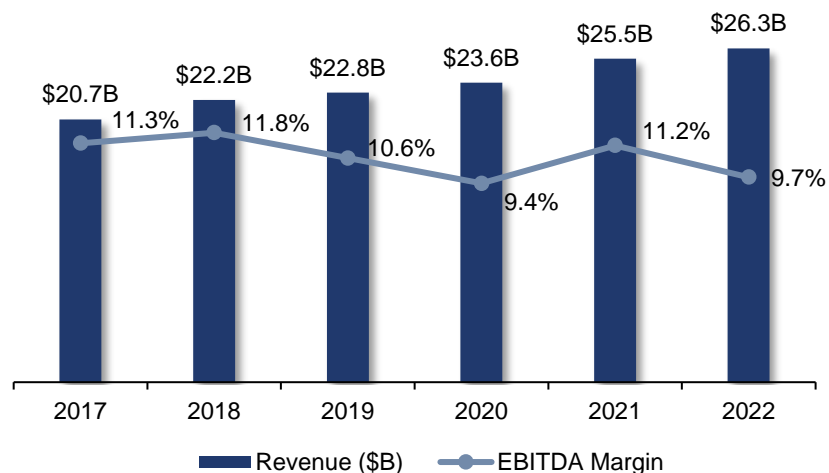
Mantle Ridge builds stake in DLTR. Proposes board changes

2022

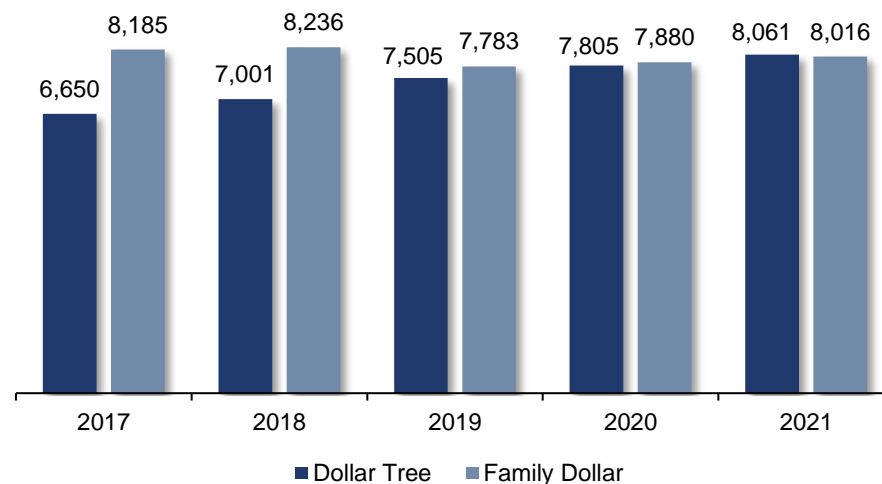
DLTR completes rollout of \$1.25 price point initiative

DLTR changes board members. Adds Richard Dreiling

Historical Revenue and EBITDA Margins



Family Dollar and Dollar Tree Store Count



5-Year Share Price Performance

Dollar Tree continues upward trend with changes in consumer spending

Commentary

- Dollar Tree continues to push upwards as consumer spending orients towards discount retail
- Starboard Value bought a stake in DLTR. It proposed Board changes, an increase from the \$1 price point and the sale of Family Dollar. They later sold their stake before a potential proxy fight
- Drop in November of 2019 due to missed earnings by \$0.05. The US Government imposed new duties on imports which led to a (1.9%) YoY in quarterly gross profits
- Mantle Ridge's involvement (including new Board members) resulted in an increase in the stock price

Stock Chart



Key Financial Information

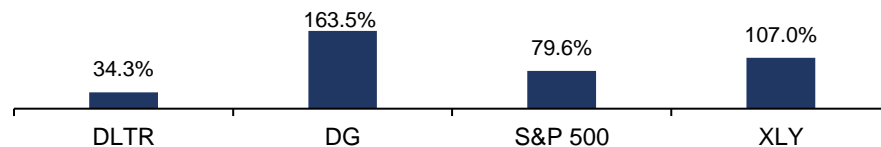
Market Cap	\$33.2B
Share Price	\$146.5
EBITDA Margin	18.3%
LTM EV/EBITDA	8.3x
LTM P/E	18.7x
ROIC	10.9%

Mantle Ridge's replacement of old board and management improves governance

Historical Mismanagement

- Dollar Tree has not been managed well during its attempt to integrate Family Dollar, lagging Dollar General and the S&P 500 since the acquisition in July 2015
- Despite underperformance, the Board approved pay raises to management (ex. former CEO Gary Philbin saw a pay increase of 218% from 2013 to 2019)
- The compensation committee determined that FDO synergies of \$450M were achieved despite no tangible integration or positive performance from FDO. Management achieved 200% of targeted incentive awards
- Despite not fully achieving targets based on adjusted operating income and EBITDA in 2018, 2019, and 2021, management received excessive incentive payouts

Old Mgmt. Compensated Despite Underperformance



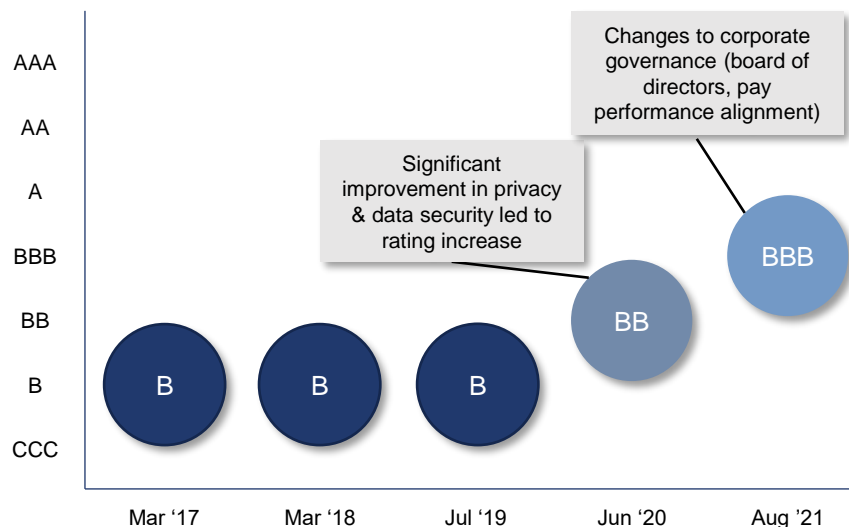
DLTR Shareholder Return Underperformed Peers '15-'20

Old Management Bonuses Despite Underperformance						
\$USD in Thousands	2015	2016	2017	2018	2019	2020
Bob Sasser Salary	\$ 1,585	\$ 1,680	\$ 1,765	\$ 1,700	\$ 1,107	\$ 1,000
Bob Sasser Awards	\$ 7,944	\$ 8,902	\$ 10,958	\$ 9,288	\$ 6,023	\$ 5,571
Salary as a % of Total Comp	16.6%	15.9%	13.9%	15.5%	15.5%	15.2%
Awards as a % of Total Comp	83.4%	84.1%	86.1%	84.5%	84.5%	84.8%
Gary Philbin Salary	\$ 971	\$ 1,121	\$ 1,290	\$ 1,400	\$ 1,400	\$ 915
Gary Philbin Awards	\$ 3,754	\$ 8,539	\$ 6,444	\$ 7,998	\$ 9,204	\$ 8,559
Salary as a % of Total Comp	20.6%	11.6%	16.7%	14.9%	13.2%	9.7%
Awards as a % of Total Comp	79.4%	88.4%	83.3%	85.1%	86.8%	90.3%

Mantle Ridge Turnaround Improves Governance

- Mantle Ridge founder/activist investor Paul Hilal joined DLTR's Board as vice chair alongside five new independent directors, including Richard Dreiling (former CEO of Dollar General) who joined as executive chairman
- Hilal and Dreiling are experienced leaders who will create operational and strategic value within Dollar Tree and Family Dollar
- Dreiling is compensated with a \$1M annual salary and an option award for ~2M common shares at \$157.17 per share; more than 95% of his compensation comes from stock, which better aligns management with shareholders
- Hilal created a new finance committee and a separate committee focused on sustainability and corporate social responsibility

Recent Improvement in MSCI ESG Rating



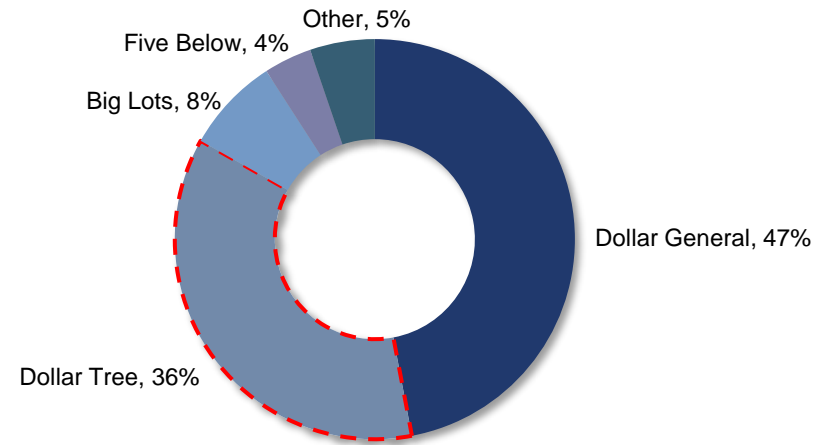
Industry Overview

The discount retail stores are lucrative with strong store expansion potential

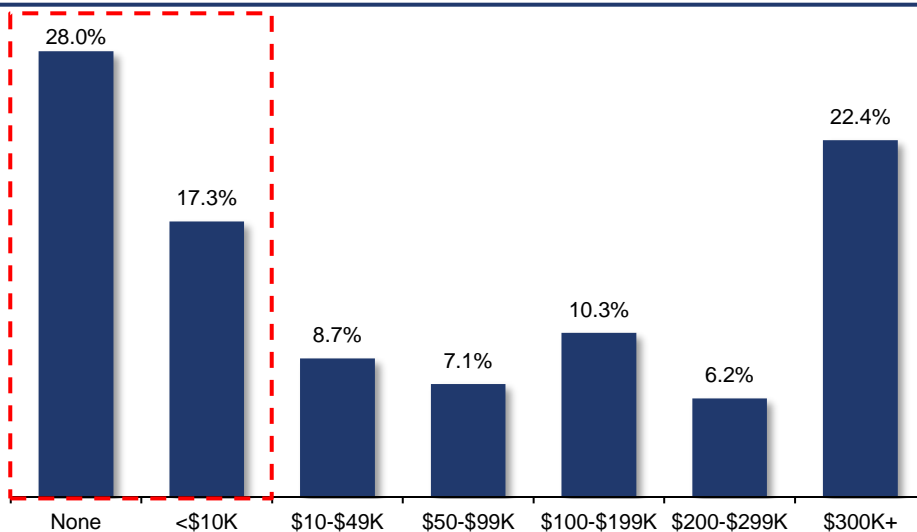
Commentary

- Dollar General and Dollar Tree operate in a duopolistic market
- Discount stores also compete with big box stores such as Walmart, Target, and Costco for both consumables and discretionary products
- E-commerce is not a major threat as smaller average basket sizes and shipping costs act as a deterrent
- Percentage of Americans with low-retirement savings is a tailwind for discount stores, as they will see more traffic from cash-strapped consumers
- There is still significant room for new store growth in the US, as the market can support ~39K additional stores before reaching potential saturation

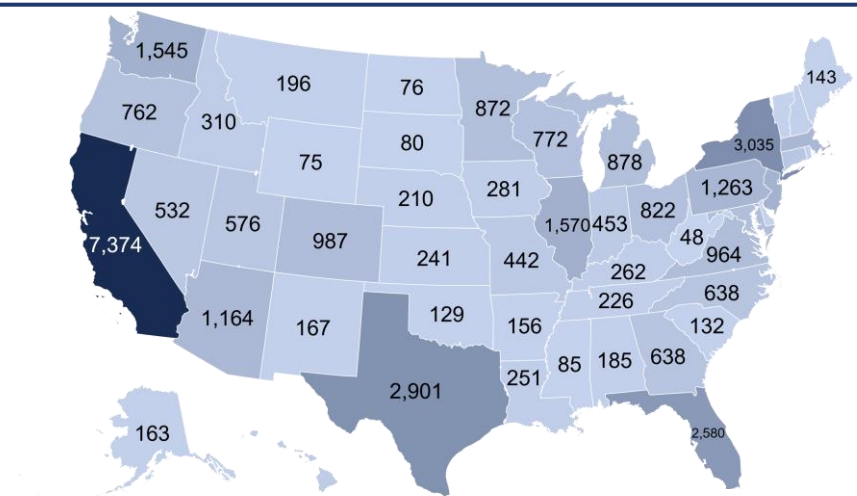
US Dollar Store Market Share



Low Retirement Savings Tailwind for Dollar Stores



Potential Incremental Dollar Store Additions by State¹



Source(s): Company Filings, BMO Equity Research, Evercore ISI Equity Research, PEW Research

1. Evercore ISI Estimates, based on current Dollar Stores/Capita, and store density analysis

The discount retail industry sees a mix of macro headwinds and tailwinds

Industry Trends

- Consumables and discretionary markets have both seen a growth rate of 6-8% in Q3 2022 due to increased consumer spending and trade-down dynamics
- Key players are noting consumer trade-down among households with an income of \$80,000+ as costs have risen in recent quarters
- Companies are raising prices due to inflation risks and volatility associated with freight, gas prices, and wages
- More recently (Q3'22), lower gas prices have freed up an additional ~\$25-30B of potential consumer spending

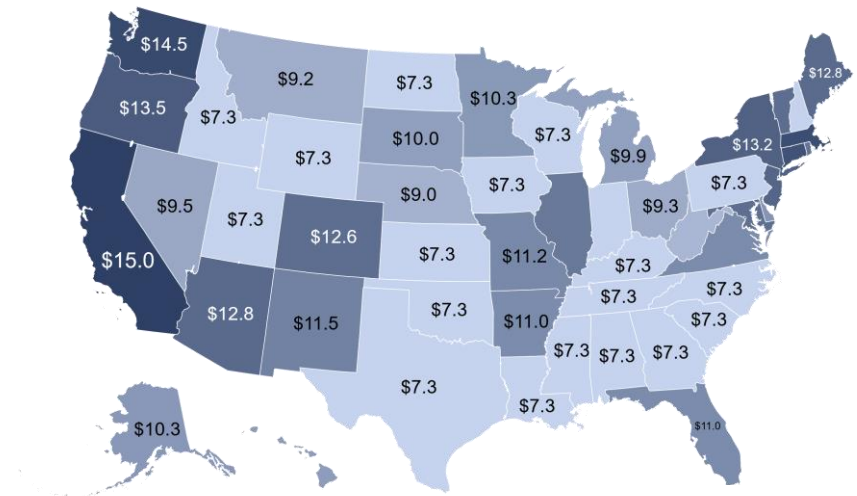
Increase in Low-Income Customer base

- The share of U.S. aggregate wealth for both lower/middle income families has decreased from 39% in 1983 to 21% in 2016
- The size of lower/middle income consumers have increased, leading to higher demand for the discount retail industry
- Increasing inflation and higher prices should drive greater spending at discount retail stores
- Demand is inelastic; price increases will be accepted by consumers as long as companies offer a strong value proposition
- Consumer balance sheets are now bifurcated, as total checkable deposits has risen by ~\$3.7T since 2019, while the bottom 50% of consumers' share of total checkable deposits has decreased by 4%

Post-COVID Freight Spot Rates Reflect Tailwind



Minimum Wage Increases



Industry Comparable Table

Dollar Tree lags peers in key metrics, poised for improvement

Metrics	Dollar Tree	Dollar General	Dollarama	Big Lots
Market Cap (\$USD)	\$33.4B	\$54.5B	\$17.9B	\$526.5M
LQ Revenue (\$USD)	\$6.9B	\$9.4B	\$903.6M	\$1.2B
Gross Margin	29.9%	30.5%	46.4%	34.0%
Number of Locations	16,293	18,818	1,444	1,450
LQ Same Store Sales Growth	6.5%	6.8%	13.2%	(11.70%)
Sales/Sqft (\$USD)	\$158.7	\$214.9	\$217.0	\$133.7

Investment Thesis: Why Is This a Good Business?

A defensive business that delivers superior experience for discount shoppers

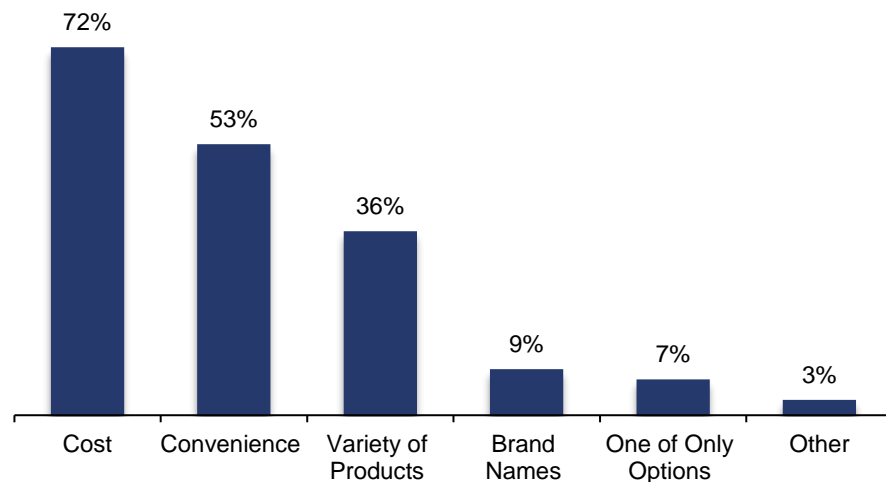
Delivering Value and Convenience

- Dollar Tree maintains the lowest price points in discount retail with a base price of \$1.25 and with expansion of multi-price point strategy across banners
- Dollar Tree continues to deliver industry leading customer satisfaction via accessible locations, product selection, and robust value offerings
 - Dollar Tree has over 16,000 stores across North America, and are highly accessible with exposure to both urban and rural areas across Dollar Tree and Family Dollar brands
- Growing presence in the portfolio of consumer staple products
 - Supports growing foot traffic, and essential consumables add a defensive revenue stream

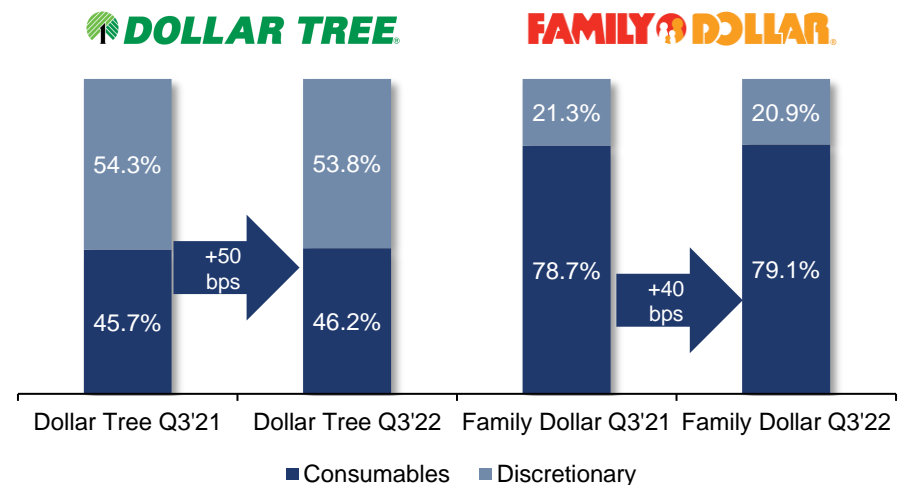
Defensive Business Model

- **Insulated from Online Competition:** Difficult for online players to compete given low basket sizes and gross markups via shipping costs. Additionally, many products are immediate need
 - Average basket sizes at Dollar Tree are \$8.36 and \$10.65 at Family Dollar
 - Existing model allows for frequent low basket visits with small store formats and dependency on consumables at FDO banners
- Cash is the go-to-choice of payment for most customers as 50% of transactions are processed with cash
 - Defensiveness of the business is further pushed by physical-only nature of US SNAP system, as only 8 states allow online use (national rate of 82% participation for eligible parties)

Reasons People Go to Discount Retail



Category Mix Continues Consumables Shift



Investment Thesis: Why Is This a Good Business?

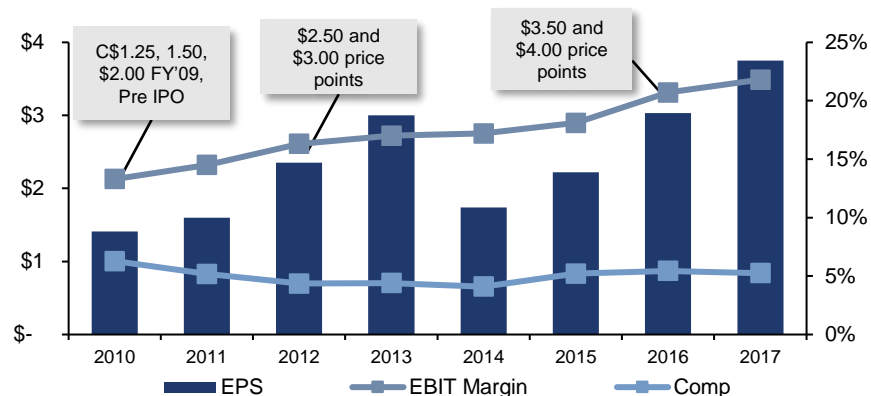
Continuing to “break the buck” should improve economics and expand TAM

History of “Breaking the Buck”

- Dollar Tree’s value proposition to customers had diminished given their need to fit all products to a \$1.00 price point—which priced them out of certain products (e.g frozen food)
- In September 2021, Dollar Tree officially broke the arbitrary \$1.00 price point, increasing minimum prices to \$1.25
 - Management committed to increasing prices up to \$5 at DT banner stores
- Initial introduction trial in 2008 was a **mis-execution**, as the trial was only done on 1.5% of their outstanding stores, and mis-marketed with the faulty “Oops!” slogan on price increases
 - The current inflationary environment provides cover to shock-value of price changes, providing less unit elasticity

Following the Dollarama (DOL) Playbook

- **The Dollarama Lateral:** DOL “broke the buck” in FY’09 (pre-IPO), and additional price point increases from \$1.50 to a ceiling of currently ~\$5 in ‘22. DOL experienced significant EBIT margin expansion from FY’10 to ‘17

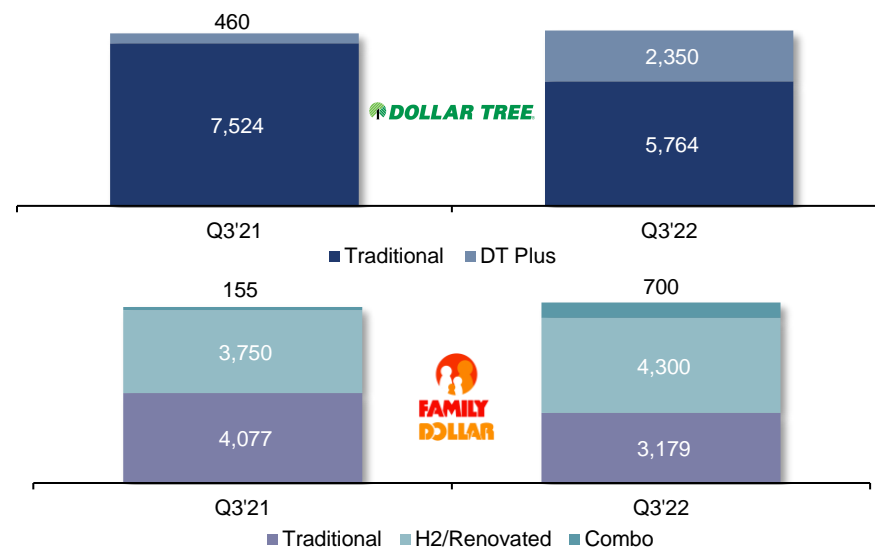


Multiple Avenues for Multi-Price Point Strategy

- Dollar Tree is rolling out the Dollar Tree Plus store concept which will expand its assortment of goods priced in the \$3-\$5 range
 - DT Plus format was implemented in ~600 stores in 2021
 - Expansion to another 1,500 stores in fiscal 2022
 - At least 5,000 stores overall by the end of fiscal 2024
- DT Combo format (mixed FDO and DT price points) should grow by 400 stores in FY’22

Sales Lift in DT Plus Box (~7K SKUs)				
Price Point	3,500 (50%)	4,500 (64%)	4,500 (64%)	6,500 (93%)
Current PP	\$1.00	6%	6%	6%
Test PP	\$1.25	18%	22%	25%
Incremental Lift:		12%	16%	19%

Rollout of Multi-Price Stores on DT and FDO Banners



Mantle Ridge Activist Track Record

Mantle Ridge has successful track record of activist investing

Paul Hilal Background



- Founder and CEO of Mantle Ridge
- Previously was a Senior Partner at Pershing Square Capital Management
- Worked on variety of projects at Pershing, which include:
 - Canadian Pacific Railway Limited. Returned: \$2.6B and 180% in share performance
 - Air Products and Chemicals

Dollar Tree Activist Engagement

- Bought a stake in Dollar Tree, structured as follows:
 - 5.66% stake plus cash-settled derivatives for 4.19%
 - Total economic exposure of 9.85%
- Implementation of new management, notably with Rick Dreiling being nominated to the Chairman position
 - Previously held senior leadership position with Dollar General
- Intends to work closely with management and the Board to improve operations, strategy and governance

Aramark (NYSE: ARMK) Engagement

- Acquired a ~10% stake in Aramark in August 2019
 - Also bought derivatives which resulted in economic exposure up to ~20% of the company
- Removed the previous CEO and appointed a new Vice Chairman and replaced 6 independent directors
- Operational efficiency improvements across both food service and uniform business segments and installation of new better experienced management
- Continues to hold the position and market capitalization has remained in-line with their entry price

CSX Corporation (NASDAQ: CSX) Engagement

- Buys nearly ~5% stake in CSX in January 2017
- Installed new management team:
 - Appointed Hunter Harrison as new CEO. Harrison previously held positions with Canadian National Railway and Canadian Pacific Railway
 - Installed management that had turnaround experience and was able to speed up process with prior roles
- Mantle Ridge exited their \$1+ billion position in October 2019 (total return of 29%)

Rick Dreiling Background & Track Record

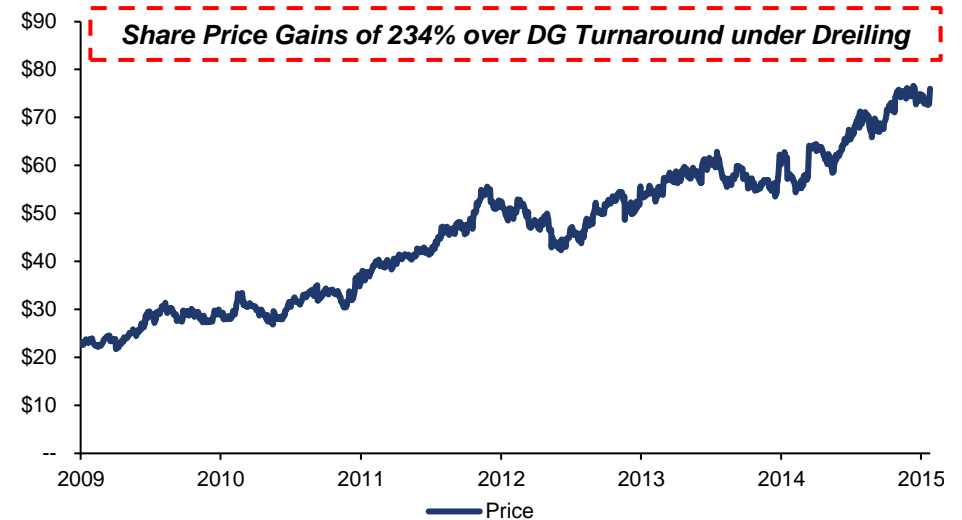
Rick Dreiling has a successful retail management track record, experience applicable to DLTR

Executive Chairman



- Appointed as an executive chairman of Dollar Tree in March 2022 and has a robust retail management track record
- Dreiling has a history of company turnarounds, with prior leadership experience at companies such as Dollar General, Longs Drug Stores Corporation, and Duane Reade drug store

Dollar General Share Performance Under Dreiling



Past Experience – Dollar General

- Dreiling was the CEO of Dollar General Corporation from 2008 to June 2015
 - Early into his term, Dreiling revamped stores to have a “lifestyle” feel in contrast to its previous cluttered image
 - DG expanded their offering to include more convenience items and foods which drove double-digit percent gains in same-store sales
 - Dreiling opted for a consensus-building leadership style rather than enforcing a hierarchical decision-making process, believing that “it’s a heck of a lot easier when the organization is changing with you, rather than fighting you.”

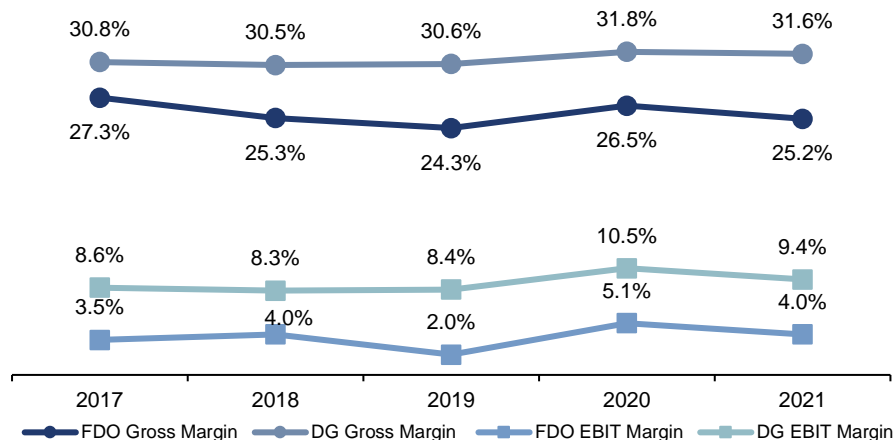
Long Tenure of Retail Executive Appointments

- President and CEO of Duane Reade, a chain of pharmacy and convenience stores now owned by Walgreens
- COO of Longs Drug Stores from March 2005 until October 2008, when it was acquired by CVS Caremark
- Worked at Safeway for 33 years, assuming various leadership roles, including vice president of marketing, manufacturing and distribution
- Overall, Dreiling has accumulated over 40 years of experience working in retail-based companies

Investment Thesis: What Is The Market Missing?

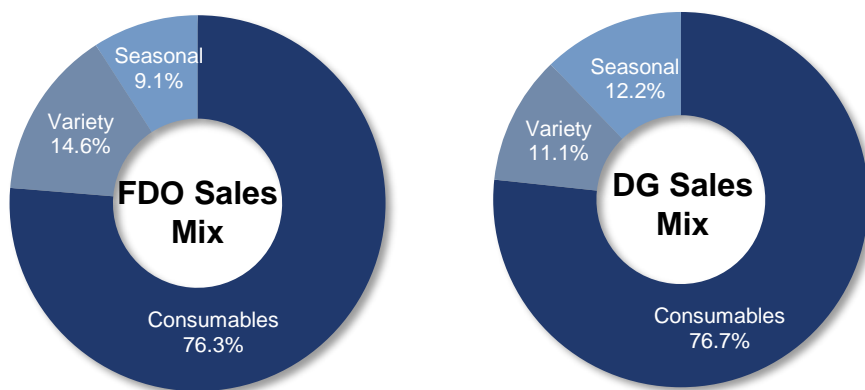
Street is skeptical of FDO turnaround given perpetual turnaround story since acquisition

FDO Has Consistently Underperformed DG



Yearly Avg of ~530bps of DG Margin Outperformance over 5yrs

Similarity Between FDO and DG Sales Mix



Dreiling's Dollar General Playbook

3/31/2010 DG 10-K Filing, R. Dreiling as Chairman & CEO

- **Drive Productive Sales Growth:** Increase shopper frequency, transaction amount, and maximize sales per square foot
- **Improve Gross Margins:** Category management, shrink reduction, distribution efficiencies, improved pricing model, increase sales of private labels, and increase foreign sourcing
- **Retool Cost Structure:** Remove costs that do not have impact on customer. DG examples include—reduction of workers' compensation expense, improvement of energy management through forward purchase contracts, preventative maintenance, and waste management costs through recycling cardboard boxes
- **Differentiating and Providing Quality Shopping Experience:** Help customers "Save time. Save money. Every day!". Low hanging fruit of clean stores, aisle ways, and building positive culture to retain employees to provide a pleasant shopping experience

Commentary

- Market has reasonable skepticism towards FDO turnaround, we feel that this is unwarranted given Rick Dreiling's experience with DG and the revamped governance at DLTR
 - In Dreiling's first 5 years at DG, he increased EBIT margins by 6% and sales/sqft growth by 30%
 - Even if FDO can close **half** the performance gap, this could translate to \$2 of incremental EPS
- FDO and DG have an extremely similar sales mix and value proposition to customers, FDO has been a perpetual laggard to DG performance
- DLTR has made price investments (retooling/revamping stores, employee investments, etc.) in FDO during Q2, which will pressure near term margins, but long term potential is still positive given the performance upside from those investments

Investment Thesis: What is the Market Missing?

'Short-termism' overlooks FDO improvements, Dreiling's track record, and operational levers

Parallels of Store Level Operational Improvements from Dollar General Turnaround to Family Dollar

12/15/10, DG 2010 Analyst Day, R. Dreiling: "By raising our shelf height, consistently to 78", that has been the equivalent of adding 800 stores to the chain. No increase in rent; no increase in utilities; nothing but an increase in our sales per square foot."

12/15/10, DG 2010 Analyst Day, R. Dreiling: "We continue to work very hard on our turnover, particularly store manager turnover. Reduce store manager turnover brings better shrink, brings better customer service, and it brings better store standards."

June 2011, DG 1Q11 EPS Call, R. Dreiling: "...our improved store standards and merchandise selections have kept our customers coming back. Dollar General's new store format is winning back former DG shoppers."



Legacy FDO Store, Shelf Height 70" in main aisles

Current DG stores, 77" height, with Riser ability to raise height to 84"



Legacy FDO Store, End-Cap Stock Opportunity

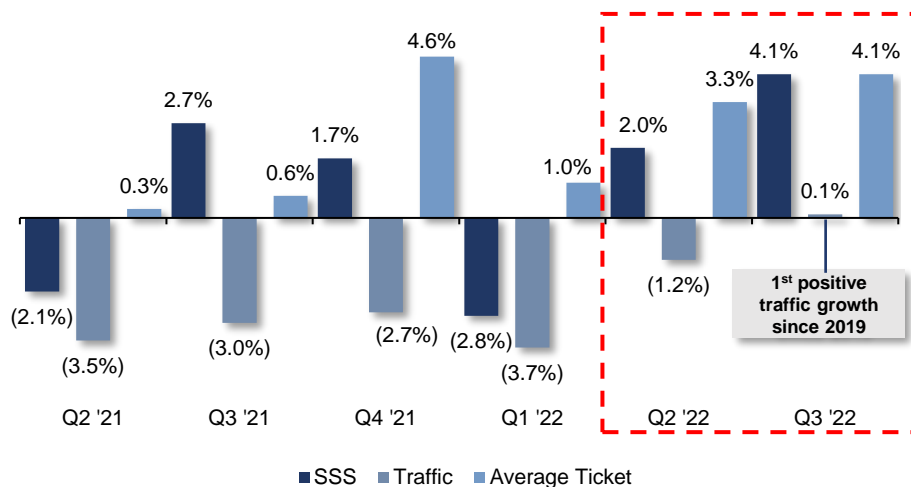


NEW H2 FDO Store, Well Stocked End Cap Display

Boxes blocking path, rollers instead of rolltainers



FDO Improvements Show Signs of Life



Recent Commentary

- **JP Morgan 1x1 With Dreiling (September 2022):** draws parallels with starting DG turnaround in '08/'09—trade-down dynamics and inflationary pressures makes it an opportune time to accelerate investments in FDO's price and store standards
 - Guided on initiatives to reduce truck unloading labour hours via rolltainers and pivot to customer facing hours
 - Large SKU differential on FDO vs DG, 12K vs 8K respectively. Adding 8" of shelf height to existing 70" shelves mimic 2010 analyst day initiatives. *Already underway with H2.5 new store format (08/25/22)*
- Emulating DG's rolltainer strategy simplifies unloading process, eliminates delivery variability, and provides better shopper experience as products are better organized. These measures show better in-stock performance and lower inventories (accretive to GMs)

The Bear Case (What Could Go Wrong?)

Dollar Tree faces turnaround execution and macroeconomic risk

Difficulties With Brand Turnaround

- Dollar Tree faces competition from other discount retailers operating within the same space
 - Negligible switching costs make it easy for consumers to swap between discount retailers
- Difficulty executing Family Dollar turnaround given the longstanding inability to realize synergies, underperformance, and risk of permanent brand impairment
- **Mitigations:**
 - Dreiling has applicable turnaround and retail experience with Dollar General in a similar scenario
 - Unlike past activist engagements, Mantle Ridge is better suited for FDO given their turnaround experience, selective engagement approach, and emphasis on corporate governance

Increasing Operational Costs

- Increasing costs with inflation: management cited product cost inflation and product mix as the largest compressors on margins
 - Freight costs will remain a headwind until H1'23. Increased costs from suppliers, and price increases could prove sticky as no flexibility at core DT banner given fixed price point
 - Chinese imports make a “substantial majority” of total imported goods
- **Mitigations:** Freight contracts will renew to new spot rates in H2'23 providing the potential for margin uplift
 - Trade-down dynamics still intact with bifurcated consumer balance sheets, bottom 50% worse off than 2019
 - Dollar Tree raised the primary price point of merchandise to \$1.25 and introduced the Dollar Tree Plus program (sells products ranging from \$3 to \$5). This should provide a margin uplift

FDO Value Less Than Acquisition If No Turnaround

<i>Implied Family Dollar Valuation if No Turnaround</i>			
(\$ in millions)	Low	Mid	High
Current Enterprise Value	\$ 46,384	\$ 46,384	\$ 46,384
2021 Dollar Tree EBITDA Lease Adj.	3,493	3,493	3,493
<i>Standalone Dollar Tree Multiple</i>	11.5x	12.0x	12.5x
Standalone Enterprise Value	\$ 40,167	\$ 41,913	\$ 43,660
Implied Family Dollar Enterprise Value	6,218	4,471	2,725
2021 Family Dollar EBITDA Lease Adj.	1,098	1,098	1,098
Implied Family Dollar EV/EBITDA	5.7x	4.1x	2.5x

Distribution of Excess Checkable Deposits

Checkable Deposits (\$MM)	By Household Wealth				
	Total	Top 1%	90-99th	50-90th	Bottom 50%
Excess (2022-2019)	\$3,677,124	\$1,336,457	\$1,274,213	\$891,425	\$175,029
<i>% of Total</i>		36%	35%	24%	5%
Q2 2022	\$4,707,917	\$1,531,489	\$1,647,774	\$1,251,199	\$277,455
<i>% of Total</i>		33%	35%	27%	6%
Q4 2019	\$1,030,793	\$195,032	\$373,561	\$359,774	\$102,426
<i>% of Total</i>		19%	36%	35%	10%
Minimum Wealth/Income Cutoff	\$10,177,935	\$1,797,512	\$165,449	\$0	\$0

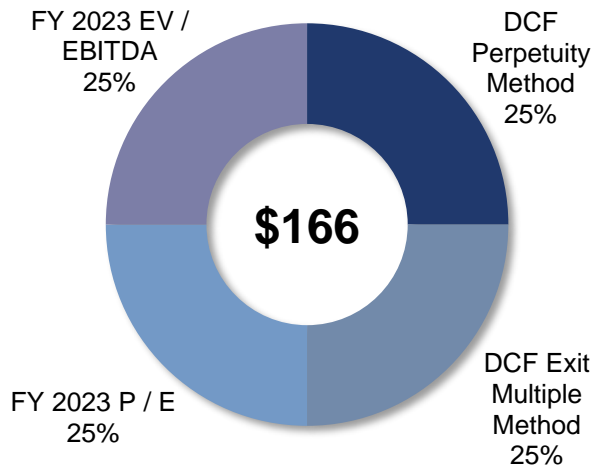
Valuation Summary

Football field, and blended implied share price

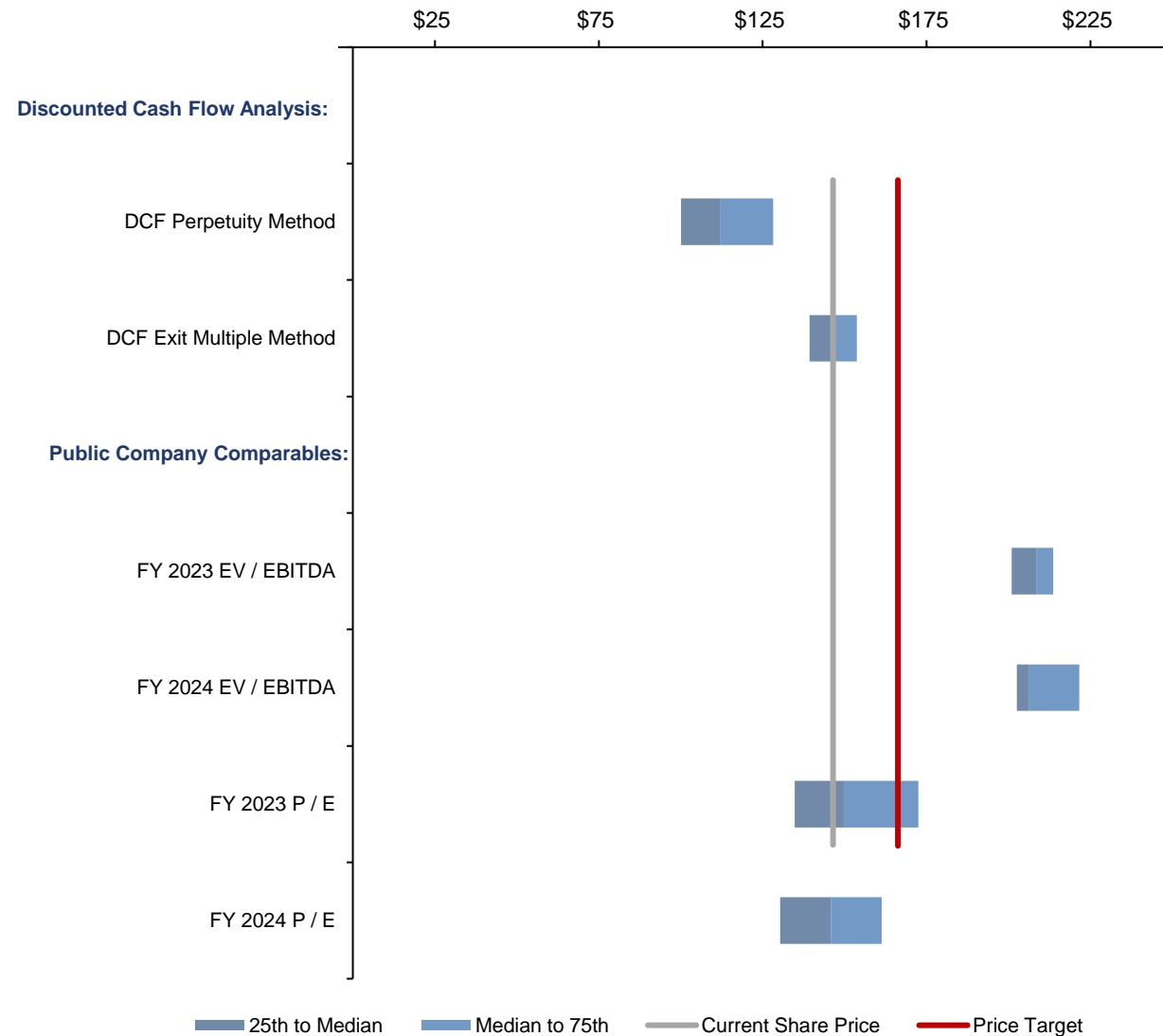
We recommend a **BUY** on Dollar Tree with an implied upside of ~14%

Results and Weighting

- **Current Price:** \$146.50
- **Target Price:** \$166
- **Implied Upside:** 14%



Football Field Valuation Summary ¹



1. Excluded EBIT Multiples, LTM P/E, LTM EV/EBITDA from Football Field Valuation given weight of incomparable peer companies leading to inaccurate valuation

Comparable Company Analysis

Trading in-line with industry peers

Company Name	Equity	Enterprise	EV / EBIT			EV / EBITDA			P / E			Leverage
	Value (\$M)	Value (\$M)	LTM	2023E	2024E	LTM	2023E	2024E	LTM	2023E	2024E	Debt/EBITDA
Walmart Inc.	\$415,197	\$477,120	23.0x	18.4x	17.2x	13.8x	11.8x	11.3x	46.3x	23.4x	21.7x	1.9x
Target Corporation	\$76,605	\$95,068	19.5x	15.4x	13.6x	11.9x	10.3x	9.6x	22.2x	17.2x	15.0x	2.4x
Dollar General Corporation	\$57,036	\$72,202	23.1x	19.2x	17.6x	12.8x	11.2x	10.3x	24.6x	20.6x	18.8x	2.8x
Five Below, Inc.	\$8,719	\$9,879	32.2x	24.1x	19.5x	14.4x	11.9x	9.8x	37.8x	28.5x	23.1x	2.2x
Dollarama Inc.	\$17,275	\$20,159	24.4x	21.7x	nmf	18.3x	14.3x	12.8x	29.8x	26.7x	23.9x	3.0x
Ollie's Bargain Outlet Holdings, Inc.	\$3,784	\$4,013	33.2x	17.9x	16.0x	16.2x	10.9x	9.8x	40.0x	22.5x	20.2x	1.8x
Median	\$37,156	\$46,180	23.7x	18.8x	17.2x	14.1x	11.5x	10.0x	33.8x	23.0x	20.9x	2.3x
Average	\$96,436	\$113,073	25.9x	19.5x	16.8x	14.6x	11.7x	10.6x	33.5x	23.2x	20.4x	2.3x

Dollar Tree, Inc.	\$32,404	\$42,318	18.9x	17.7x	16.1x	8.3x	8.0x	7.5x	20.0x	18.7x	16.9x	2.0x
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Company Name	Revenue Growth		EBITDA Growth		Net Income Growth		EBITDA Margin			Return Metrics (LTM)		
	2023E	2024E	2023E	2024E	2023E	2024E	LTM	2023E	2024E	ROIC	ROA	ROE
Walmart Inc.	8.1%	3.5%	1.6%	5.1%	29.6%	8.1%	5.7%	6.5%	6.6%	13.9%	5.3%	10.7%
Target Corporation	4.8%	2.1%	(23.8%)	7.5%	(36.0%)	14.5%	7.3%	8.3%	8.7%	14.6%	5.5%	27.8%
Dollar General Corporation	17.4%	7.4%	14.5%	9.2%	15.6%	9.5%	15.9%	16.1%	16.3%	13.1%	7.3%	37.6%
Five Below, Inc.	24.5%	19.0%	14.9%	20.6%	9.7%	23.6%	23.3%	23.5%	23.8%	10.5%	6.4%	20.8%
Dollarama Inc.	13.9%	8.2%	36.6%	11.3%	24.5%	11.5%	30.5%	36.5%	37.5%	21.8%	15.9%	nmf
Ollie's Bargain Outlet Holdings, Inc.	18.7%	9.3%	13.5%	11.5%	6.7%	11.6%	14.2%	17.6%	18.0%	7.3%	3.7%	7.0%
Median	15.6%	7.8%	14.0%	10.2%	12.7%	11.6%	15.1%	16.8%	17.2%	13.5%	6.0%	20.8%
Average	14.6%	8.2%	9.5%	10.9%	8.4%	13.1%	16.2%	18.1%	18.5%	13.5%	7.3%	20.8%

Dollar Tree, Inc.	13.1%	4.3%	15.3%	6.8%	30.3%	10.7%	18.3%	17.8%	18.2%	10.9%	6.3%	20.8%
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Commentary

- Selected competitors that operate in the discount retailer space. Also, selected companies known for offering low, affordable prices
- Dollar Tree trades at a discount to peers both on an EBITDA, and P/E basis, but relatively in line on an EBIT basis
- Dollar Tree lags peer ROIC, given historical underperformance, corroborates potential future for ROIC accretion

Discounted Cash Flow

Revenue build and top-line growth assumptions

Revenue Model										
<i>\$USD Millions</i>	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Dollar Tree Net Store Growth	202	281	282	309	228	140	143	125	98	49
Family Dollar Net Store Growth	232	289	299	287	228	234	144	146	118	50
Dollar Tree New Opening Sales per Store	\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.8
Family Dollar New Opening Sales per Store	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4
Dollar Tree New Store Revenue	368.9	514.3	516.1	565.5	418.1	257.1	261.0	229.6	178.9	90.3
Family Dollar New Store Revenue	332.0	412.3	426.8	410.2	325.8	333.9	205.3	208.4	169.2	71.4
Total New Store Revenue	701.0	926.6	942.9	975.6	743.8	591.0	466.3	438.0	348.1	161.7
Existing Dollar Tree Store Revenue	14,924.5	15,675.8	16,635.3	17,743.2	18,812.1	19,672.5	20,328.2	21,000.9	21,655.1	22,205.1
<i>Growth Rate (SSSG)</i>	7.2%	2.5%	2.8%	3.5%	2.8%	2.3%	2.0%	2.0%	2.0%	1.7%
Existing Family Dollar Store Revenue	12,635.5	13,330.6	14,155.2	15,019.4	15,861.6	16,592.0	17,298.3	17,853.7	18,423.4	18,880.8
<i>Growth Rate (SSSG)</i>	2.0%	2.8%	3.0%	3.0%	2.8%	2.5%	2.2%	2.0%	2.0%	1.6%
Total Existing Store Sales	27,559.9	29,006.3	30,790.5	32,762.6	34,673.7	36,264.5	37,626.5	38,854.7	40,078.5	41,086.0
<i>Growth Rate (SSSG)</i>	4.8%	2.6%	2.9%	3.2%	2.8%	2.4%	2.1%	2.0%	2.0%	1.6%
Dollar Tree Revenue	15,293.4	16,190.1	17,151.4	18,308.6	19,230.2	19,929.6	20,589.1	21,230.5	21,834.0	22,295.5
<i>% Growth</i>	9.9%	5.9%	5.9%	6.7%	5.0%	3.6%	3.3%	3.1%	2.8%	2.1%
<i>% Organic Growth</i>	73.1%	42.6%	46.3%	51.1%	54.6%	63.2%	60.4%	64.2%	70.4%	80.4%
<i>% Store Growth</i>	26.9%	57.4%	53.7%	48.9%	45.4%	36.8%	39.6%	35.8%	29.6%	19.6%
Family Dollar Revenue	12,967.5	13,742.9	14,582.0	15,429.6	16,187.4	16,925.9	17,503.7	18,062.2	18,592.7	18,952.2
<i>% Growth</i>	4.7%	6.0%	6.1%	5.8%	4.9%	4.6%	3.4%	3.2%	2.9%	1.9%
<i>% Organic Growth</i>	42.7%	46.8%	49.1%	51.6%	57.0%	54.8%	64.5%	62.7%	68.1%	80.2%
<i>% Store Growth</i>	57.3%	53.2%	50.9%	48.4%	43.0%	45.2%	35.5%	37.3%	31.9%	19.8%
Total Enterprise Sales	28,260.9	29,933.0	31,733.4	33,738.2	35,417.5	36,855.5	38,092.8	39,292.6	40,426.6	41,247.7
<i>% Growth</i>	7.4%	5.9%	6.0%	6.3%	5.0%	4.1%	3.4%	3.1%	2.9%	2.0%
<i>% Organic Growth</i>	64.1%	44.6%	47.6%	51.3%	55.7%	58.9%	62.3%	63.5%	69.3%	80.3%
<i>% Store Growth</i>	35.9%	55.4%	52.4%	48.7%	44.3%	41.1%	37.7%	36.5%	30.7%	19.7%

Commentary

- Modelled topline with mix of revenue growth attributed to store growth vs existing store revenue growth
- Management guided to HSD of comp growth for Dollar Tree, and LSD Family Dollar comp growth for '22E. Given positive traffic in Q3'22 at Family Dollar, Family Dollar Comp continued at strong LSD or low-end MSD
- New opening sales per store is assumed constant for new store sales, net store growth taken well below management long term estimates and potential U.S discount store TAM, but provides healthy lift to overall top-line story
 - Forecasting total addition of ~3900 stores over our forecast period

Discounted Cash Flow Analysis

Intrinsic valuation

Discounted Cash Flow Analysis		Historicals				Projections									
\$USD Millions		2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Revenue:															
Dollar Tree		11,712.1	12,507.9	13,265.0	13,922.1	15,293.4	16,190.1	17,151.4	18,308.6	19,230.2	19,929.6	20,589.1	21,230.5	21,834.0	22,295.5
Family Dollar		11,111.2	11,102.9	12,243.4	12,387.7	12,967.5	13,742.9	14,582.0	15,429.6	16,187.4	16,925.9	17,503.7	18,062.2	18,592.7	18,952.2
Total Revenue		22,823.3	23,610.8	25,508.4	26,309.8	28,260.9	29,933.0	31,733.4	33,738.2	35,417.5	36,855.5	38,092.8	39,292.6	40,426.6	41,247.7
% Growth			3.5%	8.0%	3.1%	7.4%	5.9%	6.0%	6.3%	5.0%	4.1%	3.4%	3.1%	2.9%	2.0%
Cost of sales		(15,875.8)	(16,570.1)	(17,721.0)	(18,583.9)	(19,641.3)	(20,653.7)	(21,737.4)	(22,604.6)	(23,552.7)	(24,416.8)	(25,141.2)	(25,893.9)	(26,600.7)	(27,120.4)
Gross Profit		6,947.5	7,040.7	7,787.4	7,725.9	8,619.6	9,279.2	9,996.0	11,133.6	11,864.9	12,438.7	12,951.6	13,398.8	13,825.9	14,127.3
Gross Profit Margin		30.4%	29.8%	30.5%	29.4%	30.5%	31.0%	31.5%	33.0%	33.5%	33.8%	34.0%	34.1%	34.2%	34.3%
Operating Expenses:															
Selling, General and Administrative		(5,081.6)	(5,778.5)	(5,900.4)	(5,925.9)	(6,669.6)	(7,064.2)	(7,425.6)	(7,827.3)	(8,146.0)	(8,476.8)	(8,761.3)	(9,037.3)	(9,298.1)	(9,487.0)
Operating Income		1,865.9	1,262.2	1,887.0	1,800.0	1,950.0	2,215.0	2,570.4	3,306.3	3,718.8	3,962.0	4,190.2	4,361.5	4,527.8	4,640.4
EBIT Margin		8.2%	5.3%	7.4%	6.8%	6.9%	7.4%	8.1%	9.8%	10.5%	10.8%	11.0%	11.1%	11.2%	11.3%
Income Tax		(281.8)	(271.7)	(397.9)	(304.3)	(462.2)	(469.6)	(544.9)	(700.9)	(788.4)	(839.9)	(888.3)	(924.6)	(959.9)	(983.8)
NOPAT		1,584.1	990.5	1,489.1	1,495.7	1,487.9	1,745.5	2,025.5	2,605.4	2,930.4	3,122.0	3,301.9	3,436.8	3,567.9	3,656.6
Add: Depreciation and Amortization		555.7	592.5	638.5	677.5	768.5	771.3	823.0	882.7	930.2	959.4	994.2	1,027.1	1,056.5	1,076.6
% of Revenue		2.4%	2.5%	2.5%	2.6%	2.7%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Less: Capital Expenditures		(817.1)	(1,034.8)	(898.8)	(1,021.2)	(1,197.7)	(1,197.3)	(1,205.9)	(1,275.3)	(1,275.0)	(1,326.8)	(1,371.3)	(1,414.5)	(1,455.4)	(1,484.9)
% of Revenue		3.6%	4.4%	3.5%	3.9%	4.2%	4.0%	3.8%	3.8%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Add / (Less): Change in Net Working Capital		(268.6)	59.8	437.4	(599.5)	(362.3)	(69.6)	(253.9)	(238.0)	(249.8)	(260.0)	(268.7)	(277.2)	(285.2)	(291.0)
% of Revenue		1.2%	0.3%	1.7%	2.3%	1.3%	0.2%	0.8%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Unlevered Free Cash Flow		1,054.1	608.0	1,666.2	552.5	696.4	1,249.8	1,388.8	1,974.8	2,335.8	2,494.7	2,656.0	2,772.2	2,883.9	2,957.3
% Growth			(42.3%)	174.0%	(66.8%)	26.0%	79.5%	11.1%	42.2%	18.3%	6.8%	6.5%	4.4%	4.0%	2.5%
PV of Unlevered Free Cash Flow						644.8	1,071.5	1,102.5	1,451.5	1,589.7	1,572.1	1,549.8	1,497.7	1,442.6	1,369.8

Exit Multiple Method	
Cumulative PV of UFCF	13,292
% of Enterprise Value	29.5%
Terminal Value	
Final Year EBIT	5,717
Exit EBIT Multiple	12.0x
Terminal Value	68,604
PV of Terminal Value	31,777
% of Enterprise Value	70.5%
Implied Enterprise Value	45,069
Plus: Cash	689
Plus: Marketable Securities	--
Less: Total Debt	9,987
Implied Equity Value	35,771
Diluted Shares Outstanding	226
Implied Share Price	\$158.49
Current Share Price	\$146.50
Implied Margin of Safety	8.2%

Perpetuity Growth Method	
Cumulative PV of UFCF	13,292
% of Enterprise Value	36.3%
Terminal Value	
Final Year UFCF	2,957
Perpetuity Growth Rate	2.0%
Terminal Value	50,275
PV of Terminal Value	23,287
% of Enterprise Value	63.7%
Total Enterprise Value	36,579
Plus: Cash	689
Plus: Marketable Securities	--
Less: Total Debt	9,987
Total Equity Value	27,281
Diluted Shares Outstanding	226
Implied Share Price	\$120.87
Current Share Price	\$146.50
Implied Margin of Safety	(17.5%)

Model Commentary and Assumptions

- Top line growth driven by uptick in same store sales growth, and new store growth
- Gross margin expansion is driven by structural changes at Family Dollar and Dollar Tree banner, the multi price point strategy, and input cost normalization in later year projections
- EBIT Margin expansion driven by further turnaround at Family Dollar (realizing backend synergies) and operating leverage in later projection years
- Using management guidance and market consensus as benchmark for revenue growth, margin profile, and other cash flow projections
- Exit Multiple of 12.0x represents ~2 turns expansion to 5yr NTM EBITDA multiple. This represents a majority turnaround at both DT and FDO banners, and a ~1 turn discount to Dollar General

Discounted Cash Flow Sensitivity Analysis

Intrinsic valuation sensitivities

		Perpetuity Growth Rate				
		1.5%	1.8%	2.0%	2.3%	2.5%
Discount Rate	7.0%	\$143.98	\$150.15	\$156.93	\$164.44	\$172.77
	7.5%	\$126.89	\$131.84	\$137.24	\$143.16	\$149.67
	8.0%	\$112.47	\$116.50	\$120.87	\$125.62	\$130.80
	8.5%	\$100.14	\$103.47	\$107.05	\$110.92	\$115.11
	9.0%	\$114.92	\$118.67	\$122.71	\$127.08	\$131.80

		Perpetuity Growth Rate				
		1.5%	1.8%	2.0%	2.3%	2.5%
Discount Rate	7.0%	(1.7%)	2.5%	7.1%	12.2%	17.9%
	7.5%	(13.4%)	(10.0%)	(6.3%)	(2.3%)	2.2%
	8.0%	(23.2%)	(20.5%)	(17.5%)	(14.3%)	(10.7%)
	8.5%	(31.6%)	(29.4%)	(26.9%)	(24.3%)	(21.4%)
	9.0%	(38.9%)	(37.0%)	(35.0%)	(32.8%)	(30.5%)

		Exit Multiple				
		11.0x	11.5x	12.0x	12.5x	13.0x
Discount Rate	7.0%	\$162.69	\$169.13	\$175.57	\$182.01	\$188.45
	7.5%	\$154.53	\$160.68	\$166.82	\$172.97	\$179.11
	8.0%	\$146.75	\$152.62	\$158.49	\$164.35	\$170.22
	8.5%	\$139.34	\$144.94	\$150.55	\$156.15	\$161.75
	9.0%	\$157.11	\$161.59	\$166.08	\$170.57	\$175.06

		Exit Multiple				
		11.0x	11.5x	12.0x	12.5x	13.0x
Discount Rate	7.0%	11.1%	15.4%	19.8%	24.2%	28.6%
	7.5%	5.5%	9.7%	13.9%	18.1%	22.3%
	8.0%	0.2%	4.2%	8.2%	12.2%	16.2%
	8.5%	(4.9%)	(1.1%)	2.8%	6.6%	10.4%
	9.0%	(9.7%)	(6.1%)	(2.4%)	1.2%	4.9%

Appendices

Key Board and Management Overview

Well qualified board with strong retail experience

Michael A Witynski



- **President and CEO**
- Stepped into role of CEO in July of 2020. Joined the company in 2010. Previously served as Group Vice President of Private Brands of SUPERVALU Inc and served as Group Vice President of Own Brands at Shaw's Supermarkets
- Compensation:
 - 2021 Total Annual Cash Compensation: **\$ 1,384,615**
 - 2021 Restricted Stock Awards: **\$ 7,249,961**

Rick Dreiling



- **Executive Chairman**
- Executive Chairman since March 2022. Previously served as the Chairman of Retail Industry Leaders Association (RILA) from January 2014 to January 2016. Previously held role of CEO of Dollar General from January 21, 2008 to June 3, 2015.
- Compensation:
 - **\$1,000,000** annual salary for 5 years and options for **2 million common shares**

Jeff Davis



- **Chief Financial Officer**
- Joined Dollar Tree in October of 2022. Previously was in financial leadership roles at Walmart Stores, J. C. Penney Company and Darden Restaurant
- Compensation:
 - **\$825,000** annual salary and annual equity award of up to **\$2,000,000** with **\$2,300,000** total sign-on bonus

Rick McNeely



- **Chief Merchandising Officer**
- Joined Dollar Tree in 2008 and has held various merchandising positions throughout his career at the company. Prior to joining, had 28 years of experience in marketing and merchandising
- Compensation:
 - 2021 Total Annual Cash Compensation: **\$ 800,000**
 - 2021 Restricted Stock Awards: **\$ 1,799,814**

Board Overview

Key board member breakdown

Board Member	Title	Tenure	Business Leadership	Public Company Executive	Investment / Financial	ESG	Risk Oversight
Jeffrey G Naylor	Independent Director	4	✓	✓	✓		✓
Stephanie P Stahl	Independent Director	4	✓		✓	✓	
Thomas W Dickson	Independent Director	4	✓				
Michael A Witynski	President, CEO & Director	2	✓	✓	✓		✓
Winifred Y Park	Independent Director	2	✓	✓	✓	✓	
Richard W Dreiling	Executive Chairman	0	✓	✓	✓		
Cheryl Wray Grise	Independent Director	0	✓	✓	✓		✓
Daniel J Heinrich	Independent Director	0	✓	✓			✓
Edward Joseph Kelly III	Lead Independent Director	0	✓	✓			
Paul C Hilal	Director	0	✓	✓			
Mary A Laschinger	Independent Director	0	✓	✓			
Bertram Lee Scott	Independent Director	0	✓	✓	✓		✓

Notable Features

- Dollar Tree's Board is 92% independent (only CEO Michael Witynski is non-independent)
- Separated the CEO and Chairman roles, in-line with industry best practices
- Dollar Tree's has a lead Independent Director, also in line with industry best practice

Management Profile

New leadership since Mantle Ridge engagement

Date	Name	Position	Prior Experience
22-Mar	Paul Hilal	Board Members	Mantle Ridge, Pershing Square
22-Mar	Richard Dreiling	Executive Chairman	Dollar General, Daune Reade, Longs Drug, Safeway, Vons
22-May	John Flanigan	Chief Supply Chain Officer	DG, Longs Drug, Safeway, Vons
22-May	Larry Gatta	Chief Merchandising Officer of Family Dollar	DG, SVP, DG and Longs Drug
22-Jul	Bobby Aflatooni	Chief Information Officer	Howard Hughes and DG
22-Aug	Jeffrey Davis	Chief Financial Officer	Qurate Retail Group, Walmart, Darden
22-Sep	Pedro Voyer	Chief Development Officer	Panera, Caribou Coffee and Einstein's Bagel Brands, Burger King
22-Sep	Michael Creedon	Chief Operating Officer	Advance Auto Parts, Sensormatic, Tyco and ADT Security
22-Nov	Jennifer Bohaty	Chief Compliance Officer	LL Flooring, Toys 'R' Us, Target
22-Nov	Terence Goods	Chief Diversity Officer	Southern Glazer's Wine and Spirits, Wells Fargo, Bank of America and JCPenney
22-Nov	Jennifer Silberman	Chief Sustainability Officer	YETI, APCO Worldwide
22-Nov	Kristin Tetreault	Chief Communications Officer	Stanley Black & Decker

Family Dollar Acquisition Overview

Dollar Tree acquired Family Dollar in 2015, was previously third largest Dollar Store

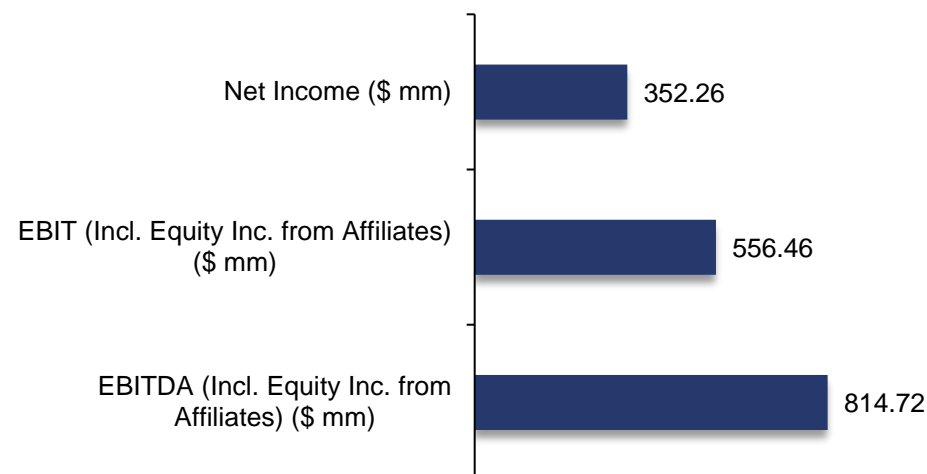
Company Profiles

- Acquisition for \$8.6 billion dollars and financed with combination of cash, debt and bonds
 - Implied Enterprise Value/LTM EBITDA: 11.3x
 - Implied Enterprise Value/LTM EBIT: 16.5x
 - Implied Equity Value/Book Value: 5.2x
- Market Capitalization
 - Family Dollar Market Cap: \$6,912.21
 - Dollar Tree Market Cap: \$11,213.52
- Family Dollar is a similar chain of discount retailers and provides assortment of both consumable and consumers goods.
 - As of April 8, 2015, it operated approximately 8,100 stores in 46 states
 - Total Debt: \$776.39
 - Total Common Equity: \$1,656.58

Acquisition Rationale

- Expansion of retail business. Dollar Tree will operate over 13,000 and have sales exceeding \$19 billion dollars at the time of the deal
- Exposure across multiple price points. Dollar Tree focuses on the dollar price point while Family Dollar operates at various price points
- Exposure to more urban and rural areas and allows access to additional geographical areas
- Expected procurement synergies which originally was projected to be \$300 million in synergies

Family Dollar Financials



Deal Timeline

Date	Item
Jul-06-2015	Deal Completed
Jul-02-2015	Antitrust Approval Obtained
Jan-22-2015	Target Shareholders Approve Deal
Nov-07-2014	Antitrust Approval Waiting Period Extended
Aug-18-2014	Competing Bid Announced
Aug-11-2014	Deal Terms Revised
Jul-28-2014	Deal Announcement

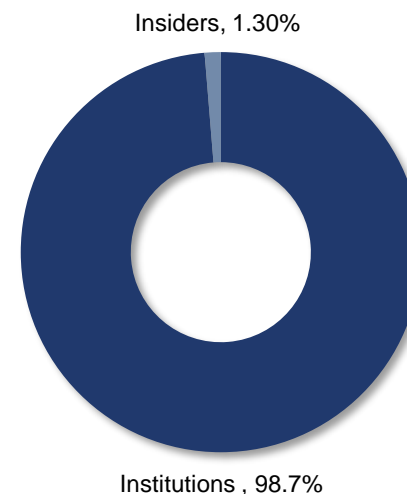
Ownership Breakdown

Shareholders of Dollar Tree are diversified

Top 15 Dollar Tree Holders

Shareholder	Shares Owned	Ownership	Market Value (USD in mm)
The Vanguard Group, Inc.	23,793,878	10.8%	3,516.7
Capital Research and Management Company	23,016,299	10.4%	3,401.8
BlackRock, Inc. (NYSE:BLK)	16,745,522	7.6%	2,475.0
Mantle Ridge LP	11,365,531	5.1%	1,679.8
FMR LLC	10,264,454	4.6%	1,517.1
State Street Global Advisors, Inc.	8,595,018	3.9%	1,270.3
Nomura Holdings Inc, Securities & Investment Arm	7,485,518	3.4%	1,106.4
T. Rowe Price Group, Inc. (NasdaqGS:TROW)	4,980,308	2.3%	736.1
EdgePoint Investment Group Inc.	4,574,068	2.1%	676.0
Geode Capital Management, LLC	4,446,851	2.0%	657.2
CPP Investments	3,415,512	1.5%	504.8
Massachusetts Financial Services Company	3,356,714	1.5%	496.1
Winslow Capital Management, LLC	3,234,705	1.5%	478.1
Macquarie Investment Management Business Trust	3,064,857	1.4%	453.0
Wellington Management Group LLP	2,507,244	1.1%	370.6
Total	130,846,479	59.2%	19,339

Ownership Summary



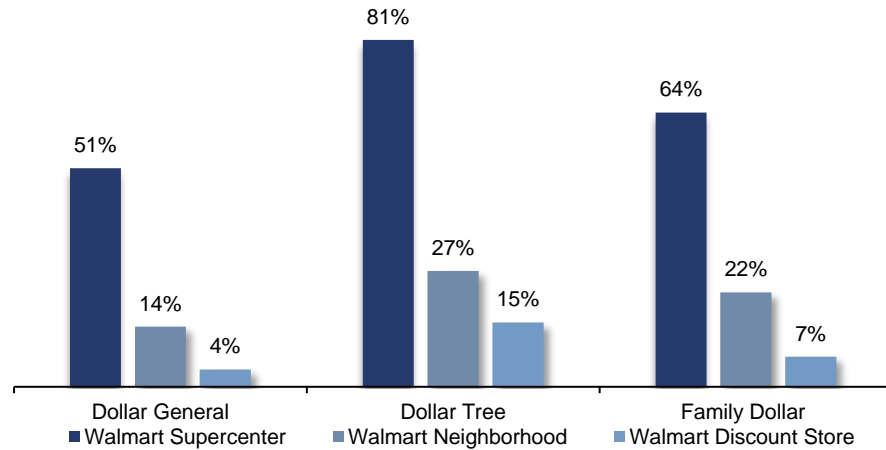
Insider Ownership

Common Stock Equivalent Held	Common Stock Held	Ownership	Market Value (USD in mm)
Saunders III, Thomas (Former Independent Director)	2,273,255	1.0%	336.0
Sasser, Bobby (Former Executive Chairman)	205,298	0.1%	30.3
Wampler, Kevin (Former Chief Financial Officer)	143,654	0.1%	21.2
Witynski, Michael (President, CEO & Director)	60,977	0.03%	9.0
Lewis, Lemuel (Former Independent Director)	26,614	0.01%	3.9
Click, Betty (Former Chief Human Resources Officer)	23,298	0.01%	3.4
Old Jr., William (Former Chief Legal Officer)	19,933	0.01%	2.9
Laschinger, Mary (Independent Director)	19,000	0.01%	2.8
Whiddon, Thomas (Former Independent Director)	17,803	0.01%	2.6

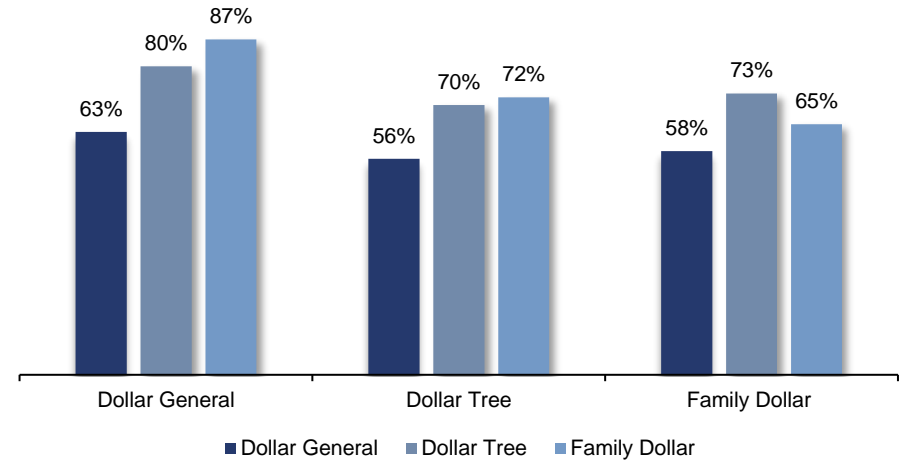
Discount Store Location Overlap Analysis

Overlap with competitors in 5-mile radius

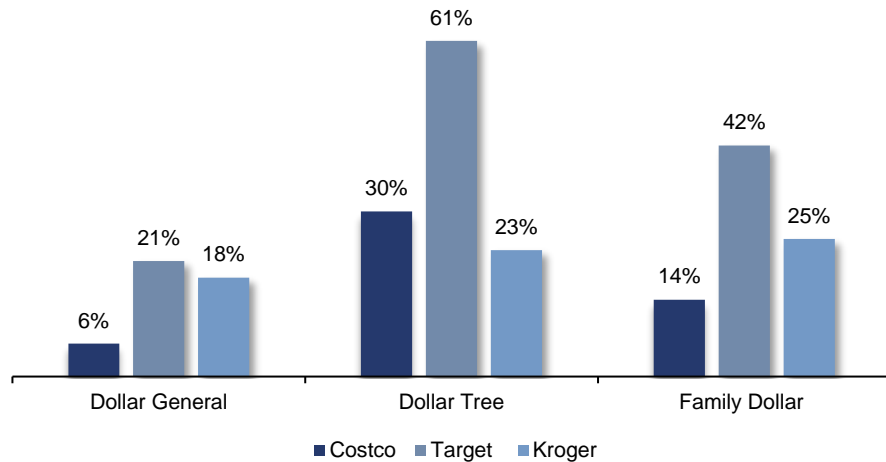
Limited Walmart Exposure in Small Store Formats



Less Overlap with Competing Discount Retail



Overlap with Grocery and Leading Brands



Specialty Grocery Retailers

