

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended July 29, 2017

OR

- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-25464



DOLLAR TREE, INC.

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of
incorporation or organization)

26-2018846

(I.R.S. Employer
Identification No.)

500 Volvo Parkway

Chesapeake, Virginia 23320

(Address of principal executive offices)

Telephone Number (757) 321-5000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes () No (X)

As of August 21, 2017, there were 236,844,665 shares of the Registrant's Common Stock outstanding.

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Part I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

DOLLAR TREE, INC.
CONDENSED CONSOLIDATED INCOME STATEMENTS
(Unaudited)

| (in millions, except per share data) | 13 Weeks Ended | | 26 Weeks Ended | |
|--|------------------|------------------|------------------|------------------|
| | July 29, 2017 | July 30, 2016 | July 29, 2017 | July 30, 2016 |
| Net sales | \$ 5,281.2 | \$ 4,996.3 | \$ 10,568.3 | \$ 10,082.1 |
| Cost of sales | 3,653.4 | 3,483.9 | 7,313.4 | 7,015.2 |
| Gross profit | 1,627.8 | 1,512.4 | 3,254.9 | 3,066.9 |
| Selling, general and administrative expenses, excluding Receivable impairment | 1,205.7 | 1,155.2 | 2,393.1 | 2,291.0 |
| Receivable impairment | 2.6 | — | 53.5 | — |
| Selling, general and administrative expenses | 1,208.3 | 1,155.2 | 2,446.6 | 2,291.0 |
| Operating income | 419.5 | 357.2 | 808.3 | 775.9 |
| Interest expense, net | 75.8 | 87.3 | 150.5 | 174.6 |
| Other (income) expense, net | 0.1 | — | 0.4 | (0.2) |
| Income before income taxes | 343.6 | 269.9 | 657.4 | 601.5 |
| Income tax expense | 109.8 | 99.7 | 223.1 | 198.7 |
| Net income | \$ 233.8 | \$ 170.2 | \$ 434.3 | \$ 402.8 |
| Basic net income per share | \$ 0.99 | \$ 0.72 | \$ 1.84 | \$ 1.71 |
| Diluted net income per share | \$ 0.98 | \$ 0.72 | \$ 1.83 | \$ 1.70 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

DOLLAR TREE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

| (in millions) | 13 Weeks Ended | | 26 Weeks Ended | |
|--|------------------|------------------|------------------|------------------|
| | July 29, 2017 | July 30, 2016 | July 29, 2017 | July 30, 2016 |
| Net income | \$ 233.8 | \$ 170.2 | \$ 434.3 | \$ 402.8 |
| Foreign currency translation adjustments | 8.0 | (2.3) | 5.0 | 6.6 |
| Total comprehensive income | \$ 241.8 | \$ 167.9 | \$ 439.3 | \$ 409.4 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

DOLLAR TREE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

| (in millions) | July 29, 2017 | January 28, 2017 | July 30, 2016 |
|--|---------------|------------------|---------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 693.3 | \$ 866.4 | \$ 1,093.2 |
| Short-term investments | 4.0 | 4.0 | 4.0 |
| Merchandise inventories, net | 2,928.5 | 2,865.8 | 2,975.1 |
| Other current assets | 189.4 | 201.8 | 377.1 |
| Total current assets | 3,815.2 | 3,938.0 | 4,449.4 |
| Property, plant and equipment, net of accumulated depreciation of \$2,941.8, \$2,694.5 and \$2,437.9, respectively | 3,115.4 | 3,115.8 | 3,174.2 |
| Assets available for sale | 10.4 | 9.0 | 13.5 |
| Goodwill | 5,025.2 | 5,023.5 | 5,023.8 |
| Favorable lease rights, net of accumulated amortization of \$202.8, \$159.3 and \$111.1, respectively | 420.4 | 468.6 | 518.8 |
| Tradenname intangible asset | 3,100.0 | 3,100.0 | 3,100.0 |
| Other intangible assets, net | 4.9 | 5.1 | 5.4 |
| Other assets | 40.8 | 41.6 | 44.3 |
| Total assets | \$ 15,532.3 | \$ 15,701.6 | \$ 16,329.4 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Current portion of long-term debt | \$ 165.9 | \$ 152.1 | \$ 145.5 |
| Accounts payable | 1,196.3 | 1,119.6 | 1,351.5 |
| Other current liabilities | 722.5 | 744.2 | 683.0 |
| Income taxes payable | — | 90.0 | — |
| Total current liabilities | 2,084.7 | 2,105.9 | 2,180.0 |
| Long-term debt, net, excluding current portion | 5,595.0 | 6,169.7 | 7,155.7 |
| Unfavorable lease rights, net of accumulated amortization of \$51.2, \$39.6 and \$27.3, respectively | 111.5 | 124.0 | 136.6 |
| Deferred tax liabilities, net | 1,449.8 | 1,458.9 | 1,556.0 |
| Income taxes payable, long-term | 41.6 | 71.2 | 73.6 |
| Other liabilities | 389.5 | 382.4 | 370.6 |
| Total liabilities | 9,672.1 | 10,312.1 | 11,472.5 |
| Commitments and contingencies | | | |
| Shareholders' equity | 5,860.2 | 5,389.5 | 4,856.9 |
| Total liabilities and shareholders' equity | \$ 15,532.3 | \$ 15,701.6 | \$ 16,329.4 |
| | | | |
| Common shares outstanding | 236.8 | 236.1 | 235.7 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

DOLLAR TREE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (in millions) | 26 Weeks Ended | |
|--|------------------|-------------------|
| | July 29, 2017 | July 30, 2016 |
| Cash flows from operating activities: | | |
| Net income | \$ 434.3 | \$ 402.8 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 305.2 | 324.2 |
| Provision for deferred taxes | (6.8) | (31.1) |
| Amortization of debt discount and debt-issuance costs | 8.4 | 9.5 |
| Receivable impairment | 53.5 | — |
| Other non-cash adjustments to net income | 49.2 | 43.1 |
| Changes in operating assets and liabilities | (168.6) | (68.2) |
| Net cash provided by operating activities | <u>675.2</u> | <u>680.3</u> |
| Cash flows from investing activities: | | |
| Capital expenditures | (271.7) | (355.9) |
| Purchase of restricted investments | — | (36.1) |
| Proceeds from sale of restricted investments | — | 118.1 |
| Proceeds from fixed asset disposition | 2.1 | 1.5 |
| Net cash used in investing activities | <u>(269.6)</u> | <u>(272.4)</u> |
| Cash flows from financing activities: | | |
| Principal payments for long-term debt | (569.3) | (54.0) |
| Debt-issuance costs | — | (0.7) |
| Proceeds from stock issued pursuant to stock-based compensation plans | 14.9 | 22.7 |
| Cash paid for taxes on exercises/vesting of stock-based compensation | (24.7) | (19.9) |
| Net cash used in financing activities | <u>(579.1)</u> | <u>(51.9)</u> |
| Effect of exchange rate changes on cash and cash equivalents | 0.4 | 1.1 |
| Net increase (decrease) in cash and cash equivalents | (173.1) | 357.1 |
| Cash and cash equivalents at beginning of period | 866.4 | 736.1 |
| Cash and cash equivalents at end of period | <u>\$ 693.3</u> | <u>\$ 1,093.2</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for: | | |
| Interest, net of amounts capitalized | \$ 143.7 | \$ 175.0 |
| Income taxes | \$ 363.8 | \$ 319.0 |
| Non-cash transactions: | | |
| Accrued capital expenditures | \$ 37.6 | \$ 78.7 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

DOLLAR TREE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Dollar Tree, Inc. and its wholly-owned subsidiaries (the "Company") have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and are presented in accordance with the requirements of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended January 28, 2017 contained in the Company's Annual Report on Form 10-K filed March 28, 2017. The results of operations for the 13 and 26 weeks ended July 29, 2017 are not necessarily indicative of the results to be expected for the entire fiscal year ending February 3, 2018.

In the Company's opinion, the unaudited condensed consolidated financial statements included herein contain all adjustments (including those of a normal recurring nature) considered necessary for a fair presentation of its financial position as of July 29, 2017 and July 30, 2016 and the results of its operations and cash flows for the periods presented. The January 28, 2017 balance sheet information was derived from the audited consolidated financial statements as of that date.

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*." This update will replace existing revenue recognition guidance in GAAP and requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. In July 2015, the FASB deferred the effective date of the new standard to interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted, but not before the original effective date for public business entities (interim and annual reporting periods beginning after December 15, 2016). ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating its preferred transition method and is continuing to evaluate the impacts this ASU and related quantitative and qualitative disclosures will have on its consolidated financial statements. The Company does not expect the adoption of this pronouncement to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*." This update will replace existing lease guidance in GAAP and will require lessees to recognize lease assets and lease liabilities on the balance sheet for all leases and disclose key information about leasing arrangements, such as information about variable lease payments and options to renew and terminate leases. When implemented, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The update is effective for interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. The Company has engaged a third party to assist in its preparation for implementation and its evaluation of the impact of the new pronouncement on its consolidated financial statements. The Company expects the adoption of this pronouncement to result in a material increase in the assets and liabilities on its consolidated balance sheets and to not have a material impact on its consolidated income statements. The Company is in the process of implementing software to assist in the quantification of the expected impact on the consolidated balance sheets and to facilitate the calculations of the related accounting entries and disclosures.

2. LONG-TERM DEBT

Acquisition Notes

The Company's \$750.0 million aggregate principal amount of 5.25% senior notes due 2020 (the "2020 Notes") and \$2.5 billion aggregate principal amount of 5.75% senior notes due 2023 (the "2023 Notes," and together with the 2020 Notes, the "Acquisition Notes") were issued pursuant to indentures, which contain covenants that, among other things, limit the ability of the Company to declare or pay dividends. The restriction in the indentures on the Company's ability to pay dividends is subject to certain significant exceptions, including an exception that permits the Company to pay dividends and make other distributions regardless of dollar amount so long as, after giving pro forma effect thereto, the Company would have a consolidated total net leverage ratio, as defined under the indentures, no greater than 3.50 to 1.00. As of July 29, 2017, the Company's consolidated total net leverage ratio, as defined in the indentures, was below 3.50 to 1.00. So long as the Company's consolidated total net leverage ratio remains below 3.50 to 1.00, the indentures do not restrict the ability of the Company to pay dividends.

Credit Facility and Term Loans

The Company's New Senior Secured Credit Facilities, consisting of its \$1.25 billion revolving credit facility and term loan facilities, contain covenants that, among other things, limit the ability of the Company to declare or pay dividends. The restriction in the New Senior Secured Credit Facilities on the Company's ability to pay dividends is subject to certain significant exceptions,

including an exception that permits the Company to pay dividends and make other restricted payments regardless of dollar amount so long as, after giving pro forma effect thereto, the Company would have a consolidated total net leverage ratio, as defined under the New Senior Secured Credit Facilities, no greater than 3.50 to 1.00. As of July 29, 2017, the Company's consolidated total net leverage ratio, as defined in the New Senior Secured Credit Facilities, was below 3.50 to 1.00. So long as the Company's consolidated total net leverage ratio remains below 3.50 to 1.00, the New Senior Secured Credit Facilities do not restrict the ability of the Company to pay dividends.

On July 27, 2017, the Company prepaid \$500.0 million of the \$2.2 billion remaining outstanding under its Term Loan A-1. The prepayment resulted in an acceleration of the amortization of debt-issuance costs associated with the Term Loan A-1 of \$1.2 million.

Debt Covenants

As of July 29, 2017, the Company was in compliance with its debt covenants.

3. INCOME TAXES

The Company's effective tax rate was 32.0% for the 13 weeks ended July 29, 2017 compared with 36.9% for the 13 weeks ended July 30, 2016 and 33.9% for the 26 weeks ended July 29, 2017 compared with 33.0% for the 26 weeks ended July 30, 2016. The tax rate for the 13 and 26 weeks ended July 29, 2017, respectively, includes the effect of a reduction in the statutory rate for North Carolina which resulted in a decrease in the deferred tax liability related to the trade name intangible asset and a \$9.9 million decrease in tax expense. The rate for the 13 and 26 weeks ended July 29, 2017 also includes the effect of a reduction of \$5.6 million in the reserve for uncertain tax positions resulting from statute expirations and the reduction of interest accrued on method changes effected in the 13 weeks ended July 29, 2017. The 2016 tax rate includes a one-time benefit for an election allowing the Family Dollar acquisition to be treated as an asset purchase for certain state tax purposes in the quarter ended April 30, 2016.

4. LEGAL PROCEEDINGS

The Company is a defendant in legal proceedings including those described below and will vigorously defend itself in these matters. The Company does not believe that any of these matters will, individually or in the aggregate, have a material effect on its business or financial condition. The Company cannot give assurance, however, that one or more of these matters will not have a material effect on its results of operations for the quarter or year in which they are resolved.

The Company assesses its legal proceedings and reserves are established if a loss is probable and the amount of such loss can be reasonably estimated. Many if not substantially all of the contingencies described below are subject to significant uncertainties and, therefore, determining the likelihood of a loss and the measurement of any loss can be complex and subject to judgment. With respect to legal proceedings where the Company has determined that a loss is reasonably possible but not probable, the Company is unable to estimate the amount or range of the reasonably possible loss due to the inherent difficulty of predicting the outcome of and uncertainties regarding legal proceedings. The Company's assessments are based on estimates and assumptions that have been deemed reasonable by management, but that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause the Company to change those estimates and assumptions. Management's assessment of legal proceedings could change because of future determinations or the discovery of facts which are not presently known. Accordingly, the ultimate costs of resolving these proceedings may be substantially higher or lower than currently estimated.

Dollar Tree Active Matters

In April 2015, a distribution center employee filed a class action in California state court with allegations concerning wages, meal and rest breaks, recovery periods, wage statements and timely termination pay. The employee filed an amended complaint in which he abandoned his attempt to certify a nation-wide class of non-exempt distribution center employees for alleged improper calculation of overtime compensation. The Company removed this lawsuit to federal court. The court is now considering the employee's motion to certify the case as a state-wide class action.

In April 2015, a former store manager filed a class action in California federal court alleging, among other things, that the Company failed to make wage statements readily available to employees who did not receive paper checks. The wage statement class is certified and scheduled for trial in October 2017.

In April 2016, the Company was served with a putative class action in Florida state court brought by a former store employee asserting the Company violated the Fair Credit Reporting Act in the way it handled background checks. Specifically, the former employee alleged the Company used disclosure forms that did not meet the statute's requirements and failed to provide notices accompanied by background reports prior to taking adverse actions against prospective and existing employees based on information in the background reports. The plaintiff is seeking statutory damages of \$100 to \$1,000 per violation.

In June 2017, the Company (Dollar Tree and Family Dollar) filed suit in chancery court in Delaware against Sycamore Partners and Dollar Express LLC alleging, among other things, fraud, fraudulent transfer, breach of contract, and unjust enrichment. The Company is seeking in excess of \$52 million for the failure of Dollar Express to pay the Company for goods and services the Company provided to Sycamore's Dollar Express stores. These stores were divested by Dollar Tree as a condition of its merger with Family Dollar. The Company is also seeking substantial damages for the unauthorized use of its marks. Sycamore and Dollar Express responded in part by denying liability and filing a counterclaim against the Company alleging the Company had successfully engaged in a scheme to put Dollar Express out of business, seeking more than \$500 million in damages.

In July 2017, two former employees filed suit in federal court in California, seeking to represent a class of current and former non-exempt employees alleging that the Company's dress code required them to purchase such distinctive clothing that it constituted a uniform and the Company's failure to reimburse them for the clothing violated California law. The former employees seek restitution, damages, penalties and injunctive relief.

In August 2017, 43 current and former employees filed suit against the Company in state court in California alleging improper classification as exempt employees which they allege resulted in, among other things, their failure to receive overtime compensation, rest and meal periods, accurate wage statements, and final pay upon termination of employment.

Dollar Tree Resolved Matters

In April 2016, a former store manager filed a lawsuit in California state court alleging individual claims of pregnancy and disability discrimination in addition to asserting Private Attorney General Act ("PAGA") claims on behalf of herself and other store managers alleging they were improperly classified as exempt and therefore, among other things, did not receive overtime compensation and meal and rest periods. The parties have reached a settlement as to all claims.

In July 2016, a former non-exempt sales associate filed in federal court in Arkansas a putative nationwide collective action alleging the Company forced sales associates and assistant store managers to work off the clock while clocked out for meal breaks and, as a result, underpaid regular and overtime pay. In September 2016, the court granted the Company's motion to compel arbitration. To date, the former associate has not initiated any arbitration proceedings.

In March 2017, a former store manager filed suit in a state court in Florida, seeking to represent a collective, alleging failure to pay non-exempt employees minimum wage for all time worked and overtime in violation of the Fair Labor Standards Act, and, individually, alleging race discrimination and retaliation in violation of federal and state civil rights laws. Pursuant to Court order, the case has been sent to arbitration.

Family Dollar Active Matters

In 2008, a complaint was filed alleging discriminatory practices with respect to the pay of Family Dollar's female store managers. Among other things, the plaintiffs seek recovery of back pay, monetary and punitive remedies, interest, attorneys' fees, and equitable relief. In June 2016, the United States District Court in North Carolina ordered that the case be continued for merits discovery. The court also certified the case as a class action of approximately 30,000 current and former female store managers employed as far back as July 2002. A preliminary settlement has been reached in this case and has been properly recorded by the Company. Other aspects of the settlement agreement are still being finalized.

In January 2017, a customer filed a class action in federal court in Illinois alleging the Company violated various state consumer fraud laws as well as express and implied warranties by selling a product that purported to contain aloe when it did not. The requested class is limited to the state of Illinois. The Company believes that it is fully indemnified by the entities that supplied it with the product.

In June 2017, a former store employee filed suit in California state court asserting PAGA claims on behalf of herself and other allegedly aggrieved employees alleging the Company willfully caused their work time to go under reported so they failed to receive pay for time worked, rest and meal breaks, minimum wage and overtime compensation, final pay in a timely manner, and accurate wage statements.

Family Dollar Resolved Matters

In 2014, a putative class action was filed in a California Federal Court by a former employee alleging that the Company had a policy of requiring employee bag checks while the employees were not clocked in for work. As a result of those actions, the employee alleged the Company violated California law by failing to provide meal periods and rest breaks, failing to pay regular and overtime wages for work performed off the clock, failing to provide accurate wage statements, failing to timely pay all final wages and by engaging in unfair competition. He also alleged PAGA claims. In July 2017, the Court granted the Company's motion for summary judgment as to all claims and dismissed the lawsuit with prejudice.

In 2015, former employees filed a nationwide class action in federal court in Connecticut alleging the Company had violated ERISA by overcharging employees who purchased supplemental life insurance through a Company sponsored plan. In March 2016, the district court dismissed the lawsuit. The Second Circuit Court of Appeals has now affirmed the dismissal of the lawsuit.

5. RECEIVABLE IMPAIRMENT

In connection with its acquisition of Family Dollar, the Company was required to divest 330 stores and partially support these stores through a transition services agreement. Under the transition services agreement, the Company provided merchandise and services and the buyer was required to reimburse the Company.

In the 13 weeks ended April 29, 2017, the Company evaluated the collectability of its divestiture-related receivable. Based on information available, the Company determined that the outstanding balance of \$50.9 million was not recoverable and recorded an impairment charge to write down the receivable to zero. An additional \$2.6 million was recorded as a receivable and impaired in the 13 weeks ended July 29, 2017. The impairment charges are included in "Receivable impairment" in the accompanying condensed consolidated income statements.

6. FAIR VALUE MEASUREMENTS

As required, financial assets and liabilities are classified in the fair value hierarchy in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following table sets forth the Company's financial assets and liabilities that are disclosed at fair value on a recurring basis:

| (in millions) | July 29, 2017 | January 28, 2017 | July 30, 2016 |
|---|------------------|---------------------|------------------|
| Level 1 | | | |
| Short-term investments | \$ 4.0 | \$ 4.0 | \$ 4.0 |
| Long-term debt - Secured Senior Notes and Acquisition Notes | 3,745.7 | 3,740.3 | 3,804.8 |
| Level 2 | | | |
| Long-term debt - term loans | 2,275.5 | 2,828.2 | 3,862.0 |

The Company's cash and cash equivalents are valued at cost, which approximates fair value, due to the short-term maturities of these instruments.

The fair values of the Company's Secured Senior Notes and Acquisition Notes were determined using Level 1 inputs as quoted prices in active markets for identical assets or liabilities are available. The fair values of the Company's term loans were determined using Level 2 inputs as quoted prices are readily available from pricing services, but the prices are not published. The carrying values of the Company's Tranche A Revolving Credit Facility at July 29, 2017 and January 28, 2017 and the Company's Revolving Credit Facility at July 30, 2016, approximated their fair values because the interest rates vary with market interest rates.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). As described in Note 5, the Company recorded receivable impairments in the 13 and 26 weeks ended July 29, 2017.

7. NET INCOME PER SHARE

The following table sets forth the calculations of basic and diluted net income per share:

| (in millions, except per share data) | 13 Weeks Ended | | 26 Weeks Ended | |
|---|------------------|------------------|------------------|------------------|
| | July 29, 2017 | July 30, 2016 | July 29, 2017 | July 30, 2016 |
| Basic net income per share: | | | | |
| Net income | \$ 233.8 | \$ 170.2 | \$ 434.3 | \$ 402.8 |
| Weighted average number of shares outstanding | 236.7 | 235.6 | 236.5 | 235.5 |
| Basic net income per share | \$ 0.99 | \$ 0.72 | \$ 1.84 | \$ 1.71 |
| Diluted net income per share: | | | | |
| Net income | \$ 233.8 | \$ 170.2 | \$ 434.3 | \$ 402.8 |
| Weighted average number of shares outstanding | 236.7 | 235.6 | 236.5 | 235.5 |
| Dilutive effect of stock options and restricted stock (as determined by applying the treasury stock method) | 0.7 | 1.1 | 0.9 | 1.1 |
| Weighted average number of shares and dilutive potential shares outstanding | 237.4 | 236.7 | 237.4 | 236.6 |
| Diluted net income per share | \$ 0.98 | \$ 0.72 | \$ 1.83 | \$ 1.70 |

For the 13 and 26 weeks ended July 29, 2017 and July 30, 2016, substantially all of the stock options outstanding were included in the calculation of the weighted average number of shares and dilutive potential shares outstanding.

8. STOCK-BASED COMPENSATION

The Company's stock-based compensation expense primarily includes the fair value of restricted stock units (RSUs) and employees' purchase rights under the Company's Employee Stock Purchase Plan. Stock-based compensation expense was \$12.5 million and \$40.1 million during the 13 and 26 weeks ended July 29, 2017, respectively. Stock-based compensation expense was \$12.5 million and \$37.3 million during the 13 and 26 weeks ended July 30, 2016, respectively.

The Company granted approximately 0.5 million service-based RSUs from the Omnibus Incentive Plan (Omnibus Plan) to employees and officers in the 26 weeks ended July 29, 2017. The estimated \$42.5 million fair value of these RSUs is being expensed ratably over the three-year vesting periods, or shorter periods based on the retirement eligibility of certain grantees. The fair value was determined using the Company's closing stock price on the date of grant. The Company recognized \$3.7 million and \$9.4 million of expense related to these RSUs during the 13 and 26 weeks ended July 29, 2017, respectively.

In the 26 weeks ended July 29, 2017, the Company granted 0.2 million RSUs with a fair value of \$18.4 million from the Omnibus Plan to certain officers of the Company, contingent on the Company meeting certain performance targets in fiscal 2017. If the Company meets these performance targets in fiscal 2017, the RSUs will vest ratably over three years. The estimated fair value of these RSUs is being expensed ratably over the three-year vesting periods, or shorter periods based on the retirement eligibility of certain grantees. The Company recognized \$0.7 million and \$11.4 million of expense related to these RSUs in the 13 and 26 weeks ended July 29, 2017, respectively.

In the 26 weeks ended July 29, 2017, the Company granted RSUs with a fair value of \$4.1 million from the Omnibus Plan to certain officers of the Company, contingent on the Company meeting certain performance targets for the period beginning on January 29, 2017 and ending on February 1, 2020. Provided the vesting conditions are satisfied, the awards will vest at the end of the performance period. The estimated fair value of these RSUs is being expensed ratably over the three-year vesting period, or shorter periods based on the retirement eligibility of certain grantees. The Company recognized \$0.2 million and \$1.9 million of expense related to these RSUs in the 13 and 26 weeks ended July 29, 2017, respectively.

The Company recognized \$6.3 million and \$14.6 million of expense related to RSUs granted prior to fiscal 2017 in the 13 and 26 weeks ended July 29, 2017, respectively. For the 13 and 26 weeks ended July 30, 2016, the Company recognized \$12.1 million and \$36.5 million, respectively, of expense related to RSUs granted in fiscal 2016 and prior.

The Company recognized \$0.6 million and \$0.6 million of expense related to options granted prior to fiscal 2017 in the 13 and 26 weeks ended July 29, 2017, respectively.

In the 26 weeks ended July 29, 2017, approximately 0.8 million RSUs vested and approximately 0.5 million shares, net of taxes, were issued. During the 26 weeks ended July 30, 2016, approximately 0.6 million RSUs vested and approximately 0.4 million shares, net of taxes, were issued. In the 13 weeks ended July 29, 2017, 0.2 million RSUs vested and approximately 0.1 million shares, net of taxes, were issued. Less than 0.1 million RSUs vested in the 13 weeks ended July 30, 2016.

In connection with the Family Dollar acquisition, the Company converted approximately 1.5 million Family Dollar vested and unvested options into equivalent options to purchase Dollar Tree Common Stock at the date of the acquisition and recognized \$0.3 million and \$0.7 million of expense related to these options during the 13 and 26 weeks ended July 29, 2017, respectively. The Company recognized \$0.3 million and \$1.0 million of expense related to these options during the 13 and 26 weeks ended July 30, 2016, respectively. Stock options are valued using the Black-Scholes option-pricing model and compensation cost is recognized on a straight-line basis over the requisite service period.

9. SEGMENTS

The Company operates a chain of more than 14,500 retail discount stores in 48 states and five Canadian provinces. The Company's operations are conducted in two reporting business segments: Dollar Tree and Family Dollar. The Company defines its segments as those operations whose results its chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources.

The Dollar Tree segment is the leading operator of discount variety stores offering merchandise at the fixed price of \$1.00. The Dollar Tree segment includes the Company's operations under the "Dollar Tree" and "Dollar Tree Canada" brands, 11 distribution centers in the United States, two distribution centers in Canada and a Store Support Center in Chesapeake, Virginia.

The Family Dollar segment operates a chain of general merchandise retail discount stores providing consumers with a selection of competitively-priced merchandise in convenient neighborhood stores. The Family Dollar segment consists of the Company's operations under the "Family Dollar" brand, 11 distribution centers and a Store Support Center in Matthews, North Carolina.

The Company measures the results of its segments using, among other measures, each segment's net sales, gross profit and operating income. The Company may revise the measurement of each segment's operating income, including the allocation of distribution center and Store Support Center costs, as determined by the information regularly reviewed by the CODM. When the measurement of a segment changes, previous period amounts and balances are reclassified to be comparable to the current period's presentation.

Net sales by segment are as follows:

| (in millions) | 13 Weeks Ended | | 26 Weeks Ended | |
|-----------------|------------------|------------------|------------------|------------------|
| | July 29, 2017 | July 30, 2016 | July 29, 2017 | July 30, 2016 |
| Net sales: | | | | |
| Dollar Tree | \$ 2,586.9 | \$ 2,387.5 | \$ 5,158.6 | \$ 4,772.0 |
| Family Dollar | 2,694.3 | 2,608.8 | 5,409.7 | 5,310.1 |
| Total net sales | \$ 5,281.2 | \$ 4,996.3 | \$ 10,568.3 | \$ 10,082.1 |

Gross profit by segment is as follows:

| (in millions) | 13 Weeks Ended | | 26 Weeks Ended | |
|--------------------|------------------|------------------|------------------|------------------|
| | July 29, 2017 | July 30, 2016 | July 29, 2017 | July 30, 2016 |
| Gross profit: | | | | |
| Dollar Tree | \$ 895.8 | \$ 818.1 | \$ 1,792.5 | \$ 1,638.8 |
| Family Dollar | 732.0 | 694.3 | 1,462.4 | 1,428.1 |
| Total gross profit | \$ 1,627.8 | \$ 1,512.4 | \$ 3,254.9 | \$ 3,066.9 |

Depreciation and amortization expense by segment is as follows:

| (in millions) | 13 Weeks Ended | | 26 Weeks Ended | |
|--|------------------|------------------|------------------|------------------|
| | July 29, 2017 | July 30, 2016 | July 29, 2017 | July 30, 2016 |
| Depreciation and amortization expense: | | | | |
| Dollar Tree | \$ 62.7 | \$ 59.3 | \$ 124.2 | \$ 116.7 |
| Family Dollar | 88.7 | 102.7 | 181.1 | 207.7 |
| Total depreciation and amortization expense | \$ 151.4 | \$ 162.0 | \$ 305.3 | \$ 324.4 |

Operating income by segment is as follows:

| (in millions) | 13 Weeks Ended | | 26 Weeks Ended | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | July 29, 2017 | July 30, 2016 | July 29, 2017 | July 30, 2016 |
| Operating income: | | | | |
| Dollar Tree | \$ 289.1 | \$ 262.5 | \$ 604.5 | \$ 543.1 |
| Family Dollar | 130.4 | 94.7 | 203.8 | 232.8 |
| Total operating income | \$ 419.5 | \$ 357.2 | \$ 808.3 | \$ 775.9 |

Total assets by segment are as follows:

| (in millions) | As of | | |
|----------------------|--------------------|---------------------|--------------------|
| | July 29, 2017 | January 28, 2017 | July 30, 2016 |
| Total assets: | | | |
| Dollar Tree | \$ 3,555.9 | \$ 3,705.5 | \$ 3,787.4 |
| Family Dollar | 11,976.4 | 11,996.1 | 12,542.0 |
| Total assets | \$ 15,532.3 | \$ 15,701.6 | \$ 16,329.4 |

Total goodwill by segment is as follows:

| (in millions) | As of | | |
|------------------------|-------------------|---------------------|-------------------|
| | July 29, 2017 | January 28, 2017 | July 30, 2016 |
| Total goodwill: | | | |
| Dollar Tree | \$ 347.1 | \$ 345.4 | \$ 315.9 |
| Family Dollar | 4,678.1 | 4,678.1 | 4,707.9 |
| Total goodwill | \$ 5,025.2 | \$ 5,023.5 | \$ 5,023.8 |

Goodwill is reassigned between segments when stores are rebannered between segments. There were no stores rebannered between segments in the 26 weeks ended July 29, 2017. In the 26 weeks ended July 30, 2016, the Company reassigned \$30.2 million of goodwill from Family Dollar to Dollar Tree as a result of rebannered.

10. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

At July 29, 2017, the Company had outstanding \$750.0 million principal amount of 5.25% Acquisition Notes due March 1, 2020 and \$2,500.0 million principal amount of 5.75% Acquisition Notes due March 1, 2023, which are unsecured obligations of the Company and are also fully, unconditionally, jointly and severally guaranteed on an unsecured, unsubordinated basis, subject to certain exceptions, by certain of the Company's direct or indirect wholly-owned U.S. subsidiaries, including Family Dollar and certain of its subsidiaries. All of the subsidiaries, guarantor and non-guarantor, are 100% owned by the parent. Supplemental

condensed consolidated financial information of the Company, including such information for the Guarantors, is presented below. The information is presented in accordance with the requirements of Rule 3-10 under Regulation S-X of the Securities and Exchange Commission (the "SEC"). The financial information may not necessarily be indicative of results of operations, cash flows or financial position had the guarantor or the non-guarantor subsidiaries operated as independent entities. Investments in subsidiaries are presented using the equity method of accounting. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions. Separate financial statements of the Guarantors are not provided as the condensed consolidating financial information contained herein provides a more meaningful disclosure to allow investors to determine the nature of the assets held by, and the operations of, the combined groups. The Company completed the exchange of the Acquisition Notes for registered notes with substantially identical terms on August 1, 2016.

Condensed Consolidating Statements of Comprehensive Income

| 13 Weeks Ended July 29, 2017 | | | | | |
|--|---------------|-----------------------------------|---------------------------------------|--------------------------------------|---------------------------------|
| (in millions) | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidation Adjustments | Consolidated Company |
| Net sales | \$ — | \$ 5,237.0 | \$ 73.6 | \$ (29.4) | \$ 5,281.2 |
| Cost of sales | — | 3,623.7 | 41.0 | (11.3) | 3,653.4 |
| Gross profit | — | 1,613.3 | 32.6 | (18.1) | 1,627.8 |
| Selling, general and administrative expenses | 2.1 | 1,203.2 | 21.2 | (18.2) | 1,208.3 |
| Operating income (loss) | (2.1) | 410.1 | 11.4 | 0.1 | 419.5 |
| Interest expense (income), net | 58.8 | 18.9 | (1.9) | — | 75.8 |
| Other (income) expense, net | (0.1) | 0.1 | 0.2 | (0.1) | 0.1 |
| Income (loss) before income taxes | (60.8) | 391.1 | 13.1 | 0.2 | 343.6 |
| Income tax expense (benefit) | (21.5) | 126.5 | 4.8 | — | 109.8 |
| Equity in earnings of subsidiaries | (273.0) | (8.6) | — | 281.6 | — |
| Net income | 233.7 | 273.2 | 8.3 | (281.4) | 233.8 |
| Other comprehensive income | 8.0 | 2.4 | 8.0 | (10.4) | 8.0 |
| Comprehensive income | \$ 241.7 | \$ 275.6 | \$ 16.3 | \$ (291.8) | \$ 241.8 |

| 13 Weeks Ended July 30, 2016 | | | | | |
|--|---------------|-----------------------------------|---------------------------------------|--------------------------------------|---------------------------------|
| (in millions) | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidation Adjustments | Consolidated Company |
| Net sales | \$ — | \$ 4,951.8 | \$ 230.3 | \$ (185.8) | \$ 4,996.3 |
| Cost of sales | — | 3,468.8 | 210.2 | (195.1) | 3,483.9 |
| Gross profit | — | 1,483.0 | 20.1 | 9.3 | 1,512.4 |
| Selling, general and administrative expenses | 1.9 | 1,125.1 | 16.2 | 12.0 | 1,155.2 |
| Operating income (loss) | (1.9) | 357.9 | 3.9 | (2.7) | 357.2 |
| Interest expense (income), net | 72.7 | 16.5 | (1.9) | — | 87.3 |
| Other expense, net | 2.7 | — | 0.4 | (3.1) | — |
| Income (loss) before income taxes | (77.3) | 341.4 | 5.4 | 0.4 | 269.9 |
| Income tax expense (benefit) | (30.4) | 129.7 | 0.3 | 0.1 | 99.7 |
| Equity in earnings of subsidiaries | (216.6) | (1.9) | — | 218.5 | — |
| Net income | 169.7 | 213.6 | 5.1 | (218.2) | 170.2 |
| Other comprehensive loss | (2.4) | (0.6) | (2.4) | 3.1 | (2.3) |
| Comprehensive income | \$ 167.3 | \$ 213.0 | \$ 2.7 | \$ (215.1) | \$ 167.9 |

Condensed Consolidating Statements of Comprehensive Income (Continued)

| 26 Weeks Ended July 29, 2017 | | | | | |
|--|---------------|-----------------------------------|---------------------------------------|--------------------------------------|---------------------------------|
| (in millions) | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidation Adjustments | Consolidated Company |
| Net sales | \$ — | \$ 10,484.4 | \$ 142.3 | \$ (58.4) | \$ 10,568.3 |
| Cost of sales | — | 7,255.4 | 80.3 | (22.3) | 7,313.4 |
| Gross profit | — | 3,229.0 | 62.0 | (36.1) | 3,254.9 |
| Selling, general and administrative expenses | 3.4 | 2,425.2 | 54.1 | (36.1) | 2,446.6 |
| Operating income (loss) | (3.4) | 803.8 | 7.9 | — | 808.3 |
| Interest expense (income), net | 116.3 | 38.0 | (3.8) | — | 150.5 |
| Other (income) expense, net | (0.1) | 0.1 | 0.5 | (0.1) | 0.4 |
| Income (loss) before income taxes | (119.6) | 765.7 | 11.2 | 0.1 | 657.4 |
| Income tax expense (benefit) | (48.9) | 266.7 | 5.3 | — | 223.1 |
| Equity in earnings of subsidiaries | (505.0) | (8.5) | — | 513.5 | — |
| Net income | 434.3 | 507.5 | 5.9 | (513.4) | 434.3 |
| Other comprehensive income | 5.0 | 1.5 | 5.0 | (6.5) | 5.0 |
| Comprehensive income | \$ 439.3 | \$ 509.0 | \$ 10.9 | \$ (519.9) | \$ 439.3 |

| 26 Weeks Ended July 30, 2016 | | | | | |
|--|---------------|-----------------------------------|---------------------------------------|--------------------------------------|---------------------------------|
| (in millions) | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidation Adjustments | Consolidated Company |
| Net sales | \$ — | \$ 9,985.2 | \$ 415.1 | \$ (318.2) | \$ 10,082.1 |
| Cost of sales | — | 6,958.6 | 370.8 | (314.2) | 7,015.2 |
| Gross profit | — | 3,026.6 | 44.3 | (4.0) | 3,066.9 |
| Selling, general and administrative expenses | 3.9 | 2,263.1 | 30.8 | (6.8) | 2,291.0 |
| Operating income (loss) | (3.9) | 763.5 | 13.5 | 2.8 | 775.9 |
| Interest expense (income), net | 145.6 | 32.8 | (3.8) | — | 174.6 |
| Other (income) expense, net | (3.0) | (0.3) | 0.3 | 2.8 | (0.2) |
| Income (loss) before income taxes | (146.5) | 731.0 | 17.0 | — | 601.5 |
| Income tax expense (benefit) | (64.1) | 259.0 | 3.8 | — | 198.7 |
| Equity in earnings of subsidiaries | (485.1) | (8.8) | — | 493.9 | — |
| Net income | 402.7 | 480.8 | 13.2 | (493.9) | 402.8 |
| Other comprehensive income | 6.6 | 2.0 | 6.6 | (8.6) | 6.6 |
| Comprehensive income | \$ 409.3 | \$ 482.8 | \$ 19.8 | \$ (502.5) | \$ 409.4 |

Condensed Consolidating Balance Sheets

| | July 29, 2017 | | | | |
|--|----------------------|-----------------------------------|---------------------------------------|--------------------------------------|---------------------------------|
| (in millions) | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated Company |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 389.1 | \$ 128.2 | \$ 176.0 | \$ — | \$ 693.3 |
| Short-term investments | — | — | 4.0 | — | 4.0 |
| Merchandise inventories, net | — | 2,882.1 | 48.1 | (1.7) | 2,928.5 |
| Current deferred tax assets, net | — | (6.7) | 6.7 | — | — |
| Due from intercompany, net | 109.1 | 1,118.7 | 6.5 | (1,234.3) | — |
| Other current assets | 0.8 | 186.6 | 1.7 | 0.3 | 189.4 |
| Total current assets | 499.0 | 4,308.9 | 243.0 | (1,235.7) | 3,815.2 |
| Property, plant and equipment, net | — | 3,087.4 | 28.0 | — | 3,115.4 |
| Assets available for sale | — | 10.4 | — | — | 10.4 |
| Goodwill | — | 4,993.1 | 32.1 | — | 5,025.2 |
| Favorable lease rights, net | — | 420.4 | — | — | 420.4 |
| Tradename intangible asset | — | 3,100.0 | — | — | 3,100.0 |
| Other intangible assets, net | — | 4.9 | — | — | 4.9 |
| Investment in subsidiaries | 8,583.5 | 116.5 | — | (8,700.0) | — |
| Intercompany note receivable | 1,801.4 | — | 188.8 | (1,990.2) | — |
| Due from intercompany, net | 1,245.7 | — | — | (1,245.7) | — |
| Other assets | — | 40.5 | 3.1 | (2.8) | 40.8 |
| Total assets | \$ 12,129.6 | \$ 16,082.1 | \$ 495.0 | \$ (13,174.4) | \$ 15,532.3 |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities: | | | | | |
| Current portion of long-term debt | \$ 165.9 | \$ — | \$ — | \$ — | \$ 165.9 |
| Accounts payable | — | 1,182.0 | 15.4 | (1.1) | 1,196.3 |
| Due to intercompany, net | 917.4 | 299.6 | 17.3 | (1,234.3) | — |
| Other current liabilities | 50.2 | 467.3 | 205.0 | — | 722.5 |
| Income taxes payable | (146.4) | 143.0 | 3.4 | — | — |
| Total current liabilities | 987.1 | 2,091.9 | 241.1 | (1,235.4) | 2,084.7 |
| Long-term debt, net, excluding current portion | 5,280.3 | 314.7 | — | — | 5,595.0 |
| Unfavorable lease rights, net | — | 111.5 | — | — | 111.5 |
| Deferred tax liabilities, net | 2.0 | 1,447.8 | — | — | 1,449.8 |
| Income taxes payable, long-term | — | 41.6 | — | — | 41.6 |
| Due to intercompany, net | — | 1,245.7 | — | (1,245.7) | — |
| Intercompany note payable | — | 1,990.2 | — | (1,990.2) | — |
| Other liabilities | — | 383.9 | 8.5 | (2.9) | 389.5 |
| Total liabilities | 6,269.4 | 7,627.3 | 249.6 | (4,474.2) | 9,672.1 |
| Shareholders' equity | 5,860.2 | 8,454.8 | 245.4 | (8,700.2) | 5,860.2 |
| Total liabilities and equity | \$ 12,129.6 | \$ 16,082.1 | \$ 495.0 | \$ (13,174.4) | \$ 15,532.3 |

Condensed Consolidating Balance Sheets (Continued)

| | January 28, 2017 | | | | |
|--|-------------------------|-----------------------------------|---------------------------------------|--------------------------------------|---------------------------------|
| (in millions) | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated Company |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 562.4 | \$ 139.2 | \$ 164.8 | \$ — | \$ 866.4 |
| Short-term investments | — | — | 4.0 | — | 4.0 |
| Merchandise inventories, net | — | 2,826.3 | 41.2 | (1.7) | 2,865.8 |
| Current deferred tax assets, net | — | (9.3) | 9.3 | — | — |
| Due from intercompany, net | 58.7 | 1,041.5 | 42.8 | (1,143.0) | — |
| Other current assets | 0.5 | 198.7 | 2.3 | 0.3 | 201.8 |
| Total current assets | 621.6 | 4,196.4 | 264.4 | (1,144.4) | 3,938.0 |
| Property, plant and equipment, net | — | 3,085.3 | 30.5 | — | 3,115.8 |
| Assets available for sale | — | 9.0 | — | — | 9.0 |
| Goodwill | — | 4,993.1 | 30.4 | — | 5,023.5 |
| Favorable lease rights, net | — | 468.6 | — | — | 468.6 |
| Tradename intangible asset | — | 3,100.0 | — | — | 3,100.0 |
| Other intangible assets, net | — | 5.1 | — | — | 5.1 |
| Investment in subsidiaries | 8,640.1 | 106.6 | — | (8,746.7) | — |
| Intercompany note receivable | 1,926.4 | — | 188.8 | (2,115.2) | — |
| Due from intercompany, net | 1,243.8 | — | — | (1,243.8) | — |
| Other assets | — | 41.3 | 3.3 | (3.0) | 41.6 |
| Total assets | \$ 12,431.9 | \$ 16,005.4 | \$ 517.4 | \$ (13,253.1) | \$ 15,701.6 |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities: | | | | | |
| Current portion of long-term debt | \$ 152.1 | \$ — | \$ — | \$ — | \$ 152.1 |
| Accounts payable | — | 1,105.9 | 14.7 | (1.0) | 1,119.6 |
| Due to intercompany, net | 969.6 | 121.5 | 51.9 | (1,143.0) | — |
| Other current liabilities | 66.4 | 470.5 | 207.3 | — | 744.2 |
| Income taxes payable | (1.9) | 91.0 | 0.9 | — | 90.0 |
| Total current liabilities | 1,186.2 | 1,788.9 | 274.8 | (1,144.0) | 2,105.9 |
| Long-term debt, net, excluding current portion | 5,853.9 | 315.8 | — | — | 6,169.7 |
| Unfavorable lease rights, net | — | 124.0 | — | — | 124.0 |
| Deferred tax liabilities, net | 2.0 | 1,456.9 | — | — | 1,458.9 |
| Income taxes payable, long-term | — | 71.2 | — | — | 71.2 |
| Due to intercompany, net | — | 1,243.8 | — | (1,243.8) | — |
| Intercompany note payable | — | 2,115.2 | — | (2,115.2) | — |
| Other liabilities | — | 377.5 | 8.1 | (3.2) | 382.4 |
| Total liabilities | 7,042.1 | 7,493.3 | 282.9 | (4,506.2) | 10,312.1 |
| Shareholders' equity | 5,389.8 | 8,512.1 | 234.5 | (8,746.9) | 5,389.5 |
| Total liabilities and equity | \$ 12,431.9 | \$ 16,005.4 | \$ 517.4 | \$ (13,253.1) | \$ 15,701.6 |

Condensed Consolidating Balance Sheets (Continued)

| | July 30, 2016 | | | | |
|--|----------------------|-----------------------------------|---------------------------------------|--------------------------------------|---------------------------------|
| (in millions) | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated Company |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ — | \$ 1,044.8 | \$ 155.4 | \$ (107.0) | \$ 1,093.2 |
| Short-term investments | — | — | 4.0 | — | 4.0 |
| Merchandise inventories, net | — | 2,910.6 | 61.2 | 3.3 | 2,975.1 |
| Due from intercompany, net | 40.5 | 350.1 | 125.6 | (516.2) | — |
| Other current assets | 3.0 | 380.8 | (7.0) | 0.3 | 377.1 |
| Total current assets | 43.5 | 4,686.3 | 339.2 | (619.6) | 4,449.4 |
| Property, plant and equipment, net | — | 3,139.1 | 35.1 | — | 3,174.2 |
| Assets available for sale | — | 13.5 | — | — | 13.5 |
| Goodwill | — | 4,993.2 | 30.6 | — | 5,023.8 |
| Favorable lease rights, net | — | 518.8 | — | — | 518.8 |
| Tradename intangible asset | — | 3,100.0 | — | — | 3,100.0 |
| Other intangible assets, net | — | 5.3 | 0.1 | — | 5.4 |
| Investment in subsidiaries | 8,886.3 | 123.2 | — | (9,009.5) | — |
| Intercompany note receivable | 1,526.4 | — | 188.8 | (1,715.2) | — |
| Due from intercompany, net | 1,916.5 | — | — | (1,916.5) | — |
| Other assets | — | 44.2 | 3.8 | (3.7) | 44.3 |
| Total assets | \$ 12,372.7 | \$ 16,623.6 | \$ 597.6 | \$ (13,264.5) | \$ 16,329.4 |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities: | | | | | |
| Current portion of long-term debt | \$ 145.5 | \$ — | \$ — | \$ — | \$ 145.5 |
| Accounts payable | 107.0 | 1,219.2 | 129.0 | (103.7) | 1,351.5 |
| Due to intercompany, net | 346.9 | 158.4 | 10.9 | (516.2) | — |
| Other current liabilities | 77.7 | 399.8 | 205.5 | — | 683.0 |
| Total current liabilities | 677.1 | 1,777.4 | 345.4 | (619.9) | 2,180.0 |
| Long-term debt, net, excluding current portion | 6,838.9 | 316.8 | — | — | 7,155.7 |
| Unfavorable lease rights, net | — | 136.6 | — | — | 136.6 |
| Deferred tax liabilities, net | — | 1,562.8 | (6.9) | 0.1 | 1,556.0 |
| Income taxes payable, long-term | — | 73.6 | — | — | 73.6 |
| Due to intercompany, net | — | 1,916.5 | — | (1,916.5) | — |
| Intercompany note payable | — | 1,715.2 | — | (1,715.2) | — |
| Other liabilities | (0.3) | 365.7 | 8.5 | (3.3) | 370.6 |
| Total liabilities | 7,515.7 | 7,864.6 | 347.0 | (4,254.8) | 11,472.5 |
| Shareholders' equity | 4,857.0 | 8,759.0 | 250.6 | (9,009.7) | 4,856.9 |
| Total liabilities and equity | \$ 12,372.7 | \$ 16,623.6 | \$ 597.6 | \$ (13,264.5) | \$ 16,329.4 |

Condensed Consolidating Statements of Cash Flows

26 Weeks Ended July 29, 2017

| (in millions) | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated Company |
|--|---------------|-----------------------------------|---------------------------------------|--------------------------------------|---------------------------------|
| Net cash provided by operating activities | \$ 405.8 | \$ 827.5 | \$ 11.2 | \$ (569.3) | \$ 675.2 |
| Cash flows from investing activities: | | | | | |
| Capital expenditures | — | (271.3) | (0.4) | — | (271.7) |
| Other | — | 2.1 | — | — | 2.1 |
| Net cash used in investing activities | — | (269.2) | (0.4) | — | (269.6) |
| Cash flows from financing activities: | | | | | |
| Principal payments for long-term debt | (569.3) | — | — | — | (569.3) |
| Dividends paid | — | (569.3) | — | 569.3 | — |
| Proceeds from stock issued pursuant to stock-based compensation plans | 14.9 | — | — | — | 14.9 |
| Cash paid for taxes on exercises/vesting of stock-based compensation | (24.7) | — | — | — | (24.7) |
| Net cash used in financing activities | (579.1) | (569.3) | — | 569.3 | (579.1) |
| Effect of exchange rate changes on cash and cash equivalents | — | — | 0.4 | — | 0.4 |
| Net (decrease) increase in cash and cash equivalents | (173.3) | (11.0) | 11.2 | — | (173.1) |
| Cash and cash equivalents at beginning of period | 562.4 | 139.2 | 164.8 | — | 866.4 |
| Cash and cash equivalents at end of period | \$ 389.1 | \$ 128.2 | \$ 176.0 | \$ — | \$ 693.3 |

Condensed Consolidating Statements of Cash Flows (continued)

| (in millions) | 26 Weeks Ended July 30, 2016 | | | | |
|---|------------------------------|---------------------------|-------------------------------|------------------------------|-------------------------|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated Company |
| Net cash provided by operating activities | \$ 51.9 | \$ 679.5 | \$ 38.6 | \$ (89.7) | \$ 680.3 |
| Cash flows from investing activities: | | | | | |
| Capital expenditures | — | (355.1) | (0.8) | — | (355.9) |
| Purchase of restricted investments | — | (36.1) | — | — | (36.1) |
| Proceeds from sale of restricted investments | — | 118.1 | — | — | 118.1 |
| Other | — | 1.5 | — | — | 1.5 |
| Net cash used in investing activities | — | (271.6) | (0.8) | — | (272.4) |
| Cash flows from financing activities: | | | | | |
| Principal payments for long-term debt | (54.0) | — | — | — | (54.0) |
| Proceeds from stock issued pursuant to stock-based compensation plans | 22.7 | — | — | — | 22.7 |
| Cash paid for taxes on exercises/vesting of stock-based compensation | (19.9) | — | — | — | (19.9) |
| Other | (0.7) | — | — | — | (0.7) |
| Net cash used in financing activities | (51.9) | — | — | — | (51.9) |
| Effect of exchange rate changes on cash and cash equivalents | | | | | |
| | — | — | 1.1 | — | 1.1 |
| Net increase in cash and cash equivalents | — | 407.9 | 38.9 | (89.7) | 357.1 |
| Cash and cash equivalents at beginning of period | | | | | |
| | — | 636.9 | 116.5 | (17.3) | 736.1 |
| Cash and cash equivalents at end of period | \$ — | \$ 1,044.8 | \$ 155.4 | \$ (107.0) | \$ 1,093.2 |

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

INTRODUCTORY NOTE: Unless otherwise stated, references to "we," "our" and "us" generally refer to Dollar Tree, Inc. and its direct and indirect subsidiaries on a consolidated basis.

A WARNING ABOUT FORWARD-LOOKING STATEMENTS: This document contains "forward-looking statements" as that term is used in the Private Securities Litigation Reform Act of 1995. Forward-looking statements address future events, developments and results. They include statements preceded by, followed by or including words such as "believe," "anticipate," "expect," "intend," "plan," "view," "target" or "estimate." For example, our forward-looking statements include statements regarding:

- the benefits, results and effects of the Family Dollar acquisition and integration and the combined Company's plans, objectives, expectations (financial or otherwise), including synergies, the cost to achieve synergies and the effect on earnings per share;
- the collection of amounts owed to Family Dollar by Dollar Express and Sycamore Partners (which receivable has been impaired) and the outcome of related litigation including the counterclaim by Dollar Express against the Company for \$500 million;
- the ability to retain key personnel at Family Dollar and Dollar Tree;
- our anticipated sales, including comparable store net sales, net sales growth and earnings growth;
- the potential effect of future law changes, including border-adjustment taxes and tariffs, the Fair Labor Standards Act as it relates to the qualification of our managers for exempt status, minimum wage, and health care law;
- the outcome and costs of pending or potential litigation or governmental investigations;
- our growth plans, including our plans to add, rebanner, expand or relocate stores, our anticipated square footage increase, and our ability to renew leases at existing store locations;
- the average size of our stores and their performance compared with other store sizes;
- the effect on merchandise mix of consumables and the increase in the number of our stores with freezers and coolers on Dollar Tree's gross profit margin and sales;
- the effect of the Family Dollar renovation initiative and other initiatives on Family Dollar's sales;
- the net sales per square foot, net sales and operating income of our stores;
- the potential effect of inflation and other economic changes on our costs and profitability, including the potential effect of future changes in minimum wage rates and overtime regulations and our plans to address these changes, shipping rates, domestic and import freight costs, fuel costs and wage and benefit costs;
- our gross profit margin, earnings, inventory levels and ability to leverage selling, general and administrative and other fixed costs;
- our seasonal sales patterns including those relating to the length of the holiday selling seasons;
- the capabilities of our inventory supply chain technology and other systems;
- the reliability of, and cost associated with, our sources of supply, particularly imported goods such as those sourced from China;
- the capacity, performance and cost of our distribution centers;
- our cash needs, including our ability to fund our future capital expenditures and working capital requirements;
- our expectations regarding competition and growth in our retail sector; and
- management's estimates associated with our critical accounting policies, including inventory valuation, accrued expenses, the Family Dollar purchase price allocation and income taxes.

For a discussion of the risks, uncertainties and assumptions that could affect our future events, developments or results, you should carefully review the risk factors summarized below and the more detailed discussions in the "Risk Factors" and "Business" sections in our Annual Report on Form 10-K filed March 28, 2017.

- Our profitability is vulnerable to cost increases.
- Risks associated with our domestic and foreign suppliers, including, among others, increased taxes, duties, tariffs or other restrictions on trade, could adversely affect our financial performance.
- Integrating Family Dollar's operations with ours may be more difficult, costly or time consuming than expected and the anticipated benefits, synergies and cost savings of the acquisition may not be realized.
- A downturn in economic conditions could impact our sales.
- A significant disruption in our computer and technology systems could adversely affect our results of operation or business.
- If we are unable to secure our customers' credit card and confidential information, or other private data relating to our associates, suppliers or our business, we could be subject to negative publicity, costly government enforcement actions or private litigation, which could damage our business reputation and adversely affect our results of operation or business.
- Our growth is dependent on our ability to increase sales in existing stores and to expand our square footage profitably.
- We could encounter disruptions in our distribution network or additional costs in distributing merchandise.
- Our profitability is affected by the mix of products we sell.
- Pressure from competitors may reduce our sales and profits.
- Litigation may adversely affect our business, financial condition and results of operations. For example, litigation is subject to significant risks and we cannot assure you of the outcome of any litigation including the litigation with Dollar Express and Sycamore Partners. For a discussion of current legal proceedings, see "Note 4. Legal Proceedings," included in "Part I. Financial Information, Item 1. Financial Statements" of this Form 10-Q.
- Changes in federal, state or local law, or our failure to comply with such laws, could increase our expenses and expose us to legal risks.
- Our business could be adversely affected if we fail to attract and retain qualified associates and key personnel.
- Certain provisions in our Articles of Incorporation and Bylaws could delay or discourage a change of control transaction that may be in a shareholder's best interest.
- Our substantial indebtedness could adversely affect our financial condition, limit our ability to obtain additional financing, restrict our operations and make us more vulnerable to economic downturns and competitive pressures.
- We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.
- The terms of the agreements governing our indebtedness may restrict our current and future operations, particularly our ability to respond to changes or to pursue our business strategies, and could adversely affect our capital resources, financial condition and liquidity.
- Our variable-rate indebtedness subjects us to interest rate risk, which could cause our annual debt service obligations to increase significantly.

Our forward-looking statements could be wrong in light of these risks, uncertainties and assumptions. The future events, developments or results described in this report could turn out to be materially different. We have no obligation to publicly update or revise our forward-looking statements after the date of this quarterly report and you should not expect us to do so.

Investors should also be aware that while we do, from time to time, communicate with securities analysts and others, it is against our policy to selectively disclose to them any material, nonpublic information or other confidential commercial information. Accordingly, shareholders should not assume that we agree with any statement or report issued by any securities analyst regardless

of the content of the statement or report as we have a policy against confirming information issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

Overview

We are a leading operator of more than 14,500 retail discount stores and we conduct our operations in two reporting segments. Our Dollar Tree segment is the leading operator of discount variety stores offering merchandise at the fixed price of \$1.00. Our Family Dollar segment operates general merchandise retail discount stores providing consumers with a selection of competitively-priced merchandise in convenient neighborhood stores.

Our net sales are derived from the sale of merchandise. Two major factors tend to affect our net sales trends. First is our success at opening new stores or adding new stores through mergers or acquisitions. Second is the performance of stores once they are open. Sales vary at our existing stores from one year to the next. We refer to this as a change in comparable store net sales, because we include only those stores that are open throughout both of the periods being compared, beginning after the first fifteen months of operation. We include sales from stores expanded during the period in the calculation of comparable store net sales, which has the effect of increasing our comparable store net sales. The term 'expanded' also includes stores that are relocated. Stores that have been re-bannered are considered to be new stores and are not included in the calculation of the comparable store net sales change until after the first fifteen months of operation under the new banner. Both our Dollar Tree stores and our acquired Family Dollar stores are included in the comparable store net sales calculation for the 13 and 26 weeks ended July 29, 2017.

At July 29, 2017, we operated stores in 48 states and the District of Columbia, as well as stores in five Canadian provinces. A breakdown of store counts and square footage by segment for the 26 weeks ended July 29, 2017 and July 30, 2016 is as follows:

| | 26 Weeks Ended | | | | | |
|---|----------------|---------------|---------------|---------------|---------------|---------------|
| | July 29, 2017 | | | July 30, 2016 | | |
| | Dollar Tree | Family Dollar | Total | Dollar Tree | Family Dollar | Total |
| Store Count: | | | | | | |
| Beginning | 6,360 | 7,974 | 14,334 | 5,954 | 7,897 | 13,851 |
| New stores | 165 | 132 | 297 | 211 | 116 | 327 |
| Rebanned stores | — | — | — | 41 | (54) | (13) |
| Closings | (19) | (31) | (50) | (22) | (14) | (36) |
| Ending | <u>6,506</u> | <u>8,075</u> | <u>14,581</u> | <u>6,184</u> | <u>7,945</u> | <u>14,129</u> |
| Relocations | 59 | 23 | 82 | 43 | 75 | 118 |
| Selling Square Feet (in millions): | | | | | | |
| Beginning | 54.7 | 57.7 | 112.4 | 51.3 | 57.1 | 108.4 |
| New stores | 1.4 | 0.9 | 2.3 | 1.7 | 0.8 | 2.5 |
| Rebanned stores | — | — | — | 0.3 | (0.4) | (0.1) |
| Closings | (0.1) | (0.2) | (0.3) | (0.1) | (0.1) | (0.2) |
| Relocations | 0.1 | — | 0.1 | 0.1 | 0.1 | 0.2 |
| Ending | <u>56.1</u> | <u>58.4</u> | <u>114.5</u> | <u>53.3</u> | <u>57.5</u> | <u>110.8</u> |

Stores are included as rebanners when they close or open, respectively. Comparable store net sales for Dollar Tree may be negatively affected when a Family Dollar store is rebannered near an existing Dollar Tree store.

The average size of stores opened during the 26 weeks ended July 29, 2017 was approximately 8,230 selling square feet for the Dollar Tree segment and 7,130 selling square feet for the Family Dollar segment. We believe that these size stores are in the ranges of our optimal sizes operationally and give our customers a shopping environment which invites them to shop longer, buy more and make return visits, which increases our customer traffic.

For the 13 weeks ended July 29, 2017, comparable store net sales increased 2.4% due to increased customer count and average ticket. This comparable store net sales increase consisted of a 3.9% increase in comparable store net sales for the Dollar Tree segment and a 1.0% increase in the Family Dollar segment. We believe comparable store net sales continue to be positively affected.

by a number of our Dollar Tree initiatives, as debit and credit card penetration continued to increase in the 13 weeks ended July 29, 2017, and we continued the roll-out of frozen and refrigerated merchandise to more of our Dollar Tree stores. At July 29, 2017, the Dollar Tree segment had frozen and refrigerated merchandise in approximately 5,010 stores compared to 4,560 stores at July 30, 2016. We believe that this has and will continue to enable us to increase sales and earnings by increasing the number of shopping trips made by our customers.

We believe our initiatives at Family Dollar are positively affecting the comparable store net sales performance. Among these is a store renovation initiative. During the 13 weeks ended July 29, 2017, we completed 111 Family Dollar renovations. These renovations have focused on creating an exciting and more productive Family Dollar shopping experience. Renovations bring some of the oldest stores to our brand standard, including, more productive end-caps, highlighting more relevant and prominent seasonal offerings, assortment expansions in beverage and snacks, hair care, and food in coolers and freezers. Category adjacencies and updating our front-end checkout are also part of the renovation program. We are making a number of improvements to the conditions of our stores to provide our customers with a consistent and improved shopping experience. In addition, we have focused on re-branding our private brand labels in our stores. These private brands are being developed to provide national brand comparable quality and great values for our customers, as part of our Compare and Save marketing program.

In the first quarter of 2017, we evaluated the collectability of the divestiture-related receivable from Dollar Express. Based on information available, we determined that the outstanding balance of \$50.9 million was not recoverable and recorded an impairment charge to write down the receivable to zero. An additional \$2.6 million was recorded as a receivable and impaired in the second quarter ended July 29, 2017. The total \$2.6 million and \$53.5 million impairment charges for the 13 and 26 weeks ended July 29, 2017, respectively, are recorded as "Receivable impairment" in the accompanying condensed consolidated income statements. We plan to take all appropriate actions to enforce the Company's rights and we do not expect any additional amounts to become impaired.

Results of Operations

13 Weeks Ended July 29, 2017 Compared to the 13 Weeks Ended July 30, 2016

Net Sales. Net sales increased \$284.9 million, or 5.7%, compared with last year's second quarter, resulting from sales in new Dollar Tree and Family Dollar stores and increased comparable store net sales. Comparable store net sales increased 2.4% on a constant currency basis. Constant currency basis refers to the calculation excluding the impact of currency exchange rate fluctuations. We calculated the constant currency basis increase by translating the current year quarter's comparable store net sales in Canada using the prior year second quarter's currency exchange rates. We believe that the constant currency basis provides a more accurate measure of comparable store net sales performance. Including the impact of currency, comparable store net sales increased the same 2.4% due to increased customer count and average ticket. On a constant currency basis, comparable store net sales increased 3.9% in the Dollar Tree segment and increased 1.0% in the Family Dollar segment for the 13 weeks ended July 29, 2017. Comparable store net sales are positively affected by our expanded and relocated stores, which we include in the calculation, and are negatively affected when we open new stores, rebanner stores or expand stores near existing stores.

Gross Profit. Gross profit increased by \$115.4 million or 7.6%, to \$1,627.8 million in the second quarter of 2017 compared to \$1,512.4 million in the second quarter of 2016. Gross profit margin increased to 30.8% in the current quarter from 30.3% in the same quarter last year. Our gross profit margin improvement was the result of lower merchandise and freight costs and lower markdowns in the current quarter, partially offset by higher distribution and occupancy costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to \$1,208.3 million in the second quarter of 2017 from \$1,155.2 million in the same quarter last year, an increase of \$53.1 million or 4.6%. As a percentage of sales, selling, general and administrative expenses decreased to 22.9% in the second quarter of 2017 from 23.1% in the same quarter last year. The decrease is the result of the net of the following:

- lower depreciation costs;
- lower payroll costs as a result of leverage from the comparable store net sales increase and lower workers' compensation expenses, partially offset by higher health insurance costs;
- lower store operating costs resulting primarily from lower utility costs as a percentage of sales; and
- higher operating and corporate expenses resulting from increased advertising costs and legal fees, partially offset by lower general liability insurance costs.

Operating Income. Operating income for the current quarter increased to \$419.5 million compared with \$357.2 million in the same period last year and operating income margin increased to 7.9% in the current quarter from 7.1% in last year's quarter.

Interest expense, net. Interest expense, net was \$75.8 million in the second quarter of 2017 compared to \$87.3 million in the prior year quarter. The decrease is due to lower debt outstanding in the current quarter as a result of \$990.1 million in prepayments in the third and fourth quarters of 2016.

Income Taxes. Our effective tax rate for the 13 weeks ended July 29, 2017 was 32.0% compared to 36.9% for the 13 weeks ended July 30, 2016. The 2017 tax rate includes the effect of a reduction in the statutory rate for North Carolina which resulted in a decrease in the deferred tax liability related to the trade name intangible asset and a \$9.9 million decrease in tax expense. The 2017 rate also includes a reduction of approximately \$5.6 million in the reserve for uncertain tax positions resulting from statute expirations and the reduction of interest accrued on method changes.

26 Weeks Ended July 29, 2017 Compared to the 26 Weeks Ended July 30, 2016

Net Sales. Net sales in the first half of 2017 increased \$486.2 million, or 4.8%, compared with the first half of 2016, resulting from sales in new Dollar Tree and Family Dollar stores and increased comparable store net sales. Comparable store net sales increased 1.2% on a constant currency basis. Constant currency basis refers to the calculation excluding the impact of currency exchange rate fluctuations. We calculated the constant currency basis increase by translating the first half of 2017 comparable store net sales in Canada using the currency exchange rates in effect for the first half of the prior year. We believe that the constant currency basis provides a more accurate measure of comparable store net sales performance. Including the impact of currency, comparable store net sales increased the same 1.2% due to increased customer count and average ticket. On a constant currency basis, comparable store net sales increased 2.9% in the Dollar Tree segment and decreased 0.2% in the Family Dollar segment for the 26 weeks ended July 29, 2017. Comparable store net sales are positively affected by our expanded and relocated stores, which we include in the calculation, and are negatively affected when we open new stores, rebanner stores or expand stores near existing stores.

Gross Profit. Gross profit increased by \$188.0 million or 6.1%, to \$3,254.9 million in the 26 weeks ended July 29, 2017 compared to \$3,066.9 million for the 26 weeks ended July 30, 2016. Gross profit margin increased to 30.8% in the first half of 2017 from 30.4% in the first half of 2016. Our gross profit margin improvement was the result of lower merchandise and freight costs in the first half of 2017, partially offset by higher markdowns, shrink expense and distribution and occupancy costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to \$2,446.6 million in the 26 weeks ended July 29, 2017 from \$2,291.0 million in the same period last year, an increase of \$155.6 million or 6.8%. As a percentage of sales, selling, general and administrative expenses increased to 23.2% in the 26 weeks ended July 29, 2017 from 22.7% in the same period last year. The increase is the result of a \$53.5 million receivable impairment. Excluding the receivable impairment, selling, general and administrative expenses decreased to 22.6% due to lower depreciation and store operating costs, partially offset by higher advertising and payroll costs.

Operating Income. Operating income for the 26 weeks ended July 29, 2017 increased to \$808.3 million compared with \$775.9 million in the same period last year and operating income margin decreased to 7.6% in the first half of 2017 from 7.7% in the first half of 2016. The decrease is the result of the \$53.5 million receivable impairment. Excluding the receivable impairment, operating income increased to \$861.8 million and operating income margin increased to 8.2% as a result of the increased gross profit margin.

Interest expense, net. Interest expense, net was \$150.5 million in the first half of 2017 compared to \$174.6 million in the first half of the prior year. The decrease is due to lower debt outstanding in the current year as a result of \$990.1 million in prepayments in the third and fourth quarters of 2016.

Income Taxes. Our effective tax rate for the 26 weeks ended July 29, 2017 was 33.9% compared to 33.0% for the 26 weeks ended July 30, 2016. The increase is primarily attributable to a one-time benefit for an election allowing the Family Dollar acquisition to be treated as an asset purchase for certain state tax purposes in 2016, partially offset by the decrease in the statutory rate for North Carolina in 2017 which resulted in a decrease in the deferred tax liability related to the trade name intangible asset and a \$9.9 million decrease in tax expense. The 2017 rate also includes a reduction of approximately \$5.6 million in the reserve for uncertain tax positions resulting from statute expirations and the reduction of interest accrued on method changes.

Segment Information

We operate a chain of more than 14,500 retail discount stores in 48 states and five Canadian provinces. Our operations are conducted in two reporting business segments: Dollar Tree and Family Dollar. We define our segments as those operations whose results our chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources.

The Dollar Tree segment is the leading operator of discount variety stores offering merchandise at the fixed price of \$1.00. The Dollar Tree segment includes our operations under the "Dollar Tree" and "Dollar Tree Canada" brands, 11 distribution centers in the United States, two distribution centers in Canada and a Store Support Center in Chesapeake, Virginia.

The Family Dollar segment operates a chain of general merchandise retail discount stores providing consumers with a selection of competitively-priced merchandise in convenient neighborhood stores. The Family Dollar segment consists of our operations under the "Family Dollar" brand, 11 distribution centers and a Store Support Center in Matthews, North Carolina.

We measure the results of our segments using, among other measures, each segment's net sales, gross profit and operating income. We may revise the measurement of each segment's operating income, including the allocation of distribution center and Store Support Center costs, as determined by the information regularly reviewed by the CODM. When the measurement of a segment changes, previous period amounts and balances are reclassified to be comparable to the current period's presentation.

Dollar Tree

The following table summarizes the operating results of the Dollar Tree segment:

| (in millions) | 13 Weeks Ended | | | | 26 Weeks Ended | | | |
|------------------|----------------|------------|---------------|------------|----------------|------------|---------------|------------|
| | July 29, 2017 | | July 30, 2016 | | July 29, 2017 | | July 30, 2016 | |
| | \$ | % of Sales | \$ | % of Sales | \$ | % of Sales | \$ | % of Sales |
| Net sales | \$ 2,586.9 | | \$ 2,387.5 | | \$ 5,158.6 | | \$ 4,772.0 | |
| Gross profit | 895.8 | 34.6% | 818.1 | 34.3% | 1,792.5 | 34.7% | 1,638.8 | 34.3% |
| Operating income | 289.1 | 11.2% | 262.5 | 11.0% | 604.5 | 11.7% | 543.1 | 11.4% |

Net sales for Dollar Tree increased 8.4% and 8.1% for the 13 and 26 weeks ended July 29, 2017, respectively, as compared to the same periods last year. The increases were due to sales from new stores and comparable store net sales increases of 3.9% and 2.9% on a constant currency basis for the 13 and 26 weeks ended July 29, 2017, respectively.

Gross profit margin for Dollar Tree increased to 34.6% for the 13 weeks ended July 29, 2017 compared to 34.3% for the same period last year. Gross profit margin for Dollar Tree for the 26 weeks ended July 29, 2017 increased to 34.7% compared to 34.3% for the same period last year. Variances in gross profit as a percentage of sales for the 13 and 26 weeks include:

- lower merchandise cost due to favorable freight costs, partially offset by increased sales of higher cost consumable items;
- lower shrink as a result of favorable physical inventory results; partially offset by,
- higher distribution costs as a percentage of net sales resulting from the distribution center opening in the second quarter of 2016.

Operating income margin for Dollar Tree increased to 11.2% for the 13 weeks ended July 29, 2017 as compared to 11.0% for the same period last year. Operating income margin for Dollar Tree for the 26 weeks ended July 29, 2017 increased to 11.7% compared to 11.4% for the same period last year. The increase in operating income margin in the 13 weeks ended July 29, 2017 was the result of higher gross profit margin, partially offset by higher selling, general and administrative expenses due to increased operating and corporate expenses. The increase in operating income margin in the 26 weeks ended July 29, 2017 was due to higher gross profit margin, partially offset by higher selling, general and administrative expenses. Selling, general and administrative expenses increased to 23.0% as a percentage of sales for the 26 weeks ended July 29, 2017, compared to 22.9% for the same period last year. The increase was the result of higher store payroll and payroll-related costs. These higher costs were partially offset by lower health insurance costs, depreciation expenses and stores supplies requisitions as a percentage of sales.

Family Dollar

The following table summarizes the operating results of the Family Dollar segment:

| (in millions) | 13 Weeks Ended | | | | 26 Weeks Ended | | | |
|------------------|----------------|------------|---------------|------------|----------------|------------|---------------|------------|
| | July 29, 2017 | | July 30, 2016 | | July 29, 2017 | | July 30, 2016 | |
| | \$ | % of Sales | \$ | % of Sales | \$ | % of Sales | \$ | % of Sales |
| Net sales | \$ 2,694.3 | | \$ 2,608.8 | | \$ 5,409.7 | | \$ 5,310.1 | |
| Gross profit | 732.0 | 27.2% | 694.3 | 26.6% | 1,462.4 | 27.0% | 1,428.1 | 26.9% |
| Operating income | 130.4 | 4.8% | 94.7 | 3.6% | 203.8 | 3.8% | 232.8 | 4.4% |

Net sales for Family Dollar increased \$85.5 million or 3.3% and \$99.6 million or 1.9% for the 13 and 26 weeks ended July 29, 2017, respectively, compared to the same periods last year. The increases were primarily due to sales from new stores and a comparable store net sales increase of 1.0% in the 13 weeks ended July 29, 2017. The increase from sales in new stores in the 26 weeks ended July 29, 2017 was partially offset by a 0.2% decrease in comparable store net sales. The comparable store net sales increase in the 13 weeks ended July 29, 2017 was the result of increased customer count and average ticket. The comparable store net sales decrease for the 26 weeks ended July 29, 2017 was the result of a decrease in average ticket partially offset by increased customer count.

Gross profit increased \$37.7 million or 5.4% for the 13 weeks ended July 29, 2017, compared to the same period last year. The gross profit margin for the 13 weeks ended July 29, 2017 increased to 27.2%, as a percentage of sales, compared to 26.6% for the same period in the prior year. The increase is due to the net of the following:

- lower merchandise cost, including freight resulting from higher initial mark-on and lower domestic freight costs;
- lower markdown expense resulting from lower promotional markdowns due to the improved sales performance;
- higher shrink expense;
and
- higher occupancy and distribution costs.

Gross profit increased \$34.3 million or 2.4% for the 26 weeks ended July 29, 2017, compared to the same period last year. The gross profit margin for the 26 weeks ended July 29, 2017 increased to 27.0%, as a percentage of sales, compared to 26.9% for the same period in the prior year. The increase is due to the net of the following:

- lower merchandise and freight costs;
- higher shrink expense;
- higher markdown expense in the first quarter of 2017; and
- higher occupancy and distribution costs.

Operating income margin for Family Dollar increased to 4.8% for the 13 weeks ended July 29, 2017 as compared to 3.6% for the same period last year. Operating income was impacted by the \$2.6 million receivable impairment in the 13 weeks ended July 29, 2017. Operating income margin excluding the receivable impairment increased to 4.9% for the 13 weeks ended July 29, 2017 as compared to 3.6% for the same period last year. The increase in the 13 weeks ended July 29, 2017 is due to decreased selling, general and administrative expenses, as a percentage of sales, and the gross profit increase noted above. Selling, general and administrative expenses decreased to 22.4% as a percentage of sales in the 13 weeks ended July 29, 2017 compared to 23.0% for the same period last year. This decrease as a percentage of sales is due to the net of the following:

- lower depreciation costs;
- lower payroll-related costs;
and
- higher operating and corporate expenses resulting from higher advertising and store supplies requisition costs, partially offset by lower general liability insurance costs.

Operating income margin for Family Dollar for the 26 weeks ended July 29, 2017 decreased to 3.8% compared to 4.4% for the same period last year. Operating income was impacted by the \$53.5 million receivable impairment in the 26 weeks ended July 29, 2017. Operating income margin excluding the receivable impairment increased to 4.8% for the 26 weeks ended July 29, 2017 as compared to 4.4% for the same period last year. The increase in the 26 weeks ended July 29, 2017 is due to decreased selling, general and administrative expenses, as a percentage of sales, and the gross profit margin increase noted above. Selling, general and administrative expenses decreased to 22.3%, excluding the receivable impairment, compared to 22.5% for the 26 weeks ended July 30, 2016. The decrease in selling, general and administrative expenses as a percentage of sales, excluding the receivable impairment, was due to the net of the following:

- lower depreciation costs;
- lower store operating costs resulting from lower repairs and maintenance costs; and
- higher operating and corporate expenses resulting from higher advertising costs, partially offset by lower general liability insurance costs.

Liquidity and Capital Resources

Our business requires capital to build and open new stores, expand our distribution network and operate and expand our existing stores. Our working capital requirements for existing stores are seasonal in nature and typically reach their peak in the months of September and October. Historically, we have satisfied our seasonal working capital requirements for existing stores and have funded our store opening and distribution network expansion programs from internally generated funds and borrowings under our credit facilities.

The following table compares cash-flow related information for the 26 weeks ended July 29, 2017 and July 30, 2016:

| (in millions) | 26 Weeks Ended | |
|---------------------------------|------------------|------------------|
| | July 29, 2017 | July 30, 2016 |
| Net cash provided by (used in): | | |
| Operating activities | \$ 675.2 | \$ 680.3 |
| Investing activities | (269.6) | (272.4) |
| Financing activities | (579.1) | (51.9) |

Net cash provided by operating activities decreased \$5.1 million due primarily to an increase in prepaid assets and a decrease in other liabilities, partially offset by an increase in net income in 2017.

Net cash used in investing activities decreased \$2.8 million primarily due to net restricted cash proceeds in 2016 partially offset by lower capital expenditures in 2017.

Net cash used in financing activities increased \$527.2 million compared with the prior year, primarily due to a \$500 million pre-payment of debt in 2017.

At July 29, 2017, our total borrowings were \$5,822.7 million and we had \$1,091.5 million available under our revolving credit facility. We also have \$360.0 million in Letter of Credit Reimbursement and Security Agreements with various financial institutions, under which approximately \$294.1 million was committed to letters of credit issued for routine purchases of imported merchandise as of July 29, 2017.

On July 27, 2017, we prepaid \$500.0 million of the \$2.2 billion remaining outstanding under our Term Loan A-1. The prepayment resulted in an acceleration of the amortization of debt-issuance costs associated with the Term Loan A-1 of \$1.2 million.

There were no shares repurchased on the open market during the 26 weeks ended July 29, 2017 and July 30, 2016. As of July 29, 2017, we had \$1.0 billion remaining under Board repurchase authorization.

Recent Accounting Pronouncements

See note 1, Basis of Presentation, to the unaudited condensed consolidated financial statements included in Item 1 of Part I of this Form 10-Q, for a detailed description of recent accounting pronouncements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to various types of market risk in the normal course of our business, including the impact of interest rate changes and diesel fuel cost changes. We may enter into interest rate or diesel fuel swaps to manage exposure to interest rate and diesel fuel price changes. We do not enter into derivative instruments for any purpose other than cash flow hedging and we do not hold derivative instruments for trading purposes.

Interest Rate Risk

At July 29, 2017, we had \$1.6 billion in borrowings subject to interest rate fluctuations, representing approximately 28% of our total debt. Borrowings under the Term Loan A-1 bear interest based on LIBOR plus 1.50% to 2.25%, determined based on our secured net leverage ratio. As of July 29, 2017, Term Loan A-1 bore interest at LIBOR plus 1.75%. A 50 basis point increase in the variable interest rate tied to our secured net leverage ratio would result in an annual increase in interest expense of \$8.1 million.

Item 4. CONTROLS AND PROCEDURES.

Our management has carried out, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act as of the end of the period covered by this report. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of July 29, 2017, the Company's disclosure controls and procedures were designed and functioning effectively to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

There have been no changes in our internal control over financial reporting during the fiscal quarter ended July 29, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS.

From time to time, we are defendants in ordinary, routine litigation or proceedings incidental to our business, including allegations regarding:

- employment-related matters;
- infringement of intellectual property rights;
- personal injury/wrongful death claims;
- product safety matters, which may include product recalls in cooperation with the Consumer Products Safety Commission or other jurisdictions;
- real estate matters related to store leases; and
- environmental and safety issues.

In addition, we are currently defendants in national and state employment-related class and collective actions, litigation concerning injury from products and litigation with Dollar Express and Sycamore Partners. For a discussion of these proceedings, please refer to "Note 4. Legal Proceedings," included in "Part I. Financial Information, Item 1. Financial Statements" of this Form 10-Q.

We will vigorously defend ourselves in these matters. We do not believe that any of these matters will, individually or in the aggregate, have a material effect on our business or financial condition. We cannot give assurance, however, that one or more of these lawsuits will not have a material effect on our results of operations for the period in which they are resolved. Based on the information available, including the amount of time remaining before trial, the results of discovery and the judgment of internal and external counsel, we are unable to express an opinion as to the outcome of those matters which are not settled and cannot estimate a potential range of loss except as specified in Note 4. When a range is expressed, we are currently unable to determine the probability of loss within that range.

Item 1A. RISK FACTORS.

There have been no material changes to the risk factors described in "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 28, 2017.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

During the 13 weeks ended July 29, 2017 the Company did not repurchase any shares of common stock on the open market. As of July 29, 2017, we had \$1.0 billion remaining under Board repurchase authorization.

Item 3. DEFAULTS UPON SENIOR SECURITIES.

None.

Item 4. MINE SAFETY DISCLOSURES.

None.

Item 5. OTHER INFORMATION.

None.

Item 6. EXHIBITS.

| Exhibit | Exhibit Description | Incorporated by Reference | | | Filed Herewith |
|---------|--|---------------------------|---------|-------------|----------------|
| | | Form | Exhibit | Filing Date | |
| 3.1 | Amended Articles of Incorporation of Dollar Tree, Inc., effective June 20, 2013 | 8-K | 3.1 | 6/21/2013 | |
| 3.2 | Amended and Restated Bylaws of Dollar Tree, Inc., effective June 16, 2017 | 8-K | 3.1 | 6/16/2017 | |
| 10.1 | * Dollar Tree and Family Dollar Supplemental Deferred Compensation Plan | | | | X |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | X |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | X |
| 32.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | X |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | X |
| 101 | The following financial statements from the Company's 10-Q for the fiscal quarter ended July 29, 2017, formatted in XBRL: (i) Condensed Consolidated Income Statements, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Balance Sheets, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Condensed Consolidated Financial Statements | | | | X |

*Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DOLLAR TREE, INC.

Date: August 24, 2017

By: /s/ Kevin S. Wampler

Kevin S. Wampler
Chief Financial Officer
(principal financial officer)

**DOLLAR TREE AND FAMILY DOLLAR
SUPPLEMENTAL DEFERRED COMPENSATION PLAN**

1. Name:

This plan shall be known as the “Dollar Tree and Family Dollar Supplemental Deferred Compensation Plan” (the “Plan”).

2. Purpose and Intent:

Dollar Tree, Inc. (the “Corporation”) hereby establishes the Dollar Tree and Family Dollar Supplemental Deferred Compensation Plan, for the purpose of providing certain of its Employees with the opportunity to defer payment of certain Base Salary and Bonuses in accordance with the terms and provisions set forth herein. The Plan is a restatement of the Family Dollar Compensation Deferral Plan, as amended December 31, 2016. It is the intent of the Corporation that amounts deferred under the Plan by an Employee shall not be taxable to the Employee for income tax purposes until the time actually received by the Employee and that the Plan shall comply with Code Section 409A and the regulations promulgated thereunder. The Plan is an unfunded plan maintained by the Corporation primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as described in Sections 201(2), 301(a)(3), 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). In addition, the Corporation intends for this plan to comply with the exemption from ERISA’s reporting and disclosure requirements under Department of Labor Regulation Section 2520.104-23. The provisions of the Plan shall be construed and interpreted to effectuate the above described intentions. The terms and conditions of this Plan shall apply with respect to any deferral elections made under Section 5 on or after June 15, 2017.

3. Definitions:

For purposes of the Plan, the following terms have the following meanings:

“Account” means the account established to record a Participant’s interest under the Plan attributable to amounts credited to the Participant pursuant to the Plan. The Account shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her Beneficiary, pursuant to the Plan.

“Affiliate” means any corporation which, when considered with Dollar Tree, Inc. would constitute a controlled group of corporations within the meaning of Code Section 1563(a), determined with regard to Code Sections 1563(a)(4) and 1563(e)(3)(C) or any entity, whether or

not incorporated which, when considered with Dollar Tree, Inc. would constitute a controlled group in accordance with Code Section 414(c) and regulations promulgated thereunder.

“Base Salary” means the cash base salary payable by the Participating Employer to an Employee for service during the applicable Plan Year. Base Salary shall include any salary reduction contributions: (a) to cash or deferred arrangements under Code Section 401(k), (b) to a cafeteria plan under Code Section 125, or (c) to a nonqualified deferred compensation plan. Base Salary shall exclude any bonus compensation, commissions, reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, income realized in connection with equity compensation, welfare benefits, severance payments or benefits, employer credits or contributions to a nonqualified deferred compensation plan (other than salary reduction contributions as described above), or any additional cash compensation or compensation payable in a form other than cash.

“Beneficiary” means any person or trust designated by a Participant in accordance with procedures adopted by the Plan Committee to receive the Participant’s Account in the event of the Participant’s death. If the Participant does not designate a Beneficiary, the Participant’s Beneficiary is his or her spouse, or if there is no spouse, his or her estate.

“Bonus” means any cash remuneration earned by a Participant during a Plan Year, or a designated fiscal year or other performance period, and paid under a Participating Employer’s bonus program after such amount has been reduced by required withholding for FICA or any other withholdings or deductions required by law.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and includes any valid and binding governmental regulations, court decisions and other regulatory and judicial authority issued or rendered thereunder.

“Compensation Committee” means the committee of individuals who are serving from time to time as the Compensation Committee of the Board of Directors of Dollar Tree, Inc.

“Disability” means “disability” as defined under applicable laws for purposes of receiving Social Security benefits.

“Eligible Employee” means an Employee designated as an Eligible Employee pursuant to Paragraph 5(a).

“Employee” means a common law employee of a Participating Employer.

“Participant” means an Eligible Employee who has elected to defer compensation under the Plan as provided in Paragraph 5(b).

“Participating Employer” means the Corporation and any Affiliate designated by the Plan Committee.

“Payment Sub-Account” means a portion of a Participant’s Account established by the Plan Committee to facilitate the administration of distributions under the Plan.

“Plan Committee” means the Dollar Tree, Inc. Plan Committee, as appointed from time to time by the Corporation’s Chief Executive Officer.

“Plan Year” means the calendar year.

“Savings Plan” means the Dollar Tree Retirement Savings Plan, as amended from time to time.

“Separation from Service” means a Participant’s “separation from service” from the Participating Employers within the meaning of Treasury Regulation Section 1.409A-1(h), or any successor regulations.

4. Administration:

The Plan Committee shall be responsible for administering the Plan. The Plan Committee shall have all of the powers necessary to enable it to properly carry out its duties under the Plan. Not in limitation of the foregoing, the Plan Committee shall have the power to construe and interpret the Plan and to determine all questions that arise thereunder. The Plan Committee shall have such other and further specified duties, powers, authority and discretion as are elsewhere in the Plan either expressly or by necessary implication conferred upon it. The Plan Committee may appoint any agents that it deems necessary for the effective performance of its duties, and may delegate to those agents those powers and duties that the Plan Committee deems expedient or appropriate that are not inconsistent with the intent of the Plan. All decisions of the Plan Committee and the Compensation Committee upon all matters within the scope of their authority shall be made in the Plan Committee’s or Compensation Committee’s sole discretion and shall be final and conclusive on all persons, except to the extent otherwise provided by law.

5. Eligibility, Deferrals and Account Adjustments:

(a) Eligibility. For each Plan Year, the Plan Committee or its designee shall designate which Employees shall be Eligible Employees for the Plan Year; provided, however, that the determination of Eligible Employees shall be made consistent with the top hat plan requirements of Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA. An Employee designated as an Eligible Employee with respect to one Plan Year need not be designated as an Eligible Employee for any subsequent Plan Year.

(b) Elections to Defer. A person who is an Eligible Employee for a Plan Year may elect to defer a percentage of the Eligible Employee's Base Salary for the Plan Year and a percentage of any Bonus earned commencing during the Plan Year (even if such Bonus is paid in a later Plan Year). The Plan Committee shall establish from time to time the minimum and maximum percentages for deferral elections, which may be different for elections to defer Base Salary and elections to defer Bonuses and which may vary among groups of Eligible Employees. Elections to defer Base Salary or Bonuses for a Plan Year must be made before the first day of the Plan Year in which services were performed to earn such Base Salary or Bonus; provided that an Eligible Employee, who first becomes eligible to participate in the Plan after the start of the Plan Year, may, in the sole discretion of the Plan Committee, make such deferral election, with respect only to Base Salary or Bonus earned after the date of the election, within thirty (30) days after first becoming eligible to participate in the Plan as notified by the Plan Committee. With respect to such 30-day election period for newly Eligible Employees, an election to defer Bonus will be deemed to apply to compensation paid for services performed after the election if the election applies to no more than an amount equal to the total amount of the Bonus for the performance period multiplied by the ratio of the number of days remaining in the performance period after the election over the total number of days in the performance period. All elections made under this Paragraph 5(b) shall be made in writing on a form, or pursuant to other non-written procedures, as may be prescribed from time to time by the Plan Committee and shall be irrevocable for the Plan Year; provided, however, that the Plan Committee may, in its discretion, determine to cancel a Participant's deferral election for a Plan Year due to a hardship withdrawal by the Participant under the Savings Plan or an unforeseeable emergency withdrawal by the Participant under Paragraph 6(g) below.

(c) Performance-Based Compensation. In the discretion of the Plan Committee, an Eligible Employee may make an election to defer "performance based compensation" (as defined in Treasury Regulation Section 1.409A-1(e)) pursuant to the requirements of Treasury Regulation Section 1.409A-2(a)(8).

(d) Establishment of Accounts. A Participating Employer shall establish (or cause to be established) an Account for each Participant employed by a Participating Employer. Each Account shall be designated by the name of the Participant for whom it is established. The amount of any Base Salary or Bonus deferred by a Participant shall be credited to the Participant's Account as soon as practical after the date the Base Salary or Bonus would have otherwise been paid to the Participant.

(e) Account Adjustments for Deemed Investments. The Plan Committee shall from time to time designate one or more investment vehicle(s) in which the Accounts of Participants shall be deemed to be invested. Each Participant may designate the investment vehicle(s) in which his or her Account shall be deemed to be invested according to the procedures developed by the

Plan Committee, except as otherwise required by the terms of the Plan. No Participating Employer shall be under an obligation to acquire or invest in any of the deemed investment vehicle(s), and any acquisition of or investment in a deemed investment vehicle by a Participating Employer shall be made in the name of the Participating Employer and shall remain the sole property of the Participating Employer. The Plan Committee may also establish from time to time a default investment vehicle into which a Participant's Account shall be deemed to be invested if the Participant fails to provide investment instructions to the Plan Committee.

(f) Timing of Adjustments. The adjustments to Accounts for deemed investments as provided in Paragraph 5(e) shall be made from time to time at such intervals as determined by the Plan Committee. The amount of the adjustment shall equal the amount that the Participant's Account would have earned (or lost) for the period since the last adjustment had the Account actually been invested in the deemed investment vehicle(s) designated by the Participant for the period.

(g) Other Credits. A Participating Employer may from time to time, in its sole and exclusive discretion, elect to credit a Participant's Account with additional amounts not otherwise contemplated by this Paragraph 5, which amounts shall be subject to the provisions hereof relating to Account adjustments and payments. Any such amounts shall be included as part of the Payment Sub-Account for the Plan Year credited and subject to the Participant's distribution election under Paragraph 6(a), or, if the Participant fails to make an election with respect to Participating Employer credits for the Plan Year, subject to the Participant's distribution election with respect to Base Salary deferrals for the Plan Year.

(h) Statements of Account. Each Participant shall receive a statement (or electronic access to a statement) of the Participant's Account balance no less frequently than annually.

6. Distribution Provisions:

(a) Payment Elections. Subject to Section 6(d) below, a Participant may elect from among the available forms of payment set forth in Paragraph 6(b) below and the elected form of payment shall apply to each separate Payment Sub-Account comprised of the Base Salary and Bonus deferrals and other Participating Employer credits, if any, for the applicable Plan Year. The payment election shall be made, and become irrevocable, coincident with the deferral elections under Paragraph 5(b) above for such Plan Year.

(b) Available Forms of Payment. A Participant may select from among the available forms of payment for each Payment Sub-Account for which separate payment elections are made pursuant to Paragraph 6(a) above. A Participant may elect from among the following forms of payment for each credit source under the Plan:

(i) Lump Sum Payment Following Separation from Service or Disability. The balance of the applicable Payment Sub-Account shall be payable in a single cash payment as soon as administratively practicable after the earlier of (A) six months after the Participant's Separation from Service or (B) the Participant's Disability; or

(ii) Lump Sum Payment In Specified Year. The balance of the applicable Payment Sub-Account shall be payable in a single cash payment during the first 90 days of the calendar year elected by the Participant; or

(iii) Annual Installments Following Separation from Service or Disability. The balance of the applicable Payment Sub-Account shall be payable in annual installments over a period of two (2) to five (5) years as selected by the Participant and shall commence upon the earlier of (A) the first day of the seventh month after the date of the Participant's Separation from Service or (B) the date of the Participant's Disability. Subsequent installment payments shall be made in each subsequent calendar year until the balance of the Payment Sub-Account is paid in full; or

(iv) Annual Installments Commencing In Specified Year. The balance of the applicable Payment Sub-Account shall be payable in annual installments over a period of two (2) to five (5) years as selected by the Participant commencing during the first 90 days of the calendar year elected by the Participant. Subsequent installment payments shall be made in each subsequent calendar year until the balance of the Payment Sub-Account is paid in full.

A Participant who fails to make a payment election for a Payment Sub-Account in accordance with the provisions of this Paragraph 6(b) shall be deemed to have elected for such Payment Sub-Account a lump sum payment following Separation from Service or Disability. Notwithstanding the foregoing, the Plan Committee may limit the number of installment payments that a Participant may elect under Section 6(b)(iii) and (iv) for any Plan Year.

(c) Subsequent Changes to Payment Elections. A Participant who is in the active service of a Participating Employer may change the timing or form of payment elected under Paragraph 6(b) above, or the timing or form of payment subsequently elected under this Paragraph 6(c), with respect to a Payment Sub-Account only if (i) such election is made at least twelve (12) months prior to the date the payment of the Payment Sub-Account would have otherwise commenced; (ii) such election will not take effect for at least twelve (12) months; and (iii) the effect of such election is to defer commencement of such payments by at least five (5) years.

(d) Default Lump Sum Payment. Notwithstanding any provision herein to the contrary, with respect to deferrals under the Plan beginning in calendar year 2017, a Participant's entire Sub-Account balance shall be payable in a single cash payment on the first day of the seventh month after the Participant's Separation from Service if, as of the Participant's date of Separation from Service, the balance of the Participant's Sub-Account, along with any other account balance nonqualified deferred compensation plans that would be aggregated under Treasury Regulation Section 1.409A-1(c), is less than \$100,000. With respect to amounts deferred under the Plan prior to 2017, such amounts will be payable in a single cash payment on the first day of the seventh month following the Participant's Separation from Service if such deferrals are less than \$25,000.

(e) Installments. If amounts are payable to a Participant in the form of annual installments, the first annual installment shall be paid commencing per the applicable election set forth in Paragraph 6(b) above, and each subsequent annual installment shall be paid in each subsequent calendar year until the applicable Sub-Account is paid in full. The amount payable on each payment date shall be equal to the balance of the applicable Sub-Account on the applicable payment date divided by the number of remaining installments (including the installment then payable).

(f) Death. If a Participant dies after having commenced installment payments, any remaining unpaid installment payments shall be paid to the Participant's Beneficiary as and when they would have otherwise been paid to the Participant had the Participant not died. If a Participant Separates from Service due to death, the Participant's Account shall be payable to the Participant's Beneficiary commencing as soon as administratively practicable after the Participant's death in the form of either a single cash payment or two (2) to five (5) annual installments as elected by the Participant pursuant to this Paragraph 6(f). Notwithstanding the foregoing, the Plan Committee may limit the number of installment payments that a Participant may elect under this Section 6(f). Such payment method election shall be made by the Participant at such time or times and pursuant to such procedures as the Plan Committee may establish from time to time consistent with the requirements of Code Section 409A. If a Participant fails to make a payment method election under this Paragraph 6(f), the method of payment to the Beneficiary shall be a single cash payment.

(g) Withdrawals on Account of an Unforeseeable Emergency. A Participant who is in active service with a Participating Employer may, if permitted by the Plan Committee, receive a distribution of all or any part of the amounts previously credited to the Participant's Account in the case of an "unforeseeable emergency." A Participant requesting a payment pursuant to this Paragraph 6(g) shall have the burden of proof of establishing, to the Plan Committee's satisfaction, the existence of an "unforeseeable emergency" and the amount of the payment needed to satisfy the same. In that regard, the Participant must provide the Plan Committee with such financial data and information as the Plan Committee may request. If the Plan Committee determines that a payment should be

made to a Participant under this Paragraph 6(g), the payment shall be made within a reasonable time after the Plan Committee's determination of the existence of the "unforeseeable emergency" and the amount of payment so needed, but not later than 60 days after such determination. As used herein, the term "unforeseeable emergency" means a severe financial hardship to a Participant resulting from a sudden and unexpected illness or accident of the Participant or of the spouse or a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that constitute an "unforeseeable emergency" shall depend upon the facts of each case, but, in any case, payment may not be made to the extent that the hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship or (iii) by cessation of deferrals under the Plan. Examples of what are not considered to be "unforeseeable emergencies" include the need to send a Participant's child to college or the desire to purchase a home. Withdrawals of amounts because of an "unforeseeable emergency" may not exceed an amount reasonably needed to satisfy the emergency need.

(h) Other Payment Provisions. To be effective, any elections under Paragraph 6 herein shall be made on such form, at such time and pursuant to such procedures as determined by the Plan Committee in its sole discretion from time to time. Any deferral or payment hereunder shall be subject to applicable payroll and withholding taxes. In the event any amount becomes payable under the provisions of the Plan to a Participant, Beneficiary or other person who is a minor or an incompetent, whether or not declared incompetent by a court, such amount may be paid directly to the minor or incompetent person or to such person's fiduciary (or attorney-in-fact in the case of an incompetent) as the Plan Committee, in its sole discretion, may decide, and the Plan Committee shall not be liable to any person for any such decision or any payment pursuant thereto.

7. Amendment, Modification and Termination of the Plan:

The Plan Committee or the Compensation Committee shall have the right and power at any time and from time to time to amend the Plan in whole or in part and the Compensation Committee shall have the sole right and power to at any time to terminate the Plan; provided, however, that no amendment or termination may reduce the amount actually credited to a Participant's Account on the date of the amendment or termination, or further defer the due dates for the payment of the amounts, without the consent of the affected Participant. Notwithstanding any provision of the Plan to the contrary but only to the extent permitted by Code Section 409A, in connection with any termination of the Plan the Compensation Committee, or its delegate, shall have the authority to cause the Accounts of all Participants (and Beneficiaries of any deceased Participants) to be paid in a single cash payment as of a date determined by the Compensation Committee, or its delegate, or to otherwise accelerate the payment of all Accounts in such manner as the Plan Committee

determines in its discretion to the extent compliant with Treasury Regulation Section 1.409A-3(j)(4). Accordingly, the Compensation Committee may terminate the Plan and accelerate distribution under the Plan in accordance with the following:

(a) the termination of the Plan within twelve (12) months of a corporate dissolution or with the approval of a bankruptcy court as provided in Treasury Regulation Section 1.409A-3(j)(4)(ix)(A); or

(b) the termination of the Plan within the thirty (30) days preceding or the twelve (12) months following a change in control, as provided in Treasury Regulation Section 1.409A-3(j)(4)(ix)(B); or

(c) the termination of the Plan, provided that the termination does not occur proximate to a downturn in the financial health of the Corporation, if all arrangements that would be aggregated with the Plan under Treasury Regulation Section 1.409A-1(c) are terminated, and all payments other than payments that would be payable under the terms of the Plan if the termination had not occurred are made within twelve (12) months of the Plan termination, and all payments are made within twenty-four (24) months of the Plan termination, and no new arrangement that would be aggregated with the Plan under Treasury Regulation Section 1.409A-1(c) is adopted within three (3) years following the Plan termination, as provided in Treasury Regulation Section 1.409A-3(j)(4)(ix)(C); or

(d) such other events and conditions as the IRS may prescribe in generally applicable published regulatory or other guidance under Code Section 409A.

8. Claims Procedures:

Claims for benefits under the Plan shall be addressed pursuant to the claims procedures applicable under the Savings Plan. Any decision pursuant to such claims procedures shall be final and conclusive upon all persons interested therein, except to the extent otherwise provided by applicable law. A claimant must exhaust the claims procedures in the Plan prior to filing suit in court.

9. Indemnity of Compensation Committee and Plan Committee:

The Participating Employers shall indemnify and hold harmless the Compensation Committee and the Plan Committee (and each individual member thereof) and any Employee to whom the duties of the Compensation Committee and/or the Plan Committee may be delegated from and against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to the Plan, except in the case of willful misconduct by the Compensation Committee or the Plan Committee (or any individual member thereof) or any such Employee.

10. Notice:

Any notice or filing required or permitted to be given to the Plan Committee under the Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, postage pre-paid, to the address below:

Dollar Tree, Inc.
Attn: Dollar Tree, Inc. Human Resources Department (with a copy to Law Department)
500 Volvo Pkwy
Chesapeake, VA 23320

Any notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Any notice or filing required or permitted to be given to a Participant under the Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, postage pre-paid, to the last known address of the Participant.

11. Applicable Law:

The Plan shall be construed, administered, regulated and governed in all respects under and by the laws of the United States to the extent applicable, and to the extent such laws are not applicable, by the laws of the state of the Commonwealth of Virginia.

12. Compliance With Code Section 409A:

The Plan is intended to comply with Code Section 409A and the applicable Treasury Regulations and other guidance thereunder, including the requirements of Treasury Regulation Section 1.409A-3(i)(2) (or any successor provision), and to avoid any additional tax thereunder. Notwithstanding any provision of the Plan to the contrary, the Plan shall be interpreted, operated and administered consistent with this intent.

(a) Acceleration of Payment. No person may accelerate the time or schedule of any Plan payment or amount scheduled to be paid under the Plan, provided that the Plan Committee, in its sole discretion and without any Participant discretion or election, may elect to accelerate the time or schedule of payment from the Plan in any or all of the circumstances described in Treasury Regulation Section 1.409A-3(j)(4)(ii) through (xiv) to the extent permitted therein, including, without limitation, payment of vested amounts to a person other than the Participant to the extent necessary to fulfill the terms of a domestic relations order (as defined in Code Section 414(p)(1)(B)) or payment of the amount required to be included in income for the Participant as a result of failure of this Plan at any time to meet the requirements of Code Section 409A with respect to the Participant.

(b) Delay of Payment. The Plan Committee may delay payment of a benefit hereunder in any or all of the circumstances described in Treasury Regulation Section 1.409A-2(b)(7), including, without limitation, events and conditions as the IRS may permit in generally applicable published regulatory or other guidance under Code Section 409A and payments of vested amounts that the Plan Committee reasonably anticipates will be subject to the application of Code Section 162(m) or will violate Federal securities laws or other applicable law; provided, however, that any such delayed payment of vested amounts will be made at the earliest date at which the Plan Committee reasonably anticipates that the making of the payment of vested amounts would not cause such a violation.

13. Miscellaneous:

A Participant's rights and interests under the Plan may not be assigned or transferred by the Participant. In that regard and except as provided in Paragraph 12(a) above, no part of any amounts credited or payable hereunder shall, prior to actual payment, (i) be subject to seizure, attachment, garnishment or sequestration for the payment of debts, judgments, alimony or separate maintenance owed by the Participant or any other person, (ii) be transferable by operation of law in the event of the Participant's or any person's bankruptcy or insolvency or (iii) be transferable to a spouse as a result of a property settlement or otherwise. The Plan shall be an unsecured and unfunded arrangement. To the extent the Participant acquires a right to receive payments from the Participating Employers under the Plan, the right shall be no greater than the right of any unsecured general creditor of the Participating Employers. Nothing contained herein may be deemed to create a trust of any kind or any fiduciary relationship between a Participating Employer and any Participant. Designation as an Eligible Employee or Participant in the Plan shall not entitle or be deemed to entitle the person to continued employment with the Participating Employers. Obligations incurred by the Corporation pursuant to this Plan shall be binding upon and inure to the benefit of the Corporation, its successors and assigns, and each Participant and any Beneficiary or other successor in interest of a Participant.

IN WITNESS WHEREOF, this Instrument is executed by the respective duly authorized officers of DOLLAR TREE, INC. on the 16th day of August, 2017, to be effective June 15, 2017.

DOLLAR TREE, INC.

By: /s/ Bob Sasser

Title: Chief Executive Officer

Chief Executive Officer Certification

I, Bob Sasser, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dollar Tree, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 24, 2017

/s/ Bob Sasser

Bob Sasser

Chief Executive Officer

Chief Financial Officer Certification

I, Kevin S. Wampler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dollar Tree, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 24, 2017

/s/ Kevin S. Wampler

Kevin S. Wampler
Chief Financial Officer

**Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Dollar Tree, Inc. (the Company) on Form 10-Q for the quarter ending July 29, 2017, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Bob Sasser, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 24, 2017

Date

/s/ Bob Sasser

Bob Sasser

Chief Executive Officer

A signed original of this written statement required by Section 906 has been furnished to Dollar Tree, Inc. and will be retained by Dollar Tree, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Dollar Tree, Inc. (the Company) on Form 10-Q for the quarter ending July 29, 2017, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Kevin S. Wampler, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 24, 2017

Date

/s/ Kevin S. Wampler

Kevin S. Wampler

Chief Financial Officer

A signed original of this written statement required by Section 906 has been furnished to Dollar Tree, Inc. and will be retained by Dollar Tree, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.