Table of Contents

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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended August 4, 2018

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 0-25464

DOLLAR TREE, INC.
(Exact name of registrant as specified in its charter)

Virginia	**26-2018846**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
500 Volvo Parkway, Chesapeake, Virginia	**23320**
(Address of principal executive offices)	(Zip Code)

(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 ☒

As of August 27, 2018, there were 237,888,437 shares of the registrant's common stock outstanding.

DOLLAR TREE, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED AUGUST 4, 2018
TABLE OF CONTENTS

Part I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

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

	13 Weeks Ended		26 Weeks Ended	
(in millions, except per share data)	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Net sales	$ 5,525.6	$ 5,281.2	$ 11,079.3	$ 10,568.3
Cost of sales	3,861.7	3,653.4	7,715.8	7,313.4
Gross profit	1,663.9	1,627.8	3,363.5	3,254.9
Selling, general and administrative expenses, excluding Receivable impairment	1,281.4	1,205.7	2,543.4	2,393.1
Receivable impairment	—	2.6	—	53.5
Selling, general and administrative expenses	1,281.4	1,208.3	2,543.4	2,446.6
Operating income	382.5	419.5	820.1	808.3
Interest expense, net	46.1	75.8	276.1	150.5
Other (income) expense, net	(1.3)	0.1	(1.1)	0.4
Income before income taxes	337.7	343.6	545.1	657.4
Income tax expense	63.8	109.8	110.7	223.1
Net income	$ 273.9	$ 233.8	$ 434.4	$ 434.3
Basic net income per share	$ 1.15	$ 0.99	$ 1.83	$ 1.84
Diluted net income per share	$ 1.15	$ 0.98	$ 1.82	$ 1.83

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	13 Weeks Ended		26 Weeks Ended	
(in millions)	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Net income	$ 273.9	$ 233.8	$ 434.4	$ 434.3
Foreign currency translation adjustments	(1.3)	8.0	(5.2)	5.0
Total comprehensive income	$ 272.6	$ 241.8	$ 429.2	$ 439.3

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

(in millions)	August 4, 2018	February 3, 2018	July 29, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	$ 647.3	$ 1,097.8	$ 693.3
Short-term investments	—	—	4.0
Merchandise inventories, net	3,288.2	3,169.3	2,928.5
Other current assets	337.3	309.2	189.4
Total current assets	4,272.8	4,576.3	3,815.2
Property, plant and equipment, net of accumulated depreciation of $3,448.2, $3,192.1 and $2,941.8, respectively	3,316.1	3,200.7	3,115.4
Assets available for sale	6.9	8.0	10.4
Goodwill	5,023.9	5,025.2	5,025.2
Favorable lease rights, net of accumulated amortization of $270.8, $230.9 and $202.8, respectively	334.5	375.3	420.4
Tradename intangible asset	3,100.0	3,100.0	3,100.0
Other intangible assets, net	4.7	4.8	4.9
Other assets	44.7	42.5	40.8
Total assets	$ 16,103.6	$ 16,332.8	$ 15,532.3
LIABILITIES AND SHAREHOLDERS’ EQUITY			
Current liabilities:			
Current portion of long-term debt	$ —	$ 915.9	$ 165.9
Accounts payable	1,241.7	1,174.8	1,196.3
Income taxes payable	14.1	31.5	—
Other current liabilities	651.6	736.9	722.5
Total current liabilities	1,907.4	2,859.1	2,084.7
Long-term debt, net, excluding current portion	5,041.8	4,762.1	5,595.0
Unfavorable lease rights, net of accumulated amortization of $71.7, $61.1 and $51.2, respectively	89.2	100.0	111.5
Deferred tax liabilities, net	976.0	985.2	1,449.8
Income taxes payable, long-term	30.1	43.8	41.6
Other liabilities	411.6	400.3	389.5
Total liabilities	8,456.1	9,150.5	9,672.1
Commitments and contingencies			
Shareholders’ equity	7,647.5	7,182.3	5,860.2
Total liabilities and shareholders’ equity	$ 16,103.6	$ 16,332.8	$ 15,532.3
Common shares outstanding	237.9	237.3	236.8

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

(in millions)	26 Weeks Ended August 4, 2018	26 Weeks Ended July 29, 2017
Cash flows from operating activities:		
Net income	$ 434.4	$ 434.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	304.0	305.2
Provision for deferred taxes	(9.4)	(6.8)
Amortization of debt discount and debt-issuance costs	51.7	8.4
Receivable impairment	—	53.5
Other non-cash adjustments to net income	49.1	49.2
Loss on debt extinguishment	114.7	—
Changes in operating assets and liabilities	(175.7)	(168.6)
Net cash provided by operating activities	768.8	675.2
Cash flows from investing activities:		
Capital expenditures	(394.3)	(271.7)
Proceeds from (payments for) fixed asset disposition	(0.4)	2.1
Net cash used in investing activities	(394.7)	(269.6)
Cash flows from financing activities:		
Proceeds from long-term debt, net of discount	4,775.8	—
Principal payments for long-term debt	(5,432.7)	(569.3)
Debt-issuance and debt extinguishment costs	(155.3)	—
Proceeds from revolving credit facility	50.0	—
Repayments of revolving credit facility	(50.0)	—
Proceeds from stock issued pursuant to stock-based compensation plans	10.2	14.9
Cash paid for taxes on exercises/vesting of stock-based compensation	(21.7)	(24.7)
Net cash used in financing activities	(823.7)	(579.1)
Effect of exchange rate changes on cash and cash equivalents	(0.9)	0.4
Net decrease in cash and cash equivalents	(450.5)	(173.1)
Cash and cash equivalents at beginning of period	1,097.8	866.4
Cash and cash equivalents at end of period	$ 647.3	$ 693.3
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest, net of amounts capitalized	$ 277.7	$ 143.7
Income taxes	$ 169.2	$ 363.8
Non-cash transactions:		
Accrued capital expenditures	$ 46.4	$ 37.6

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

NOTE 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" contained in the Company's Annual Report on Form 10-K for the year ended February 3, 2018. The results of operations for the 13 and 26 weeks endedAugust 4, 2018 are not necessarily indicative of the results to be expected for the entire fiscal year ending February 2, 2019.

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 August 4, 2018 and July 29, 2017 and the results of its operations and cash flows for the periods presented. The February 3, 2018 balance sheet information was derived from the audited consolidated financial statements as of that date.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *"Revenue from Contracts with Customers."* This update replaced 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. The Company adopted the standard in the first quarter of fiscal 2018 and the adoption of the standard did not have an impact on the Company's condensed consolidated financial statements or its internal control over financial reporting.

In August 2016, the FASB issued ASU No. 2016-15, *"Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments,"* which provides guidance on eight specific cash flow issues in an effort to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified within the statement of cash flows. This standard is effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2017. The Company adopted the standard in the first quarter of fiscal 2018, resulting in the classification of $124.5 million of cash paid for debt extinguishment as a financing activity in the accompanying unaudited condensed consolidated statement of cash flows for the 26 weeks ended August 4, 2018.

In February 2016, the FASB issued ASU No. 2016-02, "*Leases,"* which will replace existing lease accounting guidance. The new standard will require lessees to recognize right-of-use assets and corresponding lease liabilities on the balance sheet for all in-scope leases with a term of greater than 12 months and disclose certain quantitative and qualitative information about leasing arrangements. When implemented, lessees will be required to recognize and measure leases using a modified retrospective approach, with optional practical expedients. The update is effective for interim and annual reporting periods beginning after December 15, 2018. The Company will adopt the standard in the first quarter of fiscal 2019. 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 continues to assess the effect the implementation will have on its existing accounting policies and the consolidated financial statements and expects the adoption of this pronouncement to result in a material increase in the assets and liabilities on its consolidated balance sheets, with an immaterial impact on its consolidated income statements and consolidated statements of cash flows. Additionally, the Company is implementing lease accounting 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. The Company is also evaluating additional changes to its processes and internal controls to ensure it is compliant with the reporting and disclosure requirements of the standard. As of February 3, 2018, the Company had $7.4 billion in undiscounted future minimum operating lease commitments.

NOTE 2 - LONG-TERM DEBT

Long-term debt at August 4, 2018, February 3, 2018 and July 29, 2017 consists of the following:

	As of August 4, 2018		As of February 3, 2018		As of July 29, 2017	
(in millions)	Principal	Unamortized Debt Discount, Premium and Issuance Costs	Principal	Unamortized Debt Discount, Premium and Issuance Costs	Principal	Unamortized Debt Discount, Premium and Issuance Costs
Forgivable Promissory Note	$ —	$ —	$ —	$ —	$ 7.0	$ —
5.25% Acquisition Notes, due 2020	—	—	750.0	6.1	750.0	7.4
5.75% Acquisition Notes, due 2023	—	—	2,500.0	30.8	2,500.0	33.4
Term Loan A-1	—	—	1,532.7	3.4	1,615.7	4.1
Term Loan B-2	—	—	650.0	8.6	650.0	9.5
$1.25 billion Tranche A Revolving Credit Facility	—	—	—	12.6	—	15.2
5.00% Senior Notes, due 2021	300.0	(5.7)	300.0	(6.8)	300.0	(7.8)
$1.25 billion Revolving Credit Facility, interest payable at LIBOR, reset periodically, plus 1.125%, which was 3.20% at August 4, 2018	—	11.4	—	—	—	—
Term Loan Facility, due 2020, interest payable at LIBOR, reset periodically, plus 0.95%, which was 3.03% at August 4, 2018	782.0	2.2	—	—	—	—
Senior Floating Rate Notes, due 2020, interest payable at LIBOR, reset quarterly, plus 0.70%, which was 3.04% at August 4, 2018	750.0	4.5	—	—	—	—
3.70% Senior Notes, due 2023	1,000.0	8.4	—	—	—	—
4.00% Senior Notes, due 2025	1,000.0	7.7	—	—	—	—
4.20% Senior Notes, due 2028	1,250.0	11.7	—	—	—	—
Total	$ 5,082.0	$ 40.2	$ 5,732.7	$ 54.7	$ 5,822.7	$ 61.8

Senior Credit Facilities

On April 19, 2018, the Company entered into a credit agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent, providing for $2.03 billion in senior credit facilities (the “Senior Credit Facilities”), consisting of a $1.25 billion revolving credit facility (the “Revolving Credit Facility”), of which up to $350.0 million is available for letters of credit, and a $782.0 million term loan facility (the “Term Loan Facility”).

The Company borrowed the entire $782.0 million Term Loan Facility on April 19, 2018. The Revolving Credit Facility matures on April 19, 2023, subject to extensions permitted under the Credit Agreement. The Term Loan Facility matures on April 19, 2020.

The loans under the Revolving Credit Facility bore interest at an initial interest rate of LIBOR, reset periodically, plus 1.25% and the loans under the Term Loan Facility bore interest at an initial interest rate of LIBOR, reset periodically, plus 1.00%, subject to adjustment based on (i) the Company’s credit ratings and (ii) the Company’s leverage ratio. Based on these factors, interest on the loans under the Revolving Credit Facility may range from LIBOR plus 1.00% to 1.50% and interest on the loans under the Term Loan Facility may range from LIBOR plus 0.875% to 1.25%. At August 4, 2018, the Revolving Credit Facility bore interest at LIBOR plus 1.125% and the Term Loan Facility bore interest at LIBOR plus 0.95%. The Company pays certain commitment fees in connection with the Revolving Credit Facility. The Senior Credit Facilities allow voluntary repayment of outstanding loans at any time without premium or penalty, other than customary breakage costs with respect to LIBOR loans. There is no required amortization under the Senior Credit Facilities.

The Senior Credit Facilities contain a number of affirmative and negative covenants that, among other things, and subject to certain significant baskets and exceptions, restrict the Company’s ability to incur subsidiary indebtedness, incur liens, sell all or substantially all of the Company's (including the Company's subsidiaries') assets and consummate certain fundamental changes. The Senior Credit Facilities also contain a maximum rent-adjusted leverage ratio covenant and a minimum fixed charge coverage ratio covenant. The Credit Agreement provides for certain events of default which, if any of them occurs, would permit or require the loans under the Senior Credit Facilities to be declared due and payable and the commitments thereunder to be terminated.

Senior Notes

On April 19, 2018, the Company completed the registered offering of $750.0 million aggregate principal amount of Senior Floating Rate Notes due 2020 (the "Floating Rate Notes"), $1.0 billion aggregate principal amount of 3.70% Senior Notes due 2023 (the "2023 Notes"), $1.0 billion aggregate principal amount of 4.00% Senior Notes due 2025 (the "2025 Notes") and $1.25 billion aggregate principal amount of 4.20% Senior Notes due 2028 (the "2028 Notes" and together with the 2023 Notes and the 2025 Notes, the "Fixed Rate Notes"; and the Fixed Rate Notes together with the Floating Rate Notes, the "Notes").

The Notes were issued pursuant to an indenture, dated as of April 2, 2018, between the Company and U.S. Bank National Association, as trustee, as supplemented by the First Supplemental Indenture dated as of April 19, 2018 (the "First Supplemental Indenture").

The Notes are unsecured, unsubordinated obligations of the Company and rank equal in right of payment to all of the Company's existing and future debt and other obligations that are not, by their terms, expressly subordinated in right of payment to the Notes.

The 2023 Notes mature on May 15, 2023 and bear interest at the rate of 3.70% annually. The 2025 Notes mature on May 15, 2025 and bear interest at the rate of 4.00% annually. The 2028 Notes mature on May 15, 2028 and bear interest at the rate of 4.20% annually. The Company is required to pay interest on the Fixed Rate Notes semiannually, in arrears, on May 15 and November 15 of each year, beginning on November 15, 2018, to holders of record on the preceding May 1 and November 1, respectively. The Floating Rate Notes mature on April 17, 2020 and bear interest at a floating rate, reset quarterly, equal to LIBOR plus 70 basis points. The Company is required to pay interest on the Floating Rate Notes quarterly, in arrears, on January 17, April 17, July 17 and October 17 of each year, beginning on July 17, 2018, to holders of record on the preceding January 3, April 3, July 3 and October 3, respectively.

The Company may redeem the Floating Rate Notes in whole or in part at any time beginning on April 22, 2019 at a price equal to 100% of the principal amount of Floating Rate Notes being redeemed plus accrued but unpaid interest to, but excluding, the redemption date. The Company may redeem the Fixed Rate Notes of each series in whole or in part, at its option, at any time and from time to time prior to (i) in the case of the 2023 Notes, April 15, 2023, (ii) in the case of the 2025 Notes, March 15, 2025 and (iii) in the case of the 2028 Notes, February 15, 2028 (each such date with respect to the applicable series, the "Applicable Par Call Date"), in each case, at a "make-whole" price described in the First Supplemental Indenture plus accrued and unpaid interest to, but excluding, the date of redemption. In addition, on or after the Applicable Par Call Date, the Company may redeem the Fixed Rate Notes of the applicable series, at any time in whole or from time to time in part, at a redemption price equal to 100% of the principal amount thereof.

In the event of a Change of Control Triggering Event, as defined in the indenture, with respect to any series, the holders of the Notes of such series may require the Company to purchase for cash all or a portion of their Notes of such series at a purchase price equal to 101% of the principal amount of such Notes, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase. The indenture limits the ability of the Company and its subsidiaries, subject to significant baskets and exceptions, to incur certain secured debt. The First Supplemental Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on the Notes to become or to be declared due and payable, as applicable.

Repayments of Long-term debt in the first quarter of 2018

The Company redeemed its $750.0 million aggregate principal amount of 5.25% Acquisition Notes due 2020 (the "2020 Notes") and accelerated the amortization of debt-issuance costs associated with the 2020 Notes of $6.1 million to the first quarter ended May 5, 2018.

In connection with entry into the Credit Agreement and the offering of the Notes discussed above, the Company used the proceeds of borrowings under the Senior Credit Facilities, together with the net proceeds from the offering of the Notes and cash on hand to repay all of the outstanding loans under its existing senior secured credit facilities, including its Term Loan A-1 and Term Loan B-2, and redeem all of its outstanding 5.75% Acquisition Notes due 2023.

The credit agreement governing the existing senior secured credit facilities, dated as of March 9, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the "Existing Credit Agreement") was terminated and all of the guarantees of the obligations under the Existing Credit Agreement were terminated and all liens granted under the Existing Credit Agreement, including those equally and ratably securing the $300.0 million 5.00% Senior Notes due 2021 issued by the Company's subsidiary, Family Dollar Stores, Inc., were released. Upon the termination of the Existing Credit Agreement, the Company paid certain lenders thereunder a prepayment premium of $6.5 million, which was equal to 1.00% of the outstanding principal amount of the Term Loan B-2 loans under the Existing Credit Agreement and is included in “Interest expense, net” on the accompanying unaudited condensed consolidated income statements for the 26 weeks ended August 4, 2018.

The Company redeemed all of its outstanding $2.5 billion aggregate principal amount of 5.75% Acquisition Notes due 2023 and the indenture governing the notes was satisfied and discharged. The Company paid a redemption premium of $107.8 million, which was equal to 4.313% of the outstanding principal amount of the Acquisition Notes due 2023 and is included in “Interest expense, net” on the accompanying unaudited condensed consolidated income statements for the 26 weeks ended August 4, 2018.

Related to the redemption of the 5.75% Acquisition Notes due 2023 and the repayment of the Company’s Existing Credit Agreement, the Company accelerated the expensing of approximately $41.2 million of amortizable non-cash deferred financing costs and expensed approximately $0.4 million in transaction-related costs to the first quarter ended May 5, 2018. Additionally, the Company capitalized approximately $36.9 million of deferred financing costs and recorded an original issue discount in connection with entry into the Credit Agreement and the offering of the Notes, which are being amortized over the terms of the Senior Credit Facilities and Notes.

Debt Covenants

As of August 4, 2018, the Company was in compliance with its debt covenants.

NOTE 3 - INCOME TAXES

The Company’s effective tax rate was 18.9% for the 13 weeks ended August 4, 2018 compared with 32.0% for the 13 weeks ended July 29, 2017 and 20.3% for the 26 weeks ended August 4, 2018 compared with 33.9% for the 26 weeks ended July 29, 2017. The 2017 Tax Cuts and Jobs Act (“TCJA”) reduced the federal corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017. As a result, the 2018 federal statutory tax rate is 21%.

In the fourth quarter of 2017, the Company recorded a tax benefit based on currently available information and interpretations related to the TCJA, which are continuing to evolve, and as a result, the benefit is considered provisional. The Company will continue its analysis related to the TCJA as supplemental legislation, regulatory guidance, or evolving technical interpretations become available and will continue to refine such provisional amounts within the measurement period as provided by Staff Accounting Bulletin 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act. The Company expects to complete its analysis no later than December 2018.

NOTE 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 certified 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. On November 7, 2017, the jury found in favor of the Company. The plaintiff has filed an appeal from the verdict.

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. The plaintiff is seeking statutory damages of $100 to $1,000 per violation for the disclosure form claims.

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. The Company entered into a settlement agreement which was recently rejected by the court. The parties are reconsidering the terms of the settlement. The Company has accrued the amount in the rejected agreement.

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. The Company removed the case to federal court. As required by that court's order, each plaintiff refiled his or her case individually so that the cases would be tried individually and not as a class. In June 2018, the Company mediated the 43 cases together. The expected settlement amount is immaterial and has been accrued.

In August 2017, a former employee brought suit in California state court on a Private Attorney General Act ("PAGA") representative basis alleging the Company failed to provide him and all other California store associates with suitable seating when they were performing cashier functions. The parties are engaged in discovery.

Several lawsuits have been filed against Dollar Tree, Family Dollar and their vendors alleging that personal powder products caused cancer. The Company does not believe the products it sold caused the illnesses. The Company believes these lawsuits are insured and is being indemnified by its third party vendors.

Dollar Tree Resolved Matters

In November 2017, a current employee filed a PAGA representative action in California state court alleging the Company failed to make wage statements readily available to California store employees who do not receive paper checks. The lawsuit has been dismissed with prejudice.

In February 2018, a current store manager filed a statewide class action in Missouri state court alleging the Company's store managers are improperly classified as exempt employees thereby entitling them to overtime pay, liquidated damages and damages for unjust enrichment. The case was dismissed with prejudice.

Family Dollar Active Matters

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 April 2017, a former store employee filed a lawsuit in California state court alleging off the clock work primarily for bag checks, failure to provide rest and meal breaks, and related claims. The court granted the Company's motion to compel arbitration and stayed the case pending the outcome of the arbitration proceedings. Subsequently, the court allowed the plaintiff to amend her complaint to include PAGA claims which are not subject to arbitration. However, those claims remain stayed pending the outcome of the arbitration proceeding.

In December 2017, a former assistant store manager filed suit in California state court asserting PAGA claims on behalf of herself and other store managers and assistant store managers seeking wages for alleged off the clock work, noncompliant rest and meal breaks and related claims.

In January 2018, a former store manager and a former assistant store manager filed suit in California state court asserting class claims on behalf of themselves and their respective classes seeking to recover for working off the clock, noncompliant rest and meal periods and related claims.

In June 2018, a former store manager filed suit in California state court asserting class and PAGA claims on behalf of himself and a class of current and former employees for alleged off the clock work, alleged failure to receive compliant rest and meal breaks and related claims.

In August 2018, a former store manager filed a nationwide collective action in federal court in Texas asserting that she and other similarly situated store managers were improperly classified as exempt employees and are therefore owed overtime pay and other related compensation.

Family Dollar Resolved Matters

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 and related claims. The lawsuit has been dismissed without prejudice.

NOTE 5 - 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 carrying amounts of Cash and cash equivalents and Accounts payable as reported in the Company's unaudited condensed consolidated balance sheets approximate fair value due to their short-term maturities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

(in millions)	August 4, 2018	February 3, 2018	July 29, 2017
Level 1			
Short-term investments	$ —	$ —	$ 4.0
Deferred compensation plan assets	22.5	20.7	19.4

Deferred compensation plan assets are held pursuant to deferred compensation plans for certain officers and executives. The deferred compensation plan assets are recorded in "Other assets" on the accompanying unaudited condensed consolidated balance sheets and a corresponding liability is recorded in "Other liabilities" on the accompanying unaudited condensed consolidated balance sheets.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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). The Company did not record any significant impairment charges during the 13 or 26 weeks ended August 4, 2018.

The aggregate fair values and carrying values of the Company's long-term borrowings were as follows:

	August 4, 2018		February 3, 2018		July 29, 2017	
(in millions)	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Level 1						
Senior Notes and Acquisition Notes	$ 4,288.7	$ 4,273.4	$ 3,684.6	$ 3,519.9	$ 3,745.7	$ 3,517.0
Level 2						
Term loans	774.2	779.8	2,187.6	2,170.7	2,275.5	2,252.1

The fair values of the Company's 5.00% Senior Notes due 2021 and the Notes (collectively, the "Senior Notes"), and the fair values of the5.25% Acquisition Notes due 2020 and 5.75% Acquisition Notes due 2023 (together, "the Acquisition Notes") that were redeemed during the first quarter of 2018, were determined using Level 1 inputs as quoted prices in active markets for identical assets or liabilities are available. The fair value of the Company's Term Loan Facility and the fair values of the Term Loan A-1 and Term Loan B-2, which the Company prepaid in full during the first quarter of 2018, 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 Revolving Credit Facility at August 4, 2018 and the Company's Tranche A Revolving Credit Facility at February 3, 2018 and July 29, 2017, approximated their fair values because the interest rates vary with market interest rates.

NOTE 6 - NET INCOME PER SHARE

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

	13 Weeks Ended		26 Weeks Ended	
(in millions, except per share data)	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Basic net income per share:				
Net income	$ 273.9	$ 233.8	$ 434.4	$ 434.3
Weighted average number of shares outstanding	237.9	236.7	237.7	236.5
Basic net income per share	$ 1.15	$ 0.99	$ 1.83	$ 1.84
Diluted net income per share:				
Net income	$ 273.9	$ 233.8	$ 434.4	$ 434.3
Weighted average number of shares outstanding	237.9	236.7	237.7	236.5
Dilutive effect of stock options and restricted stock (as determined by applying the treasury stock method)	0.7	0.7	0.8	0.9
Weighted average number of shares and dilutive potential shares outstanding	238.6	237.4	238.5	237.4
Diluted net income per share	$ 1.15	$ 0.98	$ 1.82	$ 1.83

For the 13 and 26 weeks ended August 4, 2018 and July 29, 2017, substantially all of the stock options outstanding were included in the calculation of the weighted average number of shares and dilutive potential shares outstanding.

NOTE 7 - STOCK-BASED COMPENSATION

For a discussion of the Company's stock-based compensation plans, refer to "Note 9 - Stock-Based Compensation Plans" of the Company's Annual Report on Form 10-K for the year ended February 3, 2018.

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 $47.6 million and $40.1 million during the 26 weeks ended August 4, 2018 and July 29, 2017, respectively.

Restricted Stock

The Company issues service-based RSUs to employees and officers and issues performance-based RSUs to certain officers of the Company. The Company recognizes expense based on the estimated fair value of the RSUs granted over the requisite service period, which is generally three years, on a straight-line basis or a shorter period based on the retirement eligibility of the grantee. The fair value of RSUs is determined using the Company's closing stock price on the date of grant.

The following table summarizes the status of RSUs as of August 4, 2018 and changes during the 26 weeks then ended:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at February 3, 2018	1,525,252	$ 79.37
Granted	783,366	94.87
Vested	(628,406)	79.78
Forfeited	(37,368)	83.27
Nonvested at August 4, 2018	1,642,844	$ 86.53

NOTE 8 - SEGMENTS

The Company operates a chain of more than 15,000 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, 12 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. If the measurement of a segment changes, prior period amounts and balances would be reclassified to be comparable to the current period's presentation.

Net sales by segment are as follows:

	13 Weeks Ended		26 Weeks Ended	
(in millions)	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Net sales:				
Dollar Tree	$ 2,768.8	$ 2,586.9	$ 5,553.2	$ 5,158.6
Family Dollar	2,756.8	2,694.3	5,526.1	5,409.7
Total net sales	$ 5,525.6	$ 5,281.2	$ 11,079.3	$ 10,568.3

Gross profit by segment is as follows:

	13 Weeks Ended		26 Weeks Ended	
(in millions)	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Gross profit:				
Dollar Tree	$ 955.3	$ 895.8	$ 1,916.1	$ 1,792.5
Family Dollar	708.6	732.0	1,447.4	1,462.4
Total gross profit	$ 1,663.9	$ 1,627.8	$ 3,363.5	$ 3,254.9

Table of Contents

Depreciation and amortization expense by segment is as follows:

	13 Weeks Ended		26 Weeks Ended	
(in millions)	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Depreciation and amortization expense:				
Dollar Tree	$ 65.8	$ 62.7	$ 129.7	$ 124.2
Family Dollar	86.8	88.7	174.4	181.1
Total depreciation and amortization expense	$ 152.6	$ 151.4	$ 304.1	$ 305.3

Operating income by segment is as follows:

	13 Weeks Ended		26 Weeks Ended	
(in millions)	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Operating income:				
Dollar Tree	$ 297.7	$ 289.1	$ 627.9	$ 604.5
Family Dollar	84.8	130.4	192.2	203.8
Total operating income	$ 382.5	$ 419.5	$ 820.1	$ 808.3

Capital expenditures by segment are as follows:

	13 Weeks Ended		26 Weeks Ended	
(in millions)	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Capital expenditures:				
Dollar Tree	$ 149.9	$ 87.7	$ 267.1	$ 153.4
Family Dollar	63.5	73.7	127.2	118.3
Total capital expenditures	$ 213.4	$ 161.4	$ 394.3	$ 271.7

Total assets by segment are as follows:

	As of		
(in millions)	August 4, 2018	February 3, 2018	July 29, 2017
Total assets:			
Dollar Tree	$ 4,054.4	$ 4,113.4	$ 3,555.9
Family Dollar	12,049.2	12,219.4	11,976.4
Total assets	$ 16,103.6	$ 16,332.8	$ 15,532.3

Total goodwill by segment is as follows:

	As of		
(in millions)	August 4, 2018	February 3, 2018	July 29, 2017
Total goodwill:			
Dollar Tree	$ 356.5	$ 347.1	$ 347.1
Family Dollar	4,667.4	4,678.1	4,678.1
Total goodwill	$ 5,023.9	$ 5,025.2	$ 5,025.2

Goodwill is reassigned between segments when stores are rebannered between segments. In the 26 weeks ended August 4, 2018, the Company reassigned$10.7 million of goodwill from Family Dollar to Dollar Tree as a result of rebannering. There were no stores rebannered between segments in the 26 weeks ended July 29, 2017.

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 and are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements include, without limitation, statements preceded by, followed by or including words such as "believe," "anticipate," "expect," "intend," "plan," "view," "target" or "estimate," "may," "will," "should," "predict," "possible," "potential," "continue," "strategy," and similar expressions. For example, our forward-looking statements include, without limitation, statements regarding:

- the potential effect of inflation or deflation and other general business or economic conditions on our costs and profitability, including the potential effect of future changes in prevailing wage rates and overtime regulations and our plans to address these changes, shipping rates, domestic and import freight costs (including increases in domestic freight costs due to the shortage in truck drivers), fuel costs and wage and benefit costs, consumer spending levels, and population, employment and job growth and/or losses in our markets;
- the potential effect of future law changes, including taxes and tariffs, including the actual and potential effect of Section 301 tariffs on Chinese goods imposed by the United States Trade Representative, the potential effect of anti-dumping duties imposed by the United States Department of Commerce, the Fair Labor Standards Act as it relates to the qualification of our managers for exempt status, minimum wage and health care law;
- 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 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 to be added in 2018 and beyond;
- the effect on our merchandise mix of consumables and the increase in the number of our stores with freezers and coolers and Snack Zone 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 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;
- our gross profit margin, earnings, inventory levels and ability to leverage selling, general and administrative and other fixed costs;
- the effect of recent changes in tax laws;
- 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 and our ability to service our debt obligations, including our expected annual interest expense;

- 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, valuations for impairment analyses and income taxes.

You should not rely on forward-looking statements as predictions of future events. The outcome of the events described in these forward-looking statements is subject to various risks, uncertainties and other factors, including without limitation the risk factors summarized below and the more detailed discussions in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections and elsewhere in our Annual Report on Form 10-K for the year ended February 3, 2018 and in this Quarterly Report on Form 10-Q.

- Our profitability is vulnerable to cost increases.
- We could encounter disruptions in our distribution network and have encountered and expect to encounter additional costs in distributing merchandise, such as freight cost increases due to the truck driver shortage and fuel cost increases.
- Risks associated with our domestic and foreign suppliers, including, among others, increased taxes, duties, tariffs or other restrictions on trade (including Section 301 tariffs imposed by the United States Trade Representative on imported Chinese goods), 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.
- Our business could be adversely affected if we fail to attract and retain qualified associates and key personnel.
- 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.
- Our profitability is affected by the mix of products we sell.
- Litigation may adversely affect our business, financial condition and results of operations. 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.
- Pressure from competitors may reduce our sales and profits.
- A downturn or changes in economic conditions could impact our sales or profitability.
- Changes in federal, state or local law, including regulations and interpretations or guidance thereunder, or our failure to comply with such laws, could increase our expenses, expose us to legal risks or otherwise adversely affect us.
- The price of our common stock is subject to market and other conditions and may be volatile.
- 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.
- 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.
- 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.

Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements. We do not undertake to publicly update or revise any forward-looking statements after the date of this quarterly report, whether as a result of new information, future events, or otherwise.

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 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. Furthermore, we have a policy against confirming projections, forecasts or opinions 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 15,000 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.

At August 4, 2018, 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 August 4, 2018 and July 29, 2017 is as follows:

	26 Weeks Ended					
	August 4, 2018			July 29, 2017		
	Dollar Tree	Family Dollar	Total	Dollar Tree	Family Dollar	Total
Store Count:						
Beginning	6,650	8,185	14,835	6,360	7,974	14,334
New stores	150	126	276	165	132	297
Rebannered stores	17	(24)	(7)	—	—	—
Closings	(5)	(26)	(31)	(19)	(31)	(50)
Ending	6,812	8,261	15,073	6,506	8,075	14,581
Relocations	34	5	39	59	23	82
Selling Square Feet (in millions):						
Beginning	57.3	59.3	116.6	54.7	57.7	112.4
New stores	1.2	0.9	2.1	1.4	0.9	2.3
Rebannered stores	0.1	(0.2)	(0.1)	—	—	—
Closings	—	(0.2)	(0.2)	(0.1)	(0.2)	(0.3)
Relocations	0.1	—	0.1	0.1	—	0.1
Ending	58.7	59.8	118.5	56.1	58.4	114.5

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 August 4, 2018 was approximately 8,160 selling square feet for the Dollar Tree segment and 7,310 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.

For the 13 weeks ended August 4, 2018, comparable store net sales increased 1.8% 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 1.9% due to an increase in average ticket slightly offset by a decrease in customer count. On a constant currency basis, comparable store net sales increased 3.7% in the Dollar Tree segment and were flat in the Family Dollar segment for the 13 weeks ended August 4, 2018. Comparable store net sales in the Dollar Tree segment increased 3.8% when adjusted for the impact of Canadian currency fluctuations. 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.

We believe comparable store net sales continue to be positively affected by a number of our Dollar Tree initiatives. We continued the roll-out of frozen and refrigerated merchandise to more of our Dollar Tree stores in the second quarter of 2018 and as of August 4, 2018, the Dollar Tree segment had frozen and refrigerated merchandise in approximately 5,435 stores compared to 5,010 stores at July 29, 2017. Over the past year, Dollar Tree developed and tested an initiative for select Dollar Tree stores, which we call our Snack Zone. This layout highlights our immediate consumption snack offerings in the front of the store near the checkout areas. As of August 4, 2018, we have this layout in approximately 540 Dollar Tree stores and we plan to end the year with approximately 750 Snack Zone stores. We believe that these initiatives have and will continue to enable us to increase sales and earnings by increasing the number of shopping trips made by our customers.

We are executing several initiatives in our Family Dollar banner to increase sales. During the 13 weeks ended August 4, 2018, we completed more than 100 Family Dollar renovations, which brings the total in the first half of 2018 to over 300. 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. We are adding additional coolers and freezers to facilitate expansion of our product offerings.

Additionally, the following items have already impacted or could impact our business or results of operations during 2018 or in the future:

- We have experienced higher than anticipated freight costs primarily due to the truck driver shortage in the United States. This will result in higher costs in future periods as merchandise is sold.
- The United States Department of Commerce recently imposed an anti-dumping duty on certain Chinese ribbon products. We estimate that this duty could reduce our earnings per share by approximately $0.04 per share in the fourth quarter.
- The United States Trade Representative (USTR) has implemented tariffs against $50 billion in Chinese goods and is considering implementing 10 percent or 25 percent tariffs against an additional $200 billion in Chinese goods. We do not expect that the tariffs already implemented on $50 billion of Chinese goods will be material to our business or results of operations in any quarter. However, the proposed tariffs, if implemented, together with the already implemented tariffs, could have a material adverse effect on our business and results of operations next year. As much as nine percent of our products, measured by sales volume, could be affected by these tariffs which could increase costs or decrease profitability. This potential impact could be mitigated by a variety of factors. The USTR may reduce the list of impacted tariff lines before the tariffs are implemented and later may grant specific product exclusions. We expect to be active in this process. We can also attempt to negotiate price concessions from vendors, cancel orders, change product sizes and specifications, and change our product mix. At Family Dollar, we can also increase prices. We will also try to secure alternative sources of supply outside of China. It is too early to give any assurance as to the scope, duration, or impact of the proposed tariffs, how successful these mitigation efforts will be, or the extent to which mitigation will be necessary.

Results of Operations

13 Weeks Ended August 4, 2018 Compared to the 13 Weeks Ended July 29, 2017

Net Sales. Net sales increased $244.4 million, or 4.6%, compared with last year's second quarter, resulting from sales of $147.6 million in new Dollar Tree and Family Dollar stores and an increase in comparable store net sales in the Dollar Tree segment. Comparable store net sales increased 1.8% on a constant currency basis as a result of a 1.9% increase in average ticket slightly offset by a 0.1% decrease in customer count. On a constant currency basis, comparable store net sales increased 3.7% in the Dollar Tree segment and were flat in the Family Dollar segment for the 13 weeks ended August 4, 2018. 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 $36.1 million or 2.2%, to $1,663.9 million in the second quarter of 2018 compared to $1,627.8 million in the second quarter of 2017. Gross profit margin decreased to 30.1% in the current quarter from 30.8% in the same quarter last year. Our gross profit margin decrease was the result of the net of the following:

- Merchandise cost, including freight, increased approximately 30 basis points resulting from higher domestic freight costs, partially offset by improved mark-on.
- Shrink costs increased approximately 20 basis points due to unfavorable inventory results in the current quarter.
- Distribution costs increased approximately 20 basis points resulting primarily from higher distribution center payroll costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to $1,281.4 million in the second quarter of 2018 from $1,208.3 million in the same quarter last year, an increase of $73.1 million or 6.0%. As a percentage of sales, selling, general and administrative expenses increased to 23.2% in the second quarter of 2018 from 22.9% in the same quarter last year. The increase in selling, general and administrative expenses was a result of the net of the following:

- Store hourly payroll costs increased approximately 50 basis points as a result of the planned reinvestment of income tax savings.
- Depreciation and amortization costs decreased approximately 10 basis points as a result of leverage from the comparable store net sales increase for the Dollar Tree segment and assets becoming fully depreciated on the Family Dollar segment.
- Store operating costs decreased approximately 10 basis points resulting primarily from lower repairs and maintenance costs.

Operating Income. Operating income for the current quarter decreased to $382.5 million compared with $419.5 million in the same period last year and operating income margin decreased to 6.9% in the current quarter from 7.9% in last year's quarter.

Interest expense, net. Interest expense, net was $46.1 million in the second quarter of 2018 compared to $75.8 million in the prior year quarter. The decrease is due to lower debt outstanding in the current quarter as a result of a $750.0 million prepayment in the first quarter of 2018, as well as our debt refinancing in the first quarter of 2018 which resulted in lower interest rates. See "Note 2 - Long-Term Debt," to the unaudited condensed consolidated financial statements included in "Part I. Financial Information, Item 1. Financial Statements" of this Form 10-Q, for additional detail on the refinancing of our long-term debt.

Income Taxes. Our effective tax rate for the 13 weeks ended August 4, 2018 was 18.9% compared to 32.0% for the 13 weeks ended July 29, 2017. The decrease is due to the Tax Cuts and Jobs Act that was signed into law on December 22, 2017, which lowered the federal corporate tax rate from 35% to 21% and made numerous other law changes, effective as of January 1, 2018. The 2018 and 2017 rates also reflect reductions of $8.1 million and $4.1 million, respectively, in the reserve for uncertain tax positions resulting from statute expirations.

26 Weeks Ended August 4, 2018 Compared to the 26 Weeks Ended July 29, 2017

Net Sales. Net sales in the first half of 2018 increased $511.0 million, or 4.8%, compared with the first half of 2017, resulting from sales of $335.4 million in new Dollar Tree and Family Dollar stores and an increase in comparable store net sales in the Dollar Tree segment, partially offset by a decrease in comparable store net sales in the Family Dollar segment. Comparable store net sales increased 1.6% on a constant currency basis as a result of a 1.8% increase in average ticket, slightly offset by a 0.2% decrease in customer count. Comparable store net sales increased 1.7% when adjusted for the impact of Canadian currency fluctuations. On a constant currency basis, comparable store net sales increased 3.9% in the Dollar Tree segment and decreased 0.5% in the Family Dollar segment for the 26 weeks ended August 4, 2018. 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 $108.6 million or 3.3%, to $3,363.5 million in the 26 weeks ended August 4, 2018 compared to $3,254.9 million in the 26 weeks ended July 29, 2017. Gross profit margin decreased to 30.4% in the first half of 2018 from 30.8% in the first half of 2017. Our gross profit margin decrease was the result of the net of the following:

- Shrink costs increased approximately 25 basis points due to unfavorable inventory results in the current year.
- Distribution costs increased approximately 15 basis points resulting primarily from higher distribution center payroll costs.
- Merchandise cost, including freight, increased approximately 10 basis points resulting from higher domestic freight costs, partially offset by improved mark-on.
- Markdown costs decreased approximately 10 basis points resulting primarily from lower promotional markdowns in our Family Dollar banner.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to $2,543.4 million in the 26 weeks ended August 4, 2018 from $2,446.6 million in the same period last year, an increase of $96.8 million or 4.0%. As a percentage of sales, selling, general and administrative expenses decreased to 23.0% in the 26 weeks ended August 4, 2018 from 23.2% in the same period last year. The prior year period included a $53.5 million receivable impairment. Excluding the receivable impairment, selling, general and administrative expenses as a percentage of sales was 22.6% in the first half of 2017. Excluding the 2017 receivable impairment, the increase in selling, general and administrative expenses, as a percentage of net sales, was a result of the net of the following:

- Store hourly payroll costs increased approximately 50 basis points as a result of the planned reinvestment of income tax savings.
- Depreciation and amortization costs decreased approximately 15 basis points as a result of leverage from the comparable store net sales increase for the Dollar Tree segment and assets becoming fully depreciated on the Family Dollar segment.

Operating Income. Operating income for the 26 weeks ended August 4, 2018 increased to $820.1 million compared with $808.3 million in the same period last year and operating income margin decreased to 7.4% in the first half of 2018 from 7.6% in the first half of 2017. Operating income for the 26 weeks ended July 29, 2017 includes a $53.5 million receivable impairment. Excluding the receivable impairment, operating income and operating income margin in the 26 weeks ended July 29, 2017 were $861.8 million and 8.2%, respectively.

Interest expense, net. Interest expense, net was $276.1 million in the first half of 2018 compared to $150.5 million in the first half of the prior year. The increase is due to the prepayment premiums paid during the first quarter of 2018 of $107.8 million and $6.5 million related to our redemption of the 5.75% Acquisition Notes due 2023 and Term Loan B-2, respectively. Also, in connection with our debt refinancing, we accelerated the expensing of approximately $41.2 million of amortizable non-cash deferred financing costs during the 26 weeks ended August 4, 2018. These increases were partially offset by lower interest expense in the second quarter of 2018 resulting from the debt refinancing. See "Note 2 - Long-Term Debt," to the unaudited condensed consolidated financial statements included in "Part I. Financial Information, Item 1. Financial Statements" of this Form 10-Q, for additional detail on the refinancing of our long-term debt.

Income Taxes. Our effective tax rate for the 26 weeks ended August 4, 2018 was 20.3% compared to 33.9% for the 26 weeks ended July 29, 2017. The decrease is due to the Tax Cuts and Jobs Act that was signed into law on December 22, 2017, which lowered the federal corporate tax rate from 35% to 21% and made numerous other law changes, effective as of January 1, 2018. The 2018 and 2017 rates also reflect reductions of $8.1 million and $4.1 million, respectively, in the reserve for uncertain tax positions resulting from statute expirations.

Segment Information

We operate a chain of more than 15,000 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, 12 distribution centers in the United States, two distribution centers in Canada and a Store Support Center in Chesapeake, Virginia. As a result, we report comparable store net sales on a constant currency basis.

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. If the measurement of a segment changes, prior period amounts and balances would be reclassified to be comparable to the current period's presentation.

Dollar Tree

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

	13 Weeks Ended				26 Weeks Ended			
	August 4, 2018		July 29, 2017		August 4, 2018		July 29, 2017	
(in millions)	$	% of Sales	$	% of Sales	$	% of Sales	$	% of Sales
Net sales	$ 2,768.8		$ 2,586.9		$ 5,553.2		$ 5,158.6	
Gross profit	955.3	34.5%	895.8	34.6%	1,916.1	34.5%	1,792.5	34.7%
Operating income	297.7	10.8%	289.1	11.2%	627.9	11.3%	604.5	11.7%

Net sales for Dollar Tree increased 7.0% and 7.6% for the 13 and 26 weeks endedAugust 4, 2018, respectively, compared to the same periods last year. These increases were due to sales from new stores of $85.5 million and $193.9 million for the 13 and 26 weeks ended August 4, 2018, respectively, and comparable store net sales increases of 3.7% and 3.9%, respectively, on a constant currency basis. For the 13 weeks ended August 4, 2018, average ticket increased 2.0% and customer count increased 1.7%. For the 26 weeks ended August 4, 2018, average ticket increased 2.3% and customer count increased 1.5%.

Gross profit margin for Dollar Tree decreased to 34.5% for the 13 weeks endedAugust 4, 2018 compared to 34.6% for the same period last year as a result of a 20 basis point increase in shrink costs resulting from unfavorable inventory results in the current quarter.

Gross profit margin for Dollar Tree decreased to 34.5% for the 26 weeks endedAugust 4, 2018 compared to 34.7% for the same period last year as a result of the following:

- Shrink costs increased approximately 25 basis points resulting from unfavorable inventory results in the first half of the year.
- Merchandise cost, including freight, increased approximately 10 basis points due primarily to higher domestic freight costs, partially offset by increased initial mark-on.
- Distribution costs increased approximately 10 basis points primarily resulting from higher distribution center payroll costs.
- Occupancy costs decreased approximately 15 basis points resulting from the leverage from the comparable store net sales increase in the first half of the year.

Operating income margin for Dollar Tree decreased to 10.8% for the 13 weeks endedAugust 4, 2018 as compared to 11.2% for the same period last year. The decrease in operating income margin in the 13 weeks ended August 4, 2018 was the result of lower gross profit margin, and higher selling, general and administrative expenses as a percentage of sales. Selling, general and administrative expenses increased to 23.7% as a percentage of sales in the 13 weeks ended August 4, 2018, compared to 23.4% for the same period last year due to a 40 basis point increase in payroll expenses due to higher store hourly payroll costs resulting from the planned tax reinvestment in the current year partially offset by leverage from the increase in comparable store net sales in the current quarter.

Operating income margin for Dollar Tree decreased to 11.3% for the 26 weeks endedAugust 4, 2018 as compared to 11.7% for the same period last year. The decrease in operating income margin in the 26 weeks ended August 4, 2018 was the result of lower gross profit margin, and higher selling, general and administrative expenses as a percentage of sales. Selling, general and administrative expenses increased to 23.2% as a percentage of sales in the 26 weeks ended August 4, 2018, compared to 23.0% for the same period last year due to a 40 basis point increase in payroll expenses due to higher store hourly payroll costs resulting from the planned tax reinvestment in the current year partially offset by leverage from the increase in comparable store net sales in the current quarter.

Family Dollar

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

	13 Weeks Ended				26 Weeks Ended			
	August 4, 2018		July 29, 2017		August 4, 2018		July 29, 2017	
(in millions)	$	% of Sales	$	% of Sales	$	% of Sales	$	% of Sales
Net sales	$ 2,756.8		$ 2,694.3		$ 5,526.1		$ 5,409.7	
Gross profit	708.6	25.7%	732.0	27.2%	1,447.4	26.2%	1,462.4	27.0%
Operating income	84.8	3.1%	130.4	4.8%	192.2	3.5%	203.8	3.8%

Net sales for Family Dollar increased $62.5 million or 2.3% and $116.4 million or 2.2% for the 13 and 26 weeks endedAugust 4, 2018, respectively, compared to the same periods last year. The increase for the 13 weeks ended August 4, 2018 was due to new store sales, as the comparable store net sales were flat for the quarter with a 2.3% increase in average ticket being offset by a decrease in customer count. The increase for the 26 weeks ended August 4, 2018 was due to sales from new stores of $144.4 million, partially offset by a comparable store net sales decrease of 0.5%. The decrease in comparable store net sales was the result of a decrease in customer count of 2.2%, partially offset by a 1.7% increase in average ticket.

Gross profit for Family Dollar decreased $23.4 million or 3.2% for the 13 weeks endedAugust 4, 2018 compared to the same period last year. The gross profit margin for Family Dollar decreased to 25.7% for the 13 weeks ended August 4, 2018 compared to 27.2% for the same period in the prior year. The decrease is due to the following:

- Merchandise cost, including freight, increased approximately 85 basis points, primarily due to higher domestic freight costs, partially offset by increased initial mark-on.
- Distribution costs increased approximately 30 basis points resulting primarily from higher merchandising and distribution payroll-related costs.
- Shrink costs increased approximately 15 basis points resulting from unfavorable inventory results in the current year.
- Occupancy costs increased approximately 10 basis points resulting from the deleveraging effect of the flat comparable store net sales.

Gross profit for Family Dollar decreased $15.0 million or 1.0% for the 26 weeks endedAugust 4, 2018 compared to the same period last year. The gross profit margin for Family Dollar decreased to 26.2% for the 26 weeks ended August 4, 2018 compared to 27.0% for the same period in the prior year. The decrease is due to the net of the following:

- Merchandise cost, including freight, increased approximately 30 basis points, primarily due to higher domestic freight costs, partially offset by increased initial mark-on.
- Occupancy costs increased approximately 25 basis points resulting from the deleveraging effect of the decrease in comparable store net sales.
- Shrink costs increased approximately 25 basis points resulting from unfavorable inventory results in the current year.
- Distribution costs increased approximately 20 basis points resulting primarily from higher merchandising and distribution payroll-related costs.
- Markdown costs decreased approximately 20 basis points resulting from fewer promotional markdowns.

Operating income margin for Family Dollar decreased to 3.1% for the 13 weeks endedAugust 4, 2018 as compared to 4.8% for the same period last year resulting from the gross margin decrease above and an increase in selling, general and administrative expenses. Operating income for the 13 weeks ended July 29, 2017 included a $2.6 million receivable impairment. Operating income margin excluding the receivable impairment was 4.9% for the 13 weeks ended July 29, 2017. Selling, general and administrative expenses were 22.6% as a percentage of sales in the 13 weeks endedAugust 4, 2018 compared to 22.4% for the same period last year. Excluding the receivable impairment, selling general and administrative expenses were 22.3% for the 13 weeks ended July 29, 2017. The current quarter increase in selling, general and administrative expenses as a percentage of sales was due to the following:

- Payroll expenses increased approximately 55 basis points due primarily to increased store hourly payroll expenses as a result of the planned reinvestment of income tax savings.
- Store operating costs decreased approximately 10 basis points resulting from lower repairs and maintenance costs.
- Depreciation and amortization expense decreased approximately 10 basis points as a result of certain assets that were revalued upon the 2015 acquisition becoming fully depreciated and/or amortized.

Operating income margin for Family Dollar decreased to 3.5% for the 26 weeks endedAugust 4, 2018 as compared to 3.8% for the same period last year resulting from the gross margin decrease above and an increase in selling, general and administrative expenses. Operating income for the 26 weeks ended July 29, 2017 included a $53.5 million receivable impairment. Operating income margin excluding the receivable impairment was 4.8% for the 26 weeks ended July 29, 2017. Selling, general and administrative expenses were 22.7% as a percentage of sales in the 26 weeks ended August 4, 2018 compared to 22.4% for the same period last year. Excluding the receivable impairment, selling general and administrative expenses were 22.3% for the 26 weeks ended July 29, 2017. The current year increase in selling, general and administrative expenses as a percentage of sales was due to the following:

- Payroll expenses increased approximately 60 basis points due primarily to increased store hourly payroll expenses as a result of the planned reinvestment of income tax savings.
- Depreciation and amortization expense decreased approximately 15 basis points as a result of certain assets that were revalued upon the 2015 acquisition becoming fully depreciated and/or amortized.

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 the26 weeks ended August 4, 2018 and July 29, 2017:

	26 Weeks Ended	
(in millions)	August 4, 2018	July 29, 2017
Net cash provided by (used in):		
Operating activities	$ 768.8	$ 675.2
Investing activities	(394.7)	(269.6)
Financing activities	(823.7)	(579.1)

Net cash provided by operating activities increased $93.6 million due primarily to increased earnings excluding the non-cash loss on debt extinguishment in 2018, partially offset by higher inventory levels.

Net cash used in investing activities increased $125.1 million primarily due to increased capital expenditures. The increase in capital expenditures primarily relates to a new Dollar Tree distribution center that opened in the second quarter ending August 4, 2018 and the expansion of the Dollar Tree Store Support Center.

Net cash used in financing activities increased $244.6 million compared with the prior year, primarily due to our debt refinancing in 2018. Debt repayments exceeded the proceeds from long-term debt by $656.9 million and we paid $155.3 million of debt-issuance and extinguishment costs during 2018.

At August 4, 2018, our long-term borrowings were $5.1 billion and we had $1.1 billion available under our revolving credit facility. We also have$385.0 million in Letter of Credit Reimbursement and Security Agreements with various financial institutions, under which approximately $286.1 million was committed to letters of credit issued for routine purchases of imported merchandise as ofAugust 4, 2018.

In the first quarter of 2018, we redeemed our $750.0 million aggregate principal amount of 5.25% Acquisition Notes due 2020. We accelerated the amortization of debt-issuance costs associated with the notes of $6.1 million to the 13 weeks ended May 5, 2018.

Additionally, in the first quarter of 2018, we completed the registered offering of $750.0 million aggregate principal amount of Senior Floating Rate Notes due 2020, $1.0 billion aggregate principal amount of 3.70% Senior Notes due 2023, $1.0 billion aggregate principal amount of 4.00% Senior Notes due 2025 and $1.25 billion aggregate principal amount of 4.20% Senior Notes due 2028. We also entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, providing for $2.03 billion in senior credit facilities, consisting of a $1.25 billion revolving credit facility and a $782.0 million term loan facility. We used the proceeds of these borrowings and cash on hand to repay all of the outstanding loans under our existing senior secured credit facilities, including our Term Loan A-1 and Term Loan B-2, and redeemed all of our outstanding 5.75% Acquisition Notes due 2023. In connection with the foregoing transactions, we accelerated the expensing of approximately $41.2 million of amortizable non-cash deferred financing costs, expensed approximately $0.4 million in transaction-related costs and capitalized approximately $36.9 million of deferred financing costs and original issue discount, which are being amortized over the terms of the new borrowings. We also paid prepayment premiums of $6.5 million and $107.8 million related to our redemption of the Term Loan B-2 and 5.75% Acquisition Notes due 2023, respectively. We expect the annual cash interest savings resulting from this refinancing of our long-term debt will be approximately $48.0 million. See “Note 2 - Long-Term Debt,” to the unaudited condensed consolidated financial statements included in “Part I. Financial Information, Item 1. Financial Statements” of this Form 10-Q, for additional detail on the refinancing of our long-term debt.

There were no shares repurchased on the open market during the26 weeks ended August 4, 2018 and July 29, 2017. As of August 4, 2018, 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 “Part I. Financial Information, Item 1. Financial Statements” 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 August 4, 2018, we had $1.5 billion in borrowings subject to interest rate fluctuations, representing approximately 30% of our total debt. Borrowings under the Term Loan Facility bore interest at an initial interest rate of LIBOR, reset periodically, plus 1.00%, subject to adjustment based on (i) our credit ratings and (ii) our leverage ratio. Based on these factors, interest on the loans under the Term Loan Facility may range from LIBOR plus 0.875% to 1.25%. As of August 4, 2018, the Term Loan Facility bore interest at LIBOR plus 0.95%. Borrowings under the Floating Rate Notes bear interest at a floating rate, reset quarterly, equal to LIBOR plus 70 basis points. A 1.0% increase in LIBOR would result in an annual increase in interest expense related to our variable rate debt of $15.3 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 August 4, 2018, 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 endedAugust 4, 2018 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 and litigation concerning injury from products. 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 for the year ended February 3, 2018, other than as set forth in the discussion of risk factors in the "A Warning About Forward-Looking Statements" section and in the "Overview" section within "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-Q.

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

During the 13 weeks ended August 4, 2018 the Company did not repurchase any shares of common stock on the open market. As of August 4, 2018, 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 Form	Incorporated by Reference Exhibit	Incorporated by Reference Filing Date	Filed Herewith
3.1	Amended Articles of Incorporation of Dollar Tree, Inc., effective June 20, 2013	8-K	3.1	6/21/2013	
3.2	Amended Bylaws of Dollar Tree, Inc., effective June 14, 2018	8-K	3.1	6/18/2018	
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 August 4, 2018, 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

SIGNATURES

Pursuant to the requirements 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 30, 2018	By:	/s/ Kevin S. Wampler
			Kevin S. Wampler
			Chief Financial Officer
			(principal financial officer)

EXHIBIT 31.1

Chief Executive Officer Certification

I, Gary Philbin, 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 30, 2018

/s/ Gary Philbin

Gary Philbin

President and Chief Executive Officer

EXHIBIT 31.2

<u>Chief Financial Officer Certification</u>

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 30, 2018

/s/ Kevin S. Wampler

Kevin S. Wampler
Chief Financial Officer

EXHIBIT 32.1

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 August 4, 2018, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Gary Philbin, 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 30, 2018	/s/ Gary Philbin
Date	Gary Philbin
	President and 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.

EXHIBIT 32.2

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 August 4, 2018, 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 30, 2018	/s/ Kevin S. Wampler
Date	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.