

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

FORM 10-K

(Mark One)

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

For the fiscal year ended February 1, 2020

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
(State or other jurisdiction of incorporation or organization)

26-2018846
(I.R.S. Employer Identification No.)

500 Volvo Parkway
Chesapeake, Virginia
(Address of principal executive offices)

23320
(Zip Code)

Registrant's telephone number, including area code: (757) 321-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$.01 per share	DLTR	NASDAQ Global Select Market

Securities registered pursuant to section 12(g) of the Act:

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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 every Interactive Data File required to be submitted 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 such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 Act).

Yes No

The aggregate market value of common stock held by non-affiliates of the registrant on August 2, 2019, the last business day of the registrant’s most recently completed second fiscal quarter, was \$22,675,294,630, based upon the closing sale price for the registrant’s common stock on such date. For purposes of this computation, all executive officers and directors have been deemed to be affiliates. Such determination should not be deemed to be an admission that such executive officers and directors are, in fact, affiliates of the registrant.

On March 16, 2020, there were 236,810,841 shares of the registrant’s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information called for in Items 10, 11, 12, 13 and 14 of Part III, to the extent not set forth herein, is incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of the Company to be held June 11, 2020, which will be filed with the Securities and Exchange Commission within 120 days of the registrant’s fiscal year ended February 1, 2020.

DOLLAR TREE, INC.
FORM 10-K
FOR THE FISCAL YEAR ENDED FEBRUARY 1, 2020
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains “forward-looking statements” as that term is used in the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they address future events, developments and results and do not relate strictly to historical facts. Any statements contained herein that are not statements of historical facts 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 general business or economic conditions (including inflation) 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, freight and other distribution costs, fuel costs and wage and benefit costs, consumer spending levels, and population, employment and job growth and/or losses in our markets;
- the uncertainty of the impact of the coronavirus identified as COVID-19, including whether we will be or remain designated an “essential business” and otherwise be able to keep stores open;
- the actual and potential effect of Section 301 tariffs on Chinese goods imposed by the United States Trade Representative, some of which were suspended or reduced in January and February 2020, and other potential impediments to imports;
- our growth plans, including our plans to add, renovate, re-banner, expand, remodel, relocate or close stores and any related costs or charges, our anticipated square footage increase, our leasing strategy for future expansion, and our ability to renew leases at existing store locations;
- the ability to retain key personnel and attract new personnel at Family Dollar and Dollar Tree and the performance of those personnel;
- our anticipated sales, comparable store net sales, net sales growth, gross profit margin, costs of goods sold (including product mix), shrink rates, earnings and earnings growth, inventory levels, selling, general and administrative and other fixed costs, and our ability to leverage those costs;
- the expected and possible outcome, costs, and impact of pending or potential litigation, arbitrations, other legal proceedings or governmental investigations (including the recent allegation by the Food and Drug Administration);
- the effect of changes in labor laws, and the effect of the Fair Labor Standards Act as it relates to the qualification of our managers for exempt status, minimum wage and health care law;
- the average size and productivity of our stores, including those to be added in 2020 and beyond;
- the effect of our initiatives to renovate Family Dollar stores to the H2 store format and the performance of that format, the sales mix of consumable and higher margin merchandise in Dollar Tree and Family Dollar stores, including an increase in the number of stores with freezers and coolers, and the roll-out of adult beverages and Snack Zone, on our results of operations;
- 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, strategies and expectations (financial or otherwise), including synergies, the cost to achieve synergies, and the effect on earnings per share;
- the effect of changes in tax laws and regulatory interpretations of such 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 and distribution network (including shipping and transportation), including future automation, and our expectations regarding the construction of new distribution centers;
- our expectations regarding our dividend policy and stock buy-backs;

- our cash needs, including our ability to fund our future capital expenditures, working capital requirements and repurchases of common stock under our repurchase program, and our ability to service our debt obligations, including our expected annual interest expense;
- our expectations regarding competition, growth in our retail sector and our potential for long-term growth;
- our assessment of the materiality and impact on our business of recent accounting pronouncements adopted by the Financial Accounting Standards Board;
- our assessment of the impact on the Company of certain actions by activist shareholders and the Company's potential responses to these actions;
- management's estimates and expectations as they relate to income tax liabilities, deferred income taxes and uncertain tax positions; and
- management's estimates associated with our critical accounting policies, including inventory valuation, self-insurance liabilities and valuations for our goodwill and indefinite-lived intangible assets impairment analyses.

A forward-looking statement is neither a prediction nor a guarantee of future results, events or circumstances. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. Our forward-looking statements are all based on currently available operating, financial and business information. The outcome of the events described in these forward-looking statements is subject to a variety of factors, including, but not limited to, the risks and uncertainties discussed under "[Item 1A. Risk Factors](#)," "[Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#)" and elsewhere in this Form 10-K.

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. Moreover, 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 our forward-looking statements.

We do not undertake to publicly update or revise any forward-looking statements after the date of this Form 10-K, 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.

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. Unless specifically indicated otherwise, any references to "2020" or "fiscal 2020," "2019" or "fiscal 2019," "2018" or "fiscal 2018," and "2017" or "fiscal 2017," relate to as of or for the years ended January 30, 2021, February 1, 2020, February 2, 2019 and February 3, 2018, respectively.

AVAILABLE INFORMATION

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge on our website at www.dollartree.com as soon as reasonably practicable after electronic filing of such reports with the Securities and Exchange Commission ("SEC").

PART I

Item 1. Business

Overview

We are a leading operator of discount variety stores. We believe the convenience and value we offer are key factors in growing our base of loyal customers. At February 1, 2020, we operated 15,288 discount variety retail stores. Our stores operate under the names of Dollar Tree, Family Dollar and Dollar Tree Canada.

On July 6, 2015, we completed our acquisition of Family Dollar Stores, Inc. The Dollar Tree and Family Dollar brands have complementary business models. Everything is \$1.00 at Dollar Tree stores while Family Dollar is a neighborhood variety store offering merchandise largely for \$10.00 or less.

We operate in two reporting business segments: Dollar Tree and Family Dollar. For discussion of the operating results of our reporting business segments, refer to "[Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#)" under the caption "Segment Information" and [Note 12](#) to our consolidated financial statements.

Dollar Tree

Our Dollar Tree segment is the leading operator of discount variety stores offering merchandise at the fixed price point of \$1.00. The Dollar Tree segment includes 7,505 stores operating under the Dollar Tree and Dollar Tree Canada brands, 13 distribution centers in the United States and two in Canada. Our stores predominantly range from 8,000 - 10,000 selling square feet. In our Dollar Tree stores in the United States, we sell all items for \$1.00 or less and in our Dollar Tree Canada stores, we sell all items for \$1.25(CAD) or less. Our revenue and assets in Canada are not material.

We strive to exceed our customers' expectations of the variety and quality of products they can purchase for \$1.00 by offering items we believe typically sell for higher prices elsewhere. We buy approximately 58% to 60% of our merchandise domestically and import the remaining 40% to 42%. Our domestic purchases include basic, seasonal, home, closeouts and promotional merchandise. We believe our mix of imported and domestic merchandise affords our buyers flexibility that allows them to consistently exceed our customers' expectations. In addition, direct relationships with manufacturers permit us to select from a broad range of products and customize packaging, product sizes and package quantities that meet our customers' needs.

The addition of frozen and refrigerated merchandise to more of our Dollar Tree stores has been one of our ongoing initiatives. We added freezers and coolers to approximately 490 additional stores in fiscal 2019. As of February 1, 2020, we have freezers and coolers in approximately 6,155 of our Dollar Tree stores. We plan to install them in 425 new and existing stores during fiscal 2020. In fiscal 2018, we rolled out a new layout to a number of our 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 February 1, 2020, we have Snack Zone in more than 2,100 Dollar Tree stores and we plan to incorporate Snack Zone in 500 new and existing stores in fiscal 2020. We believe these initiatives have and will continue to enable us to improve sales and earnings by increasing the number of shopping trips made by our customers.

We carry approximately 7,700 items in our Dollar Tree stores and as of the end of fiscal 2019 approximately 37% of our items are automatically replenished. The remaining items are pushed to the stores and a portion can be reordered by our store managers on a weekly basis. Through automatic replenishment and our store managers' ability to order product, each store manager is able to satisfy the demands of their particular customer base.

We maintain a balanced selection of products within traditional variety store categories. We offer a wide selection of everyday basic products and we supplement these basic, everyday items with seasonal, closeout and promotional merchandise. We attempt to keep certain basic consumable merchandise in our stores continuously to establish our stores as a destination and increase traffic in our stores. Closeout and promotional merchandise is purchased opportunistically and represents less than 10% of our purchases.

The merchandise mix in our Dollar Tree stores consists of:

- consumable merchandise, which includes candy and food, health and beauty care, and everyday consumables such as household paper and chemicals, and in select stores, frozen and refrigerated food;
- variety merchandise, which includes toys, durable housewares, gifts, stationery, party goods, greeting cards, softlines, and other items; and
- seasonal goods, which includes, among others, Valentine's Day, Easter, Halloween and Christmas merchandise.

For information regarding the amounts and percentages of our net sales contributed by the above merchandise categories for the last three fiscal years, please refer to [Note 12](#) to our consolidated financial statements.

Family Dollar

Our Family Dollar segment operates general merchandise retail discount stores providing customers with a selection of competitively-priced merchandise in convenient neighborhood stores. Our stores predominantly range from 6,000 - 8,000 selling square feet. In our 7,783 Family Dollar stores, we sell merchandise at prices that generally range from \$1.00 to \$10.00. The Family Dollar segment consists of our store operations under the Family Dollar brand and 11 distribution centers.

Our Family Dollar stores provide customers with a quality, high-value assortment of basic necessities and seasonal merchandise. We offer competitively-priced national brands from leading manufacturers alongside name brand equivalent-value, lower-priced private labels. We purchase merchandise from a wide variety of suppliers and generally have not experienced difficulty in obtaining adequate quantities of merchandise. In fiscal 2019, we purchased approximately 14% of our merchandise through our relationship with McLane Company, Inc., which distributes consumable merchandise from multiple manufacturers. In addition, approximately 17% of our merchandise is imported directly.

We are executing several initiatives in our Family Dollar stores to increase sales. After continued development, experimentation and testing, in the third quarter of fiscal 2018 we introduced a new model for both new and renovated Family Dollar stores known as H2. The H2 store format has significantly improved merchandise offerings, including approximately 20 Dollar Tree \$1.00 merchandise sections and establishing a minimum number of freezer and cooler doors, throughout the store. The stores with the H2 format have increased traffic and provided an average comparable store net sales lift in excess of 10% in the first year following renovation. The H2 format performs well in a variety of locations and especially in locations where Family Dollar has been most challenged in the past. We started fiscal 2019 with approximately 200 H2 stores and ended fiscal 2019 with approximately 1,535 H2 stores. We plan to renovate at least 1,250 stores to this format in fiscal 2020 and also plan to build new stores in this format.

While the number of items in a given store can vary based on the store's size, geographic location, merchandising initiatives and other factors, our typical Family Dollar store generally carries approximately 7,800 basic items alongside items that are ever-changing and seasonally-relevant throughout the year.

The merchandise mix in our Family Dollar stores consists of:

- consumable merchandise, which includes food and beverages, tobacco, health and beauty aids, household chemicals, paper products, hardware and automotive supplies, diapers, batteries, and pet food and supplies;
- home products, which includes housewares, home décor, giftware, and domestics, including comforters, sheets and towels;
- apparel and accessories merchandise, which includes clothing, fashion accessories and shoes; and
- seasonal and electronics merchandise, which includes Valentine's Day, Easter, Halloween and Christmas merchandise, personal electronics, including pre-paid cellular phones and services, stationery and school supplies, and toys.

For information regarding the amounts and percentages of our net sales contributed by the above merchandise categories for the last three fiscal years, please refer to [Note 12](#) to our consolidated financial statements.

Business Strategy

Continue to execute our proven and best-in-class retail business strategy. We will continue to execute our proven strategies that have generated a history of success and continued growth for the Company. Key elements of our strategy include:

- aiming continuously to "Wow" the customer with a compelling, fun and fresh merchandise assortment comprising a variety of the things you want and things you need, all at incredible values in bright, clean and friendly stores;
- maintaining a flexible sourcing merchandise model that allows a variety of products to be sold as long as desired merchandise margin thresholds are met;
- growing and improving both the Dollar Tree and Family Dollar brands;
- pursuing a "more, better, faster" approach to the roll-out of new Dollar Tree and Family Dollar stores to broaden our geographic footprint;

- maintaining customer relevance by ensuring that we reinvent ourselves constantly through new merchandise categories and initiatives;
- leveraging the complementary merchandise expertise of each segment including Dollar Tree's sourcing and product development expertise and Family Dollar's consumer package goods and national brands sourcing expertise; and
- maintaining a prudent approach with our use of capital for the benefit of our shareholders.

Operate a diversified and complementary business model across both fixed-price and multi-price point strategies. We plan to operate and grow both the Dollar Tree and Family Dollar brands. We will utilize the reach and scale of our combined company to serve a broader range of customers in more ways, offering better prices and more value for the customer. At Dollar Tree, everything is \$1.00, offering the customer a balanced mix of things they need and things they want. Our shopping experience will remain fun and friendly as we exceed our customers' expectations for what they can buy for \$1.00. We are currently testing a concept known as Dollar Tree *Plus!* in a small group of stores. Merchandise in these stores includes select items which retail for more than \$1.00 but not more than \$5.00 and maintain our customers' expectations of extreme value. Dollar Tree serves a broad range of income customers in suburban locations. Family Dollar stores will continue to operate using multiple price points, serving customers as their "neighborhood discount store," offering great values on everyday items and a convenient shopping experience. Family Dollar primarily serves a lower than average income customer in urban and rural locations. We will benefit from an expanded target customer profile and utilize the store concepts of both Dollar Tree and Family Dollar to serve a broader range of customer demographics to drive further improvements in sales and profitability.

Take advantage of significant white-space opportunity. Over the past decade we have built a solid and scalable infrastructure, which provides a strong foundation for our future growth. We are committed to growing our combined business to take advantage of significant white space opportunities that we believe exist for both the Dollar Tree and Family Dollar store concepts. Using our proven real estate strategy across our combined business, we intend to drive future store openings by capitalizing on data-driven insights regarding location, target customer profile, competitive dynamics and cost structure. Over the long-term, we believe that the market can support more than 10,000 Dollar Tree stores and 15,000 Family Dollar stores across the United States, and approximately 1,000 Dollar Tree stores in Canada.

Convenient Locations and Store Size. We focus primarily on opening new Dollar Tree stores in strip shopping centers anchored by large retailers who draw target customers we believe to be similar to ours. Our stores are successful in metropolitan areas, mid-sized cities and small towns. We open new Family Dollar stores in strip shopping centers, freestanding buildings and downtown buildings. The range of our new store sizes, 8,000 - 10,000 selling square feet for Dollar Tree and 7,000 - 9,000 selling square feet for Family Dollar, allows us to target a particular location with a store that best suits that market and takes advantage of available real estate opportunities. Our stores are attractively designed and create an inviting atmosphere for shoppers by using bright lighting, vibrant colors and decorative signs. We enhance the store design with attractive merchandise displays. We believe this design attracts new and repeat customers and enhances our image as both a destination and impulse purchase store.

Profitable Stores with Strong Cash Flow. We maintain a disciplined, cost-sensitive approach to store site selection in order to minimize the initial capital investment required and maximize our potential to generate high operating margins and strong cash flows. We believe that our stores have a relatively small shopping radius, which allows us to profitably concentrate multiple stores within a single market. Our ability to open new stores is dependent upon, among other factors, locating suitable sites and negotiating favorable lease terms.

The strong cash flows generated by our stores allow us to self-fund infrastructure investment and new stores. Over the past five years, cash flows from operating activities have exceeded capital expenditures.

For more information on our results of operations, see "[Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.](#)"

Cost Control. We believe that our substantial buying power and our flexibility in making sourcing decisions contributes to our successful purchasing strategy, which includes targeted merchandise margin goals by category. We also believe our ability to negotiate with our vendor partners allows us to minimize the margin impact of economic pressures such as tariffs. We buy products on an order-by-order basis and have no material long-term purchase contracts or other assurances of continued product supply or guaranteed product cost. No vendor accounted for more than 10% of total merchandise purchased by us in any of the past five years.

Our supply chain systems continue to provide us with valuable sales information to assist our buyers and improve merchandise allocation to our stores. We use this information to target our inventory levels in our distribution centers and stores in order to plan for capacity and labor needs.

Information Systems. We believe that investments in technology help us to increase sales and control costs. Our inventory management system provides information to calculate our estimate of inventory cost under the retail inventory method, which is widely used in the retail industry. Our automated replenishment system replenishes key items, based on actual store-level sales and inventory.

Point-of-sale data allows us to track sales and inventory by merchandise category at the store level and assists us in planning for future purchases of inventory. We believe that this information allows us to ship the appropriate product to stores at the quantities commensurate with selling patterns. Using this point-of-sale data to plan purchases has helped us manage our inventory levels.

Corporate Culture and Values. We believe that honesty and integrity, and treating people fairly and with respect are core values within our corporate culture. We believe that running a business, and certainly a public company, carries with it a responsibility to be above reproach when making operational and financial decisions. Our executive management team visits and shops at our stores like every customer, and ideas and individual creativity on the part of our associates are encouraged, particularly from our store managers who know their stores and their customers. We have standards for store displays, merchandise presentation, and store operations. We maintain an open door policy for all associates. Our distribution centers are operated based on objective measures of performance and virtually everyone in our store support centers is available to assist associates in our stores and distribution centers.

Our disclosure committee meets at least quarterly and monitors our internal controls over financial reporting to ensure that our public filings contain discussions about the potential risks our business faces. We believe that we have appropriate controls in place to be able to certify our financial statements. Additionally, we have complied with the listing requirements for the Nasdaq Global Select Market.

Seasonality. For information on the impact of seasonality, see “[Item 1A. Risk Factors](#)” and “[Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.](#)”

Growth Strategy

Store Openings and Square Footage Growth. The primary factors contributing to our net sales growth have been new store openings, an active store expansion and remodel program, and selective mergers and acquisitions. In the last five years, net sales increased at a compound annual growth rate of 11.1%. During this time, our store count and approximate selling square footage increased from 13,851 and 108.4 million square feet at January 30, 2016 to 15,288 and 121.3 million square feet at February 1, 2020. We expect that the majority of our future sales growth will come from new store openings in our Dollar Tree and Family Dollar segments and our store expansion and relocation program as well as our renovation initiatives.

Our growth and productivity statistics are reported based on selling square footage because our management believes the use of selling square footage yields a more accurate measure of store productivity. We expect to increase the selling square footage in our stores in the future by opening new stores in underserved markets and strategically increasing our presence in our existing markets via new store openings and store expansions (expansions include store relocations). In fiscal 2020 and beyond, we plan to predominantly open Dollar Tree stores that are approximately 8,000 - 10,000 selling square feet and Family Dollar stores that are approximately 7,000 - 9,000 selling square feet. We believe these store sizes allow us to achieve our objectives in the markets in which we plan to expand.

In addition to new store openings, we plan to continue our Dollar Tree store expansion program to increase our net sales per store and take advantage of market opportunities. We target stores for expansion based on the current sales per selling square foot and changes in market opportunities. Stores targeted for expansion are generally less than 7,000 selling square feet in size. Store expansions generally increase the existing store size by approximately 2,500 selling square feet. At February 1, 2020, 6,276 of our Dollar Tree stores, totaling approximately 88% of our Dollar Tree segment selling square footage, were 7,000 selling square feet or larger.

Since 1995, we have added a total of 695 stores through several mergers and acquisitions, excluding our acquisition of Family Dollar. Historically, our acquisition strategy has been to target companies that have a similar single price point concept that have shown success in operations or companies that provide a strategic advantage. We evaluate potential acquisition opportunities as they become available. On July 6, 2015, we completed our acquisition of Family Dollar which allowed us to create a diversified company with complementary business models.

From time to time, we also acquire the rights to store leases through bankruptcy or other proceedings. We will continue to take advantage of these opportunities as they arise depending upon several factors including their fit within our location and selling square footage size parameters.

Merchandising and Distribution. Expanding our customer base is important to our growth plans. We plan to continue to stock our stores with a compelling mix of ever-changing merchandise that our customers have come to appreciate. Consumable merchandise typically leads to more frequent return trips to our stores resulting in increased sales. The presentation and display of merchandise in our stores are critical to communicating value to our customers and creating a more exciting shopping experience. We believe our approach to visual merchandising results in higher sales volume and an environment that encourages impulse purchases.

A strong and efficient distribution network is critical to our ability to grow and to maintain a low-cost operating structure. In fiscal 2019, we began construction of a new 1.2 million square foot distribution center in Rosenberg, Texas which is expected to be operational by the summer of 2020. Additionally, in fiscal 2019, we completed construction of our Morrow County, Ohio distribution center, which is 1.2 million square feet and automated, and currently serves stores in our Dollar Tree segment. In fiscal 2019, we announced plans to construct a new high velocity distribution center in Ocala, Florida that will provide service directly to Dollar Tree and Family Dollar stores throughout Florida and parts of the Southeast and will be built in two phases eventually comprising a 1.7 million square foot facility.

Our St. George, Utah distribution center services both Family Dollar and Dollar Tree stores. In addition, to support the H2 initiative we ship select product from our Dollar Tree distribution centers to our Family Dollar distribution centers and in fiscal 2019, we began to ship select product from our Dollar Tree distribution centers directly to certain of our Family Dollar stores. We believe our distribution center network is currently capable of supporting approximately \$29.5 billion in annual sales in the United States. New distribution sites are strategically located to reduce stem miles, maintain flexibility and improve efficiency in our store service areas. We also are a party to an agreement which provides distribution services from two facilities in Canada.

Our Dollar Tree stores receive approximately 90% of their inventory from our distribution centers via contract carriers and our Family Dollar stores receive approximately 73% of their inventory from our distribution centers. The remaining store inventory, primarily perishable consumable items and other vendor-maintained display items, are delivered directly to our stores from vendors. Our Family Dollar stores receive approximately 14% of their merchandise from McLane Company, Inc. For more information on our distribution center network, see "[Item 2. Properties.](#)"

Competition

Our segment of the retail industry is fragmented and highly competitive and we expect competition to increase in the future. We operate in the discount retail sector, which is currently and is expected to continue to be highly competitive with respect to price, store location, merchandise quality, assortment and presentation and customer service. Our competitors include single-price dollar stores, multi-price dollar stores, mass merchandisers, on-line retailers, discount retailers, drug stores, convenience stores, independently-operated discount stores and a wide variety of other retailers. In addition, several competitors have sections within their stores devoted to "one dollar" price point merchandise, which further increases competition. We believe we differentiate ourselves from other retailers by providing high-value, high-quality, low-cost merchandise in attractively-designed stores that are conveniently located. Our sales and profits could be reduced by increases in competition. There are no significant economic barriers for others to enter our retail sector.

Trademarks

We are the owners of several federal service mark registrations including "Dollar Tree," the "Dollar Tree" logo, and the Dollar Tree logo with a "1." In addition, we own a registration for "Dollar Bill\$." We also acquired the rights to use trade names previously owned by Everything's A Dollar, a former competitor in the \$1.00 price point industry. Several trade names were included in the purchase, including the mark "Everything's \$1.00." We also own the logo mark for "Everything's \$1." With the acquisition of Dollar Giant, we became the owner of several trademarks in Canada. With the acquisition of Family Dollar, we became the owners of the trademarks "Family Dollar," "Family Dollar Stores" and other names and designs of certain merchandise sold in Family Dollar stores. We have federal trademark registrations for a number and variety of private labels that we use to market many of our product lines. Our trademark registrations have various expiration dates; however, assuming that the trademark registrations are properly maintained and renewed, they have a perpetual duration.

Employees

We employed approximately 56,900 full-time and 136,200 part-time associates on February 1, 2020. Part-time associates work an average of less than 30 hours per week. The number of part-time associates fluctuates depending on seasonal needs. We consider our relationship with our associates to be good, and we have not experienced significant interruptions of operations due to labor disagreements.

Item 1A. Risk Factors

An investment in our common stock involves a high degree of risk. Any failure to meet market expectations, including our comparable store sales growth rate, earnings and earnings per share or new store openings, could cause the market price of our stock to decline. You should carefully consider the specific risk factors listed below together with all other information included or incorporated in this report and other filings that we make from time to time with the SEC, including our consolidated financial statements and accompanying notes. Any of the following risks may materialize, and additional risks not known to us, or that we now deem immaterial, may arise. In such event, our business, financial condition, results of operations or prospects could be materially adversely affected.

Our profitability is vulnerable to cost increases.

Future increases in costs such as wage and benefit costs, the cost of merchandise, duties, merchandise loss (due to theft, damage, or errors), shipping rates, freight costs, fuel costs and store occupancy costs would reduce our profitability. Wage rates and labor costs are expected to increase in 2020. The minimum wage has increased in certain states and local jurisdictions and is scheduled to increase further in 2020.

In our Dollar Tree segment, we do not raise the sales price of our merchandise to offset cost increases because we are committed to selling primarily at the \$1.00 price point to continue to provide value to the customer. We are dependent on our ability to adjust our product assortment, to operate more efficiently or to increase our comparable store net sales in order to offset cost increases. We can give no assurance that we will be able to operate more efficiently or increase our comparable store net sales in the future. Although Family Dollar, unlike Dollar Tree, can raise the price of merchandise, customers would buy fewer products if prices were to increase. Please see "[Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#)" for further discussion of the effect of economic factors on our operations.

The coronavirus pandemic is an emerging serious threat to health and economic wellbeing affecting our customers, our associates and our sources of supply.

On March 11, 2020, the World Health Organization announced that infections of the coronavirus COVID-19 had become pandemic, and on March 13, the U.S. President announced a National Emergency relating to the disease. There is a possibility of widespread infection in the United States and abroad, with the potential for catastrophic impact. National, state and local authorities have recommended social distancing and imposed or are considering quarantine and isolation measures on large portions of the population, including mandatory business closures. These measures, while intended to protect human life, are expected to have serious adverse impacts on domestic and foreign economies of uncertain severity and duration. The effectiveness of economic stabilization efforts, including proposed government payments to affected citizens and industries, is uncertain. Some economists are predicting the United States will soon enter a recession.

The sweeping nature of the COVID-19 pandemic makes it extremely difficult to predict how the company's business and operations will be affected in the longer run. However, the likely overall economic impact of the pandemic is viewed as highly negative to the general economy. We may become subject to store closures. We have been classified as an essential business in the jurisdictions that have decided that issue to date, and we have been allowed to remain open. Our small, convenient stores; our sale of food, paper products, personal sanitation products, cleaning supplies, and over the counter drugs; and our acceptance of SNAP benefits among other factors have been important to our classification as an essential business. However, we can give no assurance that that will not change in the future. We may also be forced to close for other reasons such as the health of our associates or because of disruptions in the continued operation of our supply chain and sources of supply. It is possible facility closures for health reasons could also impact company distribution centers or our store-support center in Chesapeake, Virginia. Additionally, as pandemic conditions wane, we cannot predict how quickly the marketplaces in which we operate would return to normal.

Any of the foregoing factors, or other cascading effects of the coronavirus pandemic that are not currently foreseeable, could materially increase our costs, negatively impact our sales and damage the company's results of operations and its liquidity position, possibly to a significant degree. The duration of any such impacts cannot be predicted.

We could continue to encounter higher costs and disruptions in our distribution network.

Our success is dependent on our ability to transport merchandise to our distribution centers and then to our stores in a timely and cost-effective manner. We also rely heavily on third parties including ocean shippers and truckers in that process. We may not anticipate, respond to or control all of the challenges of operating our distribution network. Additionally, when a shipping or trucking line fails to deliver on its commitments or our distribution centers fail to operate effectively, we could experience merchandise shortages that could lead to lost sales or increased costs. In the last several years, we have incurred higher distribution costs due to a variety of factors. Some of the factors that could have an adverse effect on our distribution network or costs in 2020 are:

- *Shipping disruption.* Our oceanic shipping schedules and shipping capacity may be disrupted or delayed from time to time. One factor that may have an impact in 2020 is the outbreak and spread of the coronavirus identified as COVID-19, which presents a risk to trans-Pacific shipping. The coronavirus, which has resulted in an epidemic and travel restrictions, originated and is concentrated in China, where we buy a significant portion of our merchandise. Our supply chain may be disrupted, or our transportation costs might increase, as a result of the coronavirus as well as other international events such as war or acts of terrorism.
- *Shipping costs.* We could experience increases in shipping rates imposed by the trans-Pacific ocean carriers. Changes in import duties, import quotas and other trade sanctions could also increase our costs. We are also experiencing higher import freight costs based on the commencement of low sulphur fuel requirements for ships.
- *Efficient operations and management.* Distribution centers and other aspects of our distribution network are difficult to operate efficiently, and we have and could experience a reduction in operating efficiency as a result of high turnover and challenges in maintaining a stable workforce. We are in the process of enhancing our distribution and logistics management to cope with our challenges, but have not completed that process.
- *Diesel fuel costs.* We have experienced volatility in diesel fuel costs over the past few years.
- *Trucking costs.* We have recently experienced significant increases in trucking costs due to the truck driver shortage and other factors in 2018, which abated in the fourth quarter of 2019; however, not to the extent anticipated, and our future trucking costs could be higher than we anticipate.
- *Vulnerability to natural or man-made disasters.* A fire, explosion or natural disaster at a port or any of our distribution facilities could result in a loss of merchandise and impair our ability to adequately stock our stores. Some facilities are vulnerable to earthquakes, hurricanes or tornadoes.
- *Labor disagreement.* Labor disagreements, disruptions or strikes, for example at ports, may result in delays in the delivery of merchandise to our distribution centers or stores and increase costs.
- *McLane Company, Inc.* In fiscal 2019, we purchased and delivered approximately 14% of our merchandise for our Family Dollar segment through our relationship with McLane Company, Inc., which distributes consumable merchandise from multiple manufacturers. A disruption in our relationship with McLane Company, Inc. could have a significant near-term impact on our operations.

Risks associated with our domestic and foreign suppliers, including tariffs or restrictions on trade or disruptions arising from the outbreak of the recent coronavirus, could adversely affect our financial performance.

We are dependent on our vendors to supply merchandise in a timely and efficient manner. If a vendor fails to deliver on its commitments due to financial or other difficulties, we could experience merchandise shortages which could lead to lost sales or increased merchandise costs if alternative sources must be used.

We rely on the availability of imported goods at favorable wholesale prices. Merchandise imported directly accounts for approximately 40% to 42% of our Dollar Tree segment's total retail value purchases and 16% to 18% of our Family Dollar segment's total retail value purchases. In addition, we believe that a significant portion of our goods purchased from domestic vendors is imported. China is the source of a substantial majority of our imports. Imported goods are generally less expensive than domestic goods and increase our profit margins. A disruption in the flow of our imported merchandise or an increase in the cost of those goods may significantly decrease our profits. Risks associated with our reliance on imported goods may include disruptions in the flow of or increases in the cost of imported goods because of factors such as:

- duties, tariffs or other restrictions on trade including Section 301 tariffs that have already been imposed on imported Chinese goods; the Section 301 tariffs that have already been assessed are expected to increase merchandise costs significantly in the first two quarters of 2020, but merchandise costs in the last two quarters of 2020 are expected to be affected similarly to the last two quarters of 2019;
- raw material shortages, work stoppages, government travel restrictions, strikes and political unrest, including any impact on vendors or shipping arising from epidemics and related travel restrictions, such as the recent coronavirus COVID-19 pandemic;
- economic crises and international disputes or conflicts;
- changes in currency exchange rates or policies and local economic conditions, including inflation (including energy prices and raw material costs) in the country of origin;

- potential changes to, or withdrawal of the United States from, international trade agreements or the failure of the United States to maintain normal trade relations with China and other countries;
- changes in leadership and the political climate in countries from which we import products and their relations with the United States; and
- failure of manufacturers outside the United States to meet food, drug and cosmetic safety and labeling requirements set by government regulators.

See “[Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations](#)” for further discussion of the effect of foreign suppliers on our operations.

The continuing integration of Family Dollar’s operations is not complete and may be more difficult, costly or time consuming than expected.

In fiscal 2019, we consolidated company and segment oversight in a single corporate headquarters, with one President, Chief Merchant, and Chief Operating Officer managing both our Family Dollar and Dollar Tree stores. Significant progress has been made in the integration of Family Dollar and Dollar Tree, but the process is not yet complete. In 2019, we replaced a significant number of Family Dollar associates in core functions, such as merchandising, due to the consolidation of the Family Dollar store support center to Virginia. It will take our new personnel some time to gain the experience of their predecessors. It is possible that the remaining integration process will take longer than anticipated and could result in the loss of key employees, higher than expected costs or unexpected costs, ongoing diversion of management attention, increased competition, the disruption of our ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers, vendors and employees. If we experience these difficulties, the anticipated benefits of the integration may not be realized fully, or may take longer to realize than expected, which could adversely affect our results of operations or business.

Our business could be adversely affected if we fail to attract and retain qualified associates and key personnel.

Our growth and performance is dependent on the skills, experience and contributions of our associates, executives and key personnel for both Dollar Tree and Family Dollar. Various factors, including the integration of our segments, constraints on overall labor availability, wage rates, regulatory or legislative impacts, and benefit costs could impact our ability to attract and retain qualified associates at our stores, distribution centers and corporate offices.

Our growth is dependent on our ability to increase sales in existing stores and to expand our square footage profitably.

Existing store sales growth is critical to good operating results and is dependent on a variety of factors including merchandise quality, relevance and availability, store operations and customer satisfaction. In addition, increased competition could adversely affect our sales. Failure to meet our sales targets, including in our renovated stores, could result in our needing to record material non-cash impairment charges related to our intangible assets. We believe improving sales at Family Dollar depends in significant part on the success of the H2 renovations which accelerated in 2019. Sales growth in the more than 1,300 H2 stores opened or renovated in 2019 performed well above the Family Dollar store average, but it is uncertain how those stores will perform in 2020 in their second year of operation.

Our highest sales periods are during the Christmas and Easter seasons, and we generally realize a disproportionate amount of our net sales and our operating and net income during the fourth quarter. In anticipation, we stock extra inventory and hire many temporary employees to prepare our stores. A reduction in sales during these periods could adversely affect our operating results, particularly operating and net income, to a greater extent than if a reduction occurred at other times of the year. Untimely merchandise delays due to receiving or distribution problems could have a similar effect.

Our plans for 2020 project that our profitability improvements, as compared to 2019, will be primarily realized in the last three quarters of the year. As a result, performance and disruption problems in those quarters may have a bigger impact on our achieving our profitability targets for 2020.

When Easter is observed earlier in the year, the selling season is shorter and, as a result, our sales could be adversely affected. Easter was observed on April 21, 2019 and will be observed on April 12, 2020.

Expanding our square footage profitably depends on a number of uncertainties, including our ability to locate, lease, build out and open or expand stores in suitable locations on a timely basis under favorable economic terms. Obtaining an increasing number of profitable stores is an ever increasing challenge. In addition, our expansion is dependent upon third-party developers’ abilities to acquire land, obtain financing, and secure necessary permits and approvals. We also open or expand stores within our established geographic markets, where new or expanded stores may draw sales away from our existing stores. We may not manage

our expansion effectively, and our failure to achieve our expansion plans could materially and adversely affect our business, financial condition and results of operations.

Our profitability is affected by the mix of products we sell.

Our gross profit margin decreases when we increase the proportion of higher cost goods we sell. Imported merchandise is generally lower cost than domestic goods. Our supply of goods, including imported goods, could be negatively impacted by the coronavirus COVID-19. In recent years, the percentage of our sales from higher cost consumable products has increased, and we can give no assurance that this trend will not continue.

In addition, shrink has increased, especially at Family Dollar. As a result, our gross profit margin has decreased. We are instituting processes and procedures to decrease shrink, but we can give no assurance that they will be successful.

In our Family Dollar segment, our success also depends on our ability to select and obtain sufficient quantities of relevant merchandise at prices that allow us to sell such merchandise at profitable and appropriate prices. A sales price that is too high causes products to be less attractive to our customers and our sales at Family Dollar could suffer. We are continuing to implement our everyday low price strategy at Family Dollar to drive customer loyalty and have a strategic pricing team to improve our value and to increase profitability. Inability to successfully implement our pricing strategies at Family Dollar could have a negative effect on our business.

In addition, our Family Dollar segment has a substantial number of private brand items and the number of items has been increasing. We believe our success in maintaining broad market acceptance of our private brands depends on many factors, including our pricing, costs, quality and customer perception. We may not achieve or maintain our expected sales for our private brands and, as a result, our business and results of operations could be adversely impacted. Additionally, the increased number of private brands could negatively impact our existing relationships with our non-private brand suppliers.

We may stop selling or recall certain products for safety-related issues.

We may stop selling or recall certain products produced by certain manufacturers for safety-related issues, including product contamination, product content such as lead, spoilage or other adulteration, improper manufacturing processes, improper testing, product mislabeling or product tampering. For example, we may stop selling or recall products if the products or operations of our suppliers violate applicable laws or regulations, including food, drug and cosmetic safety laws, or when our suppliers' products cause injury, illness or death. In addition, our marketing of adulterated products could subject us to claims of false or deceptive advertising or other criticism. A significant product liability or other legal judgment against us, a related regulatory enforcement action or a widespread product recall could materially and adversely affect our reputation and results of operations. Moreover, even if a product liability, consumer fraud or other claim is unsuccessful, has no merit or is not pursued, the negative publicity surrounding assertions against the products we sell could materially and adversely affect our business, reputation and profitability.

We rely on computer and technology systems in our operations, and any material failure, inadequacy, interruption or security failure of those systems including because of a cyber-attack could harm our ability to effectively operate and grow our business and could adversely affect our financial results.

We rely extensively on our computer and technology systems and, in certain cases, those of third-party service providers to manage inventory, process credit card and customer transactions and summarize results. Our ability to effectively manage our business and coordinate the distribution and sale of our merchandise depends significantly on the reliability, integrity and capacity of these systems and on our ability to successfully integrate the Dollar Tree and Family Dollar systems. We also rely on third-party providers and platforms for some of these computer and technology systems and support.

Although we have operational safeguards in place, they may not be effective in preventing the failure of these systems or platforms to operate effectively and be available to us. This may be as the result of deliberate breach in the security of these systems or platforms by bad actors, including through computer viruses, ransomware and other cyber-attacks. Failures may also be caused by various other factors, including power outages, catastrophic events, physical theft, computer and network failures, inadequate or ineffective redundancy, problems with transitioning to upgraded or replacement systems or platforms, flaws in third-party software or services, errors or improper use by our employees or third party service providers.

If these systems are damaged or fail to function properly, we may incur substantial costs to repair or replace them, may experience loss of critical data and interruptions or delays in our ability to manage inventories or process customer transactions and may receive negative publicity, which could adversely affect our results of operations and business. In addition, remediation of any problems with our systems could result in significant, unplanned expenses.

If we suffer a data breach and 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 and increased costs, which could damage our business reputation and adversely affect our results of operations or business.

Many of our information technology systems, such as those we use for our point-of-sale, web and mobile platforms, including online and mobile payment systems, and for administrative functions, including human resources, payroll, accounting, and internal and external communications, contain personal, financial or other information that is entrusted to us by our customers and associates. Many of our information technology systems also contain proprietary and other confidential information related to our business and suppliers.

We have procedures and technology in place to safeguard our customers' debit and credit card information, our associates' private data, suppliers' data, and our business records and intellectual property and other sensitive information. Despite these measures, we have experienced attempted and on-going cyber-attacks, which are rapidly evolving. Perpetrators, who may include well-funded state actors, are becoming increasingly sophisticated and difficult to detect. We may be vulnerable to, and unable to anticipate, detect and appropriately respond to such cyber-security attacks, including data security breaches and data loss. If we or any third-party systems we use experience a data security breach, we could be exposed to negative publicity, government enforcement actions and private litigation. In addition, our reputation within the business community and with our customers may be affected, which could result in our customers discontinuing the use of debit or credit cards in our stores or not shopping in our stores altogether.

Moreover, significant capital investments and other expenditures could also be required to remedy cyber-security problems and prevent future security breaches, including costs associated with additional security technologies, personnel, experts and services (e.g. credit-monitoring services) for those whose data has been breached. These costs, which could be material, could adversely impact our results of operations in the period in which they are incurred and may not meaningfully limit the success of future attempts to breach our information technology systems.

The unavailability of our information technology systems or the failure of those systems or software to perform as anticipated for any reason and any inability to respond to, or recover from, such an event, could disrupt our business, decrease performance and increase overhead costs. 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 and increased costs. Any of these factors could have a material adverse effect on our results of operations or business.

We could incur losses due to impairment of long-lived assets, goodwill and intangible assets.

Under U.S. generally accepted accounting principles, we review our long-lived assets for impairment whenever economic events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Identifiable intangible assets with an indefinite useful life, including goodwill, are not amortized but are evaluated annually for impairment. A more frequent evaluation is performed if events or circumstances indicate that impairment could have occurred.

In fiscal 2019 and 2018, we recorded a \$313.0 million and a \$2.73 billion non-cash pre-tax and after-tax goodwill impairment charge, respectively, related to our Family Dollar reporting unit. In 2018, as a result of a strategic and operational reassessment of the Family Dollar segment following challenges that the business experienced which impacted our ability to grow the business at the originally estimated rate when the Company made the acquisition in 2015, we determined that the carrying value of the Family Dollar assets was greater than its estimated fair value and recorded an impairment charge. These challenges included slower sales growth, increased freight costs driven by the driver shortage, reinvestment in store labor and higher shrink. Failure to fully address these challenges, significant negative industry or general economic trends, other disruptions to our business and unanticipated significant changes in our use of the assets may result in additional impairments to our goodwill, intangible assets and other long-lived assets. Following our annual impairment assessment, we recorded an impairment charge in the fourth quarter of 2019. We will continue to monitor key assumptions and other factors utilized in our goodwill impairment analysis, and if business or other market conditions develop that are materially different than we currently anticipate, we will conduct an additional impairment evaluation. Any reduction in or impairment of the value of goodwill or intangible assets will result in a charge against earnings, which could have a material adverse impact on our reported results of operations and financial condition. For additional information on goodwill impairments please refer to [Note 3](#) to our consolidated financial statements.

Our business or the value of our common stock could be negatively affected as a result of actions by activist shareholders.

We value constructive input from investors and regularly engage in dialogue with our shareholders regarding strategy and performance. The Board of Directors and management team are committed to acting in the best interests of all of our shareholders. There is no assurance that the actions taken by the Board of Directors and management in seeking to maintain constructive

engagement with the Company's shareholders will be successful. Activist shareholders who disagree with the Company's strategy or the way the Company is managed have sought to effect change, and may seek to effect change in the future, through various strategies that range from private engagement to publicity campaigns, proxy contests, efforts to force transactions not supported by the Board of Directors and litigation.

Responding to these actions may be costly and time-consuming, disrupt our operations, divert the attention of our Board of Directors, management and employees, and interfere with the Company's ability to execute its strategic plan and attract and retain qualified executive leadership. A contested election, for example, could also require us to incur substantial legal and public relations fees and proxy solicitation expenses. The perceived uncertainty as to the Company's future direction resulting from activist strategies could also affect the market price and volatility of the Company's common stock.

Litigation and arbitration may adversely affect our business, financial condition and results of operations.

Our business is subject to the risk of litigation and arbitration involving employees, consumers, suppliers, competitors, shareholders, government agencies, or others through private actions, class actions, governmental investigations, administrative proceedings, regulatory actions, mass arbitration or other similar actions. Our products could also cause illness or injury, harm our reputation, and subject us to litigation. We are dependent on our vendors to ensure that the products we buy comply with all applicable safety standards. However, product liability, personal injury or other claims may be asserted against us relating to product contamination, product tampering, mislabeling, recall and other safety issues with respect to the products that we sell. We seek but may not be successful in obtaining contractual indemnification and insurance coverage from our vendors, and if we do not have adequate contractual indemnification or insurance available, such product liability or safety claims could adversely affect our business, financial condition and results of operations. Our ability to obtain the benefit of contractual indemnification from foreign vendors may be hindered by our ability to enforce contractual indemnification obligations against such vendors. Our litigation-related expenses could increase as well, which also could have a materially negative impact on our results of operations even if a product liability claim is unsuccessful or is not fully pursued.

For example, we are currently defendants in state employment-related class and representative actions, in demands for thousands of arbitrations, and in litigation concerning injury from products. The outcome of such matters is difficult to assess or quantify. Plaintiffs in these types of lawsuits or proceedings may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss may remain unknown for substantial periods of time. In addition, certain of these matters, if decided adversely to us or settled by us, may result in an expense that may be material to our financial statements as a whole or may negatively affect our operating results if changes to our business operations are required. The cost to defend current and future litigation or proceedings, including arbitrations, may be significant. There also may be adverse publicity associated with litigation, including litigation related to product or food safety, customer information and environmental or safety requirements, which could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable.

For a discussion of current legal matters, please see "[Item 3. Legal Proceedings](#)" and [Note 5](#) to our consolidated financial statements under the caption "Contingencies." Resolution of these matters, if decided against the Company, could have a material adverse effect on our results of operations, accrued liabilities or cash flows.

Pressure from competitors may reduce our sales and profits.

The retail industry is highly competitive. The marketplace is highly fragmented as many different retailers compete for market share by utilizing a variety of store formats and merchandising strategies, including mobile and online shopping. We expect competition to increase in the future. There are no significant economic barriers for others to enter our retail sector. Some of our current or potential competitors have greater financial resources than we do. We cannot guarantee that we will continue to be able to compete successfully against existing or future competitors or that doing so will not require substantial capital expenditures. Please see "[Item 1. Business](#)" for further discussion of the effect of competition on our operations.

A downturn or changes in economic conditions, including those caused by the coronavirus COVID-19, could impact our sales or profitability.

Deterioration in economic conditions, for example because of the coronavirus pandemic and government measures to combat it, could reduce consumer spending or cause customers to shift their spending to products we either do not sell or do not sell as profitably. Adverse economic conditions could disrupt consumer spending and significantly reduce our sales, decrease our inventory turnover, cause greater markdowns or reduce our profitability due to lower margins. Other factors that could result in or exacerbate adverse economic conditions include a recession, inflation, higher unemployment, consumer debt levels, trade disputes, as well as adverse weather conditions, epidemics, terrorism or international conflict.

Furthermore, factors that could adversely affect consumer disposable income could decrease our customers' spending on products we sell. Factors that could reduce our customers' disposable income and over which we exercise no influence include but are not limited to, the pandemic and other adverse economic conditions described above as well as increases in fuel or other energy costs and interest rates, lack of available credit, higher tax rates and other changes in tax laws, increasing healthcare costs, and changes in, decreases in, or elimination of, government subsidies such as unemployment and food assistance programs.

Many of the factors identified above that affect disposable income, as well as commodity rates, transportation costs (including the costs of diesel fuel), costs of labor, insurance and healthcare, foreign exchange rate fluctuations, lease costs, barriers or increased costs associated with international trade and other economic factors also affect our ability to implement our corporate strategy effectively, our cost of goods sold and our selling, general and administrative expenses, and may have other adverse consequences which we are unable to fully anticipate or control, all of which may adversely affect our sales or profitability. We have limited or no ability to control many of these factors.

Changes in federal, state or local law, including regulations and interpretations or guidance thereunder, or our failure to adequately estimate the impact of such changes or comply with such laws, could increase our expenses, expose us to legal risks or otherwise adversely affect us.

Our business is subject to a wide array of laws and regulations. The minimum wage has increased or is scheduled to increase in multiple states, provinces and local jurisdictions. Significant legislative changes in regulations such as the health-care legislation, that impact our relationship with our workforce could increase our expenses and adversely affect our operations. Changes in other regulatory areas, such as consumer credit, privacy and information security, product and food safety, worker safety or environmental protection, among others, could cause our expenses to increase or product recalls. In addition, if we fail to comply with applicable laws and regulations, including wage and hour laws, we could be subject to legal risk, including government enforcement action and class action civil litigation, which could adversely affect our results of operations.

In addition, we are subject to laws and regulations in various jurisdictions in which we operate regarding privacy, data protection and data security, including those related to the collection, storage, handling, use, disclosure, transfer and security of personal data. For example, the California Consumer Privacy Act ("CCPA"), which became effective on January 1, 2020, imposes new responsibilities on us for the handling, disclosure and deletion of personal information for consumers who reside in California. The CCPA permits California to assess potentially significant fines for violating CCPA and creates a right for individuals to bring class action suits seeking damages for violations. Our efforts to comply with CCPA and other privacy and data protection laws may impose significant costs and challenges that are likely to increase over time, and we could incur substantial penalties or be subject to litigation related to violation of existing or future data privacy laws and regulations.

The price of our common stock is subject to market and other conditions and may be volatile.

The market price of our common stock may fluctuate significantly in response to a number of factors. These factors, some of which may be beyond our control, include the perceived prospects and actual results of operations of our business; changes in estimates of our results of operations by analysts, investors or us; trading activity by our large shareholders; trading activity by sophisticated algorithms (high-frequency trading); our actual results of operations relative to estimates or expectations; actions or announcements by us or our competitors; litigation and judicial decisions; legislative or regulatory actions or changes; and changes in general economic or market conditions. In addition, the stock market in general has from time to time experienced extreme price and volume fluctuations. These market fluctuations could reduce the market price of our common stock for reasons unrelated to our operating performance.

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.

In connection with our acquisition of Family Dollar, we substantially increased our indebtedness, which could adversely affect our ability to fulfill our obligations and have a negative impact on our financing options and liquidity position. As of February 1, 2020, our total indebtedness is \$3.8 billion. In addition, we have \$1.25 billion of additional borrowing availability under our revolving credit facility, less amounts outstanding for letters of credit totaling \$136.9 million.

Our level of debt could have significant consequences, including the following:

- limiting our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other general corporate purposes;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments, instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;

- limiting our ability to refinance our indebtedness on terms acceptable to us or at all;
- imposing restrictive covenants on our operations;
- placing us at a competitive disadvantage to competitors carrying less debt; and
- making us more vulnerable to economic downturns and limiting our ability to withstand competitive pressures.

In addition, our credit ratings impact the cost and availability of future borrowings and, accordingly, our cost of capital. Our ratings reflect the opinions of the ratings agencies of our financial strength, operating performance and ability to meet our debt obligations. There can be no assurance that we will achieve a particular rating or maintain a particular rating in the future.

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.

The agreements that govern our indebtedness contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interests, including, among other things, restrictions on our ability to:

- incur, assume or guarantee additional indebtedness;
- declare or pay dividends or make other distributions with respect to, or purchase or otherwise acquire or retire for value, equity interests;
- make loans, advances or other investments;
- incur liens;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- enter into sale and lease-back transactions;
- consolidate or merge with or into, or sell all or substantially all of our assets to, another person; and
- enter into transactions with affiliates.

In addition, certain of these agreements require us to comply with certain financial maintenance covenants. Our ability to satisfy these financial maintenance covenants can be affected by events beyond our control, and we cannot assure you that we will meet them.

A breach of the covenants under these agreements could result in an event of default under the applicable indebtedness, which, if not cured or waived, could result in us having to repay our borrowings before their due dates. Such default may allow the debt holders to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. If we are forced to refinance these borrowings on less favorable terms or if we were to experience difficulty in refinancing the debt prior to maturity, our results of operations or financial condition could be materially affected. In addition, an event of default under our credit facilities may permit the lenders under our credit facilities to terminate all commitments to extend further credit under such credit facilities. In the event our lenders or holders of notes accelerate the repayment of such borrowings, we cannot assure you that we will have sufficient assets to repay such indebtedness.

As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively, take advantage of new business opportunities or grow in accordance with our plans.

Certain provisions in our Articles of Incorporation and Bylaws could delay or discourage a change of control transaction that may be in a shareholder's best interest.

Our Articles of Incorporation and Bylaws currently contain provisions that may delay or discourage a takeover attempt that a shareholder might consider in his/her best interest. These provisions, among other things:

- provide that only the Board of Directors, the chairman of the Board or the chief executive officer may call special meetings of the shareholders;
- establish certain advance notice procedures for nominations of candidates for election as directors and for shareholder proposals to be considered at shareholders' meetings; and
- permit the Board of Directors, without further action of the shareholders, to issue and fix the terms of preferred stock, which may have rights senior to those of the common stock.

However, we believe that these provisions allow our Board of Directors to negotiate a higher price in the event of a takeover attempt which would be in the best interest of our shareholders.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of February 1, 2020, we operated 15,062 stores across the contiguous United States and the District of Columbia and operated 226 stores within five Canadian provinces.

The Dollar Tree segment includes 7,505 stores operating under the Dollar Tree and Dollar Tree Canada brands with stores predominantly ranging from 8,000 - 10,000 selling square feet. The Family Dollar segment includes 7,783 stores operating under the Family Dollar brand with stores predominantly ranging from 6,000 - 8,000 selling square feet. For additional information on store counts and square footage by segment for the years ended February 1, 2020 and February 2, 2019, see "[Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#)" under the caption "Overview."

We lease the vast majority of our stores and expect to lease the majority of our new stores as we expand. Our leases typically provide for a short initial lease term, generally five years, with options to extend; however, in some cases we have initial lease terms of seven to fifteen years. We believe this leasing strategy enhances our flexibility to pursue various expansion opportunities resulting from changing market conditions. As current leases expire, we believe that we will be able to obtain lease renewals, if desired, for present store locations, or to obtain leases for equivalent or better locations in the same general area.

Our network of distribution centers is strategically located throughout the United States to support our stores. As of February 1, 2020, we operated 24 distribution centers occupying a total of approximately 22.3 million square feet, 13 of which are primarily dedicated to serving our Dollar Tree stores and 11 distribution centers primarily serve our Family Dollar stores. Our St. George, Utah distribution center services both Family Dollar and Dollar Tree stores and we expect future distribution centers to be built with the capability to service both Dollar Tree and Family Dollar stores, including the high velocity facility that is under construction in Ocala, Florida. In addition, as a result of the H2 initiative, we ship select product from our Dollar Tree distribution centers to our Family Dollar distribution centers and in fiscal 2019, we began to ship select product from our Dollar Tree distribution centers directly to certain of our Family Dollar stores. We believe our distribution center network is currently capable of supporting approximately \$29.5 billion in annual sales in the United States. Except for 0.4 million square feet of our distribution center in San Bernardino, California, all of our distribution center capacity is owned.

Each of our distribution centers contains advanced materials handling technologies, including radio-frequency inventory tracking equipment and specialized information systems. With the exception of three of our facilities, each of our distribution centers in the United States also contains automated conveyor and sorting systems.

Distribution services in Canada are provided by a third party from facilities in British Columbia and Ontario.

During fiscal 2019, we consolidated our Matthews, North Carolina store support center with our store support center in Chesapeake, Virginia, which is located in an approximately 0.5 million square foot office tower that we own in the Summit Pointe development in Chesapeake, Virginia. We continue to own our facility in Matthews, North Carolina, which occupies approximately 0.3 million square feet. We are also developing additional parcels on our Summit Pointe property for mixed-use purposes.

For more information on financing of our new and expanded stores, distribution centers and the Summit Pointe development activities, see "[Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#)" under the caption "Funding Requirements."

Item 3. 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;
- real estate matters;
- environmental and safety issues; and
- product safety matters, which may include regulatory matters.

In addition, we are currently defendants in national and state proceedings described in [Note 5](#) to our consolidated financial statements under the caption “Contingencies.”

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 matters will not have a material effect on our results of operations for the period or year in which they are reserved or 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 may be unable to express an opinion as to the outcome of those matters which are not close to being resolved and may be unable to estimate a loss or potential range of loss.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on **The Nasdaq Global Select Market®** under the symbol “DLTR.” As of March 16, 2020, we had 2,377 shareholders of record.

During fiscal 2019, we repurchased 1,967,355 shares of common stock on the open market at an average cost of \$101.66 per share and a total cost of approximately \$200.0 million. None of such repurchases occurred in the fourth quarter of fiscal 2019. We did not repurchase any shares of common stock on the open market in fiscal 2018 or fiscal 2017. At February 1, 2020, we had \$800.0 million remaining under Board repurchase authorization.

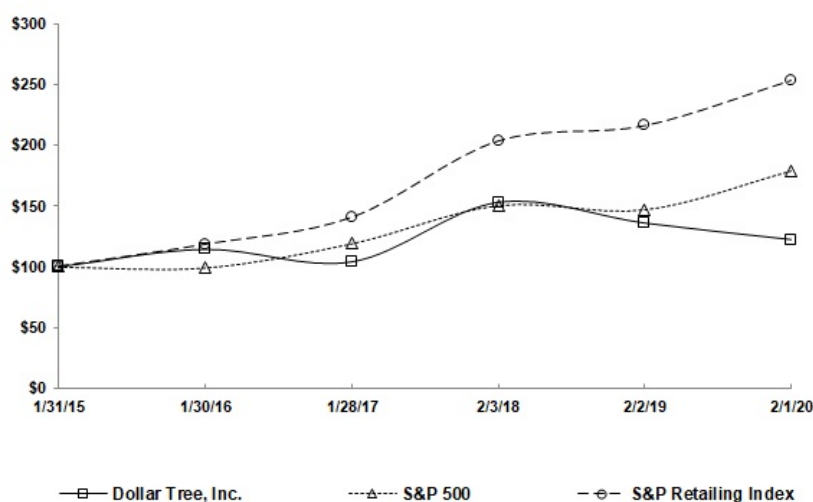
We anticipate that substantially all of our cash flow from operations in the foreseeable future will be retained for the development and expansion of our business, the repayment of indebtedness and, as authorized by our Board of Directors, the repurchase of stock. Management does not anticipate paying dividends on our common stock in the foreseeable future.

Stock Performance Graph

The following graph sets forth the yearly percentage change in the cumulative total shareholder return on our common stock during the five fiscal years ended February 1, 2020, compared with the cumulative total returns of the S&P 500 Index and the S&P Retailing Index. The comparison assumes that \$100 was invested in our common stock on January 31, 2015, and, in each of the foregoing indices on January 31, 2015, and that dividends were reinvested. The stock price performance shown in the graph is not necessarily indicative of future price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Dollar Tree, Inc., the S&P 500 Index, and S&P Retailing Index



*\$100 invested on 1/31/15 in stock or index, including reinvestment of dividends. Indexes calculated on month-end basis.

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	Year Ended					
	January 31, 2015	January 30, 2016	January 28, 2017	February 3, 2018	February 2, 2019	February 1, 2020
Dollar Tree, Inc.	\$ 100.00	\$ 114.37	\$ 104.15	\$ 153.07	\$ 135.99	\$ 122.46
S&P 500 Index	100.00	99.33	119.24	150.73	147.24	179.17
S&P Retailing Index	100.00	118.07	140.38	203.32	216.05	253.36

Item 6. Selected Financial Data

The following table presents a summary of our selected financial data for the fiscal years ended February 1, 2020, February 2, 2019, February 3, 2018, January 28, 2017, and January 30, 2016. Fiscal 2017 included 53 weeks, commensurate with the retail calendar, while all other fiscal years reported in the table contain 52 weeks. The selected statement of operations and balance sheet data have been derived from our consolidated financial statements that have been audited by our independent registered public accounting firm. This information should be read in conjunction with the consolidated financial statements and related notes, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial information found elsewhere in this report.

As a result of the acquisition of Family Dollar on July 6, 2015, the statement of operations data below for the year ended January 30, 2016 includes the results of operations of Family Dollar since that date.

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 or remodeled during the year 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 brand. We report our comparable store net sales 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’s comparable store net sales in Canada using the prior year’s currency exchange rates. We believe that the constant currency basis provides a more accurate measure of comparable store net sales performance.

Both our Dollar Tree stores and our acquired Family Dollar stores are included in the comparable store net sales calculation for the years ended February 3, 2018 and forward. For all prior years, only our Dollar Tree stores are included in the comparable store net sales calculation.

Net sales per selling square foot is calculated based on total net sales for the reporting period divided by the average selling square footage during the period. Selling square footage excludes the storage, receiving and office space that generally occupies approximately 19% of the total square footage of our stores. We believe that net sales per selling square foot more accurately depicts the productivity and operating performance of our stores as it isolates that portion of our footprint that is dedicated to selling merchandise. Net sales per store and net sales per selling square foot are calculated for stores open throughout the period presented.

In the fourth quarter of 2019 and 2018, we recorded non-cash pre-tax and after-tax goodwill impairment charges related to our Family Dollar reporting unit of \$313.0 million and \$2.73 billion, respectively. These impairment charges are reflected in “Selling, general and administrative expenses” in the accompanying consolidated statements of operations for the years ended February 1, 2020 and February 2, 2019. As a result of these goodwill impairment charges, diluted earnings per share decreased by \$1.31 and \$11.46 per share for the years ended February 1, 2020 and February 2, 2019, respectively. For additional information regarding the impairment of the Family Dollar goodwill, refer to [Note 3](#) to our consolidated financial statements.

As a result of the enactment of the Tax Cuts and Jobs Act (“TCJA”) in 2017, net income and diluted net income per share for the year ended February 3, 2018 increased by \$583.7 million and \$2.45 per share, respectively.

Amounts in the following tables are in millions, except per share data, number of stores data, net sales per selling square foot data and inventory turns.

	Year Ended				
	February 1, 2020	February 2, 2019	February 3, 2018	January 28, 2017	January 30, 2016
Statement of Operations Data:					
Net sales	\$ 23,610.8	\$ 22,823.3	\$ 22,245.5	\$ 20,719.2	\$ 15,498.4
Gross profit	7,040.7	6,947.5	7,021.9	6,394.7	4,656.7
Selling, general and administrative expenses	5,778.5	7,887.0	5,022.8	4,689.9	3,607.0
Operating income (loss)	1,262.2	(939.5)	1,999.1	1,704.8	1,049.7

	Year Ended				
	February 1, 2020	February 2, 2019	February 3, 2018	January 28, 2017	January 30, 2016
Net income (loss)	827.0	(1,590.8)	1,714.3	896.2	282.4
Margin Data (as a percentage of net sales):					
Gross profit	29.8%	30.4 %	31.6%	30.8%	30.1 %
Selling, general and administrative expenses	24.5%	34.5 %	22.6%	22.6%	23.3 %
Operating income (loss)	5.3%	(4.1)%	9.0%	8.2%	6.8 %
Net income (loss)	3.5%	(7.0)%	7.7%	4.3%	1.8 %
Per Share Data:					
Diluted net income (loss) per share ⁽¹⁾	\$ 3.47	\$ (6.69)	\$ 7.21	\$ 3.78	\$ 1.26
Diluted net income (loss) per share increase (decrease)	151.9%	(192.8)%	90.7%	200.0%	(56.6)%

	As of				
	February 1, 2020	February 2, 2019	February 3, 2018	January 28, 2017	January 30, 2016
Balance Sheet Data:					
Cash and cash equivalents and short-term investments	\$ 539.2	\$ 422.1	\$ 1,097.8	\$ 870.4	\$ 740.1
Working capital	722.9	2,197.6	1,717.2	1,832.1	1,840.5
Total assets	19,574.6	13,501.2	16,332.8	15,701.6	15,901.2
Total debt	3,800.0	4,300.0	5,732.7	6,391.8	7,465.5
Total operating lease liabilities	6,258.8	—	—	—	—
Shareholders' equity	6,254.8	5,642.9	7,182.3	5,389.5	4,406.9

	Year Ended				
	February 1, 2020	February 2, 2019	February 3, 2018	January 28, 2017	January 30, 2016
Selected Operating Data:					
Number of stores open at end of period	15,288	15,237	14,835	14,334	13,851
Dollar Tree	7,505	7,001	6,650	6,360	5,954
Family Dollar	7,783	8,236	8,185	7,974	7,897
Gross square footage at end of period	149.8	148.3	143.9	138.8	132.1
Dollar Tree	80.6	75.4	71.6	68.5	64.2
Family Dollar	69.2	72.9	72.3	70.3	67.9
Selling square footage at end of period	121.3	120.1	116.6	112.4	108.4
Dollar Tree	64.6	60.3	57.3	54.7	51.3
Family Dollar	56.7	59.8	59.3	57.7	57.1
Selling square footage annual growth ⁽³⁾	1.0%	3.0 %	3.7%	3.7%	10.3%
Net sales annual growth ⁽²⁾	3.5%	2.6 %	7.4%	8.6%	8.5%
Comparable store net sales increase ⁽²⁾	1.8%	1.7 %	1.9%	1.8%	2.1%
Net sales per selling square foot ⁽³⁾	\$ 196	\$ 193	\$ 194	\$ 188	\$ 191
Net sales per store ⁽³⁾	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.6
Selected Financial Ratios:					
Return on assets ⁽³⁾	5.0%	(10.7)%	10.7%	5.7%	11.4%
Return on equity ⁽³⁾	13.9%	(24.8)%	27.3%	18.3%	31.5%
Inventory turns ⁽³⁾	4.0	4.1	4.4	4.1	4.5

- (1) Diluted net income (loss) per share for the year ended February 2, 2019 has been revised to reflect the immaterial correction of an error.
- (2) Family Dollar was included in the determination of these items for the years ended February 3, 2018 and forward
- (3) Family Dollar was included in the determination of these items for the years ended January 28, 2017 and forward

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This section of Form 10-K generally discusses 2019 and 2018 events and results and year-to-year comparisons between 2019 and 2018. Discussions of 2017 items and year-to-year comparisons between 2018 and 2017 that are not included in this Form 10-K can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended February 2, 2019.

In Management’s Discussion and Analysis, we explain the general financial condition and the results of operations for our company, including, factors that affect our business, analysis of annual changes in certain line items in the consolidated financial statements, performance of each of our operating segments, expenditures incurred for capital projects and sources of funding for future expenditures. As you read Management’s Discussion and Analysis, please refer to our consolidated financial statements and related notes, included in “[Item 8. Financial Statements and Supplementary Data](#)” of this Form 10-K. Unless otherwise indicated, references to “we,” “our” or “us” refer to Dollar Tree, Inc. and its direct and indirect subsidiaries on a consolidated basis.

Key Events and Recent Developments

Several key events have had or are expected to have a significant effect on our operations. They are listed below:

- **Coronavirus Pandemic**
 - In March 2020, infections of the coronavirus COVID-19 had become pandemic with persons testing positive in all fifty states and the District of Columbia. With the possibility of widespread infection in the United States and abroad, national, state and local authorities have recommended social distancing and imposed or are considering quarantine and isolation measures on large portions of the population, including mandatory business closures. The Company has been classified as an essential business in certain jurisdictions that have decided that issue to date, and we have been allowed to remain open. However, we can give no assurance that that will not change in the future and we may also be forced to close stores or other facilities for other reasons such as the health of our associates or because of disruptions in the continued operation of our supply chain and sources of supply. Other economic effects of the COVID-19 pandemic are difficult to predict and may adversely impact our results of operations or business condition.
- **Integration of Family Dollar**
 - In 2018, based on our strategic and operational reassessment of the Family Dollar segment following challenges that the business experienced that impacted our ability to grow the business at the originally estimated rate when we acquired Family Dollar in 2015, management determined there were indicators that the goodwill of the business may be impaired. Accordingly, a goodwill impairment test was performed in the fourth quarter of fiscal 2018 and we performed our annual impairment test in 2019. The results of the impairment tests showed that the fair value of the Family Dollar reporting unit was lower than its carrying value resulting in \$313.0 million and \$2.73 billion non-cash pre-tax and after-tax goodwill impairment charges in the fourth quarters of fiscal 2019 and 2018, respectively.
 - In March 2019, we announced plans for a store optimization program for Family Dollar. For fiscal 2019, this program included rolling out a new model for both new and renovated Family Dollar stores, internally known as H2, re-bannering selected stores to the Dollar Tree brand, closing under-performing stores, and installing adult beverages and expanding freezers and coolers in selected stores. We plan to continue to roll out the H2 concept to more stores, increase the number of stores with adult beverages and expand freezers and coolers in selected stores in 2020.
 - In fiscal 2019, we substantially completed our consolidation of our store support centers in Matthews, North Carolina and Chesapeake, Virginia to our Summit Pointe development in Chesapeake, Virginia.
- **Supply Chain**
 - In the third quarter of 2018, we opened a new 1.2 million square foot distribution center in Warrensburg, Missouri.
 - In the third quarter of 2019, we opened a new 1.2 million square foot distribution center in Morrow County, Ohio.
 - In fiscal 2019, we began construction of a new 1.2 million square foot distribution center in Rosenberg, Texas which is expected to be operational in the third quarter of 2020.
 - In fiscal 2019, we announced plans to construct a new high velocity distribution center in Ocala, Florida that will provide service directly to Dollar Tree and Family Dollar stores throughout Florida and parts of the Southeast and will be built in two phases eventually comprising a 1.7 million square foot facility.

- **Long-term Debt**

- During the first quarter of 2018, we redeemed our \$750.0 million acquisition notes and accelerated the amortization of debt-issuance costs associated with the notes of \$6.1 million.
- During the first quarter of 2018, we refinanced our long-term debt obligations as follows:
 - We completed the registered offering of \$750.0 million of Senior Floating Rate Notes due 2020, \$1.0 billion of 3.70% Senior Notes due 2023, \$1.0 billion of 4.00% Senior Notes due 2025 and \$1.25 billion of 4.20% Senior Notes due 2028;
 - We entered into a credit agreement for a \$782.0 million term loan facility and a \$1.25 billion revolving credit facility;
 - We used the proceeds of the above offerings to repay the \$2,182.7 million outstanding under our senior secured credit facilities and redeem the remaining \$2,500.0 million outstanding under our acquisition debt, resulting in the acceleration of the expensing of \$41.2 million of deferred financing costs and the incurrence of \$114.3 million in prepayment penalties.
- During the fourth quarter of 2018, we prepaid the \$782.0 million outstanding under the term loan facility and accelerated the expensing of \$1.5 million of deferred financing costs.
- During the fourth quarter of 2019, we prepaid \$500.0 million of the \$750.0 million Senior Floating Rate Notes due 2020 and accelerated the expensing of \$0.3 million of deferred financing costs.

Overview

We are a leading operator of more than 15,200 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 or remodeled during the year 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 brand.

At February 1, 2020, 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 years ended February 1, 2020 and February 2, 2019 is as follows:

	Year Ended					
	February 1, 2020			February 2, 2019		
	Dollar Tree	Family Dollar	Total	Dollar Tree	Family Dollar	Total
Store Count:						
Beginning	7,001	8,236	15,237	6,650	8,185	14,835
New stores	348	170	518	320	226	546
Re-bannered stores	200	(200)	—	52	(53)	(1)
Closings	(44)	(423)	(467)	(21)	(122)	(143)
Ending	7,505	7,783	15,288	7,001	8,236	15,237
Relocations	47	15	62	54	13	67
Selling Square Feet (in millions):						
Beginning	60.3	59.8	120.1	57.3	59.3	116.6
New stores	3.0	1.3	4.3	2.7	1.7	4.4
Re-bannered stores	1.5	(1.5)	—	0.4	(0.4)	—
Closings	(0.4)	(2.9)	(3.3)	(0.2)	(0.8)	(1.0)
Relocations	0.2	—	0.2	0.1	—	0.1
Ending	64.6	56.7	121.3	60.3	59.8	120.1

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

The average size of stores opened in 2019 was approximately 8,600 selling square feet (or about 10,640 gross square feet) for the Dollar Tree segment and 7,770 selling square feet (or about 9,630 gross square feet) for the Family Dollar segment. For 2020, we continue to plan to open stores that are approximately 8,000 - 10,000 selling square feet (or about 10,000 - 12,000 gross square feet) for the Dollar Tree segment and approximately 7,000 - 9,000 selling square feet (or about 9,000 - 11,000 gross 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.

Fiscal 2019 and fiscal 2018 which ended on February 1, 2020 and February 2, 2019, respectively, each included 52 weeks. Fiscal 2017 ended on February 3, 2018 and included 53 weeks, commensurate with the retail calendar. The 53rd week in 2017 added approximately \$406.6 million in sales.

In fiscal 2019, comparable store net sales increased by 1.8% on a constant currency basis, as a result of increases in average ticket and customer count. 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's comparable store net sales in Canada using the prior year'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 Canadian currency fluctuations, comparable store net sales increased the same 1.8%. On a constant currency basis, comparable store net sales increased 2.3% in the Dollar Tree segment and increased 1.4% in the Family Dollar segment in fiscal 2019. In the Dollar Tree segment, customer count increased 1.3% and average ticket increased 1.0%. In the Family Dollar segment, an increase of 1.8% in average ticket was partially offset by a decrease in customer count of 0.4%. Including the impact of currency, comparable store net sales in the Dollar Tree segment increased 2.2%. 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, re-banner stores or expand stores near existing stores.

Dollar Tree Initiatives

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 2019 and as of February 1, 2020, the Dollar Tree banner had frozen and refrigerated merchandise in approximately 6,155 stores compared to approximately 5,665 stores at February 2, 2019. In 2018, we rolled out a new layout to a number of our 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 February 1, 2020, we have Snack Zone in more than 2,100 Dollar Tree stores and we plan to incorporate Snack Zone in 500 new and existing stores in fiscal 2020. We believe 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 expect to open approximately 350 Dollar Tree stores in fiscal 2020.

Family Dollar Initiatives

As announced in March 2019, we executed a store optimization program in fiscal 2019 for our Family Dollar stores to improve performance. Included in that program was a roll-out of a new model for both new and renovated Family Dollar stores internally known as H2. We tested the H2 model in 2018 on a limited basis with positive results. This H2 model has significantly improved merchandise offerings, including approximately 20 Dollar Tree \$1.00 merchandise sections and establishing a minimum number of freezer and cooler doors, throughout the store. H2 has increased traffic and provided an average comparable store net sales lift in excess of 10% in the first year following renovation. H2 performs well in a variety of locations and especially in locations where Family Dollar has been most challenged in the past. We began 2019 with approximately 200 H2 stores and as of February 1, 2020, we have approximately 1,535 H2 stores. We plan to renovate approximately 1,250 stores to the H2 format in fiscal 2020. In addition, we installed adult beverage product in approximately 620 stores in 2019 and plan to add it to approximately 1,000 more stores in 2020. We believe the addition of adult beverage to our assortment will drive traffic to our stores. We expect to open approximately 200 Family Dollar stores in fiscal 2020, which are expected to be in the H2 format.

As a part of the fiscal 2019 store optimization program at Family Dollar, we closed 423 under performing stores and incurred approximately \$42.5 million in store closure costs related to markdowns, labor and the disposal of fixed assets. In 2020, we plan to close approximately 100 stores at the end of their lease terms. We also re-bannered 200 Family Dollar stores to the Dollar Tree brand in 2019.

As part of our continuing integration of Family Dollar's organization and support functions, in 2019 we consolidated our store support centers in Matthews, North Carolina and Chesapeake, Virginia to our Summit Pointe development in Chesapeake, Virginia. Approximately 30 percent of the Matthews associates, including more than 50 percent of the officers and directors, invited

to move to Chesapeake agreed to do so. The consolidation was substantially completed in fiscal 2019 and we incurred pre-tax expense of approximately \$28.2 million in 2019 in connection with the consolidation.

Other Items

Additionally, the following items have already impacted or could impact our business or results of operations during 2020 or in the future:

- The Office of the United States Trade Representative (USTR) previously imposed tariffs under Section 301 against Chinese goods described on Lists 1, 2, and 3 at a rate of 25%. On September 1, 2019, goods described on List 4A became subject to tariffs at the rate of 15%. On February 14, 2020, the tariff rate on List 4A goods declined to 7.5%.
- During 2019 we were able to negotiate price concessions from vendors on certain products, cancel orders, change product sizes and specifications, change our product mix and change vendors in order to mitigate most of the potential adverse effects of the tariffs under Lists 1, 2 and 3 on the Dollar Tree and Family Dollar segments through January 2020. Due to the timing of the List 4A tariffs, we were not able to significantly mitigate these tariffs in 2019. As a result, in the fourth quarter of 2019, Section 301 tariffs increased our costs of goods sold by approximately \$29.0 million.
- We believe that the annualization of these tariffs under Section 301 will increase cost of goods sold in 2020 by approximately \$47.0 million as compared to 2019, with the majority of this increase affecting the first half of 2020.
- We will continue to assess the future impact of these tariffs. We can give no assurances as to the final scope, duration, or impact of any existing or future tariffs. The tariffs could have a material adverse effect on our business and results of operations in 2020.
- We anticipate higher import freight costs continuing into 2020 based on our April 2019 rate negotiations and the commencement in January 2020 of low sulphur fuel requirements for ships.
- We also anticipate higher promotional activity in the first quarter of 2020 in the Family Dollar segment as we rebuild our discretionary assortment.

We must continue to control our merchandise costs, inventory levels and our general and administrative expenses as increases in these items could negatively impact our operating results.

Results of Operations

	Year Ended		
	February 1, 2020	February 2, 2019	February 3, 2018
Net sales	100.0%	100.0 %	100.0 %
Cost of sales	70.2%	69.6 %	68.4 %
Gross profit	29.8%	30.4 %	31.6 %
Selling, general and administrative expenses, excluding Goodwill impairment and Receivable impairment	23.2%	22.6 %	22.5 %
Goodwill impairment	1.3%	11.9 %	— %
Receivable impairment	—%	— %	0.1 %
Selling, general and administrative expenses	24.5%	34.5 %	22.6 %
Operating income (loss)	5.3%	(4.1)%	9.0 %
Interest expense, net	0.6%	1.6 %	1.3 %
Other income, net	—%	— %	— %
Income (loss) before income taxes	4.7%	(5.7)%	7.7 %
Provision for income taxes	1.2%	1.3 %	— %
Net income (loss)	3.5%	(7.0)%	7.7 %

Fiscal year ended February 1, 2020 compared to fiscal year ended February 2, 2019

Net Sales. Net sales increased 3.5%, or \$787.5 million, in 2019 compared to 2018, resulting from increases in comparable store net sales in the Dollar Tree and Family Dollar segments and sales of \$796.3 million at new stores, partially offset by lost

sales resulting from store closures primarily on the Family Dollar segment. Comparable store net sales increased 1.8% on a constant currency basis as a result of a 1.2% increase in average ticket and a 0.6% increase in customer count. Comparable store net sales increased the same 1.8% when including the impact of Canadian currency fluctuations. On a constant currency basis, comparable store net sales increased 2.3% in the Dollar Tree segment and increased 1.4% in the Family Dollar segment. 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, re-banner stores or expand stores near existing stores.

Gross profit. Gross profit increased \$93.2 million or 1.3%, to \$7,040.7 million in 2019 compared to \$6,947.5 million in 2018. Gross profit margin decreased to 29.8% in 2019 from 30.4% in 2018. Our gross profit margin decrease was due to the following:

- Merchandise cost, including freight, increased approximately 25 basis points resulting from higher tariffs, higher freight costs, and higher sales of lower margin consumable merchandise, primarily in the Family Dollar segment, partially offset by improved initial mark-on.
- Shrink costs increased approximately 15 basis points in 2019 due to unfavorable inventory results, primarily in the Family Dollar segment.
- Distribution costs increased approximately 15 basis points resulting primarily from higher distribution center payroll costs and higher depreciation.
- Occupancy costs increased approximately 10 basis points resulting from higher real estate tax expense.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased to \$5,778.5 million in 2019 from \$7,887.0 million in 2018, a decrease of \$2,108.5 million or 26.7%. We recorded non-cash goodwill impairment charges of \$313.0 million and \$2,727.0 million in fiscal 2019 and fiscal 2018, respectively. The goodwill impairments are discussed further in [Note 3](#) to our consolidated financial statements. Excluding the goodwill impairment charges in 2019 and 2018, selling, general and administrative expenses increased \$305.5 million or 5.9% in 2019 and increased to 23.2% from 22.6%, as a percentage of net sales. This increase in selling, general and administrative expenses was a result of the following:

- Operating and corporate expenses increased approximately 40 basis points resulting from increased costs related to the consolidation of our store support centers, costs related to the disposal of fixed assets due to store closures in conjunction with the Family Dollar store optimization program, higher legal expenses and increased debit and credit fees resulting from higher penetration.
- Payroll expenses increased approximately 15 basis points primarily due to average hourly rate increases and additional hours, including higher temporary help expenses, to support store-level initiatives. These increases were partially offset by decreased retirement plan contributions.

Operating income (loss). Operating income was \$1,262.2 million in 2019 compared to an operating loss of \$939.5 million in 2018. Excluding the non-cash goodwill impairment charges in 2019 and 2018, operating income decreased to \$1,575.2 million in 2019 compared with \$1,787.5 million in 2018 and operating income margin decreased to 6.7% in 2019 from 7.8% in 2018 due to the reasons noted above.

Interest expense, net. Interest expense, net was \$162.1 million in 2019 compared to \$370.0 million in 2018. The prior year included prepayment premiums totaling \$114.3 million and the acceleration of the expensing of \$41.2 million of amortizable non-cash deferred financing costs related to the debt refinancing in the first quarter of 2018. In addition, our 2018 debt refinancing resulted in lower interest rates and the prepayment of the \$782.0 million Term Loan Facility in the fourth quarter of 2018 resulted in our having less debt outstanding.

Income taxes. Our effective tax rate in 2019 was 24.7% compared to 21.5% in 2018. The increase in 2019 is a result of the effect of the goodwill impairment charges in 2019 and 2018 that are not tax deductible. The 2019 effective tax rate includes the benefit of the reversal of a valuation allowance of \$24.6 million. The 2018 effective tax rate includes an additional benefit of \$16.2 million related to the completion of our analysis of the tax effects of the Tax Cuts and Jobs Act ("TCJA").

Segment Information

We operate a chain of more than 15,200 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.

We measure the results of our segments using, among other measures, each segment's net sales, gross profit and operating income. The CODM reviews these metrics for each of our reporting segments. We may revise the measurement of each segment's

operating income, as determined by the information regularly reviewed by the CODM. If the measurement of a segment changes, prior period amounts and balances are reclassified to be comparable to the current period's presentation. In the current year, we identified Corporate and support costs, mainly store support center costs that are considered shared services, and excluded these selling, general and administrative costs from our two reporting business segments. These costs include operating expenses for our store support centers in Chesapeake, Virginia and Matthews, North Carolina. During fiscal 2019, we consolidated our Matthews, North Carolina store support center with our store support center in Chesapeake, Virginia. We continue to own our facility in Matthews, North Carolina. Prior year amounts have been reclassified to be comparable to the current year presentation.

Dollar Tree

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

(in millions)	Year Ended					
	February 1, 2020		February 2, 2019		February 3, 2018	
	\$	% of Net Sales	\$	% of Net Sales	\$	% of Net Sales
Net sales	\$ 12,507.9		\$ 11,712.1		\$ 11,164.4	
Gross profit	4,342.9	34.7%	4,137.5	35.3%	3,998.5	35.8%
Operating income	1,657.8	13.3%	1,645.9	14.1%	1,616.8	14.5%

Fiscal year ended February 1, 2020 compared to fiscal year ended February 2, 2019

Net sales for the Dollar Tree segment increased 6.8%, or \$795.8 million in 2019 compared to 2018 due to sales from new stores of \$586.9 million and a comparable store net sales increase of 2.3% on a constant currency basis resulting from increases in customer count and average ticket of 1.3% and 1.0%, respectively.

Gross profit margin for the Dollar Tree segment decreased to 34.7% in 2019 from 35.3% in 2018. The decrease is due to the following:

- Merchandise cost, including freight, increased approximately 40 basis points primarily due to higher tariffs and higher freight costs, partially offset by improved initial mark-on.
- Distribution costs increased approximately 10 basis points primarily due to higher distribution center payroll and depreciation costs.

Operating income margin for the Dollar Tree segment decreased to 13.3% in 2019 compared to 14.1% in 2018. The decrease in operating income margin in 2019 was the result of lower gross profit margin as noted above and increased selling, general and administrative expenses. Selling, general and administrative expenses, as a percentage of net sales, increased to 21.4% in 2019 compared to 21.2% in 2018 as a result of the net of the following:

- Payroll expenses increased approximately 15 basis points due to higher store hourly payroll costs resulting from average hourly rate increases and additional hours to support store-level initiatives, partially offset by lower retirement plan expense.
- Operating expenses increased approximately 10 basis points primarily due to increased debit and credit fees resulting from higher debit and credit card penetration in the current year.

Family Dollar

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

(in millions)	Year Ended					
	February 1, 2020		February 2, 2019		February 3, 2018	
	\$	% of Net Sales	\$	% of Net Sales	\$	% of Net Sales
Net sales	\$ 11,102.9		\$ 11,111.2		\$ 11,081.1	
Gross profit	2,697.8	24.3 %	2,810.0	25.3 %	3,023.4	27.3%
Operating income (loss)	(81.0)	(0.7)%	(2,320.0)	(20.9)%	630.0	5.7%

Fiscal year ended February 1, 2020 compared to fiscal year ended February 2, 2019

Net sales for the Family Dollar segment decreased \$8.3 million or 0.1% in 2019 compared to 2018 as a result of the store closures associated with the store optimization program. The lost sales were partially offset by a comparable store net sales increase of 1.4% and \$209.4 million of new stores sales. Average ticket increased 1.8% and customer count decreased 0.4% in 2019.

Gross profit for the Family Dollar segment decreased \$112.2 million or 4.0% in 2019 compared to 2018. The gross profit margin for Family Dollar decreased to 24.3% in 2019 compared to 25.3% in 2018. The decrease is due to the following:

- Merchandise cost, including freight, increased approximately 40 basis points, primarily due to higher sales of lower margin consumable merchandise and higher freight costs, partially offset by higher initial mark-on.
- Shrink costs increased approximately 30 basis points resulting from unfavorable physical inventory results in the current year.
- Distribution costs increased approximately 15 basis points resulting primarily from higher merchandising and distribution payroll-related costs.
- Occupancy costs increased approximately 15 basis points resulting primarily from higher real estate tax expense.

Operating loss margin for the Family Dollar segment decreased to 0.7% in 2019 from 20.9% in 2018. The operating losses in 2019 and 2018 were the result of \$313.0 million and \$2,727.0 million non-cash goodwill impairment charges, respectively. Excluding the goodwill impairment charges in 2019 and 2018, operating income margin for the Family Dollar segment decreased to 2.1% in 2019 from 3.7% in 2018, due to the gross profit margin decrease noted above and increased selling, general and administrative expenses, as a percentage of net sales. Excluding the goodwill impairments in 2019 and 2018, selling, general and administrative expenses, as a percentage of net sales, were 22.2% in 2019, compared to 21.6% in 2018. The increase in selling, general and administrative expenses, as a percentage of net sales, was due to the net of the following:

- Operating expenses increased approximately 45 basis points resulting primarily from higher costs related to the disposal of fixed assets in connection with the store optimization program, higher legal expenses, higher debit and credit fees resulting from higher debit and credit card penetration and higher store supplies expense to support the H2 initiative.
- Payroll expenses increased approximately 15 basis points primarily due to average hourly rate increases and additional hours, including increased temporary help expenses, to support store-level initiatives, partially offset by lower insurance expenses.

Liquidity and Capital Resources

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

The following table compares cash-flow related information for the years ended February 1, 2020, February 2, 2019 and February 3, 2018:

(in millions)	Year Ended		
	February 1, 2020	February 2, 2019	February 3, 2018
Net cash provided by (used in):			
Operating activities	\$ 1,869.8	\$ 1,766.0	\$ 1,510.2
Investing activities	(1,020.2)	(816.7)	(627.9)
Financing activities	(709.8)	(1,599.9)	(651.5)

Operating Activities

Net cash provided by operating activities increased \$103.8 million in 2019 compared to 2018 primarily as a result of lower cash payments for inventory, partially offset by lower current year earnings, net of non-cash items and a decrease in accounts payable.

Investing Activities

Net cash used in investing activities increased \$203.5 million in 2019 compared with 2018 primarily due to increased capital expenditures related to the Family Dollar segment store optimization program, including H2 renovations and re-banners, partially offset by grant money received from state and local governments for our Summit Pointe development.

Financing Activities

Net cash used in financing activities decreased \$890.1 million in 2019 compared to 2018 primarily due to our debt refinancing in 2018, which resulted in debt payments exceeding the proceeds of long-term debt by \$656.9 million and the payment of \$155.3 million of debt-issuance and extinguishment costs. We also prepaid the \$782.0 million term loan facility in fiscal 2018. In fiscal 2019, we prepaid \$500.0 million of our \$750.0 million Floating Rate Notes and paid \$200.0 million for 2019 stock repurchases.

At February 1, 2020, our long-term borrowings were \$3.8 billion and we had \$1.25 billion available under our revolving credit facility, less amounts outstanding for standby letters of credit totaling \$136.9 million. For additional detail on our long-term borrowings and other commitments, refer to the discussion of Funding Requirements below, as well as [Note 5](#) and [Note 6](#) to our consolidated financial statements.

Share Repurchases

We repurchased 1,967,355 shares of common stock on the open market for \$200.0 million in fiscal 2019. There were no shares repurchased on the open market in fiscal 2018 or 2017. At February 1, 2020, we have \$800.0 million remaining under Board repurchase authorization.

Funding Requirements

Overview

We expect our cash needs for opening new stores and expanding and renovating existing stores in fiscal 2020 to total approximately \$575.9 million, which includes capital expenditures, initial inventory and pre-opening costs.

Our estimated capital expenditures for fiscal 2020 are approximately \$1.2 billion, including planned expenditures for our new and expanded stores, approximately 1,250 planned H2 renovations of Family Dollar segment stores, the construction of two new distribution centers and the development of additional parcels on our Summit Pointe property, located in Chesapeake, Virginia, for mixed-use purposes. We believe that we can adequately fund our working capital requirements and planned capital expenditures for the foreseeable future from net cash provided by operations and potential borrowings under our revolving credit facility.

The following tables summarize our material contractual obligations at February 1, 2020, including both on- and off-balance sheet arrangements, and our commitments, including interest on long-term borrowings (in millions):

Contractual Obligations	Total	2020	2021	2022	2023	2024	Thereafter
Lease Financing							
Operating lease obligations	\$ 7,458.3	\$ 1,435.5	\$ 1,350.8	\$ 1,150.3	\$ 927.6	\$ 711.0	\$ 1,883.1
Long-term Borrowings							
Principal	3,800.0	250.0	300.0	—	1,000.0	—	2,250.0
Interest	784.7	145.4	129.2	129.7	104.2	92.0	184.2
Total obligations	\$ 12,043.0	\$ 1,830.9	\$ 1,780.0	\$ 1,280.0	\$ 2,031.8	\$ 803.0	\$ 4,317.3
Commitments							
	Total	Expiring in 2020	Expiring in 2021	Expiring in 2022	Expiring in 2023	Expiring in 2024	Thereafter
Letters of credit and surety bonds	\$ 340.9	\$ 333.5	\$ 6.8	\$ 0.5	\$ 0.1	\$ —	\$ —
Purchase obligations	123.2	47.8	30.3	22.4	17.5	5.2	—
Total commitments	\$ 464.1	\$ 381.3	\$ 37.1	\$ 22.9	\$ 17.6	\$ 5.2	\$ —

Lease Financing

Operating lease obligations. Refer to [Note 7](#) to our consolidated financial statements for information on our operating leases. The obligation above includes amounts for leases that were signed prior to February 1, 2020 for stores that were not yet open on February 1, 2020.

Long-term Borrowings

In the first quarter of 2018, we redeemed our \$750.0 million acquisition notes and accelerated the amortization of debt-issuance costs associated with the notes of \$6.1 million.

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 then-existing senior secured credit facilities and acquisition notes, resulting in the acceleration of the expensing of \$41.2 million of deferred financing costs and the incurrence of \$114.3 million in prepayment penalties. In the fourth quarter of 2018, we prepaid in full the \$782.0 million term loan facility and in the fourth quarter of 2019, we prepaid \$500.0 million of the \$750.0 million Senior Floating Rate Notes due 2020.

In addition, upon the acquisition of Family Dollar in 2015, we assumed the liability for \$300.0 million of 5.00% senior notes due February 1, 2021.

The interest on our long-term borrowings represents the interest payments on the foregoing long-term borrowings that were outstanding at February 1, 2020 using the interest rates for each at February 1, 2020.

For additional information on our long-term borrowings, please refer to [Note 6](#) to our consolidated financial statements.

Commitments

Letters of credit and surety bonds. We have \$330.0 million in Letter of Credit Reimbursement and Security Agreements with various financial institutions, under which approximately \$134.7 million was committed to letters of credit issued for routine purchases of imported merchandise at February 1, 2020.

We also have approximately \$136.9 million of letters of credit outstanding that serve as collateral for our large-deductible insurance programs and \$69.3 million of surety bonds outstanding primarily for certain utility payment obligations at some of our stores and self-insured insurance programs.

Purchase obligations. We have commitments totaling approximately \$123.2 million related to agreements for software licenses and support, telecommunication services and store technology assets and maintenance for our stores.

Critical Accounting Policies

The preparation of financial statements requires the use of estimates. Certain of our estimates require a high level of judgment and have the potential to have a material effect on the financial statements if actual results vary significantly from those estimates. Following is a discussion of the policies that we consider critical.

Inventory Valuation

As discussed in [Note 1](#) to our consolidated financial statements under the caption "Merchandise Inventories," inventories at the distribution centers are stated at the lower of cost or net realizable value with cost determined on a weighted-average basis. Cost is assigned to store inventories using the retail inventory method on a weighted-average basis. Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are computed by applying a calculated cost-to-retail ratio to the retail value of inventories. The retail inventory method is an averaging method that is widely used in the retail industry and results in valuing inventories at lower of cost or net realizable value when markdowns are taken as a reduction of the retail value of inventories on a timely basis.

Inventory valuation methods require certain management estimates and judgments, including estimates of future merchandise markdowns and shrink, which significantly affect the ending inventory valuation at cost as well as the resulting gross margins. The averaging required in applying the retail inventory method and the estimates of shrink and markdowns could, under certain circumstances, result in costs not being recorded in the proper period.

We estimate our markdown reserve based on the consideration of a variety of factors, including, but not limited to, quantities of slow moving or seasonal carryover merchandise on hand, historical markdown statistics and future merchandising plans. The accuracy of our estimates can be affected by many factors, some of which are outside of our control, including changes in economic

conditions and consumer buying trends. Historically, we have not experienced significant differences in our estimated reserve for markdowns compared with actual results.

Our accrual for shrink is based on the actual, historical shrink results of our most recent physical inventories adjusted, if necessary, for current economic conditions and business trends. These estimates are compared to actual results as physical inventory counts are taken and reconciled to the general ledger. Our physical inventory counts are generally taken between January and October of each year; therefore, the shrink accrual recorded at February 1, 2020 is based on estimated shrink for most of 2019, including the fourth quarter. The amounts recorded in the current year reflect the Dollar Tree and Family Dollar segments' historical results. We periodically adjust our shrink estimates to reflect our best estimates based on the factors described.

Our management believes that our application of the retail inventory method results in an inventory valuation that reasonably approximates cost and results in carrying inventory at the lower of cost or net realizable value each year on a consistent basis.

Self-Insurance Liabilities

The liabilities related to our self-insurance programs for workers' compensation and general liability are estimates that require judgment and the use of assumptions. Semiannually, we obtain third-party actuarial valuations to aid in valuing the liabilities and in determining the amount to accrue during the year. These actuarial valuations are estimates based on our historical loss development factors and the related accruals are adjusted as management's estimates change.

Management's estimate for self-insurance liabilities could vary from the ultimate loss sustained given the difficulty in predicting future events; however, historically, the net total of these differences has not had a material effect on our financial condition or results of operations.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill and indefinite-lived intangible assets are initially recorded at their fair values. These assets are not amortized but are evaluated annually for impairment. A more frequent evaluation is performed if events or circumstances indicate that impairment could have occurred. Such events or circumstances could include, but are not limited to, significant negative industry or economic trends, unanticipated changes in the competitive environment and a significant sustained decline in the market price of our stock.

For purposes of our goodwill impairment evaluation, the reporting units are Family Dollar, Dollar Tree and Dollar Tree Canada. Goodwill has been assigned to the reporting units based on prior business combinations related to the brands. In the event a qualitative assessment of the fair value of a reporting unit indicates it is more likely than not that the fair value is less than the carrying amount, we then estimate the fair value using a combination of a market multiple method and a discounted cash flow method. Under the market multiple approach, we estimate a fair value based on comparable companies' market multiples of revenues and earnings before interest, taxes, depreciation and amortization ("EBITDA") and adjusted for a control premium. Under the discounted cash flow approach, we project future cash flows which are discounted using a weighted-average cost of capital analysis that reflects current market conditions, adjusted for specific reporting unit risks (primarily the uncertainty of achieving projected operating cash flows). If the carrying amount of a reporting unit exceeds its estimated fair value, an impairment loss is recognized in an amount equal to that excess.

The Family Dollar goodwill and trade name comprise a substantial portion of our goodwill and indefinite-lived intangible assets and management's judgment utilized in the Family Dollar goodwill and trade name impairment evaluations is critical. The computations require management to make estimates and assumptions and actual results may differ significantly, particularly if there are significant adverse changes in the operating environment. Critical assumptions that are used as part of the Family Dollar goodwill evaluation include:

- *The potential future revenue, EBITDA and cash flows of the reporting unit.* The projections use management's assumptions about economic and market conditions over the projected period as well as our estimates of future performance and reporting unit revenue, gross margin, expenses and other factors. The resulting revenue, EBITDA and cash flow estimates are based on our most recent business operating plans, and various growth rates have been assumed for years beyond the current business plan period. We believe that the assumptions, estimates and rates used in our fiscal 2019 impairment evaluations are reasonable; however, variations in the assumptions, estimates and rates could result in significantly different estimates of fair value.
- *Selection of an appropriate discount rate.* Calculating the present value of future cash flows requires the selection of an appropriate discount rate, which is based on a weighted-average cost of capital analysis. The discount rate is affected by changes in short-term interest rates and long-term yield as well as variances in the typical capital structure of marketplace participants. Given current economic conditions, it is possible that the discount rate will fluctuate in the near term. We engaged third party experts to assist in the determination of the weighted-average cost of capital used to discount the

cash flows for our Family Dollar reporting unit. The weighted-average cost of capital used to discount the cash flows for our evaluation was 8.25% for our fiscal 2019 analysis.

Indefinite-lived intangible assets, such as the Family Dollar trade name, are not subject to amortization but are reviewed at least annually for impairment. The indefinite-lived intangible asset impairment evaluations are performed by comparing the fair value of the indefinite-lived intangible assets to their carrying values. We estimate the fair value of our trade name intangible asset based on an income approach using the relief-from-royalty method. This approach is dependent upon a number of factors, including estimates of future growth and trends, royalty rates, discount rates and other variables. We base our fair value estimates on assumptions we believe to be reasonable, but which are inherently uncertain. The discount rate includes a premium compared to the discount used for the Family Dollar goodwill impairment evaluation due to the inherently higher risk profile of intangible assets compared to the overall reporting unit.

Our impairment evaluations of goodwill resulted in non-cash impairment charges of \$313.0 million and \$2.73 billion in fiscal 2019 and 2018, respectively, related to the Family Dollar reporting unit. No goodwill impairment charges were recorded in fiscal 2017. Our evaluation of the Family Dollar trade name did not result in impairment charges during fiscal 2019, 2018 or 2017. Based on the result of the evaluation, the fair value of the Family Dollar trade name was within 1.5% of its carrying value.

For additional information on goodwill and indefinite-lived intangible assets, including the related impairment evaluations, refer to [Note 3](#) to our consolidated financial statements. For additional information on uncertainties associated with the key assumptions and any potential events and/or circumstances that could have a negative effect on the key assumptions, please refer to “[Item 1A. Risk Factors](#)” and elsewhere within this “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” If our assumptions and related estimates change in the future, we may be required to record impairment charges against earnings in future periods. Any impairment charges that we may take in the future could be material to our results of operations and financial condition.

Recent Accounting Pronouncements

See [Note 1](#) to our consolidated financial statements for a detailed description of recent accounting pronouncements.

Item 7A. 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 February 1, 2020, our variable rate debt consists of our \$250.0 million Senior Floating Rate Notes due April 2020. A hypothetical increase of one percentage point on these notes would not materially affect our results of operations or cash flows.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Dollar Tree, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Dollar Tree, Inc. and subsidiaries (the Company) as of February 1, 2020 and February 2, 2019, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended February 1, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of February 1, 2020 and February 2, 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended February 1, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of February 1, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 20, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for leases as of February 3, 2019, due to the adoption of Accounting Standards Codification (ASC) Topic 842, *Leases*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Assessment of the carrying value of goodwill and trade name intangible asset in the Family Dollar operating segment

As discussed in Notes 1 and 3 to the consolidated financial statements, the Company performs goodwill and trade name intangible asset impairment testing on an annual basis and when events and changes in circumstances indicate possible impairment of these assets. Total recorded goodwill as of February 1, 2020 was \$2.0 billion, or 10.1% of total assets. Of this amount, the goodwill balance for the Family Dollar reporting unit, which is also the Family Dollar operating segment, was \$1.6 billion, after the effect of a \$313 million current year impairment. The Family Dollar trade name intangible asset was \$3.1 billion as of February 1, 2020.

We identified the assessment of the carrying value of goodwill and trade name in the Family Dollar operating segment as a critical audit matter. The assumptions utilized to calculate the fair value of the operating segment, which included revenue growth rates; earnings before interest, taxes, depreciation and amortization (EBITDA) margins; and discount rate, as well as the assumptions used to calculate the fair value of the trade name intangible asset, which included revenue growth rates, discount rate, and royalty rate (collectively “key assumptions”) involved subjective auditor judgment. Minor changes to those key assumptions could have a significant effect on the assessment of the carrying value of the goodwill and trade name which resulted in a high degree of subjectivity in performing the associated audit procedures.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company’s goodwill and trade name impairment assessment process, including controls related to the determination of the fair value of the assets, the development of the revenue growth rates, EBITDA margins, and the assumptions used to develop the discount rates and royalty rate. We performed sensitivity analyses over certain key assumptions to assess their impact on the Company’s determination of the fair values of the Family Dollar reporting unit and the trade name intangible asset. We compared the Company’s historical forecasts to actual results to assess the Company’s ability to accurately forecast. We evaluated the Company’s revenue growth rates reflected in the forecasted revenues for the Family Dollar operating segment by comparing the store sales growth assumptions to historical results. We also evaluated assumptions related to new store openings and renovations through comparison to the Company’s forecasted capital expenditures and its known store openings and renovations. We involved valuation professionals with specialized skills and knowledge who assisted in:

- evaluating the Company’s revenue growth rates and EBITDA margins based on publicly available market data for comparable entities;
- assessing the Company’s discount rates and royalty rate by comparing the Company’s inputs to the discount and royalty rates to publicly available market data for comparable companies and assessing the resulting rates; and
- evaluating (1) the Family Dollar operating segment’s fair value using the related cash flow forecast and discount rate, as well as (2) the trade name’s fair value using the related discount rate and royalty rate, and comparing the results to the Company’s fair value estimate.

Evaluation of estimated self-insurance liability

As discussed in Note 1 to the consolidated financial statements, the Company employs an actuary to estimate its self-insurance liability. As of February 1, 2020, the Company recorded an estimated liability of \$310 million.

We identified the evaluation of the estimated self-insurance liability as a critical audit matter. The estimation process involves auditor judgment and actuarial expertise to evaluate the actuarial methods and assumptions that are used to estimate future claim payments. Specifically, the evaluation includes the assumptions related to the loss development factors and expected loss rates which are primarily driven by historical claims paid and incurred data.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company’s self-insurance liability estimation process, including controls related to (1) the selection of the actuarial methods and (2) the development of the key assumptions used to calculate the liability, including the historical claims paid and incurred data. We assessed the Company’s estimate of the liability by testing the underlying data, including a selection of claims data, utilized by the Company’s actuary by comparing it to relevant underlying documentation. We involved actuarial professionals with specialized skills and knowledge, who assisted in:

- assessing the Company’s actuarial methods by comparing them to generally accepted actuarial methodologies; and
- evaluating the Company’s actuarial estimates and assumptions related to the loss development factors and expected loss rates, by comparing them to generally accepted actuarial methodologies and the Company’s historical data and trends.

Adoption of Accounting Standards Codification Topic 842, Leases

As discussed in Notes 1 and 7 to the consolidated financial statements, the Company adopted ASC Topic 842, *Leases*, on February 3, 2019. ASC Topic 842 requires, among other things, a lessee to recognize a right-of-use asset and lease liability for operating leases with a lease term greater than 12 months. As part of the adoption, \$6.1 billion of right-of-use assets and \$6.2 billion of lease liabilities related to operating leases were recorded in the consolidated balance sheet as of the Company’s adoption date.

We identified the assessment of the Company’s adoption of ASC Topic 842 as a critical audit matter. This is due to the subjectivity and complexity of certain assumptions inherent in the adoption and implementation, such as (1) identification of leases subject to the standard, including embedded leases, (2) future cash flows over the applicable lease term, and (3) estimation of the incremental borrowing rates used to discount the future cash flows.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's ASC Topic 842 implementation process, including controls related to the Company's determination of the lease term, the applicable future cash flows, and the incremental borrowing rates. We read and analyzed a selection of contracts for potential embedded leases in order to evaluate the completeness of the population of leases subject to the provisions of ASC Topic 842. We inspected and assessed a sample of lease contracts and compared the relevant terms to the terms used by the Company in its underlying calculations of the right-of-use assets and operating lease liabilities. We evaluated the Company's assessment over the adoption of ASC Topic 842 by comparing the underlying facts and circumstances in the lease contracts to the accounting treatment applied. We involved professionals with specialized skills and knowledge who assisted in assessing the judgments made by the Company relative to the incremental borrowing rates used.

/s/ KPMG LLP

We have served as the Company's auditor since 1987.

Norfolk, Virginia

March 20, 2020

DOLLAR TREE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)	Year Ended		
	February 1, 2020	February 2, 2019	February 3, 2018
Net sales	\$ 23,610.8	\$ 22,823.3	\$ 22,245.5
Cost of sales	16,570.1	15,875.8	15,223.6
Gross profit	7,040.7	6,947.5	7,021.9
Selling, general and administrative expenses, excluding Goodwill impairment and Receivable impairment	5,465.5	5,160.0	5,004.3
Goodwill impairment	313.0	2,727.0	—
Receivable impairment	—	—	18.5
Selling, general and administrative expenses	5,778.5	7,887.0	5,022.8
Operating income (loss)	1,262.2	(939.5)	1,999.1
Interest expense, net	162.1	370.0	301.8
Other expense (income), net	1.4	(0.5)	(6.7)
Income (loss) before income taxes	1,098.7	(1,309.0)	1,704.0
Provision for income taxes	271.7	281.8	(10.3)
Net income (loss)	\$ 827.0	\$ (1,590.8)	\$ 1,714.3
Basic net income (loss) per share	\$ 3.49	\$ (6.69)	\$ 7.24
Diluted net income (loss) per share	\$ 3.47	\$ (6.69)	\$ 7.21

See accompanying Notes to Consolidated Financial Statements

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

(in millions)	Year Ended		
	February 1, 2020	February 2, 2019	February 3, 2018
Net income (loss)	\$ 827.0	\$ (1,590.8)	\$ 1,714.3
Foreign currency translation adjustments	(1.5)	(6.0)	5.3
Total comprehensive income (loss)	\$ 825.5	\$ (1,596.8)	\$ 1,719.6

See accompanying Notes to Consolidated Financial Statements

DOLLAR TREE, INC.
CONSOLIDATED BALANCE SHEETS

(in millions, except share and per share data)	February 1, 2020	February 2, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 539.2	\$ 422.1
Merchandise inventories	3,522.0	3,536.0
Other current assets	208.2	335.2
Total current assets	4,269.4	4,293.3
Property, plant and equipment, net of accumulated depreciation of \$4,194.1 and \$3,690.6, respectively	3,881.8	3,445.3
Restricted cash	46.8	24.6
Operating lease right-of-use assets	6,225.0	—
Goodwill	1,983.3	2,296.6
Favorable lease rights, net of accumulated amortization of \$287.8 at February 2, 2019	—	288.7
Trade name intangible asset	3,100.0	3,100.0
Deferred tax asset	24.4	—
Other assets	43.9	52.7
Total assets	<u>\$ 19,574.6</u>	<u>\$ 13,501.2</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 250.0	\$ —
Current portion of operating lease liabilities	1,279.3	—
Accounts payable	1,336.5	1,416.4
Income taxes payable	62.7	60.0
Other current liabilities	618.0	619.3
Total current liabilities	3,546.5	2,095.7
Long-term debt, net, excluding current portion	3,522.2	4,265.3
Operating lease liabilities, long-term	4,979.5	—
Unfavorable lease rights, net of accumulated amortization of \$76.9 at February 2, 2019	—	78.8
Deferred income taxes, net	984.7	973.2
Income taxes payable, long-term	28.9	35.4
Other liabilities	258.0	409.9
Total liabilities	13,319.8	7,858.3
Commitments and contingencies		
Shareholders' equity:		
Common stock, par value \$0.01; 600,000,000 shares authorized, 236,726,563 and 238,081,664 shares issued and outstanding at February 1, 2020 and February 2, 2019, respectively	2.4	2.4
Additional paid-in capital	2,454.4	2,602.7
Accumulated other comprehensive loss	(39.8)	(38.3)
Retained earnings	3,837.8	3,076.1
Total shareholders' equity	6,254.8	5,642.9
Total liabilities and shareholders' equity	<u>\$ 19,574.6</u>	<u>\$ 13,501.2</u>

See accompanying Notes to Consolidated Financial Statements

DOLLAR TREE, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED FEBRUARY 1, 2020, FEBRUARY 2, 2019, AND FEBRUARY 3, 2018

(in millions)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Share- holders' Equity
Balance at January 28, 2017	236.1	\$ 2.4	\$ 2,472.1	\$ (37.6)	\$ 2,952.6	\$ 5,389.5
Net income	—	—	—	—	1,714.3	1,714.3
Total other comprehensive income	—	—	—	5.3	—	5.3
Issuance of stock under Employee Stock Purchase Plan	0.2	—	8.4	—	—	8.4
Exercise of stock options	0.5	—	26.6	—	—	26.6
Stock-based compensation, net	0.5	—	38.2	—	—	38.2
Balance at February 3, 2018	237.3	2.4	2,545.3	(32.3)	4,666.9	7,182.3
Net loss	—	—	—	—	(1,590.8)	(1,590.8)
Total other comprehensive loss	—	—	—	(6.0)	—	(6.0)
Issuance of stock under Employee Stock Purchase Plan	0.2	—	10.0	—	—	10.0
Exercise of stock options	0.1	—	7.5	—	—	7.5
Stock-based compensation, net	0.5	—	39.9	—	—	39.9
Balance at February 2, 2019	238.1	2.4	2,602.7	(38.3)	3,076.1	5,642.9
Cumulative effect of adopted accounting standards, net	—	—	—	—	(65.3)	(65.3)
Net income	—	—	—	—	827.0	827.0
Total other comprehensive loss	—	—	—	(1.5)	—	(1.5)
Issuance of stock under Employee Stock Purchase Plan	0.1	—	9.4	—	—	9.4
Exercise of stock options	—	—	5.8	—	—	5.8
Stock-based compensation, net	0.4	—	36.5	—	—	36.5
Repurchase of stock	(1.9)	—	(200.0)	—	—	(200.0)
Balance at February 1, 2020	236.7	\$ 2.4	\$ 2,454.4	\$ (39.8)	\$ 3,837.8	\$ 6,254.8

See accompanying Notes to Consolidated Financial Statements

DOLLAR TREE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Year Ended		
	February 1, 2020	February 2, 2019	February 3, 2018
Cash flows from operating activities:			
Net income (loss)	\$ 827.0	\$ (1,590.8)	\$ 1,714.3
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Goodwill impairment	313.0	2,727.0	—
Receivable impairment	—	—	18.5
Depreciation and amortization	645.4	621.1	611.2
Provision for deferred income taxes	9.1	(12.1)	(473.5)
Stock-based compensation expense	61.4	63.1	65.7
Amortization of debt discount and debt-issuance costs	6.9	57.2	15.4
Other non-cash adjustments to net income (loss)	24.5	7.8	10.9
Loss on debt extinguishment	—	114.7	—
Changes in operating assets and liabilities:			
Merchandise inventories	13.6	(369.2)	(300.9)
Other current assets	(8.4)	(21.1)	(117.2)
Other assets	8.2	0.9	2.6
Accounts payable	(79.8)	242.6	54.5
Income taxes payable	2.7	28.5	(58.5)
Other current liabilities	24.3	(105.4)	(22.7)
Other liabilities	(14.6)	1.7	(10.1)
Operating lease right-of-use assets and liabilities, net	36.5	—	—
Net cash provided by operating activities	<u>1,869.8</u>	<u>1,766.0</u>	<u>1,510.2</u>
Cash flows from investing activities:			
Capital expenditures	(1,034.8)	(817.1)	(632.2)
Proceeds from governmental grant	16.5	—	—
Proceeds from (payments for) fixed asset disposition	(1.9)	0.4	0.3
Proceeds from sale of unrestricted investments	—	—	4.0
Net cash used in investing activities	<u>(1,020.2)</u>	<u>(816.7)</u>	<u>(627.9)</u>
Cash flows from financing activities:			
Proceeds from long-term debt, net of discount	—	4,775.8	—
Principal payments for long-term debt	(500.0)	(6,214.7)	(659.1)
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	15.2	17.5	35.0
Cash paid for taxes on exercises/vesting of stock-based compensation	(25.0)	(23.2)	(27.4)
Payments for repurchase of stock	(200.0)	—	—
Net cash used in financing activities	<u>(709.8)</u>	<u>(1,599.9)</u>	<u>(651.5)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(0.5)	(0.5)	0.6
Net increase (decrease) in cash, cash equivalents and restricted cash	139.3	(651.1)	231.4
Cash, cash equivalents and restricted cash at beginning of year	446.7	1,097.8	866.4
Cash, cash equivalents and restricted cash at end of year	<u>\$ 586.0</u>	<u>\$ 446.7</u>	<u>\$ 1,097.8</u>
Supplemental disclosure of cash flow information:			
Cash paid for:			
Interest, net of amounts capitalized	\$ 170.2	\$ 383.4	\$ 286.5
Income taxes	\$ 266.8	\$ 277.5	\$ 552.4
Non-cash transactions:			
Accrued capital expenditures	\$ 51.1	\$ 43.2	\$ 45.0

See accompanying Notes to Consolidated Financial Statements

DOLLAR TREE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies**Description of Business**

Dollar Tree, Inc. (the Company) is a leading operator of discount retail stores in the United States and Canada. Below are those accounting policies considered by the Company to be significant.

Principles of Consolidation

The consolidated financial statements include the financial statements of Dollar Tree, Inc., and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Segment Information

At February 1, 2020, the Company operates more than 15,200 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, 13 distribution centers in the United States and two distribution centers in Canada.

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 and 11 distribution centers.

Refer to [Note 12](#) for additional information regarding the Company's operating segments.

Foreign Currency

The functional currencies of certain of the Company's international subsidiaries are the local currencies of the countries in which the subsidiaries are located. Foreign currency denominated assets and liabilities are translated into U.S. dollars using the exchange rates in effect at the consolidated balance sheet date. Results of operations and cash flows are translated using the average exchange rates throughout the period. The effect of exchange rate fluctuations on translation of assets and liabilities is included as a component of shareholders' equity in accumulated other comprehensive loss. Gains and losses from foreign currency transactions, which are included in "Other expense (income), net" have not been significant.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. Any reference herein to "2019" or "fiscal 2019," "2018" or "fiscal 2018," and "2017" or "fiscal 2017," relates to as of or for the year ended February 1, 2020, February 2, 2019, and February 3, 2018, respectively. Fiscal 2017 included 53 weeks, commensurate with the retail calendar. Fiscal 2019 and fiscal 2018 each included 52 weeks. "2020" or "fiscal 2020" ends on January 30, 2021 and will include 52 weeks.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents at February 1, 2020 and February 2, 2019 includes \$287.6 million and \$170.0 million, respectively, of investments primarily in money market securities which are valued at cost, which approximates fair value. The Company considers all highly-liquid debt instruments with original maturities of three months or less to be cash equivalents. The majority of payments due from financial institutions for the settlement of debit card and credit card transactions process within three business days, and therefore are classified as cash and cash equivalents.

Merchandise Inventories

Merchandise inventories at the Company's distribution centers are stated at the lower of cost or net realizable value, determined on a weighted-average cost basis. Cost is assigned to store inventories using the retail inventory method on a weighted-average basis. Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are computed by applying a calculated cost-to-retail ratio to the retail value of inventories.

Costs directly associated with warehousing and distribution are capitalized as merchandise inventories. Total warehousing and distribution costs capitalized into inventory amounted to \$169.7 million and \$161.1 million at February 1, 2020 and February 2, 2019, respectively.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	39 to 40 years
Furniture, fixtures and equipment	3 to 15 years

Leasehold improvements are amortized over the shorter of the estimated useful lives of the respective assets or the related lease terms. Amortization is included in "Selling, general and administrative expenses" in the accompanying consolidated statements of operations.

Costs incurred related to software developed for internal use are capitalized and amortized, generally over three years.

Capitalized Interest

The Company capitalizes interest on borrowed funds during the construction of certain property and equipment. The Company capitalized \$2.4 million, \$4.2 million and \$2.3 million of interest costs in the years ended February 1, 2020, February 2, 2019 and February 3, 2018, respectively.

Insurance Reserves and Restricted Cash

The Company utilizes a combination of insurance and self-insurance programs, including a wholly-owned captive insurance entity, to provide for the potential liabilities for certain risks, including workers' compensation, general liability and automobile liability. Liabilities associated with the risks that are retained by the Company are not discounted and are estimated, in part, by considering claims experience, exposure and severity factors and other actuarial assumptions.

Dollar Tree Insurance, Inc., a South Carolina-based wholly-owned captive insurance subsidiary of the Company, charges the operating subsidiary companies premiums to insure the retained workers' compensation, general liability and automobile liability exposures. Pursuant to South Carolina insurance regulations, Dollar Tree Insurance, Inc. maintains certain levels of cash and cash equivalents related to its self-insured exposures.

Related to its insurance programs, the Company also maintains certain cash balances, which are held in trust and restricted as to withdrawal or use.

Lease Accounting

The Company's lease portfolio primarily consists of leases for its retail store locations and it also leases vehicles and trailers, as well as distribution center space and equipment. The Company determines if an arrangement is a lease at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Company obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets; the Company recognizes expense for these leases on a straight-line basis over the lease term. For leases with an initial term in excess of 12 months, operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the committed lease term at the lease commencement date.

As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate in determining the present value of future lease payments. Inputs to the calculation of the Company's incremental borrowing rate include the valuations and yields of its outstanding senior notes and their credit spread over comparable U.S. Treasury rates, adjusted to a collateralized basis by estimating the credit spread improvement that would result from an upgrade of one ratings

classification. Most leases include one or more options to renew and the exercise of renewal options is at the Company's sole discretion. The Company does not include renewal options in its determination of the lease term unless the renewals are deemed to be reasonably certain at lease commencement. Operating lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The operating lease right-of-use asset is reduced by lease incentives, which has the effect of lowering the operating lease expense. Operating lease right-of-use assets are periodically reviewed for impairment losses. The Company uses the long-lived assets impairment guidance in Accounting Standards Codification ("ASC") Subtopic 360-10, "Property, Plant, and Equipment - Overall," to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize.

The Company has real estate leases that typically include payments related to non-lease components, such as common area maintenance, as well as payments for real estate taxes and insurance which are not considered components of the lease. These payments are generally variable and based on actual costs incurred by the lessor. These costs are expensed as incurred as variable lease costs and excluded for the purpose of calculating the right-of-use asset and lease liability. A smaller number of real estate leases contain fixed payments for common area maintenance, real estate taxes and insurance. These fixed payments are considered part of the lease payment and included in the right-of-use asset and lease liability. In addition, certain of the Company's lease agreements include rental payments based on a percentage of retail sales over contractual levels and others include rental payments adjusted periodically for inflation. These payments are expensed as incurred as variable lease costs. The Company's lease agreements do not contain any material residual value guarantees or material restrictive financial covenants.

Favorable and Unfavorable Lease Rights, Net

Favorable and unfavorable lease rights, net include purchased leases with terms which were either favorable or unfavorable as compared to prevailing market rates at the date of acquisition. Purchased leases are amortized over the remaining lease terms, including, in some cases, an assumed renewal. As discussed in this Note 1 under the captions "Lease Accounting" and "Recent Accounting Pronouncements" upon the adoption of ASC 842, "*Leases (Topic 842)*," these favorable and unfavorable lease rights, net were subsumed into the Operating lease right-of-use assets, where they continue to be amortized over the remaining lease terms. Amortization expense, net of \$52.9 million, \$65.4 million and \$69.2 million was recognized in "Selling, general and administrative expenses" in 2019, 2018 and 2017, respectively, related to these lease rights.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

The Company reviews its long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets based on discounted cash flows or other readily available evidence of fair value, if any. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. In fiscal 2019, 2018 and 2017, the Company recorded charges of \$9.1 million, \$13.0 million and \$5.6 million, respectively, to write down certain assets, including \$8.5 million in fiscal 2019 to write down Operating lease right-of-use assets. These charges are recorded as a component of "Selling, general and administrative expenses" in the accompanying consolidated statements of operations.

Goodwill and Nonamortizing Intangible Assets

Goodwill and nonamortizing intangible assets, including the Family Dollar trade name, are not amortized, but rather tested for impairment at least annually. In addition, goodwill and nonamortizing intangible assets will be tested on an interim basis if an event or circumstance indicates that it is more likely than not that an impairment loss has been incurred. The Company performs a qualitative assessment to determine whether it is more likely than not that each reporting unit's fair value is less than its carrying value, including goodwill. If the Company determines that it is more likely than not that the fair value of the reporting unit is less than its carrying value, the Company then estimates the fair value. The Company uses a combination of a market multiple method and a discounted cash flow method to estimate the fair value of its reporting units and recognizes goodwill impairment for any excess of the carrying amount of a reporting unit's goodwill over its estimated fair value.

The Company evaluates the Family Dollar trade name for impairment by comparing its fair value, based on an income approach using the relief-from-royalty method, to its carrying value. If the carrying value of the asset exceeds its estimated fair value, an impairment loss is recognized in an amount equal to that excess.

The Company's reporting units are determined in accordance with the provisions of ASC 350, "*Intangibles - Goodwill and Other (Topic 350)*." The Company performs its annual impairment testing of goodwill and nonamortizing intangible assets during the fourth quarter of each year. Refer to [Note 3](#) for additional information on the results of the impairment tests.

Other Assets

Other assets consist primarily of deferred compensation plan assets and receivables which are expected to be recovered over periods longer than one year.

Revenue Recognition

The Company recognizes sales revenue, net of estimated returns and sales tax, at the time the customer tenders payment for and takes control of the merchandise.

Taxes Collected

The Company reports taxes assessed by a governmental authority that are directly imposed on revenue-producing transactions (i.e., sales tax) on a net (excluded from revenue) basis.

Cost of Sales

The Company includes the cost of merchandise, warehousing and distribution costs, and certain occupancy costs in cost of sales.

Vendor Allowances

The Company receives vendor support in the form of cash payments or allowances through a variety of reimbursements such as purchase discounts, cooperative advertising, markdowns, scandowns and volume rebates. The Company has agreements with vendors setting forth the specific conditions for each allowance or payment. The Company either recognizes the allowance as a reduction of current costs or defers the payment over the period the related merchandise is sold. If the payment is a reimbursement for costs incurred, it is offset against those related costs; otherwise, it is treated as a reduction to the cost of merchandise.

Divestiture and Impaired Receivables

In connection with the Company's 2015 acquisition of Family Dollar, the Company divested 330 Family Dollar stores to Dollar Express, LLC. As part of the divestiture, the Company was required to partially support the divested stores through a transition services agreement, under which the Company provided merchandise and services and the buyer was required to reimburse the Company. In fiscal 2017, the Company evaluated the collectability of its divestiture-related receivable and based on information then available, the Company recorded impairment charges totaling \$53.5 million. In the fourth quarter of fiscal 2017, the Company settled a lawsuit with Dollar Express, which resulted in Dollar Express paying the Company \$35.0 million. The settlement of the litigation resulted in a partial reversal of the receivable impairment in the fourth quarter of 2017. The remaining impairment charges of \$18.5 million are included in "Receivable impairment" for the year ended February 3, 2018 in the accompanying consolidated statements of operations.

Pre-Opening Costs

The Company expenses pre-opening costs for new, expanded, relocated and re-bannered stores, as incurred.

Advertising Costs

The Company expenses advertising costs as they are incurred and they are included in "Selling, general and administrative expenses" within the accompanying consolidated statements of operations. Advertising costs, net of co-op recoveries from vendors, approximated \$102.9 million, \$99.9 million and \$106.3 million in fiscal 2019, 2018 and 2017, respectively.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date of such change.

The Company recognizes a financial statement benefit for a tax position if it determines that it is more likely than not that the position will be sustained upon examination.

The Company includes interest and penalties in the provision for income tax expense and income taxes payable. The Company does not provide for any penalties associated with tax contingencies unless they are considered probable of assessment.

Stock-Based Compensation

The Company recognizes expense for all share-based payments to employees and non-employee directors based on their fair values. Total stock-based compensation expense for 2019, 2018 and 2017 was \$61.4 million, \$63.3 million and \$65.8 million, respectively.

The Company recognizes expense related to the fair value of restricted stock units (RSUs) and stock options over the requisite service period 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 closing price of the Company's common stock on the date of grant. The fair value of stock option grants is estimated on the date of grant using the Black-Scholes option pricing model. The Company accounts for forfeitures when they occur.

Net Income (Loss) Per Share

Basic net income (loss) per share has been computed by dividing net income (loss) by the weighted average number of shares outstanding. Diluted net income (loss) per share reflects the potential dilution that could occur assuming the inclusion of dilutive potential shares and has been computed by dividing net income (loss) by the weighted average number of shares and dilutive potential shares outstanding. Dilutive potential shares include all outstanding stock options and unvested RSUs after applying the treasury stock method.

Diluted net income (loss) per share for the year ended February 2, 2019 has been revised to reflect the immaterial correction of an error. In fiscal 2018, the Company included dilutive potential shares in the calculation; however, because of the net loss the effect was anti-dilutive. Diluted net income (loss) per share in 2018, as corrected, was \$(6.69) as opposed to the previously reported diluted net income (loss) per share of \$(6.66).

Financial Instruments

The Company may utilize derivative financial instruments to reduce its exposure to market risks from changes in interest rates and diesel fuel costs. By entering into receive-variable, pay-fixed interest rate and diesel fuel swaps, the Company limits its exposure to changes in variable interest rates and diesel fuel prices. The Company is exposed to credit-related losses in the event of non-performance by the counterparty to these instruments but minimizes this risk by entering into transactions with high quality counterparties. Interest rate or diesel fuel cost differentials paid or received on the swaps are recognized as adjustments to interest in the period earned or incurred. The Company formally documents all hedging relationships, if applicable, and assesses hedge effectiveness both at inception and on an ongoing basis. The Company does not enter into derivative instruments for any purpose other than cash flow hedging and it does not hold derivative instruments for trading purposes. There were no derivative instruments outstanding in fiscal 2019 or 2018.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "*Leases (Topic 842)*" and subsequent amendments, which replaced existing lease accounting guidance in GAAP and requires 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 requires disclosure of certain quantitative and qualitative information pertaining to an entity's leasing arrangements. The Company adopted the standard as of February 3, 2019, using the optional effective date transition method provided by accounting pronouncement, ASU No. 2018-11, "*Leases (Topic 842): Targeted Improvements*" and recorded a cumulative effect adjustment to beginning retained earnings. The Company's reporting for the comparative prior periods presented in the consolidated financial statements continues to be in accordance with ASC 840, "*Leases (Topic 840)*." The Company elected the package of practical expedients permitted under the transition guidance within the new standard which, among other things, permitted the Company to carry forward the historical lease classification for leases that commenced before the effective date of the new standard. The Company did not elect the hindsight practical expedient, which permits the use of hindsight when determining lease term and impairment of right-of-use assets. Adoption of the standard resulted in the recognition of Operating lease right-of-use assets and Operating lease liabilities of \$6.2 billion and \$6.1 billion, respectively, and a reduction to Retained earnings of \$65.3 million, net of tax, as of February 3, 2019. The Operating lease right-of-use assets recorded at transition include the impact of net favorable lease rights of approximately \$210.0 million, accrued rent, net of prepaid rent of approximately \$108.0 million, lease incentives of approximately \$67.0 million and the impairment of right-of-use assets recognized in retained earnings as of February 3, 2019 of approximately \$96.0 million. The adoption of the standard did not have a material impact on the Company's consolidated statements of operations or consolidated statements of cash flows. Refer to [Note 7](#) for additional information related to the Company's accounting for leases.

Note 2 - Balance Sheet Components

Other Current Assets

Other current assets as of February 1, 2020 and February 2, 2019 consist of the following:

(in millions)	February 1, 2020	February 2, 2019
Accounts receivable, net	\$ 113.3	\$ 100.9
Other	94.9	234.3
Total other current assets	<u>\$ 208.2</u>	<u>\$ 335.2</u>

Property, Plant and Equipment, Net

Property, plant and equipment, net, as of February 1, 2020 and February 2, 2019 consists of the following:

(in millions)	February 1, 2020	February 2, 2019
Land	\$ 233.5	\$ 215.3
Buildings	1,395.5	1,300.7
Leasehold improvements	2,335.1	2,037.4
Furniture, fixtures and equipment	3,813.2	3,348.7
Construction in progress	298.6	233.8
Total property, plant and equipment	8,075.9	7,135.9
Less: accumulated depreciation	4,194.1	3,690.6
Total property, plant and equipment, net	<u>\$ 3,881.8</u>	<u>\$ 3,445.3</u>

Depreciation expense was \$581.9 million, \$555.7 million, and \$542.0 million for the years ended February 1, 2020, February 2, 2019, and February 3, 2018, respectively.

Other Current Liabilities

Other current liabilities as of February 1, 2020 and February 2, 2019 consist of accrued expenses for the following:

(in millions)	February 1, 2020	February 2, 2019
Taxes (other than income taxes)	\$ 183.3	\$ 159.5
Compensation and benefits	102.8	122.1
Insurance	112.0	106.0
Accrued construction costs	51.1	43.2
Other	168.8	188.5
Total other current liabilities	<u>\$ 618.0</u>	<u>\$ 619.3</u>

Other Liabilities

Other long-term liabilities as of February 1, 2020 and February 2, 2019 consist of the following:

(in millions)	February 1, 2020	February 2, 2019
Insurance	\$ 213.6	\$ 221.6
Other	44.4	188.3
Total other long-term liabilities	<u>\$ 258.0</u>	<u>\$ 409.9</u>

Note 3 - Goodwill and Nonamortizing Intangible Assets

Goodwill allocated to the Company's reportable segments and changes in the net carrying amount of goodwill for the years ended February 1, 2020 and February 2, 2019 are as follows:

(in millions)	Dollar Tree	Family Dollar	Total
Balance at February 3, 2018	\$ 347.1	\$ 4,678.1	\$ 5,025.2
Foreign currency translation adjustments	(1.6)	—	(1.6)
Goodwill reassignment for re-bannered stores	31.0	(31.0)	—
Goodwill impairment	—	(2,727.0)	(2,727.0)
Balance at February 2, 2019	376.5	1,920.1	2,296.6
Foreign currency translation adjustments	(0.3)	—	(0.3)
Goodwill reassignment for re-bannered stores	47.6	(47.6)	—
Goodwill impairment	—	(313.0)	(313.0)
Balance at February 1, 2020	\$ 423.8	\$ 1,559.5	\$ 1,983.3

Goodwill is reassigned between segments when stores are re-bannered between segments. In 2019 and 2018, the Company reassigned \$47.6 million and \$31.0 million, respectively, of goodwill from Family Dollar to Dollar Tree as a result of re-bannering. Re-bannered stores are treated as new stores.

Goodwill and other indefinite-lived intangible assets must be evaluated for impairment annually and may also be tested on an interim basis upon the occurrence of a triggering event or a change in circumstances that would more likely than not reduce the fair value of a reporting unit below its carrying amount. In 2018, based on the Company's strategic and operational reassessment of the Family Dollar segment following challenges that the business experienced that impacted the Company's ability to grow the business at the originally estimated rate when it acquired Family Dollar in 2015, management determined there were indicators that the goodwill of the business may be impaired. Accordingly, a goodwill impairment test was performed in the fourth quarter of fiscal 2018 and an impairment test was also performed in 2019. The results of the impairment tests showed that the fair value of the Family Dollar reporting unit was lower than its carrying value resulting in \$313.0 million and \$2.73 billion non-cash pre-tax and after-tax goodwill impairment charges in the fourth quarters of fiscal 2019 and 2018, respectively, which were recorded as a component of "Selling, general and administrative expenses" in the accompanying consolidated statements of operations. The annual goodwill impairment evaluation in 2017 did not result in impairment.

The Company's annual impairment evaluation of the Family Dollar trade name did not result in impairment charges during fiscal 2019, 2018 or 2017.

Note 4 - Income Taxes

The provision for income taxes consists of the following:

(in millions)	Year Ended		
	February 1, 2020	February 2, 2019	February 3, 2018
Current taxes:			
Federal	\$ 210.1	\$ 245.6	\$ 439.3
State	52.5	47.8	23.8
Foreign	0.1	0.4	0.3
Total current taxes	262.7	293.8	463.4
Deferred taxes:			
Federal	39.2	0.3	(456.0)
State	(5.6)	(12.3)	(17.7)
Foreign	(24.6)	—	—
Total deferred taxes	9.0	(12.0)	(473.7)
Provision for income taxes	\$ 271.7	\$ 281.8	\$ (10.3)

A reconciliation of the statutory U.S. federal income tax (benefit) rate and the effective tax (benefit) rate follows:

	Year Ended		
	February 1, 2020	February 2, 2019	February 3, 2018
Statutory U.S. federal income tax (benefit) rate	21.0 %	(21.0)%	33.7 %
Effect of:			
Goodwill impairment	6.0	43.7	—
State and local income taxes, net of federal income tax benefit	3.7	3.0	2.5
Work Opportunity Tax Credit	(2.7)	(2.0)	(1.3)
Deferred tax rate change	0.1	—	(0.6)
Incremental tax expense (benefit) of exercises/vesting of equity-based compensation	(0.4)	0.1	(0.8)
Change in valuation allowance	(2.2)	0.3	(0.1)
Tax Cuts and Jobs Act	—	(1.3)	(33.0)
Other, net	(0.8)	(1.3)	(1.0)
Effective tax (benefit) rate	24.7 %	21.5 %	(0.6)%

Tax Cuts and Jobs Act

On December 22, 2017, the Tax Cuts and Jobs Act (“TCJA”) was signed into law. The TCJA lowered the federal corporate tax rate from 35% to 21% and made numerous other law changes, including a provision that allows the full expensing of certain qualified property and adds limitations on the deductibility of certain executive compensation. In 2017, the Company recorded a \$562.0 million benefit resulting from the re-measurement of the Company’s net deferred tax liabilities, primarily related to the Family Dollar trade name, to reflect the lower statutory U.S. federal income tax rate of 21%. An additional benefit of \$16.2 million was recorded in 2018, related to the continued analysis of the TCJA impacts to the net deferred tax liability valuation and acceleration of depreciation. As of February 2, 2019, the Company had completed its accounting for the tax effects of the TCJA.

Goodwill Impairment

In the fourth quarters of 2019 and 2018, the Company recorded goodwill impairment charges of \$313.0 million and \$2.73 billion, respectively, related to the Family Dollar goodwill, as further discussed in [Note 3](#). As the purchase of Family Dollar was a stock acquisition, carryover basis applied for tax purposes. The impairment charges are not deductible for federal or state tax purposes and therefore there is no tax benefit related to the impairments.

Foreign Taxes

United States income taxes have not been provided on accumulated but undistributed earnings of the Company’s foreign subsidiaries as the Company intends to permanently reinvest earnings. The Company does not consider the tax on the mandatory deemed repatriation of undistributed foreign earnings and profits to be material.

Deferred Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's net deferred tax assets (liabilities) follow:

(in millions)	February 1, 2020	February 2, 2019
Deferred tax assets:		
Deferred rent	\$ —	\$ 44.3
Operating lease liabilities	1,621.8	—
Accrued expenses	26.0	18.0
Net operating losses, interest expense and credit carryforwards	102.2	90.7
Accrued compensation expense	31.6	31.6
State tax election	19.3	20.9
Other	2.4	3.0
Total deferred tax assets	1,803.3	208.5
Valuation allowance	(18.5)	(42.6)
Deferred tax assets, net	1,784.8	165.9
Deferred tax liabilities:		
Property and equipment	(304.3)	(235.5)
Operating lease right-of-use assets	(1,550.1)	—
Other intangibles	(852.2)	(864.0)
Inventory	(14.4)	(17.8)
Prepays	(24.1)	(21.8)
Total deferred tax liabilities	(2,745.1)	(1,139.1)
Deferred income taxes, net	\$ (960.3)	\$ (973.2)

At February 1, 2020, the Company had certain state tax credit carryforwards, net operating loss carryforwards and capital loss carryforwards totaling approximately \$102.2 million. Some of these carryforwards will expire, if not utilized, beginning in 2020 through 2039.

A valuation allowance of \$18.5 million, net of federal tax benefits, has been provided principally for certain state credit carryforwards, net operating loss and capital loss carryforwards. Since February 2, 2019, the valuation allowance has been decreased to reflect foreign net operating losses expected to be utilized over the carryforward period. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred taxes will not be realized. Based upon the availability of carrybacks of future deductible amounts and the Company's projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company believes it is more likely than not the remaining existing deductible temporary differences will reverse during periods in which carrybacks are available or in which the Company generates net taxable income.

Uncertain Tax Positions

The Company is participating in the IRS Compliance Assurance Program ("CAP") for fiscal 2019. This program accelerates the examination of key transactions with the goal of resolving any issues before the tax return is filed. The Company's federal tax returns have been examined and all issues have been settled through the fiscal 2018 tax year. Several states completed their examinations during fiscal 2019. In general, fiscal 2016 and forward are within the statute of limitations for state tax purposes. The statute of limitations is still open prior to fiscal 2016 for some states. The Company will participate in the CAP program for fiscal 2020 under the IRS's new bridge year program. As a result, the IRS will not be providing a final audit determination on the 2020 tax return.

The balance for unrecognized tax benefits at February 1, 2020 was \$28.9 million. The total amount of unrecognized tax benefits at February 1, 2020 that, if recognized, would affect the effective tax rate was \$23.0 million (net of the federal tax benefit).

The following is a reconciliation of the Company's total gross unrecognized tax benefits:

(in millions)	February 1, 2020	February 2, 2019
Beginning Balance	\$ 35.4	\$ 43.8
Additions, based on tax positions related to current year	0.9	4.6
Additions for tax positions of prior years	4.8	4.5
Settlements	—	(2.2)
Lapses in statutes of limitation	(12.2)	(15.3)
Ending balance	<u>\$ 28.9</u>	<u>\$ 35.4</u>

The Company believes it is reasonably possible that \$9.0 million to \$11.0 million of the reserve for uncertain tax positions may be reduced during the next 12 months principally as a result of the effective settlement of outstanding issues. It is also possible that state tax reserves will be reduced for audit settlements and statute expirations within the next 12 months. At this point it is not possible to estimate a range associated with the resolution of these audits. The Company does not expect any change to have a material impact to its consolidated financial statements.

As of February 1, 2020, the Company has recorded a liability for potential interest and penalties of \$3.3 million.

Note 5 – Commitments and Contingencies

Purchase Obligations

The Company has commitments totaling approximately \$123.2 million related to agreements for software licenses and support, telecommunication services and store technology assets and maintenance for its stores.

Letters of Credit

The Company has \$330.0 million in Letter of Credit Reimbursement and Security Agreements with various financial institutions, under which approximately \$134.7 million was committed to these letters of credit issued for routine purchases of imported merchandise at February 1, 2020.

At February 1, 2020, the Company also had approximately \$136.9 million in standby letters of credit that serve as collateral for its large-deductible insurance programs and expire in fiscal 2020.

Surety Bonds

The Company has issued various surety bonds that primarily serve as collateral for utility payments at the Company's stores and self-insured insurance programs. These bonds total approximately \$69.3 million and are committed through various dates through fiscal 2023.

Contingencies

The Company is a defendant in legal proceedings including a Food and Drug Administration ("FDA") proceeding and the class, collective, representative and large cases described below as well as individual claims in arbitration. The arbitrations include more than 2,100 wage and hour claims filed by one law firm. The law firm has thousands of additional claims threatened to be filed in the future. The Company will vigorously defend itself in all matters referred to in this Note 5. 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 monthly and reserves are established if a loss is probable and the amount of such loss can be reasonably estimated. For matters that have settled, we reserve the estimated settlement amount even if the settlement has not been approved by the court. Many, if not substantially all, of our legal proceedings 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

The FDA has alleged that the Company improperly sold certain topically applied, over the counter (“OTC”) products manufactured by certain Chinese factories that were on an import “alert” restriction issued by the FDA. The Company responded to the FDA by proposing enhanced procedures and processes for any OTC products it imports from China.

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 Company has reached an agreement in principle to settle the matter which will be submitted to the court for approval.

In August 2018, a former employee brought suit in California state court as a class action and as a Private Attorney General Act (“PAGA”) representative suit alleging the Company failed to provide all non-exempt California store employees with compliant rest and meal breaks, accrued vacation, accurate wage statements and final pay upon termination of employment. The Company has reached an agreement in principle to settle the matter which will be submitted to the court for approval.

In December 2018, two former employees brought a PAGA suit in California state court alleging that Dollar Tree Stores, Inc. and Dollar Tree Distribution, Inc. failed to provide non-exempt California store and distribution center employees with rest and meal breaks, suitable seating, overtime pay, minimum wage for all time worked, reporting time pay, accurate wage statements, timely payment of wages during and upon termination of employment, failed to reimburse business expenses, and made unlawful deductions from wage payments.

Several lawsuits have been filed against Dollar Tree, Family Dollar and their vendors alleging that personal talc 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 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. In 2017, a jury found in favor of the Company. In 2019, the 9th Circuit Court of Appeals affirmed the jury verdict. In July 2019, the plaintiff filed a petition with the Supreme Court of the United States seeking a review of the decision. The Supreme Court denied the petition and the case is now resolved.

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.

Beginning in 2019, a law firm has filed lawsuits around the country, including purported nationwide and state class actions, alleging the Company violated the public accommodation requirements of the Americans with Disabilities Act or its state law equivalent, by systemically blocking the aisles with merchandise.

Family Dollar Resolved Matters

In 2018, a former store manager and a former assistant store manager filed class actions in California state court seeking to recover for working off the clock, non-compliant rest and meal periods and related claims. The case has been resolved.

In 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. The case has been resolved.

In 2018, a former assistant store manager filed a PAGA suit in California state court alleging the Company failed to provide rest and meal breaks, failed to pay minimum, regular and overtime wages, failed to maintain accurate records and provide accurate wage statements, failed to timely pay wages due upon termination of employment and failed to reimburse employees for business expenses. The case was dismissed without prejudice.

Note 6 - Long-Term Debt

Long-term debt at February 1, 2020 and February 2, 2019 consists of the following:

(in millions)	February 1, 2020		February 2, 2019	
	Principal	Unamortized Debt Discount, Premium and Issuance Costs	Principal	Unamortized Debt Discount, Premium and Issuance Costs
5.00% Senior Notes, due 2021	\$ 300.0	\$ (2.4)	\$ 300.0	\$ (4.6)
\$1.25 billion Revolving Credit Facility, interest payable at LIBOR, reset periodically, plus 1.25%, which was 2.91% at February 1, 2020	—	7.7	—	10.2
Senior Floating Rate Notes, due 2020, interest payable at LIBOR, reset quarterly, plus 0.70%, which was 2.45% at February 1, 2020	250.0	0.2	750.0	3.2
3.70% Senior Notes, due 2023	1,000.0	5.9	1,000.0	7.5
4.00% Senior Notes, due 2025	1,000.0	6.2	1,000.0	7.2
4.20% Senior Notes, due 2028	1,250.0	10.2	1,250.0	11.2
Total	\$ 3,800.0	\$ 27.8	\$ 4,300.0	\$ 34.7

Maturities of long-term debt are as follows (in millions):

2020	2021	2022	2023	2024	Thereafter
\$ 250.0	\$ 300.0	\$ —	\$ 1,000.0	\$ —	\$ 2,250.0

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”), which was scheduled to mature on April 19, 2020. 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. The Company borrowed the entire \$782.0 million Term Loan Facility on April 19, 2018 and repaid the entire amount in January 2019.

The Revolving Credit Facility matures on April 19, 2023, subject to extensions permitted under the Credit Agreement. The loans under the Revolving Credit Facility bore interest at an initial interest rate of LIBOR, reset periodically, plus 1.25%, 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%. At February 1, 2020, the Revolving Credit Facility bore interest at LIBOR plus 1.25%. 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.

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.

Upon the acquisition of Family Dollar in 2015, the Company assumed the liability for \$300.0 million of 5.00% Senior Notes due February 1, 2021. The Company may retire the notes early at a redemption price equal to the greater of (1) 100% of the principal amount of the notes to be redeemed and (2) the present value of the remaining scheduled payments of principal and interest at a specified treasury rate as of the redemption date plus 30 basis points, plus, in either case, accrued and unpaid interest up to the redemption date.

Repayments of Long-term Debt

During the first quarter of 2018, the Company redeemed its \$750.0 million acquisition notes and accelerated the amortization of debt-issuance costs associated with the notes of \$6.1 million, which is included in “Interest expense, net” within the accompanying consolidated statements of operations for the year ended February 2, 2019.

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 the \$2.2 billion then outstanding under its existing senior secured credit facilities and to redeem the remaining \$2.5 billion then outstanding under its acquisition debt. This resulted in the acceleration of the expensing of approximately \$41.2 million of amortizable non-cash deferred financing costs and the incurrence of \$114.3 million in prepayment penalties, which are reflected in “Interest expense, net” within the accompanying consolidated statements of operations for the year ended February 2, 2019.

In the fourth quarter of 2019, the Company prepaid \$500.0 million of its \$750.0 million Floating Rate Notes.

Debt Covenants

As of February 1, 2020, the Company was in compliance with its debt covenants.

Note 7 - Leases

The lease cost for operating leases that was recognized in the accompanying consolidated statements of operations was as follows:

(in millions)	Year Ended	
	February 1, 2020	
Operating lease cost	\$	1,520.5
Variable lease cost		375.9
Short-term lease cost		14.8
Total lease cost*	\$	1,911.2

*Excludes sublease income, which is immaterial

As of February 1, 2020, maturities of lease liabilities were as follows:

	(in millions)	
2020	\$	1,421.4
2021		1,325.4
2022		1,124.8
2023		902.2
2024		685.8
Thereafter		1,760.3
Total undiscounted lease payments		7,219.9
Less interest		961.1
Present value of lease liabilities	\$	6,258.8

The future minimum lease payments above exclude \$238.4 million of legally binding minimum lease payments for leases signed but not yet commenced as of February 1, 2020.

Information regarding the weighted-average remaining lease term and the weighted-average discount rate for operating leases as of February 1, 2020 is as follows:

Weighted-average remaining lease term (years)	6.4
Weighted-average discount rate	4.3%

The following represents supplemental information pertaining to the Company's operating lease arrangements:

(in millions)	Year Ended	
	February 1, 2020	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	1,433.4
Right-of-use assets obtained in exchange for new operating lease liabilities		1,286.1

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended February 2, 2019 and in accordance with ASC 840, future minimum lease payments under non-cancellable operating leases were as follows as of February 2, 2019:

	(in millions)
2019	\$ 1,435.9
2020	1,176.7
2021	1,100.0
2022	899.6
2023	729.1
Thereafter	1,966.3
Total minimum lease payments	<u>\$ 7,307.6</u>

The above future minimum lease payments include amounts for leases that were signed prior to February 2, 2019 for stores that were not open as of February 2, 2019 and exclude contingent rentals that may be paid under certain store leases based on a percentage of sales in excess of stipulated amounts. As of February 2, 2019, future minimum lease payments have not been reduced by expected future minimum sublease rentals of \$1.2 million under operating leases.

Distribution Center Lease and Related Bonds

In May 2017, the Company entered into a long-term property lease ("Missouri Lease") which includes land and the construction of a 1.2 million square foot distribution center in Warrensburg, Missouri ("Distribution Center Project"). The Distribution Center Project was completed in 2018 and the Company's investment in the project of \$102.6 million as of February 1, 2020 is reflected in "Property, plant and equipment, net." The Missouri Lease commenced upon its execution in May 2017 and expires on December 1, 2032. The Company has two options to extend the Missouri Lease term for up to a combined additional ten years. Following the expiration of the lease, the property reverts back to the Company.

In addition to being a party to the Missouri Lease, the Company is also the owner of bonds which were issued in May 2017, are secured by the Missouri Lease and expire December 1, 2032 ("Missouri Bonds"). The Missouri Bonds are debt issued by the lessor in the Missouri Lease. Therefore, the Company holds the debt instrument pertaining to its Missouri Lease obligation. Because a legal right of offset exists, the Company is accounting for the Missouri Bonds as a reduction of its Missouri Lease obligation in the accompanying consolidated balance sheets.

Note 8 - Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a fair value hierarchy has been established that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and

Level 3 - Unobservable inputs in which there is little or no market data which require the reporting entity to develop its own assumptions.

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.

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 reviews certain store assets for evidence of impairment. The fair values are determined

based on the income approach, in which the Company utilizes internal cash flow projections over the life of the underlying lease agreements discounted based on the Company's risk-adjusted rate. These measures of fair value, and related inputs, are considered a Level 3 approach under the fair value hierarchy. Refer to [Note 1](#) under the caption "Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of" for information regarding the impairment charges recorded in fiscal 2019, 2018 and 2017.

The Company's indefinite-lived intangible assets are recorded at carrying value, and, if impaired, are adjusted to fair value using Level 3 inputs. See [Note 3](#) for further information regarding the process of determining the fair value of these assets.

Fair Value of Financial Instruments

The carrying amounts of Cash and cash equivalents, Restricted cash and Accounts payable as reported in the accompanying consolidated balance sheets approximate fair value due to their short-term maturities.

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

(in millions)	February 1, 2020		February 2, 2019	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Level 1				
Senior Notes	\$ 4,064.5	\$ 3,779.9	\$ 4,198.6	\$ 4,275.5

The fair values of the Company's 5.00% Senior Notes due 2021 and the Notes (collectively, the "Senior Notes") were determined using Level 1 inputs as quoted prices in active markets for identical assets or liabilities are available. The carrying value of the Company's Revolving Credit Facility approximated its fair value because the interest rates vary with market interest rates.

Note 9 - Shareholders' Equity

Preferred Stock

The Company is authorized to issue 10,000,000 shares of Preferred Stock, \$0.01 par value per share. No preferred shares are issued and outstanding at February 1, 2020 and February 2, 2019.

Net Income (Loss) Per Share

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

(in millions, except per share data)	Year Ended		
	February 1, 2020	February 2, 2019	February 3, 2018
Basic net income (loss) per share:			
Net income (loss)	\$ 827.0	\$ (1,590.8)	\$ 1,714.3
Weighted average number of shares outstanding	237.2	237.9	236.8
Basic net income (loss) per share	\$ 3.49	\$ (6.69)	\$ 7.24
Diluted net income (loss) per share:			
Net income (loss)	\$ 827.0	\$ (1,590.8)	\$ 1,714.3
Weighted average number of shares outstanding	237.2	237.9	236.8
Dilutive effect of stock options and restricted stock (as determined by applying the treasury stock method)	1.1	—	0.9
Weighted average number of shares and dilutive potential shares outstanding	238.3	237.9	237.7
Diluted net income (loss) per share	\$ 3.47	\$ (6.69)	\$ 7.21

At February 1, 2020 and February 3, 2018, substantially all of the stock options outstanding were included in the calculation of the weighted average number of shares and dilutive potential shares outstanding. As a result of the net loss for the year ended February 2, 2019, diluted net income (loss) per share excludes the impact of stock options and restricted stock (as determined by applying the treasury stock method) because the effect would be anti-dilutive.

Share Repurchase Programs

The Company repurchases shares on the open market and under Accelerated Share Repurchase agreements. The Company repurchased 1,967,355 shares of common stock on the open market for approximately \$200.0 million in fiscal 2019. The Company did not repurchase any shares of common stock in fiscal 2018 or fiscal 2017. At February 1, 2020, the Company had \$800.0 million remaining under Board repurchase authorization.

Note 10 – Employee Benefit Plans**Dollar Tree Retirement Savings Plan**

The Company maintains a defined contribution profit sharing and 401(k) plan which is available to all full-time, United States-based employees over 21 years of age. Eligible employees may make elective salary deferrals. The Company may make contributions, at its discretion, to eligible employees who have completed one year of service in which they have worked at least 1,000 hours.

Contributions to and reimbursements by the Company of expenses of the plan were recorded in the accompanying consolidated statements of operations as follows:

(in millions)	Year Ended		
	February 1, 2020	February 2, 2019	February 3, 2018
Cost of sales	\$ 8.1	\$ 8.7	\$ 7.8
Selling, general and administrative expenses	17.0	32.7	45.1
Total	\$ 25.1	\$ 41.4	\$ 52.9

Eligible employees vest in the Company's profit sharing contributions based on the following schedule:

- 20% after two years of service
- 40% after three years of service
- 60% after four years of service
- 100% after five years of service

All eligible employees are immediately vested in any Company match contributions under the 401(k) portion of the plan.

Note 11 - Stock-Based Compensation Plans**Fixed Stock-Based Compensation Plans**

Under the Company's 2011 Omnibus Incentive Plan ("Omnibus Plan"), the Company may grant to the Company's employees, including executive officers and independent contractors, up to 4.0 million shares of its Common Stock plus any shares available under former plans which were previously approved by the shareholders. The Omnibus Plan permits the Company to grant equity awards in the form of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock awards, restricted stock units ("RSUs"), performance bonuses, performance share units ("PSUs"), non-employee director stock options and other equity-related awards. These awards generally vest over a three-year period with a maximum term of 10 years.

Stock appreciation rights may be awarded alone or in tandem with stock options. When the stock appreciation rights are exercisable, the holder may surrender all or a portion of the unexercised stock appreciation right and receive in exchange an amount equal to the excess of the fair market value at the date of exercise over the fair market value at the date of the grant. No stock appreciation rights have been granted to date.

Any restricted stock, RSUs or PSUs awarded are subject to certain general restrictions. The restricted stock shares or units may not be sold, transferred, pledged or disposed of until the restrictions on the shares or units have lapsed or have been removed under the provisions of the plan. In addition, if a holder of restricted shares or units ceases to be employed by the Company, any shares or units in which the restrictions have not lapsed will be forfeited.

The 2013 Director Deferred Compensation Plan permits any of the Company's directors who receive a retainer or other fees for Board or Board committee service to defer all or a portion of such fees until a future date, at which time they may be paid in cash or shares of the Company's common stock, or receive all or a portion of such fees in non-statutory stock options. Deferred fees that are paid out in cash will earn interest at the 30-year Treasury Bond Rate. If a director elects to be paid in common stock,

the number of shares will be determined by dividing the deferred fee amount by the closing market price of a share of the Company's common stock on the date of deferral. The number of options issued to a director will equal the deferred fee amount divided by 33% of the price of a share of the Company's common stock. The exercise price will equal the fair market value of the Company's common stock at the date the option is issued. The options are fully vested when issued and have a term of 10 years.

In conjunction with the acquisition of Family Dollar in 2015, the Company assumed the Family Dollar Stores, Inc. 2006 Incentive Plan (the "2006 Plan"). The 2006 Plan permitted the granting of a variety of compensatory award types, including stock options and performance share rights.

The 2003 Non-Employee Director Stock Option Plan (NEDP) provided non-qualified stock options to non-employee members of the Company's Board of Directors. The exercise price of each stock option granted equaled the closing market price of the Company's stock on the date of grant. The options generally vested immediately. This plan was terminated on June 16, 2011 and replaced with the Omnibus Plan.

Total stock-based compensation expense was recorded in the accompanying consolidated statements of operations as follows:

(in millions)	Year Ended		
	February 1, 2020	February 2, 2019	February 3, 2018
Cost of sales	\$ 12.9	\$ 12.1	\$ 12.8
Selling, general and administrative expenses	48.5	51.2	53.0
Total stock-based compensation expense	\$ 61.4	\$ 63.3	\$ 65.8
Excess tax benefit (deficit) on stock-based compensation recognized in the Provision for income taxes	\$ 3.8	\$ (1.3)	\$ 13.6

Restricted Stock

The Company issues service-based RSUs to employees and officers and issues PSUs to certain officers of the Company. The Company recognizes expense based on the estimated fair value of the RSUs or PSUs 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 and PSUs is determined using the Company's closing stock price on the date of grant.

Service-Based RSUs

The following table summarizes the status of service-based RSUs as of February 1, 2020 and changes during the year then ended:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at February 2, 2019	1,364,689	\$ 87.23
Granted	490,930	103.55
Vested	(651,611)	85.17
Forfeited	(154,927)	89.72
Nonvested at February 1, 2020	1,049,081	\$ 95.17

The total fair value of the service-based restricted shares vested during the years ended February 1, 2020, February 2, 2019 and February 3, 2018 was \$55.5 million, \$50.2 million and \$58.2 million, respectively. The weighted average grant date fair value of the RSUs granted in 2019, 2018 and 2017 was \$103.55, \$94.30 and \$78.66, respectively. As of February 1, 2020, there was approximately \$47.1 million of total unrecognized compensation expense related to these RSUs which is expected to be recognized over a weighted-average period of 1.2 years.

PSUs

The following table summarizes the status of PSUs as of February 1, 2020 and changes during the year then ended:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at February 2, 2019	81,411	\$ 82.46
Granted	281,303	103.71
Vested	(38,502)	86.43
Forfeited	(3,712)	80.02
Nonvested at February 1, 2020	<u>320,500</u>	<u>\$ 99.29</u>

The total fair value of the PSUs vested during the years ended February 1, 2020, February 2, 2019 and February 3, 2018 was \$3.3 million, \$4.2 million and \$2.1 million, respectively. The weighted average grant date fair value of the PSUs granted in 2019, 2018 and 2017 was \$103.71, \$94.90 and \$78.23, respectively. As of February 1, 2020, there was approximately \$5.9 million of total unrecognized compensation expense related to these RSUs which is expected to be recognized over a weighted-average period of 0.7 years.

Stock Options

Stock options are valued using the Black-Scholes option-pricing model and compensation expense is recognized on a straight-line basis, net of estimated forfeitures, over the requisite service period. Options granted in 2019, 2018 and 2017 are immaterial.

Certain of the Company's directors elected to defer their compensation into stock options under the 2013 Director Deferred Compensation Plan. These options vest immediately and are expensed on the grant date.

The following tables summarize information about options outstanding at February 1, 2020 and changes during the year then ended:

	Number of Shares	Weighted Average Per Share Exercise Price	Weighted Average Remaining Term	Aggregate Intrinsic Value (in millions)
Outstanding, beginning of period	367,196	\$ 76.17		
Granted	6,537	105.45		
Exercised	(73,383)	79.23		
Forfeited	(94,457)	74.05		
Outstanding, end of period	<u>205,893</u>	\$ 76.87	2.94	\$ 2.3
Options vested and exercisable at February 1, 2020	<u>205,893</u>	\$ 76.87	2.94	\$ 2.3

The intrinsic value of options exercised during 2019, 2018 and 2017 was approximately \$1.6 million, \$12.3 million and \$18.3 million, respectively.

Note 12 – Segment Reporting

The Company operates a chain of more than 15,200 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 CODM regularly reviews to analyze performance and allocate resources.

The Company measures the results of its segments using, among other measures, each segment's net sales, gross profit and operating income. The CODM reviews these metrics for each of the Company's reporting segments. The Company may revise the measurement of each segment's operating income, as determined by the information regularly reviewed by the CODM. If the measurement of a segment changes, prior period amounts and balances are reclassified to be comparable to the current period's presentation. In the current year, the Company identified Corporate and support costs, mainly store support center costs, that are considered shared services and excluded these selling, general and administrative costs from its two reporting business segments. These costs include operating expenses for the Company's store support centers in Chesapeake, Virginia and Matthews, North

Carolina. During fiscal 2019 the Company consolidated its Matthews, North Carolina store support center with its store support center in Chesapeake, Virginia. The Company continues to own its facility in Matthews, North Carolina. Amounts for the years ended February 2, 2019 and February 3, 2018 have been reclassified to be comparable to the current year presentation.

Information for the Company's segments, as well as for Corporate and support, including the reconciliation to Income (loss) before income taxes, is as follows:

(in millions)	Year Ended		
	February 1, 2020	February 2, 2019	February 3, 2018
Consolidated Statements of Operations Data:			
Net sales:			
Dollar Tree	\$ 12,507.9	\$ 11,712.1	\$ 11,164.4
Family Dollar	11,102.9	11,111.2	11,081.1
Consolidated Net sales	<u>\$ 23,610.8</u>	<u>\$ 22,823.3</u>	<u>\$ 22,245.5</u>
Gross profit:			
Dollar Tree	\$ 4,342.9	\$ 4,137.5	\$ 3,998.5
Family Dollar	2,697.8	2,810.0	3,023.4
Consolidated Gross profit	<u>\$ 7,040.7</u>	<u>\$ 6,947.5</u>	<u>\$ 7,021.9</u>
Operating income (loss):			
Dollar Tree	\$ 1,657.8	\$ 1,645.9	\$ 1,616.8
Family Dollar	(81.0)	(2,320.0)	630.0
Corporate and support	(314.6)	(265.4)	(247.7)
Consolidated Operating income (loss)	1,262.2	(939.5)	1,999.1
Interest expense, net	162.1	370.0	301.8
Other expense (income), net	1.4	(0.5)	(6.7)
Income (loss) before income taxes	<u>\$ 1,098.7</u>	<u>\$ (1,309.0)</u>	<u>\$ 1,704.0</u>
Depreciation and amortization expense:			
Dollar Tree	\$ 277.7	\$ 254.0	\$ 241.1
Family Dollar	339.1	346.5	356.1
Corporate and support	28.9	20.9	14.3
Consolidated depreciation and amortization expense	<u>\$ 645.7</u>	<u>\$ 621.4</u>	<u>\$ 611.5</u>

(in millions)	As of	
	February 1, 2020	February 2, 2019
Consolidated Balance Sheet Data:		
Goodwill:		
Dollar Tree	\$ 423.8	\$ 376.5
Family Dollar	1,559.5	1,920.1
Consolidated Goodwill	\$ 1,983.3	\$ 2,296.6
Total assets:		
Dollar Tree	\$ 7,694.0	\$ 3,992.6
Family Dollar	11,484.9	9,144.7
Corporate and support	395.7	363.9
Consolidated Total assets	\$ 19,574.6	\$ 13,501.2
Additions to property, plant and equipment:		
Dollar Tree	\$ 547.5	\$ 455.6
Family Dollar	425.2	251.0
Corporate and support	62.1	110.5
Consolidated additions to property, plant and equipment	\$ 1,034.8	\$ 817.1

Goodwill is reassigned between segments when stores are re-bannered between segments. In 2019 and 2018, the Company reassigned \$47.6 million and \$31.0 million, respectively, of goodwill from Family Dollar to Dollar Tree as a result of re-bannering. In addition, in the fourth quarters of 2019 and 2018, the Company recorded goodwill impairment charges of \$313.0 million and \$2.73 billion, respectively, to write down the Family Dollar goodwill. Refer to [Note 3](#) for additional detail regarding impairment of the Family Dollar goodwill.

Disaggregated Revenue

The following table summarizes net sales by merchandise category for the Company's segments:

(in millions)	Year Ended					
	February 1, 2020		February 2, 2019		February 3, 2018	
Dollar Tree segment net sales by merchandise category:						
Consumable	\$ 6,155.3	49.2%	\$ 5,703.8	48.7%	\$ 5,470.6	49.0%
Variety	5,732.1	45.8%	5,457.8	46.6%	5,169.1	46.3%
Seasonal	620.5	5.0%	550.5	4.7%	524.7	4.7%
Total Dollar Tree segment net sales	\$ 12,507.9	100.0%	\$ 11,712.1	100.0%	\$ 11,164.4	100.0%
Family Dollar segment net sales by merchandise category:						
Consumable	\$ 8,604.7	77.5%	\$ 8,466.7	76.2%	\$ 8,344.1	75.3%
Home products	866.0	7.8%	911.1	8.2%	930.8	8.4%
Apparel and accessories	644.0	5.8%	700.0	6.3%	731.3	6.6%
Seasonal and electronics	988.2	8.9%	1,033.4	9.3%	1,074.9	9.7%
Total Family Dollar segment net sales	\$ 11,102.9	100.0%	\$ 11,111.2	100.0%	\$ 11,081.1	100.0%

Note 13 - Quarterly Financial Information (Unaudited)

The following table sets forth certain items from the Company's unaudited consolidated statements of operations for each quarter of fiscal year 2019 and 2018. The unaudited information has been prepared on the same basis as the audited consolidated financial statements appearing elsewhere in this report and includes all adjustments, consisting only of normal recurring adjustments, which management considers necessary for a fair presentation of the financial data shown. The operating results for any quarter are not necessarily indicative of results for a full year or for any future period.

(dollars in millions, except diluted net income (loss) per share data)	First Quarter ¹	Second Quarter	Third Quarter	Fourth Quarter ¹
Fiscal 2019:				
Net sales	\$ 5,808.7	\$ 5,740.6	\$ 5,746.2	\$ 6,315.3
Gross profit	\$ 1,727.2	\$ 1,648.5	\$ 1,704.5	\$ 1,960.5
Operating income ^{2,3}	\$ 385.5	\$ 268.9	\$ 358.4	\$ 249.4
Net income ^{2,3,4}	\$ 267.9	\$ 180.3	\$ 255.8	\$ 123.0
Diluted net income per share ^{2,3,4}	\$ 1.12	\$ 0.76	\$ 1.08	\$ 0.52
Stores open at end of quarter	15,264	15,115	15,262	15,288
Comparable store net sales change	2.2%	2.4%	2.5%	0.4%
Fiscal 2018:				
Net sales	\$ 5,553.7	\$ 5,525.6	\$ 5,538.8	\$ 6,205.2
Gross profit ⁵	\$ 1,699.6	\$ 1,663.9	\$ 1,671.9	\$ 1,912.1
Operating income (loss) ^{2,5,6,7}	\$ 437.6	\$ 382.5	\$ 387.8	\$ (2,147.4)
Net income (loss) ^{2,5,6,7}	\$ 160.5	\$ 273.9	\$ 281.8	\$ (2,307.0)
Diluted net income (loss) per share ^{2,5,6,7}	\$ 0.67	\$ 1.15	\$ 1.18	\$ (9.69)
Stores open at end of quarter	14,957	15,073	15,187	15,237
Comparable store net sales change	1.4%	1.8%	1.0%	2.4%

¹Easter was observed on April 21, 2019 and April 1, 2018. There were six fewer selling days between Thanksgiving and Christmas in 2019.

²In 2018, based on the Company's strategic and operational reassessment of the Family Dollar segment following challenges that the business experienced that impacted the Company's ability to grow the business at the originally estimated rate when it acquired Family Dollar in 2015, management determined there were indicators that the goodwill of the business may be impaired. Accordingly, a goodwill impairment test was performed in the fourth quarter of fiscal 2018 and an impairment test was also performed in 2019. The results of the impairment tests showed that the fair value of the Family Dollar reporting unit was lower than its carrying value resulting in \$313.0 million and \$2.73 billion non-cash pre-tax and after-tax goodwill impairment charges in the fourth quarters of fiscal 2019 and 2018, respectively. These goodwill impairment charges reduced diluted net income (loss) per share by \$1.32 and \$11.46 per share in the fourth quarters of 2019 and 2018, respectively.

³In the fourth quarter of 2019, the Company recorded an \$18.0 million charge to its litigation reserve. The recognition of this liability reduced diluted net income per share in the fourth quarter of 2019 by \$0.06.

⁴In the fourth quarter of 2019, the Company evaluated its foreign net operating loss carryforwards and determined that it expects to utilize the carryforwards for which the Company previously had provided a valuation allowance. The reduction of the valuation allowance increased net income and diluted net income per share in the fourth quarter of 2019 by \$24.6 million and \$0.10 per share, respectively.

⁵In the fourth quarter of 2018, the Company recorded \$40.0 million in sku rationalization markdown expense in the Family Dollar segment, which decreased net income (loss) and diluted net income (loss) per share by \$30.8 million and \$0.13 per share, respectively, in the fourth quarter of 2018.

⁶In the fourth quarter of 2018, the Company reviewed certain long-lived assets and identifiable intangible assets for impairment. As a result of its impairment analysis, the Company recorded charges of \$13.0 million to write down certain store assets, including \$6.1 million associated with impairment of favorable lease rights. These store impairment charges decreased net income (loss) and diluted net income (loss) per share in the fourth quarter of 2018 by \$10.0 million and \$0.04 per share, respectively.

⁷In the first quarter of 2018, the Company refinanced its long-term debt obligations, resulting in the payment of redemption premiums totaling \$114.3 million. In addition, 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. For additional information regarding these transactions, refer to [Note 6](#). This refinancing of the Company's long-term debt decreased net income (loss) and diluted net income (loss) per share in the first quarter of 2018 by \$123.6 million and \$0.52 per share, respectively.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply our judgment in evaluating the cost-benefit relationship of possible 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 February 1, 2020, 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.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). The Company's management conducted an assessment of the Company's internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013)*. Based on this assessment, the Company's management has concluded that, as of February 1, 2020, the Company's internal control over financial reporting is effective.

The Company's independent registered public accounting firm, KPMG LLP, has audited the Company's consolidated financial statements and has issued an attestation report on the effectiveness of the Company's internal control over financial reporting. Their report appears below.

Changes in Internal Controls

There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Dollar Tree, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Dollar Tree, Inc.'s and subsidiaries (the Company) internal control over financial reporting as of February 1, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 1, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of February 1, 2020 and February 2, 2019, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended February 1, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated March 20, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Norfolk, Virginia

March 20, 2020

Item 9B. Other Information

None.

PART III**Item 10. Directors, Executive Officers and Corporate Governance**

The information concerning our Directors and Executive Officers required by this Item is incorporated by reference to Dollar Tree, Inc.'s Proxy Statement relating to our 2020 Annual Meeting ("Proxy Statement"), under the captions "Director Biographies" and "Executive Officers."

To the extent disclosure of any delinquent report under Section 16(a) of the Securities Exchange Act of 1934 is made by the Company, such disclosure will be set forth under the caption "Delinquent Section 16(a) Reports" in our Proxy Statement, which is incorporated herein by reference.

The information concerning our audit committee and audit committee financial experts required by this Item is incorporated herein by reference to the Proxy Statement, under the caption "The Board and Its Committees."

The information concerning our code of ethics required by this Item is incorporated by reference to the Proxy Statement, under the caption "Code of Ethics."

Item 11. Executive Compensation

Information set forth in the Proxy Statement under the caption "Compensation of Executive Officers," with respect to executive compensation, is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**Equity Compensation Plans**

The following table summarizes information regarding shares issuable as of February 1, 2020, under our equity compensation plans, including the number of shares of common stock subject to options, restricted stock units, deferred shares and other rights granted to employees, consultants and members of our Board of Directors; the weighted-average exercise price of outstanding options; and the number of shares remaining available for future award grants under these plans. Additional information regarding our equity compensation plans can be found in [Note 11](#) to our consolidated financial statements.

Equity compensation plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plans approved by security holders ¹	1,658,527	\$ 76.77	20,077,827
Plans not approved by security holders ²	—	—	—

(a) Amounts represent outstanding options, restricted stock units and deferred ("phantom") shares as of February 1, 2020.

(b) Not included in the calculation of weighted-average exercise price are (i) 1,369,581 restricted stock units and (ii) 188,948 deferred shares.

(c) Amounts represent shares remaining available for future awards under all of our equity-based plans, including shares remaining under our qualified Employee Stock Purchase Plan and our 2013 Director Deferred Compensation Plan. Out of the 20,077,827 shares remaining available for future issuance, 2,852,398 represent the number of shares remaining available for future issuance under our Employee Stock Purchase Plan as of February 1, 2020.

¹ Equity-based plans approved by our shareholders include: the 2003 Non-Employee Director Stock Option Plan, the 2013 Director Deferred Compensation Plan, the 2015 Employee Stock Purchase Plan (which replaced a predecessor plan), and the Omnibus Incentive Plan (which replaced the 2003 Equity Incentive Plan and the 2004 Executive Officer Equity Plan).

² Does not include 105,895 shares to be issued upon the exercise of options with a weighted-average exercise price of \$76.97 that were granted under the 2006 Incentive Plan assumed by us in connection with our merger with Family Dollar.

Information set forth in the Proxy Statement under the caption “Ownership of Common Stock,” with respect to security ownership of certain beneficial owners and management, is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information set forth in the Proxy Statement under the caption “Certain Relationships and Related Transactions,” is incorporated herein by reference.

The information concerning the independence of our directors required by this Item is incorporated by reference to the Proxy Statement under the caption “Board - Independence.”

Item 14. Principal Accounting Fees and Services

Information set forth in the Proxy Statement under the caption “RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS,” is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

1. Documents filed as part of this report:
 1. Financial Statements. Reference is made to the Index to the Consolidated Financial Statements set forth under Part II, [Item 8](#) of this Form 10-K.
 2. Financial Statement Schedules. All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, are not applicable, or the information is included in the Consolidated Financial Statements, and therefore have been omitted.
 3. Exhibits. The following exhibits are filed as part of, or incorporated by reference into, this report.

Exhibit	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
2.1	Agreement and Plan of Merger, dated as of July 27, 2014, among Family Dollar Stores, Inc., Dollar Tree, Inc. and Dime Merger Sub, Inc.	8-K	2.1	7/29/2014	
2.2	Amendment No. 1, dated as of September 4, 2014, to the Agreement and Plan of Merger, dated as of July 27, 2014, among Family Dollar Stores, Inc., Dollar Tree Inc. and Dime Merger Sub, Inc.	8-K	2.1	9/5/2014	
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 March 5, 2019	8-K	3.1	3/6/2019	
4.1	Form of Common Stock Certificate	8-K	4.1	3/13/2008	
4.2.1	Indenture, dated as of April 2, 2018, between Dollar Tree, Inc., as issuer, and U.S. Bank National Association, as trustee	S-3 ASR	4.1	4/2/2018	
4.2.2	First Supplemental Indenture, dated as of April 19, 2018, between Dollar Tree, Inc. and U.S. Bank National Association, as trustee	8-K	4.1	4/20/2018	
4.3	Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934				X
10.1	* Form of Consulting Agreement between the Company and certain members of the Board of Directors	8-K	10.1	2/3/2005	

Exhibit	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
10.2	* Form of Change in Control Retention Agreement, to be executed between the Company and the Chief Executive Officer; Chief Financial Officer; Sr. Vice President, Stores; Chief Merchandising Officer; Chief Logistics Officer; Chief People Officer; and Chief Information Officer	8-K	10.1	3/20/2007	
10.3	* Amendments to the Company's Stock Plans	8-K	10.5	1/23/2008	
10.4	* Policy for director compensation (as described in Item 1.01)	8-K	N/A	1/23/2008	
10.5	* Assignment and Assumption Agreement, dated February 27, 2008, between Dollar Tree Stores, Inc. and Dollar Tree, Inc.	8-K	10.5	3/3/2008	
10.6.1	* Change in Control Retention Agreement between the Company and Kevin Wampler, Chief Financial Officer	8-K	10.1	12/5/2008	
10.6.2	* Amendment to Change in Control Retention Agreement between the Company and Kevin Wampler, Chief Financial Officer	8-K	10.1	10/11/2011	
10.7	* Description of Dollar Tree, Inc. Management Incentive Compensation Plan	10-Q	10.1	5/19/2011	
10.8.1	* 2011 Omnibus Incentive Plan effective as of March 17, 2011	8-K	10.1	6/22/2011	
10.8.2	* First Amendment to the 2011 Omnibus Incentive Plan dated June 16, 2016	10-Q	10.1	9/2/2016	
10.8.3	* 2011 Omnibus Incentive Plan, as amended and restated effective June 12, 2019	10-Q	10.1	8/29/2019	
10.9	* Form of Non-employee Director Option Agreement under the 2011 Omnibus Incentive Plan	8-K	10.4	6/22/2011	
10.10	* Form of Long-Term Performance Plan Award Agreement under the 2011 Omnibus Incentive Plan	8-K	10.1	3/21/2012	
10.11	* Form of Restricted Stock Unit Agreement under the 2011 Omnibus Incentive Plan	8-K	10.2	3/21/2012	
10.12	* Form of Long-Term Performance Plan Award Agreement under the 2011 Omnibus Incentive Plan	10-K	10.32	3/27/2019	
10.13	* Form of Performance Stock Unit Agreement under the 2011 Omnibus Incentive Plan	10-K	10.33	3/27/2019	
10.14	* Form of Restricted Stock Unit Agreement under the 2011 Omnibus Incentive Plan	10-K	10.34	3/27/2019	
10.15	* Change in Control Retention Agreement between the Company and David Jacobs, Chief Strategy Officer	10-Q	10.2	8/16/2012	
10.16	* Change in Control Retention Agreement between the Company and William A. Old, Jr, Chief Legal Officer	10-Q	10.2	8/22/2013	
10.17	* Dollar Tree, Inc. 2015 Employee Stock Purchase Plan, effective September 1, 2015	S-8	4.0	10/28/2015	
10.18	* Form of Severance Agreement for Executive Vice Presidents, dated as of October 9, 2012, between Family Dollar Stores, Inc. and its officers holding the title of Executive Vice President	8-K	10.1	10/15/2012	
10.19	* Form of Severance Agreement for Senior Vice Presidents between Family Dollar Stores, Inc. and its officers holding the title of Senior Vice President	10-K	10.36	10/19/2012	
10.20	* Change in Control Retention Agreement between the Company and Gary Maxwell, Chief Supply Chain Officer	10-Q	10.3	6/9/2016	
10.21	* Form of Executive Officer Nonstatutory Stock Option Agreement under the 2011 Omnibus Incentive Plan	10-K	10.54	3/28/2017	
10.22	* Executive Agreement dated December 30, 2016 between the Company and Duncan Mac Naughton, President of Family Dollar Stores, Inc. (portions of the exhibit have been omitted pursuant to a request for confidential treatment)	10-K	10.55	3/28/2017	

Exhibit	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
10.23	* Dollar Tree and Family Dollar Supplemental Deferred Compensation Plan	10-Q	10.1	8/24/2017	
10.24	* 2013 Director Deferred Compensation Plan, as amended and restated effective December 31, 2016	10-K	10.35	3/16/2018	
10.25	Credit Agreement, dated as of April 19, 2018, among Dollar Tree, Inc., JPMorgan Chase Bank, N.A., as administrative agent and the lenders and other parties thereto	8-K	10.1	4/20/2018	
10.26	* Form of Change in Control Retention Agreement for Executive Officers (portions of the exhibit have been omitted pursuant to a request for confidential treatment)	10-Q	10.1	11/29/2018	
10.27	* Amendment to Change in Control Retention Agreement between the Company and Gary Philbin, Chief Executive Officer	10-K	10.31	3/27/2019	
10.28	* Form of Executive Agreement (portions of the exhibit have been omitted pursuant to a request for confidential treatment)	10-Q	10.2	11/29/2018	
10.29	* Agreement, dated December 22, 2019, between the Company and Duncan Mac Naughton [(portions of the exhibit have been omitted pursuant to Item 601(b)(10) (iv) of Regulation S-K)]				X
21.1	Subsidiaries of the Registrant				X
23.1	Consent of Independent Registered Public Accounting Firm				X
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101	The following financial statements from the Company's Form 10-K for the fiscal year ended February 1, 2020, formatted in Inline XBRL: (i) Consolidated Statements of Operations, (ii) Consolidated Statements of Comprehensive Income (Loss), (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Shareholders' Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements				X
104	The cover page from the Company's Form 10-K for the fiscal year ended February 1, 2020, formatted in Inline XBRL and contained in Exhibit 101				X

*Management contract or compensatory plan or arrangement

Item 16. Form 10-K Summary

None.

SIGNATURES

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

DOLLAR TREE, INC.

DATE: March 20, 2020

By: /s/ Gary Philbin

Gary Philbin

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Gary Philbin</u> Gary Philbin	Director and Chief Executive Officer (principal executive officer)	March 20, 2020
<u>/s/ Bob Sasser</u> Bob Sasser	Executive Chairman; Director	March 20, 2020
<u>/s/ Gregory M. Bridgeford</u> Gregory M. Bridgeford	Lead Independent Director	March 20, 2020
<u>/s/ Arnold S. Barron</u> Arnold S. Barron	Director	March 20, 2020
<u>/s/ Thomas W. Dickson</u> Thomas W. Dickson	Director	March 20, 2020
<u>/s/ Conrad M. Hall</u> Conrad M. Hall	Director	March 20, 2020
<u>/s/ Lemuel E. Lewis</u> Lemuel E. Lewis	Director	March 20, 2020
<u>/s/ Kathleen E. Mallas</u> Kathleen E. Mallas	Senior Vice President - Principal Accounting Officer (principal accounting officer)	March 20, 2020
<u>/s/ Jeffrey Naylor</u> Jeffrey Naylor	Director	March 20, 2020
<u>/s/ Thomas A. Saunders III</u> Thomas A. Saunders III	Director	March 20, 2020
<u>/s/ Stephanie Stahl</u> Stephanie Stahl	Director	March 20, 2020
<u>/s/ Kevin S. Wampler</u> Kevin S. Wampler	Chief Financial Officer (principal financial officer)	March 20, 2020
<u>/s/ Carrie A. Wheeler</u> Carrie A. Wheeler	Director	March 20, 2020
<u>/s/ Thomas E. Whiddon</u> Thomas E. Whiddon	Director	March 20, 2020
<u>/s/ Dr. Carl P. Zeithaml</u> Dr. Carl P. Zeithaml	Director	March 20, 2020

DOLLAR TREE, INC.**DESCRIPTION OF SECURITIES REGISTERED UNDER
SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

The following summary of the capital stock of Dollar Tree, Inc. (the “Company”) is not complete and is subject to, and qualified in its entirety by reference to, applicable provisions of Virginia law and the articles of incorporation and bylaws of the Company. The Company’s articles of incorporation and bylaws, each as amended and restated, are filed as exhibits to the Annual Report on Form 10-K of which this Exhibit 4.3 is a part. We encourage you to read our articles of incorporation and bylaws, and the applicable provisions of Virginia law, for additional information.

The Company’s common stock is the only class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended.

Authorized Capital Stock

The Company’s authorized capital stock consists of 600,000,000 shares of common stock, par value \$.01 per share, and 10,000,000 shares of preferred stock, par value \$.01 per share.

Common Stock

Each share of our common stock entitles its holder to one vote in the election of each director and on all other matters voted on generally by our shareholders, other than any matter that solely relates to the terms of any outstanding series of preferred stock or the number of shares of that series. The holders of shares of our common stock do not have any cumulative voting rights. Our board of directors may grant holders of preferred stock, in the resolutions creating the series of preferred stock, the right to vote on the election of directors or any questions affecting our Company.

Each director is elected by a vote of the majority of the votes cast with respect to the director nominee at a meeting of stockholders for the election of directors at which a quorum is present; provided, that if the number of director nominees exceeds the number of directors to be elected, the directors are elected by a plurality of the votes cast in such election. For purposes of director elections, a majority of the votes cast means that the number of shares voted “for” a director must exceed the number of shares voted “against” that director.

Holders of our common stock are entitled to dividends in such amounts and at such times as our board of directors in its discretion may declare out of funds legally available for the payment of dividends, subject to any preferential dividend rights of outstanding preferred stock.

If we liquidate or dissolve our business, the holders of our common stock are entitled to share ratably in all our assets that are available for distribution to our shareholders after our creditors are paid in full and the holders of all series of our outstanding preferred stock, if any, receive their liquidation preferences in full.

Our common stock has no preemptive rights and is not convertible or redeemable or entitled to the benefits of any sinking or repurchase fund. All of our outstanding shares of common stock are fully paid and non-assessable.

The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which we may designate and issue in the future.

Our common stock is listed for trading on the NASDAQ Global Select Market under the symbol "DLTR." The registrar and transfer agent for our common stock is Computershare Trust Company, N.A.

Preferred Stock

Our board of directors has the authority, without any action by the holders of our common stock, to issue up to an aggregate of 10,000,000 shares of preferred stock in one or more series. The board's authority includes the power to determine the designations, preferences and rights and any qualifications, limitations or restrictions of the shares of each series of preferred stock, including:

- voting rights;
- dividend rights and rates;
- liquidation preferences;
- conversion rights;
- terms of redemption (including sinking fund provisions), redemption price or prices; and
- the number of shares constituting any series of preferred stock (up to the maximum of 10,000,000 shares in the aggregate).

The issuance of shares of preferred stock may adversely affect the rights of our common shareholders. For example, any preferred stock issued may rank senior to the common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of common stock. The issuance of shares of preferred stock also could decrease the amount of earnings and assets available for distribution to holders of shares of common stock.

The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, may have the effect of discouraging, delaying, or preventing a change in control of our Company. For example, if in the due exercise of its fiduciary obligations, the board of directors were to determine that a takeover proposal is not in the best interests of the Company, the board of directors could cause shares of preferred stock to be issued without shareholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquiror or insurgent shareholder or shareholder group.

Voting Requirements for Certain Actions

The articles of incorporation provide that approval of the following actions require the affirmative vote of a majority of the shares entitled to be cast by each voting group entitled to vote on the matter:

- shareholder approval of a plan of merger or share exchange;

- shareholder approval of a sale, lease, exchange or other disposition of the Company's assets, other than certain dispositions that would leave the Company without a "significant continuing business activity;"
- shareholder approval of a plan of domestication;
- shareholder approval of a plan of entity conversion; or
- shareholder approval of a proposal for dissolution of the corporation.

Anti-Takeover Effects of Provisions of our Articles of Incorporation and Bylaws

Certain provisions in our articles of incorporation and in our bylaws could make it more difficult for a third party to acquire, or discourage a third party from acquiring, control of the Company. For example, the following provisions may make it difficult for existing shareholders to replace our board of directors as well as for another party to obtain control of the Company by replacing our board of directors:

- Our bylaws provide that shareholder nominations of persons for election to the board of directors may be made only upon advance written notice to the board of directors in accordance with certain procedural requirements.
- A shareholder is not eligible to have its director nominees included in the Company's proxy statement for the annual meeting of shareholders unless it meets certain notice and procedural requirements, including (i) continuous ownership for at least three years of at least three per cent of the outstanding shares of stock entitled to vote in the election of directors, (ii) the aggregate number of shareholders whose stock ownership is counted for the purpose of satisfying the ownership requirement does not exceed twenty, and (iii) the maximum number of shareholder nominees may not exceed the greater of two directors or twenty per cent of the number of directors then in office.
- The articles of incorporation provide that a director may be removed only if the number of votes cast to remove the director constitutes a majority of the votes entitled to be cast at an election of directors.
- The authorization of undesignated preferred stock in our articles of incorporation makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of the Company.
- Our articles of incorporation do not give the shareholders the right to cumulative voting in the election of directors. The absence of cumulative voting makes it more difficult for a minority shareholder to gain a seat on our board of directors or influence our board of directors' decision regarding a takeover.

In addition, there are provisions which may make it difficult to call special meetings of the shareholders or to take other shareholder action:

- Our bylaws provide that special meetings of shareholders may be called only by the board of directors, the chairman of the board of directors or the chief executive officer, and that no business shall be transacted and no corporate action may be taken at a special meeting of shareholders other than that stated in the notice of the meeting.
- The bylaws also provide that the only business that may be brought before an annual meeting of shareholders is limited to matters (i) brought before the meeting at the

direction of the board of directors or (ii) specified in a written notice given by or on behalf of a shareholder of record who is entitled to vote at the meeting in accordance with certain procedural requirements specified in the bylaws.

These provisions of our bylaws could have the effect of delaying shareholder actions which are favored by the holders of a majority of our outstanding voting securities. These provisions may also discourage another person or entity from making a tender offer for our common stock, because such person or entity, even if it acquired a majority of our outstanding voting securities, would be unable to call a special meeting of shareholders to take action as a shareholder (such as electing new directors or approving a merger).

Certain Provisions of Virginia Law

The Virginia Stock Corporation Act contains provisions relating to “affiliated transactions” and “control share acquisitions,” which in certain circumstances could have anti-takeover effects, but the Company has elected to opt out of these provisions as permitted by Virginia law. The following is a brief summary of the provisions of the Virginia statutes.

The Virginia provisions relating to “affiliated transactions” prohibit a Virginia corporation having more than 300 shareholders from engaging in material transactions with the beneficial owner of more than 10% of any class of its outstanding voting shares (an “interested shareholder”) for a period of three years following the date that such person became an interested shareholder unless:

- a majority (but not less than two) of the disinterested directors of the corporation and the holders of two-thirds of the voting shares, other than the shares beneficially owned by the interested shareholder, approve the affiliated transaction, or
- before the date the person became an interested shareholder, a majority of the disinterested directors of the corporation approved the transaction that resulted in the shareholder becoming an interested shareholder.

Affiliated transactions subject to this approval requirement include mergers, share exchanges, material sales or other dispositions of corporate assets not in the ordinary course of business, any dissolution of the corporation proposed by or on behalf of an interested shareholder or any reclassification, including reverse stock splits, recapitalizations or mergers of the corporation with its subsidiaries, which has the effect of increasing the percentage of voting shares owned beneficially by an interested shareholder by more than 5%.

A Virginia corporation may include in its articles of incorporation a provision opting out of the affiliated transactions statute. The Company’s articles of incorporation provide that the Company elects not to be governed by the affiliated transactions statute.

Virginia law also contains provisions relating to “control share acquisitions,” which are transactions causing the voting strength of any person acquiring beneficial ownership of shares of a Virginia public corporation to meet or exceed certain threshold percentages (20%, 33 1/3% or 50%) of the total votes entitled to be cast for the election of directors. Shares acquired in a control share acquisition have no voting rights unless:

- the voting rights are granted by a majority vote of all outstanding shares other than those held by the acquiring person or any officer or employee director of the corporation, or

- the articles of incorporation or bylaws of the corporation provide that these Virginia law provisions do not apply to acquisitions of its shares. The acquiring person may require that a special meeting of the shareholders be held to consider the grant of voting rights to the shares acquired in the control share acquisition.

A Virginia corporation may include in its articles of incorporation or bylaws a provision opting out of the control share acquisition statute. The Company's articles of incorporation provide that the Company elects not to be governed by the statutory provisions relating to control share acquisitions, and that such statutory provisions shall not apply to acquisitions of the Company's shares.

Limitations of Liability and Indemnification of Officers and Directors

The articles of incorporation eliminate the liability of our directors and officers to the Company or its shareholders for monetary damages arising out of any transaction, occurrence or course of conduct. The only exception to this provision is in the event the director or officer has engaged in willful misconduct or a knowing violation of the criminal law or of any Federal or state securities law.

The articles of incorporation also require us to indemnify a director or officer against any liability incurred by him in connection with certain actions, suits and proceedings, and authorizes the board of directors to indemnify other agents and employees to the same or a lesser extent as a director or officer. Such indemnification does not apply in the event of willful misconduct or a knowing violation of the criminal law.

CONFIDENTIAL INFORMATION

Certain confidential information has been excluded from the following exhibit because it is both not material and would likely cause competitive harm to Dollar Tree, Inc. if publicly disclosed. Terms that have been omitted are marked with brackets and an asterisk [*].

Agreement

This Agreement ("Agreement") is entered into by and between Dollar Tree, Inc. (the "Employer" or "Company") on behalf of itself and its direct and indirect subsidiaries, including Family Dollar Stores, Inc., and each of their respective associates, officers, directors, shareholders, and agents, individually and in their official capacities (collectively referred to as the "Employer Group") and Duncan Mac Naughton (the "Employee") (the Employer and the Employee are collectively referred to as the "Parties") as of the later of the dates signed by the Parties.

The Parties agree that the Employee's last day worked with the Employer will be February 1, 2020 (the "Separation Date"). After the Separation Date, the Employee will not represent himself as being an employee, officer, agent, or representative of the Employer Group for any purpose. Except as otherwise set forth in this Agreement, the Employee will not be entitled to any further compensation, monies, or other benefits from the Employer Group, including coverage under any benefit plans or programs sponsored by the Employer Group, as of the Separation Date.

1. Return of Property. By no later than the Separation Date, the Employee will return all Employer Group property, including identification cards or badges, access codes or devices, keys, laptops, computers, telephones, mobile phones, hand-held electronic devices, credit cards, electronically stored documents or files, physical files, and any other Employer Group property in the Employee's possession.

2. Employee Representations. The Employee specifically agrees, warrants, and represents that he (a) has not filed any claims, complaints, or actions of any kind against the Employer Group with any arbitral panel, court of law, or local, state, or federal government or agency; (b) has been properly paid for all hours worked for the Employer Group; (c) has received all compensation due to date; and (d) has not engaged in and is not aware of any unlawful conduct relating to the business of the Employer Group.

3. Separation Benefits. In consideration for the Employee's (a) execution of, non-revocation of, and compliance with this Agreement, including the Employee's waiver and release of claims in Section 4 (the "Release"), and (b) compliance with the Post Termination Covenants (as defined in Section 5), and (with respect to Sections 3(a) and 3(b)) subject to the Employee's continued employment through the Separation Date, re-affirmation of the Release contemplated by Section 4(e), and compliance with the Post Termination Covenants, the Employer Group agrees to provide the following benefits to which the Employee is not otherwise entitled:

(a) Continued payment of base salary in accordance with the Employer's regular payroll practices, less all relevant taxes and other withholdings, for a period of twelve (12) months starting on the Separation Date (the "Salary Continuation Period"), provided that no such continued payments shall be made prior to the Effective Date (as defined below). The first installment payment shall include all amounts that would otherwise have been paid to the Employee during the period beginning on the Separation Date and ending on such first payment date. In the event the Employee accepts an offer of employment or an offer to provide services in a consulting or other capacity during the Salary Continuation Period, the Employee agrees to so inform the Company within three (3) business days, at which time Salary Continuation payments under this Section 3(a) shall cease;

(b) If the Employee timely and properly elects health continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), the Company shall reimburse the Employee for the monthly COBRA premium paid by the Employee for the Employee and the Employee's dependents during the Salary Continuation Period. Such reimbursement shall be paid to the Employee on a monthly basis, within ten (10) business days following the month in which the Employee timely remits the premium payment. In the event the Employee receives or becomes eligible to receive substantially similar coverage from another employer or other source during the Salary Continuation Period, the Employee agrees to so inform the Company within three (3) business days, at which time COBRA reimbursements shall cease. The Employee shall be solely responsible for the tax consequences of any such payments; and

(c) [*].

The Employee acknowledges that the provisions of this Section 3 satisfy in full any rights the Employee may have to severance payments or benefits under the Executive Agreement or under any other plan, agreement, or arrangement of or with any member of the Employer Group.

4. Employee's General Release and Waiver of Claims. In exchange for the consideration provided in this Agreement, the Employee and the Employee's heirs, executors, representatives, agents, insurers, administrators, successors, and assigns (collectively, the "Releasers") irrevocably and unconditionally fully and forever waive, release, and discharge the Employer Group, in their corporate and individual capacities (collectively, the "Releasees") from any and all claims, demands, actions, causes of actions, obligations, judgments, rights, fees, damages, debts, obligations, liabilities, and expenses (inclusive of attorneys' fees) of any kind whatsoever (collectively, "Claims"), whether known or unknown, from the beginning of time to the date of the Employee's execution of this Agreement, including, without limitation, any claims under any federal, state, local, or foreign law, that Releasers may have, have ever had or may in the future have arising out of, or in any way related to the Employee's hire, benefits, employment, termination, or separation from employment with the Employer Group and any actual or alleged act, omission, transaction, practice, conduct, occurrence, or other matter, including, but not limited to:

(a) any and all claims under Title VII of the Civil Rights Act, as amended, the Americans with Disabilities Act, as amended, the Family and Medical Leave Act, as amended, with respect to existing but not prospective claims, the Equal Pay Act, as amended, the Employee Retirement Income Security Act, as amended (with respect to unvested benefits), the Civil Rights Act of 1991, as amended, Section 1981 of U.S.C. Title 42, the Worker Adjustment and Retraining Notification Act, as amended, the Age Discrimination in Employment Act, as amended, the Uniform Services Employment and Reemployment Rights Act, as amended, the Genetic Information Nondiscrimination Act of 2008, the Retaliatory Employment Discrimination Act, Persons with Disabilities Protection Act, Discrimination Against Persons with Sickle Cell Trait, Discrimination Based Upon Genetic Testing and Information, Discrimination Based Upon Use of Lawful Products, Discrimination Based Upon AIDS or HIV Status, Hazardous Chemicals Right to Know Act, Jury Service Discrimination, and Military Service Discrimination, all of their respective implementing regulations, and any other federal, state, local, or foreign law (statutory, regulatory, or otherwise) that may be legally waived and released;

(b) any and all claims for compensation of any type whatsoever, including but not limited to claims for salary, wages, bonuses, commissions, incentive compensation, vacation, and severance that may be legally waived and released;

(c) any and all claims arising under tort, contract, and quasi-contract law, including but not limited to claims of breach of an expressed or implied contract, tortious interference with contract or prospective business advantage, breach of the covenant of good faith and fair dealing, promissory estoppel, detrimental reliance, invasion of privacy, nonphysical injury, personal injury or sickness or any other harm, wrongful or retaliatory discharge, fraud, defamation, slander, libel, false imprisonment, and negligent or intentional infliction of emotional distress; and

(d) any and all claims for monetary or equitable relief, including but not limited to attorneys' fees, back pay, front pay, reinstatement, experts' fees, medical fees or expenses, costs, and disbursements.

However, this general release and waiver of claims excludes, and the Employee does not waive, release, or discharge: (A) any right to file an administrative charge or complaint with the Equal Employment Opportunity Commission, or other similar federal or state administrative agencies, although the Employee waives any right to monetary relief related to such a charge or administrative complaint; (B) claims which cannot be waived by law; and (C) any rights to vested benefits under the Company's welfare and retirement plans, which are governed by the terms of the applicable plan documents.

(e) Specific Release of ADEA Claims. In further consideration of the payments and benefits provided to the Employee in this Agreement, the Releasors hereby irrevocably and unconditionally fully and forever waive, release, and discharge the Releasees from any and all Claims, whether known or unknown, from the beginning of time to the date of the Employee's execution of this Agreement arising under the Age Discrimination in Employment Act (ADEA), as amended, and its implementing regulations. By signing this Agreement, the Employee hereby acknowledges and confirms that:

(i) the Employee has read this Agreement in its entirety and understands all of its terms;

(ii) by this Agreement, the Employee has been advised in writing of the right to consult with an attorney of the Employee's choosing and has consulted with counsel as the Employee believed was necessary before executing this Agreement;

(iii) the Employee knowingly, freely, and voluntarily assents to all of the terms and conditions set out in this Agreement including, without limitation, the waiver, release, and covenants contained in it;

(iv) the Employee is executing this Agreement, including the waiver and release, in exchange for good and valuable consideration in addition to anything of value to which the Employee is otherwise entitled;

(v) the Employee was given at least twenty-one (21) days to consider the terms of this Agreement, although the Employee may sign it sooner if desired, and changes to this Agreement, whether material or immaterial, do not restart the running of the 21-day period;

(vi) the Employee understands that the Employee has seven (7) days from signing this Agreement to revoke the release in this paragraph by delivering notice of revocation to the Chief Legal Officer at the Employer Group, 500 Volvo Parkway, Chesapeake, VA 23320 by overnight delivery before the end of this seven-day period;

(vii) in the event of a revocation by the Employee, the Employer Group has the option of treating this Agreement as null and void in its entirety; and

(viii) the Employee understands that the release contained in this paragraph does not apply to rights and claims that may arise after the Employee signs this Agreement.

This Agreement shall not become effective until the eighth (8th) day after the Employee and the Employer Group execute this Agreement (the "Effective Date"). The Employee agrees to re-affirm the Release as of the Separation Date, in a form to be provided by the Company that will be consistent in substance with the terms of this Section 4, except that it will cover all Claims through the Separation Date. No payments due to the Employee under this Agreement shall be made or begin before the later of the Effective Date and the date that the Release re-affirmation contemplated by the preceding sentence becomes irrevocable. If the Employee revokes the Release or Release re-affirmation, or does not re-affirm the Release as contemplated by this paragraph, no payments or benefits shall be made or provided under Section 3.

(f) Whistleblower Protection and Notice of Immunity under the Economic Espionage Act of 1996, as amended by the Defend Trade Secrets Act of 2016. Notwithstanding any other provision of this Agreement or any other agreement or Company policy, the Employee will not be held liable under this Agreement or any other agreement or Company policy or any federal or state trade secret law for any disclosure of a trade secret or other Confidential Information that is made (i) in confidence to a

federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (iii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

5. Post-Termination Covenants. The Employee agrees beginning December 9, 2019:

(a) to abide by the Covenants set forth in Section 2 of the Executive Agreement, as amended hereby;

(b) without limitation of the Employee's obligations under Section 2 of the Executive Agreement, that, for a period ending [*] from the Separation Date, the Employee shall not directly or indirectly solicit, hire, recruit, or attempt to hire or recruit, any Company Executive, or induce the termination of employment of any Company Executive. "Company Executive" means [*]. The types of communication prohibited by this provision explicitly include all forms of oral, written, or electronic communication, including, but not limited to, communications by email, regular mail, express mail, telephone, fax, instant message, and social media, where the purpose of or reasonably anticipated impact or consequence of the communication would be to solicit, hire or recruit such person. For the avoidance of doubt, this restriction applies regardless of whether the Employee or the applicable Company Executive initiated the first communication;

(c) without limitation of the Employee's obligations under Section 2 of the Executive Agreement, that, for a period ending [*] from the Separation Date, the Employee shall not communicate in any way, whether orally, in writing, or electronically, with any person other than the Company's then current officers or members of the Board of Directors (including, but not limited to, shareholders, investors, analysts, consultants, or employees), regarding any information, financial, strategic, or otherwise, or other views, concerning the Employer or the Employer Group or any of their prospects or business; provided, however, that the Employee may communicate privately with respect to personal matters specific to the Employee (agreements, benefits, compensation, etc.).

The Employee's commitments under this Section 5 are collectively referred to as the "Post Termination Covenants".

6. Remedies. In the event of a breach or threatened breach by the Employee of any of the provisions of this Agreement, the Employee hereby consents and agrees that the Employer Group shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. Any equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages, or other available relief under the Parties' existing arbitration agreement or otherwise. The Parties mutually agree that this Agreement can be specifically enforced and can be cited as evidence in arbitral and any other legal proceedings alleging breach of the Agreement.

7. Successors and Assigns. The Employer Group may assign this Agreement and it shall inure to the benefit of the Employer Group and its successors and assigns. The Employee may not assign this Agreement in whole or in part. Any purported assignment by the Employee shall be null and void from the initial date of purported assignment.

8. Arbitration. The parties agree that any dispute, controversy, or claim arising out of or related to the Employee's employment with the Employer, this Agreement, including the validity of this arbitration clause, or any breach of this Agreement shall be governed by the Parties' existing arbitration agreement.

9. Governing Law: Jurisdiction and Venue. This Agreement, for all purposes, shall be construed in accordance with the laws of the State of Delaware, without regard to conflicts-of-law principles. Any action or proceeding by either of the Parties to enforce this Agreement shall be brought in accordance with the requirements of the Parties' Mutual Agreement to Arbitrate Claims, except that the Company may seek temporary or permanent injunctive relief or other forms of immediate relief related to a breach by Executive of any of the covenants in this Agreement in the state or federal courts located in Wilmington, Delaware or Norfolk, Virginia.

10. Entire Agreement. Unless specifically provided herein, this Agreement, the Executive Agreement (as modified hereby), and the Parties' arbitration agreement contain all of the understandings and representations between the Company, the Employer Group and the Employee relating to the subject matter hereof and it supersedes all prior and contemporaneous understandings, discussions, agreements, representations, and warranties, both written and oral, regarding such subject matter.

11. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Employee and by an officer of the Employer. No waiver by either Party of any breach by the other party of any condition or provision of this Agreement to be performed by the other party shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the Parties in exercising any right, power, or privilege under this Agreement operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power, or privilege.

12. Severability. Should any provision of this Agreement be held by a court or arbitral authority of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held to be unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the Parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement. The Parties further agree that any such court or arbitral authority is expressly authorized to modify any such unenforceable provision of this Agreement by making such modifications as it deems necessary to carry out the intent and agreement of the Parties to the maximum extent permitted by law.

13. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

14. Counterparts. The Parties may execute this Agreement in counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

15. Nonadmission. Nothing in this Agreement shall be construed as an admission by the Employer Group of any wrongdoing, liability, or noncompliance with any federal, state, city, or local rule, ordinance, statute, common law, or other legal obligation.

16. Notices. All notices under this Agreement to the Employer Group must be given in writing by overnight courier addressed to Chief Human Resources Officer, 500 Volvo Parkway, Chesapeake, VA 23320, with a copy to the Chief Legal Officer. Notices to the Employee shall be sent to the last address noted in the Employer's payroll system.

17. Section 409A. This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (Section 409A), or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service, as a short-term deferral, or as a settlement payment pursuant to a bona fide legal dispute shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, any installment payments provided under this Agreement shall each be treated as a separate payment. To the extent required under Section 409A, any payments to be made under this Agreement upon a termination of employment shall only be made upon a "separation from service" under Section 409A. Notwithstanding the foregoing, the Employer Group makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Employer Group be liable for all or any portion of any taxes, penalties, interest, or other expenses that may be incurred by the Employee on account of non-compliance with Section 409A.

18. Acknowledgment of Full Understanding. THE EMPLOYEE ACKNOWLEDGES AND AGREES THAT THE EMPLOYEE HAS FULLY READ, UNDERSTANDS, AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EMPLOYEE ACKNOWLEDGES AND AGREES THAT THE EMPLOYEE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF THE EMPLOYEE'S CHOICE BEFORE SIGNING THIS AGREEMENT. THE EMPLOYEE FURTHER ACKNOWLEDGES THAT EMPLOYEE'S SIGNATURE BELOW IS AN AGREEMENT TO RELEASE EMPLOYER GROUP FROM ANY AND ALL CLAIMS THAT CAN BE RELEASED AS A MATTER OF LAW.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the dates set forth below.

DUNCAN MAC NAUGHTON

DOLLAR TREE, INC.

Signature: /s/ Duncan Mac Naughton

By /s/ Gary M. Philbin

Date: December 19, 2019

Name: Gary M. Philbin

Title: Chief Executive Officer

Date: December 22, 2019

SUBSIDIARIES OF THE REGISTRANT

Subsidiary Name	State or Jurisdiction of Incorporation	D/B/A
Dollar Tree Stores, Inc.	Virginia	Dollar Tree
Dollar Tree Management, LLC	Virginia	N/A
Family Dollar Stores, Inc. (1)	Delaware	Family Dollar
Family Dollar, Inc. (1)	North Carolina	Family Dollar
Family Dollar Merchandising, LLC	Delaware	N/A
Family Dollar Services, LLC	North Carolina	N/A
Family Dollar Stores of Ohio, Inc. (1)	Virginia	Family Dollar
Greenbrier International, Inc.	Delaware	N/A
Dollar Tree Distribution, Inc.	Virginia	N/A
Dollar Tree Insurance, Inc.	South Carolina	N/A
Dollar Tree Stores Canada, Inc. (2)	British Columbia	Dollar Tree Canada

(1) These corporations have subsidiaries which are retail companies.

(2) The registrant indirectly holds an interest in this foreign entity.

Certain other subsidiaries are not included because, when considered in the aggregate as a single subsidiary, they do not constitute a significant subsidiary as of February 1, 2020.

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Dollar Tree, Inc.:

We consent to the incorporation by reference in the registration statement (Nos. 333-207645, 333-198015, 333-175121, and 333-106886) on Form S-8 and registration statement (No. 333-224071) on Form S-3 of Dollar Tree, Inc. of our report dated March 20, 2020, with respect to the consolidated balance sheets of Dollar Tree, Inc. as of February 1, 2020 and February 2, 2019, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended February 1, 2020, and the related notes, and the effectiveness of internal control over financial reporting as of February 1, 2020, which reports appear in the February 1, 2020 annual report on Form 10-K of Dollar Tree, Inc.

Our report on the consolidated financial statements refers to a change in accounting for leases as of February 3, 2019, due to the adoption of Accounting Standards Codification Topic 842, *Leases*.

/s/ KPMG LLP

Norfolk, Virginia
March 20, 2020

Chief Executive Officer Certification

I, Gary Philbin, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 20, 2020

/s/ Gary Philbin

Gary Philbin

Chief Executive Officer

Chief Financial Officer Certification

I, Kevin S. Wampler, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 20, 2020

/s/ Kevin S. Wampler

Kevin S. Wampler

Chief Financial Officer

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

In connection with the Annual Report of Dollar Tree, Inc. (the Company) on Form 10-K for the year ending February 1, 2020, 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.

March 20, 2020

Date

/s/ Gary Philbin

Gary Philbin

Chief Executive Officer

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

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

In connection with the Annual Report of Dollar Tree, Inc. (the Company) on Form 10-K for the year ending February 1, 2020, 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.

March 20, 2020

Date

/s/ Kevin S. Wampler

Kevin S. Wampler

Chief Financial Officer

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