

DOLLAR TREE STORES INC
Form 8-K
August 26, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report: August 26, 2003

Date of Earliest Event Reported: August 26, 2003

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

COMMISSION FILE NUMBER: 0-25464

VIRGINIA
(State or other jurisdiction of
incorporation or organization)

54-1387365
(I.R.S. Employer
Identification No.)

500 VolvoParkway
Chesapeake, VA 23320
(Address of principal executive offices)

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

Item 9. Regulation FD Disclosure.

Today, August 26, 2003, Dollar Tree Stores, Inc. issued a press release reporting its fiscal second quarter earnings results and announcing that it will hold a publicly available telephone conference call to discuss these results. The text and the tables appearing in the press release are included below.

PRESS RELEASE

DOLLAR TREE STORES, INC.
REPORTS RECORD SECOND QUARTER EARNINGS PER SHARE OF \$0.25

CHESAPEAKE, Va. August 26, 2003 Dollar Tree Stores, Inc. (NASDAQ: DLTR), the nation's leading operator of single-price point dollar stores, reported second quarter 2003 earnings per share of \$0.25, a 19% increase compared to \$0.21 in last year's fiscal second quarter.

Our outstanding merchandise and focus on brand-name products, along with great store-level execution helped us achieve strong sales and earnings growth for the quarter, said CEO Macon Brock, Jr. Sales exceeded our forecast in part because of the growing base of larger-size stores which carry a wider assortment of high-quality merchandise. In addition, improving consumer confidence and economic conditions helped drive additional foot traffic to our stores.

As previously reported, sales for the fiscal second quarter were \$626.0 million, exceeding the Company's original guidance of \$575-590 million. Total sales increased 22.2% quarter-over-quarter, and comparable-store sales rose 5.1%.

On June 29, 2003, Dollar Tree acquired Greenbacks, a Salt Lake City-based dollar-store chain. Greenbacks contributed \$12 million in second-quarter sales.

Our integration of Greenbacks is proceeding on-plan, Brock said, and we recently began operating these stores on Sundays. We are on-track to achieve our sales plan, and we are excited about the opportunities we see to improve these stores' margin.

For the second quarter, gross margin was 35.3% compared to 35.7% in last year's second quarter, reflecting a greater mix of basic merchandise, consolidation of our synthetic leases, and the inclusion of Greenbacks' lower-margin sales for the final five weeks of the quarter. Partially offsetting these effects, strong comparable-store sales provided leverage on occupancy and distribution costs.

Selling, general and administrative expenses, as a percentage of sales, were 27.7% in the second quarter of 2003, equal to the same quarter last year. This performance, in-line with previous expectations, was driven primarily by improvements in payroll and related costs, offset by higher depreciation expense, due to investments in stores, infrastructure, and point-of-sale systems.

Effective January 1, 2003, the Company adopted FIN 46 Consolidation of Variable Interest Entities, which consolidated four distribution centers on the Company's financial statements. These distribution centers previously were accounted for as operating leases. As a result of adopting FIN 46, this quarter's results include approximately \$2 million of additional pre-tax expense.

Sales for the first half of 2003 totaled \$1.24 billion, a 21.5% increase from the first half of 2002. Those results reflect a comparable-store sales increase of 3.9%. First half earnings per share were \$0.54, a 17% increase compared to \$0.46 in last year's first half.

For the third quarter, the Company is planning sales to be in the range of \$665-\$680 million, with the mid-point of that range equating to slightly positive same-store sales. This year's fiscal third quarter contains 91 days, compared to 92 days in last year's third period. The Company's regular, pre-recorded sales update will be available Tuesday, October 7, 2003, by 5:00 p.m. EDT, and will remain on-line through Friday, October 11, 2003. Interested parties can access the Company's update by dialing (757) 321-5TRE.

Entering the year, the Company's guidance was for sales and earnings growth of at least 15%. Based on above-plan first-half results and the addition of Greenbacks, the Company is raising its guidance. The Company now expects sales and earnings growth to be at least 19% for fiscal 2003. This guidance is predicated on slightly positive

comparable-store sales increases, and accretion from Greenbacks of 2-3 cents per share in the second half of fiscal 2003.

The Company will host a conference call today, August 26, 2003, at 4:45p.m. EDT to discuss its second-quarter results. The telephone number for the call is 610-769-8817, please reference Dollar Tree Stores. A recorded version of the call will be available until midnight Friday, August 29, and may be accessed by dialing 402-998-1125, reference Dollar Tree Stores. A web cast of the call is accessible through Dollar Tree's website, www.DollarTree.com, as well as at Vcall's website, www.Vcall.com, and will remain on-line until midnight Friday, August 29. Any financial and statistical information related to the call can be accessed through the About Us / News Releases section of Dollar Tree's website.

The Company operated 2,468 stores in 47 states as of August 2, 2003. During the second fiscal quarter of 2003, the Company opened 61 stores, closed 12 stores, added 100 Greenbacks stores, and expanded or relocated 35 stores. The Company's retail selling square footage totaled approximately 15.7 million at August 2, 2003, a 13% increase from 13.9 million at May 3, 2003 and a 36% increase compared to a year ago.

A WARNING ABOUT FORWARD-LOOKING STATEMENTS: This press release contains forward-looking statements as that term is used in the Private Securities Litigation Reform Act of 1995. Forward-looking statements address future events, developments or results and typically use words such as believe, anticipate, expect, intend, plan or estimate. For example, our forward-looking statements include statements regarding our expectations for third-quarter total sales and comparable-store sales, full-year sales and earnings growth, second-half comparable-store sales, and earnings accretion from Greenbacks. For a discussion of the risks, uncertainties and assumptions that could affect our future events, developments or results, you should carefully review the Risk Factors, Business, and Management's Discussion and Analysis of Financial Condition and Results of Operations sections in our Annual Report on Form 10-K filed March 28, 2003, our Quarterly Report on Form 10-Q filed June 10, 2003, and in our Current Report on Form 8-K filed May 20, 2003. Also, carefully review Risk Factors in our most recent prospectuses filed November 15, 2000 and August 3, 2000. In light of these risks and uncertainties, the future events, developments or results described by our forward-looking statements in this document could turn out to be materially and adversely different from those we discuss or imply.

We are not obligated to release publicly any revisions to any forward-looking statements contained in this press release to reflect events or circumstances occurring after the date of this report and you should not expect us to do so.

CONTACT: Dollar Tree Stores, Inc., Chesapeake
Erica Robb or Adam Bergman, 757/321-5000
www.DollarTree.com

DOLLAR TREE STORES, INC.
Condensed Consolidated Balance Sheets
(Dollars in thousands)
(Unaudited)

| | <u>August 2, 2003</u> | <u>February 1, 2003</u> | <u>July 31, 2002</u> |
|-----------------------------|---------------------------|-----------------------------|--------------------------|
| Cash and cash equivalents | \$ 100,348 | \$ 237,302 | \$ 137,408 |
| Short-term investments | -- | 63,525 | 16,500 |
| Merchandise inventories | 513,277 | 438,439 | 435,015 |
| Other current assets | 36,067 | 30,116 | 29,513 |
| | <hr/> | <hr/> | <hr/> |
| Total current assets | 649,692 | 769,382 | 618,436 |
| | <hr/> | <hr/> | <hr/> |
| Property and equipment, net | 540,134 | 477,947 | 310,781 |
| Intangibles, net | 124,825 | 41,351 | 41,753 |
| Other assets, net | 16,347 | 15,559 | 22,258 |

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| | <u>August 2, 2003</u> | <u>February 1, 2003</u> | <u>July 31, 2002</u> |
|---|---------------------------|-----------------------------|--------------------------|
| Total assets | \$ 1,330,998 | \$ 1,304,239 | \$ 993,228 |
| Current portion of long-term debt | \$ 25,975 | \$ 25,000 | \$ 25,000 |
| Accounts payable | 108,324 | 137,668 | 104,602 |
| Other current liabilities | 76,832 | 80,844 | 66,634 |
| Income taxes payable | -- | 23,548 | -- |
| Total current liabilities | 211,131 | 267,060 | 196,236 |
| Long-term debt, excluding current portion | 142,422 | 146,628 | 6,000 |
| Other liabilities | 57,553 | 44,732 | 39,752 |
| Total liabilities | 411,106 | 458,420 | 241,988 |
| Shareholders' equity | 919,892 | 845,819 | 751,240 |
| Total liabilities and shareholders' equity | \$ 1,330,998 | \$ 1,304,239 | \$ 993,228 |
| STORE DATA: | | | |
| Number of stores open at end of period | 2,468 | 2,272 | 2,114 |
| Total selling square footage (in thousands) | 15,657 | 13,237 | 11,547 |

DOLLAR TREE STORES, INC.

Condensed Consolidated Income Statements (Dollars in thousands, except per share data) (Unaudited)

| | <u>Second Quarter ended</u> | | <u>Year-to-Date</u> | |
|--|-----------------------------|--------------------------|---------------------------|--------------------------|
| | <u>August 2, 2003</u> | <u>July 31, 2002</u> | <u>August 2, 2003</u> | <u>July 31, 2002</u> |
| Net sales | \$ 626,028 | \$ 512,444 | \$ 1,241,596 | \$ 1,022,112 |
| Cost of sales | 404,921 | 329,321 | 802,701 | 654,480 |
| Gross profit | 221,107 35.3% | 183,123 35.7% | 438,895 35.3% | 367,632 36.0% |
| Selling, general & administrative expenses | 173,507 27.7% | 141,883 27.7% | 336,804 27.1% | 280,676 27.5% |
| | 47,600 | 41,240 | 102,091 | 86,956 |

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| | Second Quarter ended | | Year-to-Date | |
|-----------------------------------|----------------------|----------------|-----------------|----------------|
| Operating income | 7.6% | 8.0% | 8.2% | 8.5% |
| Interest expense, net | (1,439) | (269) | (2,687) | (433) |
| Other income | 665 | (929) | 748 | (819) |
| Earnings before income taxes | 46,826 7.5% | 40,042 7.8% | 100,152 8.1% | 85,704 8.4% |
| Income tax expense | 18,027 | 15,416 | 38,558 | 32,996 |
| Net earnings | 28,799 4.6% | 24,626 4.8% | 61,594 5.0% | 52,708 5.2% |
| Net earnings per share: | | | | |
| Basic | \$ 0.25 | \$ 0.22 | \$ 0.54 | \$ 0.46 |
| Weighted average number of shares | 114,500 | 113,922 | 114,379 | 113,361 |
| Diluted | \$ 0.25 | \$ 0.21 | \$ 0.54 | \$ 0.46 |
| Weighted average number of shares | 115,599 | 115,139 | 115,065 | 114,587 |

DOLLAR TREE STORES, INC.
Condensed Consolidated Statement of Cash Flows
(Dollars in thousands)
(Unaudited)

| | Year-to-Date | |
|---|-------------------|------------------|
| | August 2, 2003 | July 31, 2002 |
| Cash flows from operating activities: | | |
| Net income | \$ 61,594 | \$ 52,708 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 47,938 | 34,487 |
| Other non-cash adjustments | 14,601 | 11,734 |
| Changes in working capital | (121,029) | (120,630) |
| Total adjustments | (58,490) | (74,409) |
| Net cash provided by (used in) operating activities | 3,104 | (21,701) |
| Cash flows from investing activities: | | |
| Capital expenditures | (99,170) | (62,191) |
| Purchase of Greenbacks, Inc., net of cash acquired of \$1,248 | (99,560) | -- |
| Purchase of short-term investments | (30,360) | (16,500) |
| Proceeds from maturities of short-term investments | 93,885 | -- |
| Settlement of merger-related contingencies | -- | 75 |
| Acquisition of favorable lease rights | | |

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| | <u>Year-to-Date</u> | |
|---|---------------------|-------------------|
| Proceeds from sale of property and equipment | -- | (813) |
| | <u>1</u> | <u>223</u> |
| Net cash used in investing activities | <u>(135,204)</u> | <u>(79,206)</u> |
| Cash flows from financing activities: | | |
| Repayment of long-term debt and facility fees | (10,838) | (6,025) |
| Principal payments under capital lease obligations | (3,927) | (1,897) |
| Proceeds from stock issued pursuant to stock-based compensation plans | 9,911 | 28,160 |
| Net cash provided by (used in) financing activities | <u>(4,854)</u> | <u>20,238</u> |
| Net decrease in cash and cash equivalents | <u>(136,954)</u> | <u>(80,669)</u> |
| Cash and cash equivalents at beginning of year | <u>237,302</u> | <u>218,077</u> |
| Cash and cash equivalents at end of year | <u>\$ 100,348</u> | <u>\$ 137,408</u> |

The information contained in this item is being furnished to the Securities and Exchange Commission. Such information shall not be deemed filed for purposes of Section 18 of the Securities and Exchange Act of 1934 or otherwise subject to the liabilities of that Section. The information shall not be deemed incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, except as expressly set forth by specific reference in such filing.

Item 12. Results of Operations and Financial Condition.

The information (including disclaimer) presented under Item 9 is incorporated by reference into this Item 12.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

DATE: August 26, 2003

DOLLAR TREE STORES, INC.

By: /s/ Frederick C. Coble

Frederick C. Coble
Chief Financial Officer