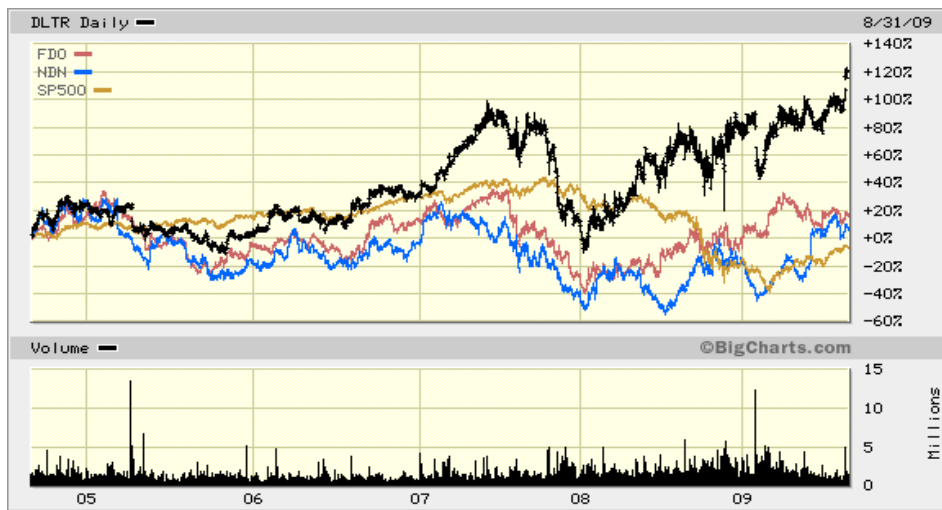


## Dollar Tree Inc. (DLTR) 8/31/09

DLTR operates discount variety stores that sell all products for \$1. The stores offer customers various products including; candy, food, health, beauty, household consumables, merchandise, toys, and seasonal goods. The company owns and operates 3,591 locations in 48 states. DLTR headquarters are located in Chesapeake, Virginia and was founded in 1986.

Current Price	\$49.94
52 Week High	\$53.00
52 Week Low	\$27.61
One Yr Target	\$57.00
Market Cap (in billions)	\$4.46
P/E (Trailing)	17.12
P/E(1 Yr Forward)	15.81
P/E/G	1.05
ROA	13.28%
ROE	22.16%
EPS	\$2.92
Beta	0.58
Annualized Dividend	\$0.00
Dividend Yield	0.00%
Analyst Consensus	2.20



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**Annual EPS**

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2005	\$1.60	
2006	\$1.85	15.63%
2007	\$2.09	12.97%
2008	\$2.53	21.05%
2009E	\$2.92	15.30%

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**Annual Revenue (in millions)**

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2005	\$3,393.92	
2006	\$3,969.40	16.96%
2007	\$4,242.60	6.88%
2008	\$4,644.90	9.48%

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**Annual Net Income (in millions)**

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2005	\$173.92	
2006	\$192.00	10.40%
2007	\$201.30	4.84%
2008	\$229.50	14.01%

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**Required Rate of Return**

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7.73%

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**Dividend Growth Model**

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Present Value of 2013 Price	n/a
Holding Period Return (5 years)	n/a

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**Expected Annualized Return Model**

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Present Value of 2013 Price	\$53.14
Holding Period Return (5 years)	1.44%

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**Residual Income Model**

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Intrinsic Stock Price	\$145.79
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# Analysis

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## Positives

Beta < 1 and PEG ratio around 1 are signs of a stable and valuable stock price

Nice ability by company to increase EPS, Revenue, and Net Income across several years

Undervalued according to the EAR and RI valuation models

## Negatives

P/E ratio is a little high, suggesting the stock price is expensive

Stock doesn't pay any dividends

## Financial Statements

Very good looking balance sheet, with asset/liability ratios > 2

Revenue, Net Income, and EPS are all increasing in percentage on the Income Statement

Cash Flows are volatile but a great increase in the past year is a great sign

## Industry Analysis

Average size for a company in the industry

Has profit margins that lead the industry

One of the only companies in industry that doesn't pay dividends

## Summary

DLTR seems to be a very good company, but not quite a great stock. The higher P/E ratio is a deterrent from the otherwise good financial ratios. Both applicable valuation models have it being undervalued, but the EAR model doesn't clear the required rate of return while the RI model has the price being greatly undervalued. There is some concern that DLTR benefited from the recession by people shopping from there that wouldn't have otherwise, and the current stock price reflects this. With an easing recession, DLTR may see some of these customers leave. Due to this concern and conflicting ratios, DLTR earns a **hold** rating.