

Dollar Tree - What Should It Do With Family Dollar?

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Decision scope: Ownership and resource allocation across Dollar Tree and Family Dollar

Case convention: This is an author-created decision exercise. The board-adviser role and operating alternatives are hypothetical; historical company disclosures are identified as such. No later review outcome or company event is included.

The decision

On 5 June 2024, Dollar Tree announced a formal review of strategic alternatives for Family Dollar. The company said options could include a sale, spin-off or other disposition, but gave no timetable and made no assurance that a transaction would occur. In the same announcement, management described Family Dollar as being in “transformation” and Dollar Tree as pursuing “growth acceleration.” The board's question was whether distinct operating agendas could create more value under separate ownership, or whether an accountable turnaround inside Dollar Tree could still justify common ownership. [P3], opening and CEO statement.

Classroom role: You are an outside adviser to Dollar Tree's board strategy committee. This role is fictional. Recommend whether to sell Family Dollar, spin it off, or retain it under an accountable turnaround. Explain how Dollar Tree should prioritize its own multi-price growth and the 170 lease rights acquired from 99 Cents Only. State what evidence should change the decision. Use only information public by the cutoff.

No buyer, offer, transaction price, separation cost, standalone Family Dollar value, customer overlap or amount of synergy from keeping both banners had been disclosed. Do not assume one exists.

A two-banner company

Dollar Tree's two banners operated at different price points and had different formats and customer offers. At fiscal 2023 year-end, the Dollar Tree segment generated \$16.770 billion in sales and \$2.279 billion of operating income, a 13.6% margin, down from 16.5%. Management cited product cost and assortment mix after the \$1.25 price transition, distribution costs, shrink and payroll as pressures, while it continued assortment investment and tested multi-price merchandise. [P1], Item 7, “Dollar Tree” segment results, pp.32-33.

Family Dollar reported \$13.811 billion in fiscal 2023 sales, comparable sales growth of 3.2% and a 23.9% gross margin. It also reported a \$2.664 billion segment operating loss. The reported loss included a \$1.069 billion goodwill impairment, a \$950 million trade-name impairment, a \$493.1 million store-asset impairment and \$56.7 million in DC 202 litigation charges. Impairments are noncash accounting charges; litigation charges are a separate expense. The

segment operating loss is not a cash-flow measure, and the public materials reviewed do not disclose Family Dollar standalone cash flow after shared corporate costs. The charges do not establish a sale value or recurring cash deficit. At the same time, management reported pressure from shrink, markdowns, store costs and payroll. [P1], Item 7, “Family Dollar” segment results and explanation, pp.33-34.

Exhibit 1. Fiscal 2023 banner results

Measure	Dollar Tree	Family Dollar	Interpretation limit
Net sales	\$16.770bn	\$13.811bn	Reported segment sales, not standalone cash flow
Comparable sales growth	Not needed for the decision-period comparison	+3.2%	Does not show retained-store economics after planned closures
Segment operating income/(loss)	\$2.279bn	\$(2.664)bn	Family Dollar includes material impairments and litigation charges
Segment operating margin	13.6%, down from 16.5%	–19.3% reported	Do not interpret the reported Family Dollar loss as recurring cash performance
Family Dollar gross margin	-	23.9%	Does not by itself establish contribution or store-level returns

Sources: [P1], MD&A and segment results, pp.29-34. Dollar Tree and Family Dollar segment measures exclude corporate/shared costs; no standalone cash-flow figure is shown.

In the fourth quarter of fiscal 2023, Dollar Tree initiated a comprehensive store portfolio optimization review and planned to close approximately 970 Family Dollar stores: about 600 in the first half of fiscal 2024 and 370 at lease expiration over following years. It also planned to close 30 Dollar Tree stores. Family Dollar was making changes that could form part of a turnaround: expanded cooler capacity and SKUs, category and planogram resets, private brands, and store-format work across H2.5, rural and extra-small-box stores. The filing did not provide retained-store cohort results, sample sizes for the initiatives, or returns by format. [P1], Item 1, pp.7-8; Item 7, pp.28-29; Note 16, p.69.

A mixed first quarter

For the 13 weeks ended 4 May 2024, Dollar Tree reported same-store sales growth of 1.7%; Family Dollar reported 0.1%. Family Dollar traffic rose 0.9% while average ticket declined 0.8%. Family Dollar segment operating income was \$36.9 million, or 1.1% of sales, compared with \$8.8 million, or 0.3%, in the prior-year quarter. This is one quarter and does not establish a durable turnaround. The company's comparable-sales disclosure excludes stores already closed under the portfolio review, so the +0.1% is not a result for the entire former portfolio or a clean retained-store cohort after all planned actions. [P2], “First Quarter Results,” segment table and store-closure note.

Dollar Tree completed 926 multi-price conversions during the quarter. The company reported that temporary labor was used to support the rollout. The conversion count shows execution activity, not the format's long-run return. [P2], “First Quarter Results.”

Exhibit 2. Q1 FY2024 operating snapshot

Measure	Dollar Tree	Family Dollar	Limit
Same-store sales growth	+1.7%	+0.1%	Family Dollar comp excludes stores closed under the review; one quarter only
Family Dollar traffic / average ticket	-	+0.9% / -0.8%	Company-reported; no customer overlap or market-level comparison disclosed
Segment operating income	-	\$36.9m (1.1% of sales), vs. \$8.8m (0.3%)	Operating result, not cash flow or proof of sustained turnaround
Multi-price conversions	926	-	Q1 conversions; unit-level economics and labor needs not disclosed

Source: [P2], Q1 2024 results. Company-reported results for the 13 weeks ended 4 May 2024.

The competing growth agenda

On 29 May, Dollar Tree completed a transaction for designation rights to 170 former 99 Cents Only leases across Arizona, California, Nevada and Texas, plus selected equipment and fixtures. It said it expected to reopen stores as Dollar Tree locations as early as fall 2024. The company did not disclose consideration, store-level economics or expected returns. The rights offered a concrete growth opportunity at the same time management was considering Family Dollar's future; they also added stores to an active multi-price rollout. [P4], full release.

Competitors framed the operating challenge, but public company-wide figures did not reveal local Family Dollar trade-area competition. Dollar General reported 20,022 stores as of 1 March 2024, described an everyday-low-price small-box offer, and said consumables represented 81.0% of its fiscal 2023 sales. It also reported pressure from shrink, markdowns, labor and store standards. These are Dollar General's figures and explanations, not matched-market evidence about Family Dollar. [P6], Item 1, Item 1A and MD&A, pp.13, 27-32.

Walmart reported U.S. comparable-sales growth of 3.8%, excluding fuel, for its fiscal first quarter ended 26 April 2024 and emphasized value and omnichannel performance. Walmart's scale, assortment and digital operations add competitive context; its aggregate comp result does not measure substitution in Family Dollar markets. [P7], U.S. results and management comments.

Customers and local access

Dollar stores as a category had become a larger source of household food-at-home spending. Feng, Page and Cash's analysis of roughly 50,000 U.S. households per year found the category's share of food-at-home spending rose 89.7% to 2.1% nationally between 2008 and 2020; the rural share rose from 2.5% to 5.0%. The study pools dollar-store chains, measures food spending rather than total visits or welfare, and does not identify Family Dollar's local role or the effect of any closure. It is context for asking what local evidence the board needs, not a conclusion that a particular store should remain open. [A3], Methods, Results and Limitations.

The choices

1. **Sell Family Dollar.** A sale could place the banner with a dedicated owner and provide proceeds to reinvest elsewhere, but no buyer or price was known. Value would depend on terms, liabilities, taxes, financing and costs of separation, none of which were disclosed.
2. **Spin off Family Dollar.** A spin could give it a separate management team and public-market accountability while preserving shareholder ownership. Its debt, working capital, shared services, stranded costs and transaction expenses would need to be allocated; those terms were unknown.
3. **Retain Family Dollar under an accountable turnaround.** Keep the banner inside Dollar Tree, but define separate leadership accountability, continue store rationalization, invest selectively in formats and merchandise, and set evidence gates. This preserves potential shared capabilities while risking continued competition for management attention and capital. The operating plan and gates are hypothetical alternatives for this exercise, not commitments announced by Dollar Tree.

The 2014 acquisition announcement had estimated \$300 million of annual cost synergies at run rate by the end of the third post-close year. It was an estimate made to support the acquisition, not a report of synergies actually realized or net value created. The release did not quantify purchase, financing or one-time integration costs against it. [P5], transaction rationale and synergy estimate.

Your recommendation

As the fictional adviser, prepare a decision memo recommending a path and resource plan. Compare the options on a common horizon. For a retained turnaround, identify who is accountable for each banner, which stores or formats would receive added investment, and what measures would determine continuation. For a sale or spin, list the terms and information needed before recommending a transaction; do not invent a buyer, price or separation cost.

Address the use of leadership and operating capacity across Dollar Tree's multi-price conversions, 99 Cents lease rights and Family Dollar's remaining turnaround. Any numerical operating threshold or review window you propose is your own hypothetical rule. Identify what evidence would change your recommendation. The case does not require a financial model or Excel analysis.

Sources and conventions

P1. Dollar Tree, [2024 Form 10-K](#), fiscal year ended 3 February 2024; filed 20 March 2024; accession 0000935703-24-000011. Cited sections and pages appear in the text.

P2. Dollar Tree, [Q1 FY2024 results release](#), 5 June 2024; quarter ended 4 May 2024.

P3. Dollar Tree, [strategic-alternatives review announcement](#), 5 June 2024. Used only to establish the live choice and management's stated rationale; no outcome is included.

P4. Dollar Tree, [99 Cents Only lease-rights transaction release](#), 29 May 2024.

P5. Dollar Tree, [2014 acquisition announcement](#), 28 July 2014. The \$300 million annual synergy amount is a management estimate, not an observed outcome.

P6. Dollar General, [2023 Form 10-K](#), fiscal year ended 2 February 2024; cited sections and pages appear above.

P7. Walmart, [Q1 FY2025 results release](#), 16 May 2024.

A3. Feng, Wenhui, Elina T. Page and Sean B. Cash, “Dollar Stores and Food Access for Rural Households in the United States, 2008-2020,” *American Journal of Public Health* 113(3), 331-336 (2023). [Full text](#). Category-level food-spending evidence only; not Family Dollar-specific welfare or closure evidence.

All company results and management explanations are attributed. Segment operating income is not cash flow; impairments and litigation charges are separately identified. No buyer, transaction terms, standalone value, separation cost, customer overlap, local welfare result or synergies beyond the dated 2014 management estimate are assumed. No information after 5 June 2024 is included.