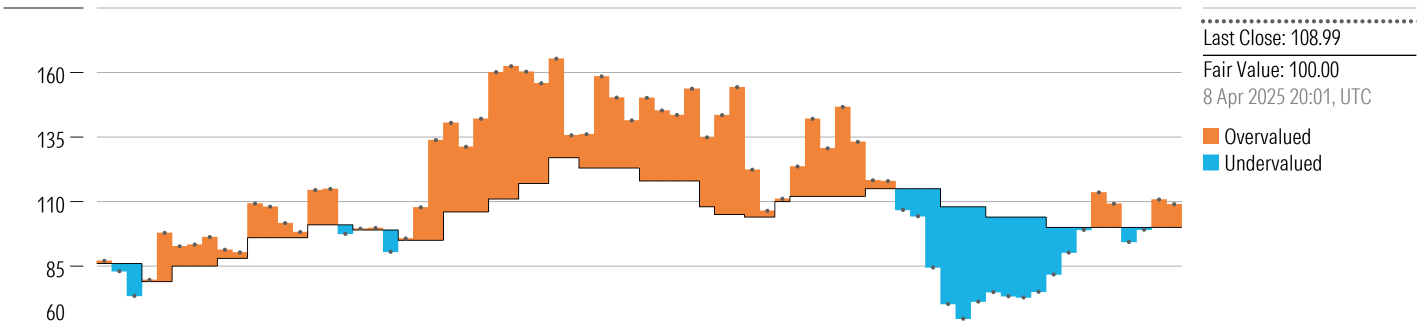
Morningstar Equity Analyst Report | Report as of 3 Dec 2025 20:26, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NASDAQ - ALL MARKETS

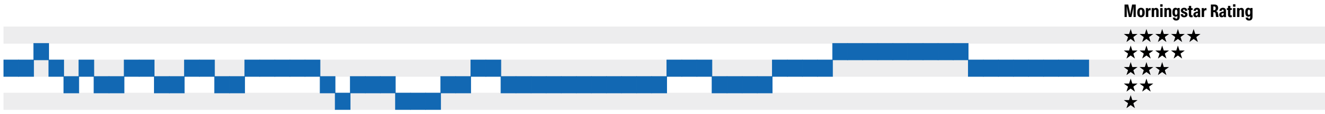
Dollar Tree Inc DLTR ★★★ 3 Dec 2025 03:47, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
108.99 USD 2 Dec 2025	100.00 USD 8 Apr 2025 20:01, UTC	1.09	23.22 USD Bil 3 Dec 2025	None	Mid Value	High	Standard	3 Sep 2025 05:00, UTC

Price vs. Fair Value



	2020	2021	2022	2023	2024	YTD	
	1.13	1.33	1.15	1.27	0.72	1.09	Price/Fair Value
	14.88	30.06	0.65	0.43	-47.24	45.44	Total Return %



Total Return % as of 02 Dec 2025. Last Close as of 02 Dec 2025. Fair Value as of 8 Apr 2025 20:01, UTC.

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The primary analyst covering this company does not own its stock.

[1] The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

Dollar Tree Earnings: Multiprice Assortment and Value Focus Drive Comp Sales Growth

Analyst Note Dan Su, CFA, Equity Analyst, 3 Dec 2025

Dollar Tree's third-quarter sales rose 9.4% on 4.2% same-store sales growth; adjusted earnings per share grew 12%. Management narrowed its full-year sales range to $19.35 billion-$19.45 billion (from $19.3 billion-$19.5 billion) and raised its adjusted EPS outlook to $5.60-$5.80 (from $5.32-$5.72).

Why it matters: Complementing Dollar Tree's value appeal, a multiprice strategy has expanded the assortment and attracted more higher-income shoppers. This drove comparable sales growth of 4.8% in discretionary and 3.5% in staples despite a tough consumer backdrop.

- The 4.5% average ticket growth was largely attributable to attractive Halloween merchandise and a better shopping experience after investments in stores and staff hours. We think the 0.3% traffic decline was due to temporary disruptions from price label changes and expect this to improve.
- The 40-basis-point gross margin increase to 35.8% benefited from supply chain agility in mitigating tariffs and a favorable sales mix. While store investments will likely cap operating margin at 8% in the near future, we expect the metric to reach 10% by 2028 on better store productivity and cost savings.

The bottom line: We plan to increase our $100 fair value estimate for no-moat Dollar Tree by a mid-single-digit percentage on strong sales momentum and time value. The shares rose 4% following the report on Dec. 3 and look fully valued, trading at 18 times our 2026 EPS estimate.

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Sector	Industry
Consumer Defensive	Discount Stores

Business Description

Dollar Tree operates discount stores across the United States and Canada, with over 8,800 shops under its namesake banner. About 50% of Dollar Tree's sales in fiscal 2024 were consumables (including food, health and beauty, and cleaning products), around 45% variety items (including toys and homewares), and 5% seasonal items. Dollar Tree sells most of its merchandise at the $1.25 price point and positions its stores in well-populated suburban markets. The retailer has agreed to sell Family Dollar (with about 7,000 stores) to private equity investors for $1 billion.

- We plan to increase our 2025 forecasts of $18.9 billion in sales and $4.87 in adjusted EPS to align with the updated outlook. However, we will maintain our 10-year projection for mid-single-digit annual sales growth and 10% operating margin on average.
- The 5% selling space growth year to date slowed from 9% in the year-ago period, but we think this is prudent as the retailer raises the bar on new stores and sharpens its focus on productivity in existing ones. We hold our 10-year estimate for low-single-digit annual store base expansion.

Business Strategy & Outlook Dan Su, CFA, Equity Analyst, 9 Jun 2025

Dollar Tree's namesake banner boasts an impressive track record of strong sales growth and steady margins despite operating in densely populated suburban markets with plentiful shopping alternatives. The banner's wide assortment of products priced at $1.25 has seemingly resonated with consumers due to its treasure hunt experience and price points that cater to shoppers operating on a tight budget.

Although it has typically served as a fill-in shopping destination between consumers' trips to large discounters, Dollar Tree plans to capture greater wallet share by expanding its multiprice product assortment of $3-$7 items and growing its frozen consumables category—a merchandising strategy that we believe could drive a higher average ticket but simultaneously puts Dollar Tree into more direct competition with nearby retailers. As such, we do not expect Dollar Tree's multiprice initiatives to yield outsize comparable sales growth, though we think Dollar Tree still has room to expand its physical footprint by a low-single-digit percentage, particularly after management completes the sale of Family Dollar, planned for the second quarter.

While Family Dollar's woes were evident before Dollar Tree's acquisition in 2015, its competitive position has worsened over the past 10 years. Amid lackluster scale and a predominantly urban footprint with intense pressure from nearby discounters, we think the appeal of Family Dollar's low-priced consumable merchandise is precarious. We think Family Dollar has little hope for a turnaround and thus look favorably upon Dollar Tree's agreement to sell the banner for about $1 billion to private equity buyers.

Bulls Say Dan Su, CFA, Equity Analyst, 9 Jun 2025

- The new management team brings years of experience. Its revamped capital allocation priorities, particularly surrounding Family Dollar, should drive a material improvement in financial performance.
- Dollar Tree's multiprice assortment should allow the firm to capture greater wallet share from consumers, driving strong comparable sales growth.
- Online retail channels serve as a negligible threat to dollar stores due to their small basket size and convenient shopping destinations.

Bears Say Dan Su, CFA, Equity Analyst, 9 Jun 2025

- Big-box retailers have increasingly looked to expand their product assortment by offering items with $1

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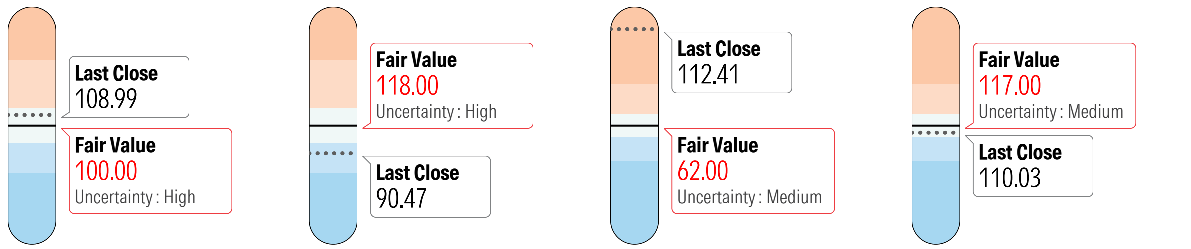
Competitors

	Dollar Tree Inc DLTR	Target Corp TGT	Walmart Inc WMT	Dollar General Corp DG



	Dollar Tree Inc DLTR	Target Corp TGT	Walmart Inc WMT	Dollar General Corp DG
Economic Moat	None	None	Wide	Narrow
Currency	USD	USD	USD	USD
Fair Value	100.00 8 Apr 2025 20:01, UTC	118.00 23 Oct 2025 22:26, UTC	62.00 30 Nov 2025 22:45, UTC	117.00 9 Jun 2025 19:42, UTC
1-Star Price	155.00	182.90	83.70	157.95
5-Star Price	60.00	70.80	43.40	81.90
Assessment	Fairly Valued 2 Dec 2025	Undervalued 2 Dec 2025	Overvalued 2 Dec 2025	Fairly Valued 2 Dec 2025
Morningstar Rating	★★★3 Dec 2025 03:47, UTC	★★★★2 Dec 2025 22:37, UTC	★2 Dec 2025 22:37, UTC	★★★2 Dec 2025 22:44, UTC
Analyst	Dan Su, Equity Analyst	Brett Husslein, Analyst	Brett Husslein, Analyst	Dan Su, Equity Analyst
Capital Allocation	Standard	Standard	Standard	Standard
Price/Fair Value	1.09	0.77	1.81	0.94
Price/Sales	1.38	0.39	1.29	0.58
Price/Book	6.31	2.65	9.33	3.02
Price/Earning	21.12	10.97	39.30	20.38
Dividend Yield	0.00%	5.00%	0.81%	2.14%
Market Cap	22.23 Bil	40.97 Bil	896.23 Bil	24.22 Bil
52-Week Range	61.80—118.06	83.44—145.08	79.81—112.65	66.43—117.95
Investment Style	Mid Value	Mid Value	Large Blend	Mid Value

price points, which could add to competitive pressure.

- With a crowded retail and dollar store landscape, there appear to be fewer opportunities to increase square footage in a lucrative fashion.
- Dollar Tree's margins will come under pressure as consumers shift their spending from high-margin general merchandise to less lucrative consumable items.

Economic Moat Dan Su, CFA, Equity Analyst, 9 Jun 2025

We do not believe Dollar Tree warrants an economic moat. Despite close to 16,000 storefronts, we do not view Dollar Tree as having a defensible advantage as it pertains to its cost structure, product assortment, or store locations. Without a clear edge in these areas, we find it difficult for retailers to consistently provide a compelling value proposition to consumers in a cutthroat retail industry that contends with the virtual absence of switching costs.

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Dollar Tree operates more than 8,800 namesake stores, typically 8,000-10,000 square feet apiece, concentrated in densely populated suburban markets. It offers a limited assortment of around 8,000 stock-keeping units per store across product categories such as consumables (50% of sales), variety (45% of sales), and seasonal merchandise (5% of sales). The majority of Dollar Tree's merchandise sells for only $1.25, though the firm has rolled out a multiprice initiative in recent years designed to pick up a larger share of customers' money by expanding its product assortment across categories such as frozen food and discretionary items in the $3-$7 price range.

Dollar Tree offers an assortment of products at low absolute price points, but we don't think they necessarily offer superior value per unit compared with those of retail peers like Walmart. In order to keep the majority of its price points fixed at $1.25 (raised from $1 in 2021), the retailer has historically reverted to discontinuing product lines because of overbearing procurement costs and reducing the size of products sold. Dollar Tree serves as a fill-in shopping destination—evidenced by its $12 average basket size—that could benefit consumers operating on tight budgets with limited nearby shopping alternatives. However, the banner tends to serve a middle-class suburban customer—Placer.ai and PopStats estimated its captured shopper base had a median household income of about $63,000 in the second quarter of 2023—that we do not think differs materially from the target market of most competing retail chains. For reference, Placer.ai and PopStats estimates the median household income for Walmart's and Target's captured customer base to be $53,000 and $69,000, respectively. We think Dollar Tree's middle-class customer base and suburban footprint put the retailer in close proximity to formidable retail competition.

Furthermore, its seemingly undifferentiated product assortment of discretionary and seasonal merchandise makes it difficult for us to award Dollar Tree a brand-driven intangible asset that would consistently attract shoppers to its stores. Even while recent efforts to enhance its product assortment by straying from the long-fixed $1 price point and offering more products in the $3-$7 price range have proved favorable thus far, we do not think Dollar Tree's merchandising shift has results in a competitive advantage. While we acknowledge the banner’s ostensible treasure hunt appeal, the product offerings still appear largely undifferentiated, in our view, and the firm likely lacks procurement scale relative to national retail chains in certain multiprice categories such as frozen food. Without a differentiated product assortment or a scale-driven cost advantage, we do not believe Dollar Tree offers a superior value proposition relative to nearby retail competitors, making us uncertain of how its customer loyalty will fare, given the industry’s lack of switching costs.

We do not believe the Family Dollar banner, which is slated to be sold in the second quarter, boasts a durable competitive edge either. Family Dollar operates more than 7,000 store locations under a small-box format of 6,000-8,000 square feet. It primarily serves lower-income households earning around $50,000-$60,000 per year. Given that its core customer typically has minimal leftover income to spend on discretionary goods, about 80% of Family Dollar’s sales are composed of consumable items such as

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food, beverages, tobacco, and paper goods. With a limited SKU assortment (we estimate around 8,000-9,000 SKUs per store), price points typically at $1-$10 per item, and a small average basket size, the retailer serves as a fill-in shopping destination for low-income consumers operating on a tight budget.

However, we think that years of underinvestment at the store level, poor merchandising decisions, limited investments to improve supply chain operations, and anemic store expansion have prompted a disadvantaged cost structure relative to chief competitor Dollar General and culminated in a decade of poor financial results. Despite operating on near-equal footing in 2007, Family Dollar’s operational performance has materially lagged Dollar General's for the last 15 years. Today, Family Dollar’s store footprint and $14 billion in annual sales ($220 in sales per square foot) are dwarfed by the 20,000 stores and $40 billion in annual sales ($260 in sales per square foot) that its primary competitor boasts.

We believe Family Dollar’s weaker top line and physical footprint put it at a procurement disadvantage due to its inferior scale, and we do not think the banner enjoys a material procurement benefit from its association with Dollar Tree, since their merchandise overlap is minimal. In our view, the banner’s lack of procurement scale and operational woes are evidenced by its deteriorating margin profile and inability to contend with competitive pricing pressures that are inherent in retail. Since it was purchased by Dollar Tree in 2015, we estimate the Family Dollar banner has delivered an average adjusted EBITDA margin of nearly 7.0%, excluding corporate costs (compared with about 10.0% for Dollar General when including corporate expenses). While we contend that some of Family Dollar’s operational issues, such as its inefficient supply chain processes, are capable of being rectified, we think little hope for a turnaround exists, given Dollar General’s prodigious lead and intense competitive pressure from national discounters.

Furthermore, we don't think Family Dollar’s geographic footprint warrants a location advantage. About two thirds of its store base is in well-populated urban and suburban markets with plentiful shopping alternatives; only one third is located in smaller rural communities. Similar to Dollar Tree, Family Dollar's low absolute price points are not indicative of a superior value proposition per unit, and we do not believe Family Dollar boasts a cost advantage over national discount chains. As such, while we think dollar stores offer a compelling value proposition due to their convenience in rural communities, we view their competitive advantage in urban and suburban markets, where larger discount chains tend to reside, as largely extinguished. Furthermore, the banner’s merchandise of consumable goods is undifferentiated and the store’s shopping experience tends to be suboptimal, which we believe eliminates any argument for a brand-driven intangible asset. Without clear evidence of a cost advantage over national discounters and its primary dollar store competitor, or a concentrated store network that provides convenience to rural communities, we view Family Dollar's strategic positioning as precarious.

Fair Value and Profit Drivers Dan Su, CFA, Equity Analyst, 9 Jun 2025

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We maintain our fair value estimate at $100 per share.

Sales rose by 11% in the first quarter of fiscal 2025, driven by 5% same-store sales growth and a 7% increase in selling space. The multiprice strategy introduced by the retailer over the past year began to bear fruit, with an expanded assortment and a higher mix of popular seasonal items helping to drive up both traffic (2.5%) and average ticket (2.8%). While Dollar Tree's appeal remains its low prices (85% of items under $2), the firm is prudent to invest in store renovations and multiprice stores to better engage shoppers for the longer term. It aims to convert 50% of its 9000 stores into multiprice format in 2025. However, operating profits grew only 1% as higher selling and labor expenses (mostly related to store investments) drove operating margins down 90 basis points to 8.3%. We expect these margin headwinds to continue in the near term.

For 2025, we view our $18.9 billion sales estimate, based on 3.5% comparable sales growth, as achievable, as we expect healthy traffic and spending trends to continue on the back of low prices and a better assortment. Our 2025 EPS estimate of $4.87 remains below the $5.15-$5.65 guidance range as we foresee more margin headwinds from store investments.

With a precarious demand environment and elevated investments at the store and supply chain level occurring simultaneously, we maintain our view that financial results are likely to be choppy in the near future. Nonetheless, we expect Dollar Tree's financial results to show improvement in the longer term as operational investments gradually materialize and elevated corporate costs abate. We look favorably upon Dollar Tree breaking from its long fixated $1 price point in 2021 (raising prices on most items to $1.25), which allowed for a more favorable merchandise assortment in the store. However, our views are mixed on Dollar Tree's multiprice initiative, which is meant to increase wallet share and average basket size. We believe Dollar Tree has long benefited from serving as a convenient shopping destination for middle-income suburban consumers seeking affordable goods that are not exclusively available in bulk quantities. Expanding its product assortment into $3-$7 price categories likely puts Dollar Tree into more direct competition with nearby retailers. As such, we do not expect Dollar Tree's multiprice assortment to drive inordinate comparable sales growth (we forecast about 2.5% comp sales growth) or significant margin expansion beyond historical marks. Indeed, we expect the Dollar Tree banner to post a long-term stand-alone EBITDA margin of 13.5%-14.0%, slightly below the firm's 14.4% average during 2010-14, before the Family Dollar acquisition. We also expect Dollar Tree to increase square footage by a low-single-digit percentage annually over our 10-year forecast, contributing to our mid-single-digit top-line growth forecast for the banner.

Risk and Uncertainty Dan Su, CFA, Equity Analyst, 9 Jun 2025

We assign Dollar Tree a High Morningstar Uncertainty Rating.

Dollar Tree operates in a cutthroat retail industry with competition from channels such as convenience stores, mass merchandisers, hard discounters, and pure grocers. While Dollar Tree has seemingly carved out a unique position in suburban markets, it still faces competition from firms such as Walmart that offer a wider product assortment and superior value per unit. With a core middle-income consumer, a physical footprint that places the retailer in close proximity to competing outlets, and a product assortment that we expect will look increasingly similar to mass discounters' due to its multiprice rollout, consumers could shift more of their spending from Dollar Tree to the mass discount channel if price gaps widen unfavorably.

Family Dollar also faces a host of challenges as management attempts to reverse years of lackluster growth, deteriorating margins, and underinvestment at the store level. While we think years of mismanagement created an opportunity to drive operational improvements, Family Dollar still faces tough competition due to its store positioning in predominantly suburban and urban markets. Furthermore, its lackluster scale from both a top-line and physical store perspective will likely impede the firm's ability to profitably compete in promotional environments inherent to the fierce retail landscape. Given our negative view of the banner, we look favorably upon management's proposed sale of Family Dollar.

We also expect prolonged tariff uncertainties, and a significantly higher tariffs, if imposed, on imports from Asia, would pose more risks to the dollar store operator.

We believe Dollar Tree carries some environmental, social, and governance risks, primarily as it relates to employee relationships. However, we think financial repercussions to this point have been minimal.

Capital Allocation Dan Su, CFA, Equity Analyst, 9 Jun 2025

We assign Dollar Tree a Standard Capital Allocation Rating based on the firm's satisfactory balance sheet, appropriate shareholder distributions, and revamped capital investment outlook that we expect to yield positive results.

The firm maintains a strong balance sheet. Its long-term debt maturities look adequately spread out (about 70% of outstanding debt comes due in 2028 or later), and its fixed interest rates of 4.2% or less look favorable. With ample liquidity, evidenced by its $1.5 billion in an untapped revolving credit facility and $1.1 billion of cash on hand, coupled with a long record of generating positive cash from operations, we believe Dollar Tree is well positioned to adequately manage its near-term debt and lease obligations. Furthermore, we view Dollar Tree's lease-adjusted leverage target of 2.5-3.0 times debt/EBITDAR as reasonable and do not expect the firm to perpetually overshoot its target.

Regarding capital investments, Dollar Tree's $9 billion acquisition of Family Dollar in 2015 (about 11 times EBITDA) has yielded abysmal results. We suspect procurement synergies proved more difficult to manifest than originally thought as the stores lack material merchandising overlap and serve different customer bases. Furthermore, Family Dollar showed signs of operational vulnerability before the acquisition that we think compounded from continued underinvestment at the supply chain and store

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level. As such, it has suffered from several years of lackluster top-line growth, a dilapidated store environment, and deteriorating margins.

With aspirations to turn around the Family Dollar banner, management laid out a three-year investment plan in 2023. Areas of emphasis were on improving laborious supply chain processes (such as rolling out rotacarts and automatic lift gates on trailers), replacing slow-turning merchandise, leveraging technology, and investing in store remodels to improve the shopping experience. While management's investment priorities were a step in the right direction, we think the banner's precarious competitive position was too weak to overcome. As such, we look favorably upon Dollar Tree's proposed sale of Family Dollar, expected to close in the second quarter, even if the $1 billion price tag is a far cry from the original purchase price.

The Dollar Tree banner has also suffered from years of underinvestment and stagnant merchandising. As such, management said Dollar Tree would be on the receiving end of supply chain and technology investments while continuing to remodel stores and expand its multiprice product assortment. We forecast annual capital expenditures at Dollar Tree to be around 5%-6% of sales in the near term before reverting to around 3.6% longer term. We expect investments to yield favorable returns as the banner typically generates a ROIC in the mid- to upper teens.

Shareholder distributions have been minimal since the acquisition of Family Dollar, with cash mostly being allocated to pay down debt. Nonetheless, Dollar Tree started repurchasing shares again in 2019 and has since repurchased $3 billion in stock over the past six years. Over the next few years, we expect most of Dollar Tree's cash flow from operations to be allocated toward capital expenditures, though we expect the firm to continue making modest shareholder distributions in the form of repurchases.

Analyst Notes Archive

Dollar Tree Earnings: Value Focus and Merchandising Strength Fuel Comp-Sales Growth; Selloff Harsh

Dan Su, CFA,Equity Analyst,3 Sep 2025

Dollar Tree's sales rose 12% in the second quarter, on 6.5% same-store sales growth, and adjusted earnings per share grew 13%. Management raised its full-year outlook to $19.3 billion-$19.5 billion in sales (from $18.5 billion-$19.1 billion) and $5.32-$5.72 in adjusted EPS ($5.15-$5.65). Why it matters: Complementing its value focus, an expanded assortment of multiprice items has broadened the retailer's appeal to higher-income consumers. Both traffic (up 3.0%) and ticket (3.4%) accelerated sequentially despite a challenging consumer backdrop. We believe the firm remains committed to its value positioning, capping 85% of its offerings at $2. Meanwhile, a sharper focus on seasonal merchandising and digital efforts should help convert and retain younger and higher-income shoppers, contributing to its long-term growth trajectory. With the closure of the Family Dollar sale in July, we expect management to prioritize the multiprice format conversion and holiday merchandising in the coming months. While tariff uncertainties persist, the firm appears well-positioned to mitigate the bulk of the impact through price hikes and cost reductions. The bottom line: We plan to maintain our $100 fair value estimate for narrow-moat Dollar Tree, leaving shares fairly valued. Shares fell 9% on September 3 due to concerns about a weak consumer, but we view the price correction as harsh given the retailer's defensive positioning and solid execution. The raised 2025 outlook suggests 10.4% growth in sales and 8.2% in EPS at the midpoints of the ranges, which we view as achievable given solid first-half performance, growth initiatives in place for the coming quarters, and cost discipline. We plan to tick up our 2025 estimates to align with the outlook, but see no reason to alter our 10-year forecasts for 5% annual sales growth and 10% adjusted operating margin.

Dollar Tree Earnings: Multiprice Strategy Buoys Sales Growth but Cost Pressure Still Elevated Dan Su, CFA,Equity Analyst,4 Jun 2025

Dollar Tree grew sales by 11% in the first quarter on 5% same-store sales growth and 7% higher selling space. However, operating profits grew only 1% as higher selling and labor expenses drove operating margins down 90 basis points to 8.3%. Why it matters: The multiprice strategy that the retailer introduced over the past year started to bear fruit, with an expanded assortment and a higher mix of popular seasonal items helping to drive up both traffic (2.5%) and average ticket (2.8%). While Dollar Tree's appeal remains its low prices (85% of items under $2), the firm is prudent to invest in store renovations and multiprice stores to better engage shoppers for the longer term. It targets to convert 50% of its 9,000 stores into the multiprice format in 2025. These investments drove the bulk of the 16% increase in selling and labor expenses in the quarter, and we expect margin headwinds to continue in the near term. Family Dollar-related expenses added to costs, but the pressure should ease after the sale closes. The bottom line: We plan to maintain our $100 fair value estimate for no-moat Dollar Tree, leaving shares undervalued. We view the 7% price correction on June 4 following earnings as harsh and believe the market prices in overly pessimistic long-term sales growth assumptions. We view our $18.9 billion 2025 sales estimate on 3.5% comp sales growth as achievable. We expect healthy traffic and spending trends will continue on the back of low prices and better assortment. Our 2025 EPS estimate of $4.86 will likely go up slightly to reflect share repurchases but will remain below the $5.15-$5.65 guidance range as we foresee more margin headwinds from store investments. Coming up: Dollar Tree faces tariff risk as it directly imports about 40% of its cost of sales, with China a key supplier. That said, the estimated $200 million extra cost from tariffs for 2025 implies a 2% increase, which we think the firm can manage with multiple mitigation measures.

Dollar Tree Earnings: Near-Term Results Likely To Be Choppy, but Family Dollar Sale Is a Positive Noah Rohr,Equity Analyst,26 Mar 2025

No-moat Dollar Tree posted mixed fiscal 2024 fourth-quarter results as comparable sales growth at its namesake banner of 2% outpaced our 1.2% forecast, but the negative effects of shrink, markdowns, and store investments weighed on profits. Management also issued tepid profit guidance for fiscal 2025, calling for EPS from continued operations of $5.00-$5.50. Even considering the elevated corporate costs from the planned divestiture of Family Dollar, the outlook still trails our $6.18 estimate before the earnings call. Thus, we plan to reduce our 2025 forecast to more closely align with the low end of guidance and note that management's outlook does not fully consider recently imposed tariffs, adding uncertainty to near-term results. Longer term, we think the Dollar Tree banner can deliver 2.5% comparable sales growth and a stand-alone EBITDA margin of around 13.5%-14%, slightly below the firm's 14.4% average margin from 2010-14.Along with the earnings report, management announced plans to sell the ailing Family Dollar business to two private equity firms (Brigade Capital Management and Macellum Capital Management) for $1 billion, with the deal expected to close in the second quarter of 2025. While this is a far cry from the $9 billion price tag it paid in 2015, we look favorably upon the proposed sale, as Family Dollar has struggled to consistently generate profits in recent years. We surmise the banner's lackluster scale and listless real estate footprint offered little turnaround potential. Time and resources should be better spent improving Dollar Tree's namesake business as we estimate the banner boasts a return on invested capital near 20% as opposed to that of Family Dollar in the low single digits. We plan to maintain our Standard Capital Allocation Rating for now.We expect our $104 fair value estimate to decline slightly after considering the cumulative effects of the time value of money, the Family Dollar sale, and our lower near-term profit forecast.

Dollar Tree Earnings: Financial Marks Pressured by Weak Discretionary Demand, but Shares Look Cheap Noah Rohr,Equity Analyst,4 Dec 2024

We don't plan to materially alter our $108 per share fair value estimate on no-moat Dollar Tree after its fiscal 2024 third-quarter results landed mostly in line with our expectations. Companywide same-store sales expanded 1.8% and adjusted operating margin landed at 4.5%, up 40 basis points versus last year but still trailing the 5.5% level seen in the third quarter of fiscal 2022. Tepid demand for discretionary goods coincided with a bloated cost structure due to ongoing supply chain and technology investments and a review of the Family Dollar banner. Despite grappling with near-term uncertainty, we think shares are very undervalued.Same-store sales expanded 1.8% at Dollar Tree's namesake banner (slightly ahead of our 1.5% forecast), as a 6% gain in consumables was weighed down by soft discretionary product sales. With more than 50% of the banner's sales tied to discretionary merchandise such as party supplies, toys, and seasonal items, we acknowledge that Dollar Tree is susceptible to cyclical swings in consumer demand. On a positive note, we think market-share wins in the consumables category—management cited more than 400 basis points of outperformance—bodes well for the store's long-term relevance with shoppers and continue to forecast 2.5%-3.0% comp growth longer term. Regarding profitability, the Dollar Tree segment saw operating margin decline 140 basis points to 10.7% amid higher depreciation and temporary labor costs stemming from multiprice product rollouts. We continue to forecast a 12% segment operating margin for the full year, but we expect a gradual return to the 13%-13.5% range longer term as temporary labor costs dissipate.Despite grappling with soft demand from lower-income consumers, we were encouraged to see Family Dollar post 2% same-store sales growth while eking out a slight operating profit during the quarter. Still, we consider Family Dollar to be a disadvantaged asset due to its lackluster scale and undifferentiated product assortment.

Dollar Tree: Dreiling's Departure Comes at a Tumultuous Time, but No Reason to Change Our Outlook Noah Rohr,Equity Analyst,5 Nov 2024

On Nov. 4, no-moat Dollar Tree announced that CEO Rick Dreiling has stepped down due to health concerns. The firm appointed Michael Creedon (former COO) interim CEO while the board searches for a permanent replacement. The retailer also reiterated its fiscal 2024 third-quarter guidance (earnings expected to be released in early December) for low-single-digit comparable sales growth and adjusted earnings per share of $1.05 to $1.15, which aligns with our forecast. Shares surged by a mid-single-digit percentage as we surmise the reaffirmed financial outlook helped assuage investor concerns amid a tumultuous demand environment. In light of the news, we don't plan to alter our $108 fair value estimate or our Standard Capital Allocation Rating, and we continue to view shares as significantly undervalued.Shares of Dollar Tree currently stand about 50% lower than when Dreiling took the helm in January 2023, as a softer spending environment in 2024 collided with the former CEO's turnaround strategy. But while financial performance has suffered—we model a 10% annual decline in fiscal 2024 adjusted earnings per share to $5.32—we don't take issue with Dreiling's investment priorities during his brief tenure, which consisted of modernizing the retailer's technology platforms, updating its supply chain, and undertaking store renovations. We also look fondly upon his decision to shutter nearly 1,000 unprofitable Family Dollar stores and for initiating a review of strategic alternatives for the disadvantaged banner, which Creedon will presumably oversee.We don't take issue with Creedon serving as interim CEO, given that he already enjoys two years in the C-suite, having worked alongside Dreiling. We also look favorably upon the expansive retail experience offered by the remainder of Dollar Tree's leadership team and the continued involvement of Paul Hilal as vice chair of the board, who previously helped revamp Dollar Tree's board and management team in 2022.

Dollar Tree Earnings: After Cratering Amid Soft Consumer Spending, Tepid Outlook, Shares a Bargain Noah Rohr,Equity Analyst,4 Sep 2024

We plan to lower our $115 fair value estimate on no-moat Dollar Tree by a mid- to high-single-digit percentage following its underwhelming second-quarter earnings release and lackluster outlook. The firm cited a softer spending environment as the primary culprit for its full-year EPS revision, which now sits at $5.20-$5.60 (from $6.50-$7.00). Our planned fair value cut does not rival the 20% decline in the stock price as we still think management is taking necessary steps to improve the firm's long-term margin trajectory by partaking in store renovations, refining its distribution processes, and closing underperforming Family Dollar stores. As such, we think shares look very undervalued.Comparable

Morningstar Equity Analyst Report | Report as of 3 Dec 2025 20:26, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NASDAQ - ALL MARKETS Page 12 of 24

Dollar Tree Inc DLTR ★★★ 3 Dec 2025 03:47, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
108.99 USD 2 Dec 2025	100.00 USD 8 Apr 2025 20:01, UTC	1.09	23.22 USD Bil 3 Dec 2025	None	Mid Value	High	Standard	3 Sep 2025 05:00, UTC

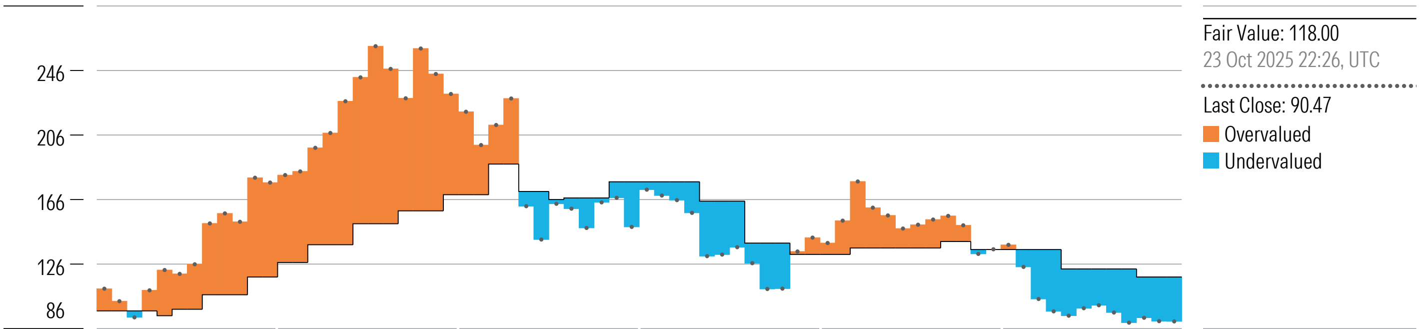
sales at the Dollar Tree banner expanded 1.3% (versus our 2.5% estimate) as traffic gains were partially offset by a modest decline in average ticket. Unsurprisingly, discretionary product sales suffered a 2% decline while the namesake banner gained market share in consumables, with the category recording a 4.7% gain on top of a 13% increase from the prior year. We are encouraged by the strong customer adoption associated with Dollar Tree's multiprice products, though we maintain a cautious stance regarding the durability of consumable share gains as we surmise its merchandise assortment puts it into more direct competition with the mass retail channel. Regarding profitability, the banner's segment operating margin declined about 40 basis points to 9.9% as improvements in freight costs were more than offset by headwinds related to sales mix and higher labor costs.Comp sales at Family Dollar were flat (lagging narrow-moat Dollar General's 0.5% gain) as spending capacity from its core low-income shopper remains weak. Management continues to undergo its strategic review of the banner, but given that we believe Family Dollar lacks scale and desirable real estate, we surmise buyer interest is minimal. However, we look favorably upon the shuttering of unprofitable stores.

Morningstar Equity Analyst Report | Report as of 3 Dec 2025 20:26, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NASDAQ - ALL MARKETS

Dollar Tree Inc DLTR ★★★ 3 Dec 2025 03:47, UTC

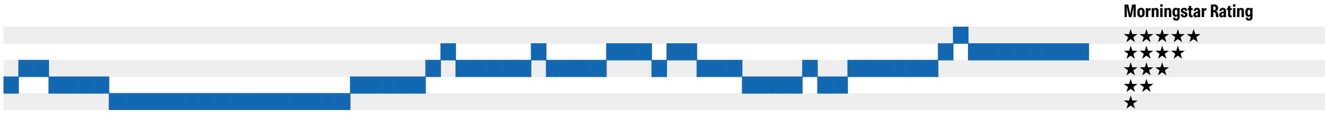
Competitors Price vs. Fair Value

Target Corp TGT



	2020	2021	2022	2023	2024	YTD	
	1.50	1.37	0.84	1.08	1.00	0.77	Price/Fair Value
	39.78	32.90	-33.89	-1.52	-1.97	-29.73	Total Return %

Morningstar Rating



Total Return % as of 02 Dec 2025. Last Close as of 02 Dec 2025. Fair Value as of 23 Oct 2025 22:26, UTC.

Price vs. Fair Value

No data available

	2020	2021	2022	2023	2024	YTD	
	—	—	—	—	—	—	Price/Fair Value
	—	—	—	—	—	—	Total Return %

Morningstar Rating

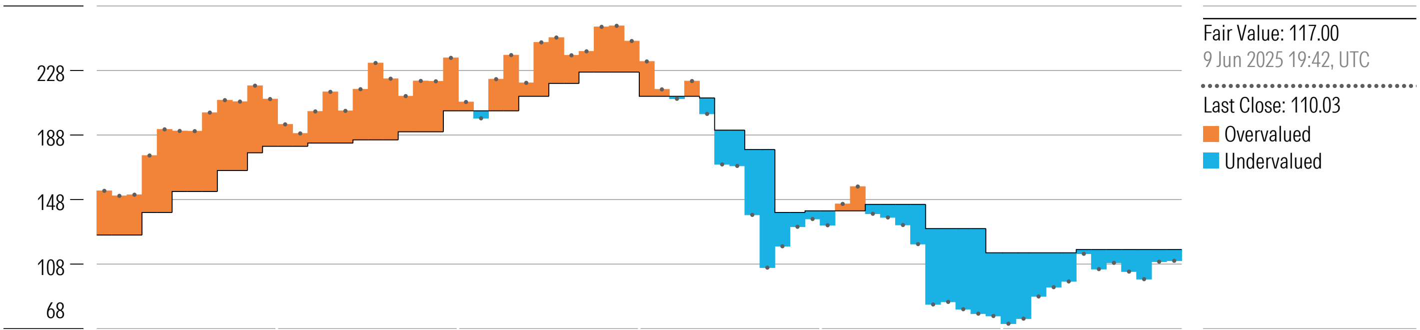
No data available

Morningstar Equity Analyst Report | Report as of 3 Dec 2025 20:26, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NASDAQ - ALL MARKETS Page 14 of 24

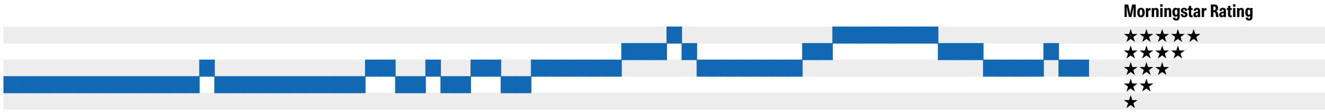
Dollar Tree Inc DLTR ★★★ 3 Dec 2025 03:47, UTC

Competitors Price vs. Fair Value

Dollar General Corp DG



	2020	2021	2022	2023	2024	YTD
Price/Fair Value	1.16	1.16	1.08	0.96	0.66	0.94
Total Return %	35.72	12.91	5.53	-44.07	-42.49	48.23



Total Return % as of 02 Dec 2025. Last Close as of 02 Dec 2025. Fair Value as of 9 Jun 2025 19:42, UTC.

Morningstar Equity Analyst Report | Report as of 3 Dec 2025 20:26, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NASDAQ - ALL MARKETS

Dollar Tree Inc DLTR ★★★ 3 Dec 2025 03:47, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
108.99 USD 2 Dec 2025	100.00 USD 8 Apr 2025 20:01, UTC	1.09	23.22 USD Bil 3 Dec 2025	None	Mid Value	High	Standard	3 Sep 2025 05:00, UTC

Morningstar Valuation Model Summary

Financials as of 05 Jun 2025	Actual			Forecast				
Fiscal Year, ends 31 Jan	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Revenue (USD Mil)	28,332	30,604	17,579	18,863	20,033	21,064	22,041	23,224
Operating Income (USD Mil)	2,236	1,788	1,562	1,490	1,807	2,000	2,193	2,397
EBITDA (USD Mil)	3,004	-41	1,989	2,093	2,448	2,674	2,899	3,141
Adjusted EBITDA (USD Mil)	3,004	2,629	2,089	2,093	2,448	2,674	2,899	3,141
Net Income (USD Mil)	1,615	-998	-3,030	1,033	1,297	1,439	1,585	1,738
Adjusted Net Income (USD Mil)	1,615	1,294	1,102	1,033	1,297	1,439	1,585	1,738
Free Cash Flow To The Firm (USD Mil)	260	-1,491	-1,693	1,352	969	1,105	1,459	1,681
Weighted Average Diluted Shares Outstanding (Mil)	224	220	216	212	207	203	198	191
Earnings Per Share (Diluted) (USD)	7.21	-4.55	-14.03	4.87	6.26	7.09	8.02	9.12
Adjusted Earnings Per Share (Diluted) (USD)	7.21	5.89	5.10	4.87	6.26	7.09	8.02	9.12
Dividends Per Share (USD)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Margins & Returns as of 05 Jun 2025		Actual			Forecast					
	3 Year Avg	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**5 Year Avg**
Operating Margin %	4.4	7.9	5.8	8.9	7.9	9.0	9.5	10.0	10.3	9.3
EBITDA Margin %	—	10.6	-0.1	11.3	11.1	12.2	12.7	13.2	13.5	—
Adjusted EBITDA Margin %	—	10.6	8.6	11.9	11.1	12.2	12.7	13.2	13.5	12.5
Net Margin %	-4.9	5.7	-3.3	-17.2	5.5	6.5	6.8	7.2	7.5	6.7
Adjusted Net Margin %	5.4	5.7	4.2	6.3	5.5	6.5	6.8	7.2	7.5	6.7
Free Cash Flow To The Firm Margin %	-4.5	0.9	-4.9	-9.6	7.2	4.8	5.2	6.6	7.2	6.2

Growth & Ratios as of 05 Jun 2025		Actual			Forecast					
	3 Year CAGR	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**5 Year CAGR**
Revenue Growth %	-12.6	7.6	8.0	-42.6	7.3	6.2	5.1	4.6	5.4	5.7
Operating Income Growth %	-4.8	23.5	-20.0	-12.7	-4.6	21.3	10.6	9.7	9.3	9.0
EBITDA Growth %	-1,685.8	18.9	-101.4	-4974.8	5.3	17.0	9.2	8.4	8.4	9.7
Adjusted EBITDA Growth %	-6.2	18.9	-12.5	-20.5	0.2	17.0	9.2	8.4	8.4	8.5
Earnings Per Share Growth %	—	24.3	-163.1	208.6	-134.7	28.5	13.3	13.2	13.7	—
Adjusted Earnings Per Share Growth %	—	24.3	-18.2	-13.4	-4.6	28.5	13.3	13.2	13.7	—

Valuation as of 05 Jun 2025	Actual			Forecast				
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Price/Earning	20.1	24.9	14.3	22.4	17.4	15.4	13.6	12.0
Price/Sales	1.2	0.9	0.9	1.2	1.1	1.1	1.0	1.0
Price/Book	3.7	4.4	4.0	5.2	4.3	3.6	3.2	2.8
Price/Cash Flow	—	—	—	—	—	—	—	—
EV/EBITDA	14.4	14.7	12.3	13.8	11.8	10.8	10.0	9.2
EV/EBIT	19.3	21.6	16.4	19.4	16.0	14.5	13.2	12.1
Dividend Yield %	—	—	—	—	—	—	—	—
Dividend Payout %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow Yield %	—	—	—	—	—	—	—	—

Operating Performance / Profitability as of 05 Jun 2025	Actual			Forecast				
Fiscal Year, ends 31 Jan	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
ROA %	7.0	-4.5	-16.3	6.9	8.1	8.3	8.8	9.2
ROE %	18.5	-13.7	-76.2	23.4	24.9	23.4	23.5	23.3
ROIC %	10.1	8.4	9.3	12.1	13.3	13.8	14.4	15.1

Morningstar Equity Analyst Report | Report as of 3 Dec 2025 20:26, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NASDAQ - ALL MARKETS

Dollar Tree Inc DLTR ★★★ 3 Dec 2025 03:47, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
108.99 USD 2 Dec 2025	100.00 USD 8 Apr 2025 20:01, UTC	1.09	23.22 USD Bil 3 Dec 2025	None	Mid Value	High	Standard	3 Sep 2025 05:00, UTC

Financial Leverage (Reporting Currency)

Fiscal Year, ends 31 Jan	Actual 2023	2024	2025	Forecast 2026	2027	2028	2029	2030
Debt/Capital %	25.3	23.4	20.6	13.3	12.6	11.9	11.3	10.8
Assets/Equity	2.6	3.0	4.7	3.4	3.1	2.8	2.7	2.5
Net Debt/EBITDA	3.0	-232.4	3.5	0.8	0.6	0.3	0.2	0.0
Total Debt/EBITDA	3.3	3.9	3.5	1.6	1.4	1.3	1.2	1.1
EBITDA/ Net Interest Expense	24.0	24.6	19.4	18.6	19.8	20.5	21.5	22.5

Forecast Revisions as of 9 Jun 2025

Prior data as of 28 May 2025	2026 Current	2026 Prior	2027 Current	2027 Prior	2028 Current	2028 Prior
Fair Value Estimate Change (Trading Currency)	100.00	100.29	—	—	—	—
Revenue (USD Mil)	18,863	18,863	20,033	20,033	21,064	21,064
Operating Income (USD Mil)	1,490	1,490	1,807	1,807	2,000	2,000
EBITDA (USD Mil)	2,093	2,093	2,448	2,448	2,674	2,674
Net Income (USD Mil)	1,033	1,033	1,297	1,297	1,439	1,439
Earnings Per Share (Diluted) (USD)	4.87	4.86	6.26	6.23	7.09	7.05
Adjusted Earnings Per Share (Diluted) (USD)	4.87	4.86	6.26	6.23	7.09	7.05
Dividends Per Share (USD)	0.00	0.00	0.00	0.00	0.00	0.00

Key Valuation Drivers as of 05 Jun 2025

Cost of Equity %	9.0
Pre-Tax Cost of Debt %	5.3
Weighted Average Cost of Capital %	8.3
Long-Run Tax Rate %	23.0
Stage II EBI Growth Rate %	3.5
Stage II Investment Rate %	25.0
Perpetuity Year	11

Additional estimates and scenarios available for download at https://pitchbook.com/.

Discounted Cash Flow Valuation as of 05 Jun 2025

	USD Mil
Present Value Stage I	9,630
Present Value Stage II	736
Present Value Stage III	12,298
Total Firm Value	**22,664**
Cash and Equivalents	1,257
Debt	3,431
Other Adjustments	-56
Equity Value	**20,434**
Projected Diluted Shares	209
Fair Value per Share (USD)	**100.00**

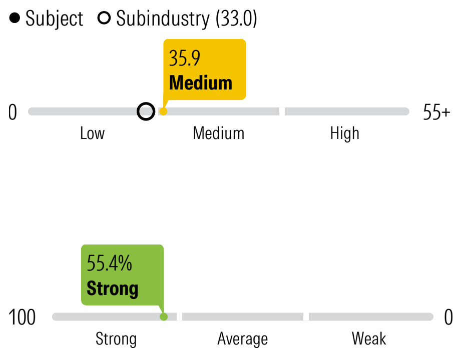
Morningstar Equity Analyst Report | Report as of 3 Dec 2025 20:26, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NASDAQ - ALL MARKETS Page 17 of 24

Dollar Tree Inc DLTR ★★★ 3 Dec 2025 03:47, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
108.99 USD 2 Dec 2025	100.00 USD 8 Apr 2025 20:01, UTC	1.09	23.22 USD Bil 3 Dec 2025	None	Mid Value	High	Standard	3 Sep 2025 05:00, UTC

ESG Risk Rating Breakdown

Exposure	
Company Exposure[1]	35.9
– Manageable Risk	32.9
Unmanageable Risk[2]	**2.9**
Management	
Manageable Risk	32.9
– Managed Risk[3]	18.3
Management Gap[4]	**14.7**
Overall Unmanaged Risk	**17.6**



- Exposure represents a company's vulnerability to ESG risks driven by their business model
- Exposure is assessed at the Subindustry level and then specified at the company level
- Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure

- Management measures a company's ability to manage ESG risks through its commitments and actions
- Management assesses a company's efficiency on ESG programs, practices, and policies
- Management score ranges from 0-100% showing how much manageable risk a company is managing

ESG Risk Rating

ESG Risk Ratings measure the degree to which a company's value is impacted by environmental, social, and governance risks, by evaluating the company's ability to manage the ESG risks it faces.

1. A company's Exposure to material ESG issues 2. Unmanageable Risk refers to risks that are inherent to a particular business model that cannot be managed by programs or initiatives 3. Managed Risk = Manageable Risk multiplied by a Management score of 55.4% 4. Management Gap assesses risks that are not managed, but are considered manageable 5. ESG Risk Rating Assessment = Overall Unmanaged Risk = Management Gap plus Unmanageable Risk

ESG Risk Rating Assessment[5]

ESG Risk Rating is of Sep 03, 2025. Highest Controversy Level is as of Nov 08, 2025. Sustainalytics Subindustry: Department Stores. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/.

Peer Analysis 03 Sep 2025

Peers are selected from the company's Sustainalytics-defined Subindustry and are displayed based on the closest market cap values

Company Name	Exposure		Management		ESG Risk Rating	
Dollar Tree Inc	35.9 | Medium	0 – 55+	55.4 | Strong	100 – 0	17.6 | Low	0 – 40+
The Kroger Co	48.0 | Medium	0 – 55+	49.5 | Average	100 – 0	26.1 | Medium	0 – 40+
Walmart Inc	45.0 | Medium	0 – 55+	50.4 | Strong	100 – 0	24.0 | Medium	0 – 40+
Dollar General Corp	34.9 | Low	0 – 55+	42.8 | Average	100 – 0	21.1 | Medium	0 – 40+
Target Corp	33.8 | Low	0 – 55+	50.8 | Strong	100 – 0	18.0 | Low	0 – 40+

Morningstar Equity Analyst Report | Report as of 3 Dec 2025 20:26, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NASDAQ - ALL MARKETS

Appendix
Historical Morningstar Rating

Dollar Tree Inc DLTR 2 Dec 2025 22:35, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★★	★★★★	★★★★	★★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★★	★★★★	★★★★	★★★★	★★★★	★★★	★★★	★★★	★★★	★★	★★	★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★	★★★	★★★	★★★	★★	★★	★★	★★	★★	★★	★★	★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★	★★	★★	★★★	★★★	★★	★★	★	★	★	★★	★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★	★	★★	★★★	★★★	★★★	★★★	★★★	★★	★★	★★★	★★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★	★★	★★★	★★★	★★	★★	★★★	★★	★★★	★★★★	★★★	★★★

Target Corp TGT 2 Dec 2025 22:37, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★★	★★★★	★★★	★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★	★★★	★★★	★★★	★★	★★	★★★	★★	★★	★★	★★	★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★	★★★	★★★★	★★★★	★★★	★★★★	★★★★	★★★★	★★★	★★★	★★★	★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★★	★★★	★★★	★★★	★★★	★★★	★★★★	★★★	★★	★★	★★	★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★	★	★	★	★	★	★	★	★	★	★	★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★	★	★	★	★	★★	★★	★★	★★	★★★	★★★	★★

Walmart Inc WMT 2 Dec 2025 22:37, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	—	—	—	—	—	—	—	—
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
—	—	—	—	—	—	—	—	—	—	—	—
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
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Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
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Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
—	—	—	—	—	—	—	—	—	—	—	—
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
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Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
★★★	★★★	★★★★	★★★	★★★	★★★	★★★	★★★★	★★★★	★★★★	★★★★★	★★★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★	★★★★	★★★	★★★	★★★	★★★	★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★	★★★	★★★★	★★★★★	★★★★	★★★★	★★★★	★★★	★★★	★★★	★★★	★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★	★★	★★	★★★	★★★	★★	★★	★★★	★★	★★	★★★	★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★	★★	★★	★★	★★	★★	★★	★★	★★	★★	★★★	★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★	★★	★★	★★	★★	★★	★★	★★	★★	★★	★★	★★

Research Methodology for Valuing Companies

Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, indepth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss shortterm market-price movements), but we believe these negatives are mitigated by deep analysis and our longterm approach.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our singlepoint star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in workingcapital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes (EBI) and the net new investment (NNI) to derive our annual free cash flow forecast.

Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

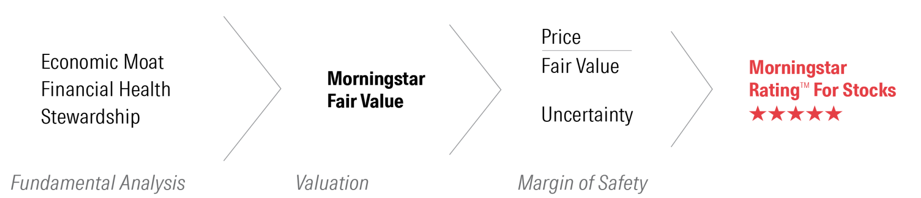
Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating is designed to capture the range of potential outcomes for a company's intrinsic value. This rating is used to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating is aimed at identifying the confidence we should have in assigning a fair value estimate for a given stock.

Our Uncertainty Rating is meant to take into account anything that can increase the potential dispersion of future

Morningstar Equity Research Star Rating Methodology



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outcomes for the intrinsic value of a company, and anything that can affect our ability to accurately predict these outcomes. The rating begins with a suggested rating produced by a quantitative process based on the trailing 12-month standard deviation of daily stock returns. An analyst overlay is then applied, with analysts using the suggested rating, historical rating data, and their own knowledge of the company to inform them as they make the final Uncertainty Rating decision. Ultimately, the rating decision rests with the analyst. Analysts take into account many characteristics when making their final decision, including cyclical factors, operational and financial factors such as leverage, company-specific events, ESG risks, and anything else that might increase the potential dispersion of future outcomes and our ability to estimate those outcomes.

Our recommended margin of safety—the discount to fair value demanded before we'd recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the potential dispersion of outcomes, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the Uncertainty Rating provides guidance in portfolio construction based on risk tolerance.

Our Uncertainty Ratings are: Low, Medium, High, Very High, and Extreme.

Qualitative Analysis Uncertainty Ratings	Margin of Safety ★★★★★Rating	★Rating
Low	20% Discount	25% Premium
Medium	30% Discount	35% Premium
High	40% Discount	55% Premium
Very High	50% Discount	75% Premium
Extreme	75% Discount	300% Premium

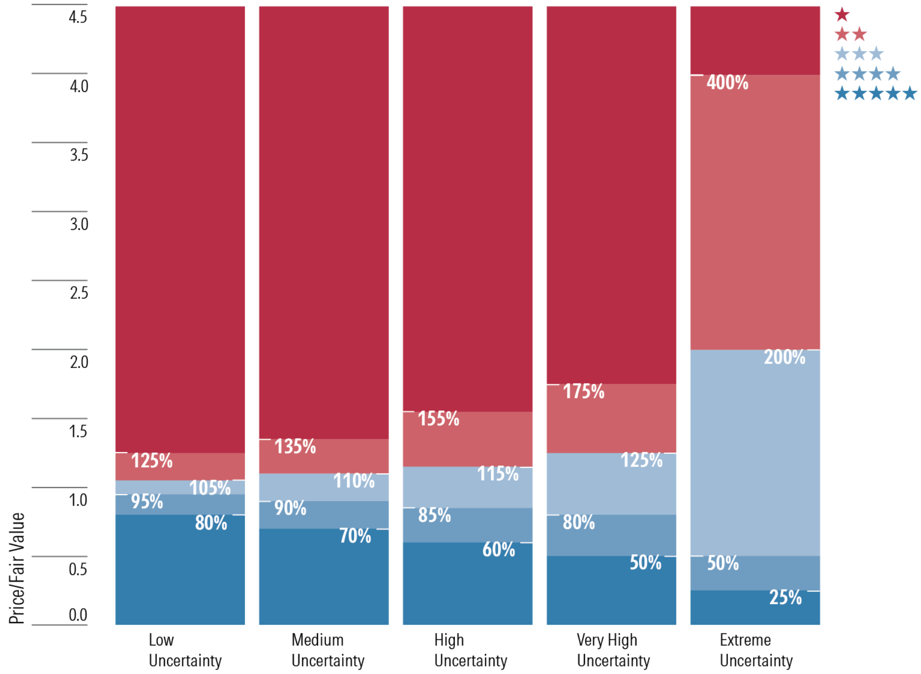
Our uncertainty rating is based on the interquartile range, or the middle 50% of potential outcomes, covering the 25th percentile–75th percentile. This means that when a stock hits 5 stars, we expect there is a 75% chance that the intrinsic value of that stock lies above the current market price. Similarly, when a stock hits 1 star, we expect there is a 75% chance that the intrinsic value of that stock lies below the current market price.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com

Morningstar Equity Research Star Rating Methodology



Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments,

Research Methodology for Valuing Companies

and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Sustainalytics ESG Risk Rating Assessment: The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company.

Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

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