

Ross Stores (ROST) Meets, Dollar Tree (DLTR) Tops Third-Quarter Profit Estimates

INVESTOR'S BUSINESS DAILY

Ross Stores (ROST) and Dollar Tree (DLTR) both reported their 11th straight quarter of double-digit profit gains Thursday morning as the discounters continue to attract penny-pinching customers in search of value.

Off-price apparel retailer Ross earned \$1.26 a share, up 23.5% vs. a year earlier. That met forecasts by analysts polled by Thomson Reuters. It's the 12th straight quarter of in-line earnings. Revenue climbed 9% to nearly \$2.05 billion, slightly above expectations for \$2.03 billion. Same-store sales rose 5%, as the company reported Nov. 3.

Ross Stores still sees fourth-quarter comparable sales climbing 2%-3% vs. a year earlier. It predicts earnings per share of \$1.53-\$1.59. Analysts had expected \$1.59.

The company also announced plans for a 2-for-1 stock split.

Ross works with vendors and manufacturers to buy up canceled orders and other closeouts. That allows it to offer name-brand fashions at 20% to 60% off department and specialty store prices via its more than 1,000 Ross Dress for Less locations. Its 88 dd's Discount stores offer 20% to 70% off of value department store and discount store prices.

Ross Stores were halted in premarket trading after retreating 2% on Wednesday. Update: Ross shares fell 1% at the open.

Dollar Tree earned 87 cents a share, up 19% vs. a year earlier. Sales climbed 12% to nearly \$1.6 billion. That beat analyst forecasts for EPS of 83 cents on revenue of \$1.58 billion.

Comparable-store sales rose 4.8% vs. a year earlier. That's better than the second quarter's 4.7% pace and estimates for 3.3%, despite tough year-on-year comparisons.

Dollar Tree expects fourth-quarter sales of \$1.89 billion-\$1.94 billion with low- to mid-single digit same-store growth. EPS should be \$1.50-\$1.57.

That's right in line with Wall Street estimates for revenue of \$1.915 billion and EPS of \$1.535.

Dollar Tree, which sells everything for \$1 or less, has lured consumers during the recession and still-sluggish economy. It has set up more of its stores with freezers and coolers for more food products to boost customers' trips.

The company is part of the Retail-Discount & Variety group, ranked No. 1 out of IBD's 197 industries.

Dollar Tree shares rose about 2% in premarket trading after losing nearly 3% Wednesday, falling below their 50-day moving average. Update: Shares edged higher at the opening bell.

Both Dollar Tree and Ross Stores are part of this week's IBD 50 list of the very best stocks based on fundamental and technical factors.