



Apr 8, 2009, 10:36 a.m. EST

Family Dollar profit jumps 33%; outlook beats view

By [Andria Cheng](#), MarketWatch

NEW YORK (MarketWatch) -- Discounter Family Dollar Stores Inc. said Wednesday that its fiscal second-quarter profit rose 33%, aided by shoppers seeking bargains in the economic downturn.

The company also gave third-quarter and full-year profit forecasts that exceeded Wall Street expectations.

Executives said on a conference call that Family Dollar has seen more trips and higher average purchases from its core low income customers but also has won additional visits from more middle income customers. The company has expanded its product assortment, adding more traffic-driving consumable items while paring back on discretionary products as apparel sales continued to be soft. It also has made stores reduce clutter to make it easier to shop.

"The dollar store businesses continue to outperform in the weak economy," said Deutsche Bank analyst Mike Baker.

Discounters including Wal-Mart Stores Inc. ([WMT 50.93](#), [+0.30](#), [+0.59%](#)) have outperformed the other industry segments with shoppers cutting back on non-essential items, trading down and seeking value on basic items, analysts have said.

Net income rose to \$84.1 million, or 60 cents a share, from \$63.3 million, or 45 cents, a year earlier. Sales in the quarter ended Feb. 28 rose 8.7% to \$1.99 billion.

Comparable-store sales climbed 6.4% as the company increased, for the third straight quarter, customer traffic and the amount shoppers spent on each average transaction. The discounter, which operates more than 6,600 stores in 44 states, said food and other consumable items led the demand increase.

Second-quarter gross profit margin widened to 33.7% from 32.7% after the company lowered seasonal discounts and reduced inventory theft and freight expenses.

Family Dollar ([FDO 30.86](#), [-1.21](#), [-3.77%](#)) forecast full-year per-share profit of \$1.90 to \$2 with sales up 5% to 7% and sales at stores open at least a year increasing 3% to 5%. It sees third-quarter earnings of 54 cents to 58 cents a share.

Analysts polled by FactSet Research estimated, on average, per-share profit of 60 cents in the second quarter, 50 cents in the third quarter and \$1.89 for the year.

Its shares rose 3.9% to \$33.92 in early trading.

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