
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended July 30, 2021

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: **001-11421**

DOLLAR GENERAL CORPORATION

(Exact name of Registrant as specified in its charter)

TENNESSEE

61-0502302

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**100 MISSION RIDGE
GOODLETTSVILLE, TN 37072**

(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: **(615) 855-4000**

Former name, former address and former fiscal year, if changed since last report: **Not Applicable**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.875 per share	DG	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The Registrant had 233,310,218 shares of common stock outstanding on August 20, 2021.

TABLE OF CONTENTS

<u>Part I</u>	<u>Financial Information</u>	
	<u>Item 1. Financial Statements</u>	2
	<u>Condensed Consolidated Balance Sheets</u>	2
	<u>Condensed Consolidated Statements of Income</u>	3
	<u>Condensed Consolidated Statements of Comprehensive Income</u>	4
	<u>Condensed Consolidated Statements of Shareholders' Equity</u>	5
	<u>Condensed Consolidated Statement of Cash Flows</u>	6
	<u>Notes to Condensed Consolidated Financial Statements</u>	7
	<u>Report of Independent Registered Public Accounting Firm</u>	13
	<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
	<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	24
	<u>Item 4. Controls and Procedures</u>	24
<u>Part II</u>	<u>Other Information</u>	
	<u>Item 1. Legal Proceedings</u>	25
	<u>Item 1A. Risk Factors</u>	25
	<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
	<u>Item 6. Exhibits</u>	25
	<u>Cautionary Disclosure Regarding Forward Looking Statements</u>	26
	<u>Exhibit Index</u>	28
	<u>Signature</u>	29

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	July 30, 2021	January 29, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 313,666	\$ 1,376,577
Merchandise inventories	5,279,273	5,247,477
Income taxes receivable	127,011	90,760
Prepaid expenses and other current assets	272,768	199,405
Total current assets	<u>5,992,718</u>	<u>6,914,219</u>
Net property and equipment	4,104,193	3,899,997
Operating lease assets	9,805,081	9,473,330
Goodwill	4,338,589	4,338,589
Other intangible assets, net	1,199,810	1,199,870
Other assets, net	47,417	36,619
Total assets	<u>\$ 25,487,808</u>	<u>\$ 25,862,624</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of operating lease liabilities	\$ 1,127,841	\$ 1,074,079
Accounts payable	3,369,984	3,614,089
Accrued expenses and other	973,025	1,006,552
Income taxes payable	8,234	16,063
Total current liabilities	<u>5,479,084</u>	<u>5,710,783</u>
Long-term obligations	4,156,765	4,130,975
Long-term operating lease liabilities	8,661,716	8,385,388
Deferred income taxes	781,477	710,549
Other liabilities	271,631	263,691
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	—	—
Common stock	204,142	210,687
Additional paid-in capital	3,504,850	3,446,612
Retained earnings	2,429,821	3,006,102
Accumulated other comprehensive loss	(1,678)	(2,163)
Total shareholders' equity	<u>6,137,135</u>	<u>6,661,238</u>
Total liabilities and shareholders' equity	<u>\$ 25,487,808</u>	<u>\$ 25,862,624</u>

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)

	For the 13 weeks ended		For the 26 weeks ended	
	July 30, 2021	July 31, 2020	July 30, 2021	July 31, 2020
Net sales	\$ 8,650,198	\$ 8,684,241	\$ 17,051,162	\$ 17,132,690
Cost of goods sold	5,912,539	5,866,006	11,557,835	11,718,763
Gross profit	2,737,659	2,818,235	5,493,327	5,413,927
Selling, general and administrative expenses	1,888,091	1,775,608	3,734,909	3,504,516
Operating profit	849,568	1,042,627	1,758,418	1,909,411
Interest expense	39,430	39,326	79,822	69,819
Income before income taxes	810,138	1,003,301	1,678,596	1,839,592
Income tax expense	173,119	215,700	363,828	401,545
Net income	<u>\$ 637,019</u>	<u>\$ 787,601</u>	<u>\$ 1,314,768</u>	<u>\$ 1,438,047</u>
Earnings per share:				
Basic	\$ 2.71	\$ 3.15	\$ 5.55	\$ 5.73
Diluted	\$ 2.69	\$ 3.12	\$ 5.52	\$ 5.69
Weighted average shares outstanding:				
Basic	234,924	250,281	236,736	251,031
Diluted	236,406	252,190	238,354	252,908
Dividends per share	\$ 0.42	\$ 0.36	\$ 0.84	\$ 0.72

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Uaudited)
(In thousands)

	For the 13 weeks ended		For the 26 weeks ended	
	July 30, 2021	July 31, 2020	July 30, 2021	July 31, 2020
Net income	\$ 637,019	\$ 787,601	\$ 1,314,768	\$ 1,438,047
Unrealized net gain (loss) on hedged transactions, net of related income tax expense (benefit) of \$86, \$86, \$173 and \$173, respectively	243	243	485	486
Comprehensive income	<u>\$ 637,262</u>	<u>\$ 787,844</u>	<u>\$ 1,315,253</u>	<u>\$ 1,438,533</u>

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Uaudited)
(In thousands, except per share amounts)

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balances, April 30, 2021	236,205	\$ 206,680	\$ 3,457,160	\$ 2,588,006	\$ (1,921)	\$ 6,249,925
Net income	—	—	—	637,019	—	637,019
Dividends paid, \$0.42 per common share	—	—	—	(98,304)	—	(98,304)
Unrealized net gain (loss) on hedged transactions	—	—	—	—	243	243
Share-based compensation expense	—	—	16,370	—	—	16,370
Repurchases of common stock	(3,309)	(2,896)	—	(696,900)	—	(699,796)
Other equity and related transactions	409	358	31,320	—	—	31,678
Balances, July 30, 2021	<u>233,305</u>	<u>\$ 204,142</u>	<u>\$ 3,504,850</u>	<u>\$ 2,429,821</u>	<u>\$ (1,678)</u>	<u>\$ 6,137,135</u>
Balances, May 1, 2020	251,722	\$ 220,259	\$ 3,332,283	\$ 3,659,804	\$ (2,892)	\$ 7,209,454
Net income	—	—	—	787,601	—	787,601
Dividends paid, \$0.36 per common share	—	—	—	(89,659)	—	(89,659)
Unrealized net gain (loss) on hedged transactions	—	—	—	—	243	243
Share-based compensation expense	—	—	15,509	—	—	15,509
Repurchases of common stock	(3,184)	(2,785)	—	(598,751)	—	(601,536)
Other equity and related transactions	495	432	34,027	—	—	34,459
Balances, July 31, 2020	<u>249,033</u>	<u>\$ 217,906</u>	<u>\$ 3,381,819</u>	<u>\$ 3,758,995</u>	<u>\$ (2,649)</u>	<u>\$ 7,356,071</u>
Balances, January 29, 2021	240,785	\$ 210,687	\$ 3,446,612	\$ 3,006,102	\$ (2,163)	\$ 6,661,238
Net income	—	—	—	1,314,768	—	1,314,768
Dividends paid, \$0.84 per common share	—	—	—	(198,136)	—	(198,136)
Unrealized net gain (loss) on hedged transactions	—	—	—	—	485	485
Share-based compensation expense	—	—	39,903	—	—	39,903
Repurchases of common stock	(8,268)	(7,235)	—	(1,692,913)	—	(1,700,148)
Other equity and related transactions	788	690	18,335	—	—	19,025
Balances, July 30, 2021	<u>233,305</u>	<u>\$ 204,142</u>	<u>\$ 3,504,850</u>	<u>\$ 2,429,821</u>	<u>\$ (1,678)</u>	<u>\$ 6,137,135</u>
Balances, January 31, 2020	251,936	\$ 220,444	\$ 3,322,531	\$ 3,162,660	\$ (3,135)	\$ 6,702,500
Net income	—	—	—	1,438,047	—	1,438,047
Dividends paid, \$0.72 per common share	—	—	—	(180,276)	—	(180,276)
Unrealized net gain (loss) on hedged transactions	—	—	—	—	486	486
Share-based compensation expense	—	—	34,477	—	—	34,477
Repurchases of common stock	(3,635)	(3,180)	—	(661,436)	—	(664,616)
Other equity and related transactions	732	642	24,811	—	—	25,453
Balances, July 31, 2020	<u>249,033</u>	<u>\$ 217,906</u>	<u>\$ 3,381,819</u>	<u>\$ 3,758,995</u>	<u>\$ (2,649)</u>	<u>\$ 7,356,071</u>

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Uaudited)
(*In thousands*)

	For the 26 weeks ended	
	July 30, 2021	July 31, 2020
<i>Cash flows from operating activities:</i>		
Net income	\$ 1,314,768	\$ 1,438,047
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	312,682	278,617
Deferred income taxes	70,755	14,493
Noncash share-based compensation	39,903	34,477
Other noncash (gains) and losses	51,036	6,177
Change in operating assets and liabilities:		
Merchandise inventories	(80,038)	283,957
Prepaid expenses and other current assets	(72,072)	(27,237)
Accounts payable	(245,382)	560,918
Accrued expenses and other liabilities	(25,479)	273,208
Income taxes	(44,080)	48,245
Other	(4,549)	(3,567)
Net cash provided by (used in) operating activities	1,317,544	2,907,335
<i>Cash flows from investing activities:</i>		
Purchases of property and equipment	(518,466)	(424,167)
Proceeds from sales of property and equipment	1,805	1,051
Net cash provided by (used in) investing activities	(516,661)	(423,116)
<i>Cash flows from financing activities:</i>		
Issuance of long-term obligations	—	1,494,315
Repayments of long-term obligations	(2,936)	(1,037)
Net increase (decrease) in commercial paper outstanding	18,400	(425,200)
Borrowings under revolving credit facilities	—	300,000
Repayments of borrowings under revolving credit facilities	—	(300,000)
Costs associated with issuance of debt	—	(13,574)
Repurchases of common stock	(1,700,148)	(664,616)
Payments of cash dividends	(198,107)	(180,268)
Other equity and related transactions	18,997	25,445
Net cash provided by (used in) financing activities	(1,863,794)	235,065
Net increase (decrease) in cash and cash equivalents	(1,062,911)	2,719,284
Cash and cash equivalents, beginning of period	1,376,577	240,320
Cash and cash equivalents, end of period	\$ 313,666	\$ 2,959,604
<i>Supplemental noncash investing and financing activities:</i>		
Right of use assets obtained in exchange for new operating lease liabilities	\$ 893,773	\$ 869,137
Purchases of property and equipment awaiting processing for payment, included in Accounts payable	\$ 119,336	\$ 89,290

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of presentation

The accompanying unaudited condensed consolidated financial statements of Dollar General Corporation (which individually or together with its subsidiaries, as the context requires, is referred to as the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and are presented in accordance with the requirements of Form 10-Q and Rule 10-01 of Regulation S-X. Such financial statements consequently do not include all of the disclosures normally required by U.S. GAAP for annual financial statements or those normally made in the Company’s Annual Report on Form 10-K, including the condensed consolidated balance sheet as of January 29, 2021 which was derived from the audited consolidated financial statements at that date. Accordingly, readers of this Quarterly Report on Form 10-Q should refer to the Company’s Annual Report on Form 10-K for the fiscal year ended January 29, 2021 for additional information.

The Company’s fiscal year ends on the Friday closest to January 31. Unless the context requires otherwise, references to years contained herein pertain to the Company’s fiscal year. The Company’s 2021 fiscal year is scheduled to be a 52-week accounting period ending on January 28, 2022, and the 2020 fiscal year was a 52-week accounting period that ended on January 29, 2021.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the Company’s customary accounting practices. In management’s opinion, all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the consolidated financial position as of July 30, 2021 and results of operations for the 13-week and 26-week accounting periods ended July 30, 2021 and July 31, 2020 have been made.

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Because the Company’s business is moderately seasonal, the results for interim periods are not necessarily indicative of the results to be expected for the entire year. In addition, the effect of the COVID-19 pandemic on consumer behavior beginning in the first quarter of 2020 resulted in a departure from seasonal norms experienced in recent years and may continue to disrupt the historical quarterly cadence of the Company’s results of operations for an unknown period of time.

The Company uses the last-in, first-out (“LIFO”) method of valuing inventory. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management’s estimates of expected year-end inventory levels, sales for the year and the expected rate of inflation or deflation for the year. The interim LIFO calculations are subject to adjustment in the final year-end LIFO inventory valuation. The Company recorded a LIFO provision of \$36.0 million and \$0.1 million in the respective 13-week periods, and \$48.2 million and \$1.7 million in the respective 26-week periods, ended July 30, 2021 and July 31, 2020. In addition, ongoing estimates of inventory shrinkage and initial markups and markdowns are included in the interim cost of goods sold calculation.

In March 2020 and January 2021, the Financial Accounting Standards Board (“FASB”) issued accounting standards updates pertaining to reference rate reform. This collective guidance is in response to accounting concerns regarding contract modifications and hedge accounting because of impending rate reform associated with structural risks of interbank offered rates (IBORs), and, particularly, the risk of cessation of LIBOR related to regulators in several jurisdictions around the world having undertaken reference rate reform initiatives to identify alternative reference rates. The guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The adoption of this guidance is effective for all entities as of March 12, 2020 through December 31, 2022. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

2. Earnings per share

Earnings per share is computed as follows (in thousands, except per share data):

	13 Weeks Ended July 30, 2021			13 Weeks Ended July 31, 2020		
	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount
Basic earnings per share	\$ 637,019	234,924	\$ 2.71	\$ 787,601	250,281	\$ 3.15
Effect of dilutive share-based awards		1,482			1,909	
Diluted earnings per share	\$ 637,019	236,406	\$ 2.69	\$ 787,601	252,190	\$ 3.12

	26 Weeks Ended July 30, 2021			26 Weeks Ended July 31, 2020		
	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount
Basic earnings per share	\$ 1,314,768	236,736	\$ 5.55	\$ 1,438,047	251,031	\$ 5.73
Effect of dilutive share-based awards		1,618			1,877	
Diluted earnings per share	\$ 1,314,768	238,354	\$ 5.52	\$ 1,438,047	252,908	\$ 5.69

Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is determined based on the dilutive effect of share-based awards using the treasury stock method.

Share-based awards that were outstanding at the end of the respective periods but were not included in the computation of diluted earnings per share because the effect of exercising such awards would be antidilutive, were less than 0.1 million in each of the respective 13-week periods, and 0.1 million and 0.3 million in the respective 26-week periods, ended July 30, 2021 and July 31, 2020.

3. Income taxes

Under the accounting standards for income taxes, the asset and liability method is used for computing the future income tax consequences of events that have been recognized in the Company's consolidated financial statements or income tax returns.

Income tax reserves are determined using the methodology established by accounting standards for income taxes which require companies to assess each income tax position taken using the following two-step approach. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position.

The Company's 2016 and earlier tax years are not open for further examination by the Internal Revenue Service ("IRS"). The IRS, at its discretion, may choose to examine the Company's 2017 through 2019 fiscal year income tax filings. The Company has various state income tax examinations that are currently in progress. Generally, with few exceptions, the Company's 2017 and later tax years remain open for examination by the various state taxing authorities.

As of July 30, 2021, the total reserves for uncertain tax benefits, interest expense related to income taxes and potential income tax penalties were \$8.2 million, \$0.6 million and \$0.0 million, respectively, for a total of \$8.8 million. This total amount is reflected in noncurrent other liabilities in the condensed consolidated balance sheet.

The Company's reserve for uncertain tax positions is expected to be reduced by \$4.1 million in the coming twelve months as a result of expiring statutes of limitations. As of July 30, 2021, approximately \$8.2 million of the reserve for uncertain tax positions would impact the Company's effective income tax rate if the Company were to recognize the tax benefit for these positions.

The effective income tax rates for the 13-week and 26-week periods ended July 30, 2021 were 21.4% and 21.7% respectively compared to rates of 21.5% and 21.8% for the 13-week and 26-week periods ended July 31, 2020.

The income tax rates for the 13-week and 26-week periods in 2021 were lower than the comparable 13-week and 26-week periods in 2020 primarily due to the greater impact of permanent differences resulting from a decrease in pre-tax income for the 2021 periods compared to the 2020 periods.

4. Leases

As of July 30, 2021, the Company's primary leasing activities were real estate leases for most of its retail store locations and certain of its distribution facilities. Substantially all of the Company's leases are classified as operating leases and the associated assets and liabilities are presented as separate captions in the condensed consolidated balance sheets. Finance lease assets are included in net property and equipment, and finance lease liabilities are included in long-term obligations, in the condensed consolidated balance sheets. At July 30, 2021, the weighted-average remaining lease term for the Company's operating leases was 9.8 years, and the weighted average discount rate for such leases was 3.8%. Operating lease costs are reflected as selling, general and administrative costs in the condensed consolidated statements of income. For the 26-week periods ended July 30, 2021 and July 31, 2020, such costs were \$730.0 million and \$678.6 million, respectively. Cash paid for amounts included in the measurement of operating lease liabilities of \$735.8 million and \$680.4 million, respectively, were reflected in cash flows from operating activities in the condensed consolidated statements of cash flows for the 26-week periods ended July 30, 2021 and July 31, 2020.

5. Current and long-term obligations

Current and long-term obligations consist of the following:

<u>(In thousands)</u>	<u>July 30, 2021</u>	<u>January 29, 2021</u>
Revolving Facility	\$ —	\$ —
3.250% Senior Notes due April 15, 2023 (net of discount of \$452 and \$583)	899,548	899,417
4.150% Senior Notes due November 1, 2025 (net of discount of \$372 and \$412)	499,628	499,588
3.875% Senior Notes due April 15, 2027 (net of discount of \$273 and \$294)	599,727	599,706
4.125% Senior Notes due May 1, 2028 (net of discount of \$360 and \$383)	499,640	499,617
3.500% Senior Notes due April 3, 2030 (net of discount of \$594 and \$623)	1,006,743	999,377
4.125% Senior Notes due April 3, 2050 (net of discount of \$4,901 and \$4,945)	495,099	495,055
Unsecured commercial paper notes	18,400	—
Other	162,326	164,365
Debt issuance costs, net	(24,346)	(26,150)
	<u>\$ 4,156,765</u>	<u>\$ 4,130,975</u>

On September 10, 2019, the Company entered into an amended and restated credit agreement, providing for a \$1.25 billion unsecured five-year revolving credit facility (the "Revolving Facility") of which up to \$175.0 million is available for letters of credit.

Borrowings under the Revolving Facility bear interest at a rate equal to an applicable interest rate margin plus, at the Company's option, either (a) LIBOR or (b) a base rate (which is usually equal to the prime rate). The applicable interest rate margin for borrowings as of July 30, 2021 was 1.015% for LIBOR borrowings and 0.015% for base-rate borrowings. The Company is also required to pay a facility fee, payable on any used and unused commitment amounts of the Revolving Facility, and customary fees on letters of credit issued under the Revolving Facility. As of July 30, 2021, the facility fee rate was 0.11%. The applicable interest rate margins for borrowings, the facility fees and the letter of credit fees under the Revolving Facility are subject to adjustment from time to time based on the Company's long-term senior unsecured debt ratings.

The Revolving Facility contains a number of customary affirmative and negative covenants that, among other things, restrict, subject to certain exceptions, the Company's ability to: incur additional liens; sell all or substantially all of the Company's assets; consummate certain fundamental changes or change in the Company's lines of business; and incur additional subsidiary indebtedness. The Revolving Facility also contains financial covenants which require the maintenance of a minimum fixed charge coverage ratio and a maximum leverage ratio. As of July 30, 2021, the Company was in compliance with all such covenants. The Revolving Facility also contains customary events of default.

As of July 30, 2021, the Company had no outstanding borrowings, outstanding letters of credit of \$2.9 million, and borrowing availability of approximately \$1.25 billion under the Revolving Facility that, due to its intention to maintain borrowing availability related to the commercial paper program described below, could contribute incremental liquidity of \$1.05 billion. In addition, as of July 30, 2021, the Company had outstanding letters of credit of \$53.4 million which were issued pursuant to separate agreements.

As of July 30, 2021, the Company had a commercial paper program under which the Company may issue unsecured commercial paper notes (the “CP Notes”) from time to time in an aggregate amount not to exceed \$1.0 billion outstanding at any time. The CP Notes may have maturities of up to 364 days from the date of issue and rank equal in right of payment with all of the Company’s other unsecured and unsubordinated indebtedness. The Company intends to maintain available commitments under the Revolving Facility in an amount at least equal to the amount of CP Notes outstanding at any time. As of July 30, 2021, the Company’s condensed consolidated balance sheet reflected outstanding unsecured CP Notes of \$18.4 million, which had a weighted average borrowing rate of 0.15%. CP Notes totaling \$181.0 million were held by a wholly-owned subsidiary of the Company and are therefore not reflected on the condensed consolidated balance sheets.

On April 3, 2020, the Company issued \$1.0 billion aggregate principal amount of 3.5% senior notes due 2030 (the “2030 Senior Notes”), net of discount of \$0.7 million, and \$500.0 million aggregate principal amount of 4.125% senior notes due 2050 (the “2050 Senior Notes”), net of discount of \$5.0 million. The 2030 Senior Notes are scheduled to mature on April 3, 2030 and the 2050 Senior Notes are scheduled to mature on April 3, 2050. Interest on the 2030 Senior Notes and the 2050 Senior Notes is payable in cash on April 3 and October 3 of each year. The Company incurred \$13.6 million of debt issuance costs associated with the issuance of the 2030 Senior Notes and the 2050 Senior Notes.

During the second quarter of 2021, the Company entered into interest rate swaps on a portion of the 2030 Senior Notes. These interest rate swaps are being accounted for as fair value hedges, with the derivative asset or liability offset by a corresponding adjustment to the carrying value of the 2030 Senior Notes. Such arrangements are not material to the Company’s condensed consolidated financial statements.

6. Assets and liabilities measured at fair value

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The Company does not have any fair value measurements categorized within Level 3 as of July 30, 2021.

The following table presents the Company’s liabilities required to be measured at fair value as of July 30, 2021, aggregated by the level in the fair value hierarchy within which those measurements are classified.

(In thousands)	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value at July 30, 2021
Liabilities:				
Long-term obligations (a)	\$ 4,479,736	\$ 180,726	\$ —	\$ 4,660,462
Deferred compensation (b)	44,357	—	—	44,357

- (a) Included in the condensed consolidated balance sheet at book value as Long-term obligations of \$4,156,765.
- (b) Reflected at fair value in the condensed consolidated balance sheet as Accrued expenses and other current liabilities of \$2,444 and noncurrent Other liabilities of \$41,913.

7. Commitments and contingencies

Legal proceedings

From time to time, the Company is a party to various legal matters in the ordinary course of its business, including actions by employees, consumers, suppliers, government agencies, or others. The Company has recorded accruals with respect to these matters, where appropriate, which are reflected in the Company's consolidated financial statements. For some matters, a liability is not probable or the amount cannot be reasonably estimated and therefore an accrual has not been made. In 2019, the Company recorded an accrual of \$31.0 million for losses the Company believes are both probable and reasonably estimable relating to certified class actions and associated matters including the matters discussed below under Consumer/Product Litigation.

Except as described below and based on information currently available, the Company believes that its pending legal matters, both individually and in the aggregate, will be resolved without a material adverse effect on the Company's consolidated financial statements as a whole. However, litigation and other legal matters involve an element of uncertainty. Adverse decisions and settlements, including any required changes to the Company's business, or other developments in such matters could affect the consolidated operating results in future periods or result in liability or other amounts material to the Company's annual consolidated financial statements.

Consumer/Product Litigation

In December 2015 the Company was first notified of several lawsuits in which plaintiffs allege violation of state law, including state consumer protection laws, relating to the labeling, marketing and sale of certain Dollar General private-label motor oil. Each of these lawsuits, as well as additional, similar lawsuits filed after December 2015, was filed in, or removed to, various federal district courts of the United States (collectively "Motor Oil Lawsuits").

On June 2, 2016, the Motor Oil Lawsuits were centralized in a matter styled *In re Dollar General Corp. Motor Oil Litigation*, Case MDL No. 2709, before the United States District Court for the Western District of Missouri ("Motor Oil MDL"). In their consolidated amended complaint, the plaintiffs in the Motor Oil MDL sought to certify two nationwide classes and multiple statewide sub-classes and for each putative class member some or all of the following relief: compensatory damages, injunctive relief, statutory damages, punitive damages and attorneys' fees.

The parties reached an agreement, which was granted final approval by the court on June 22, 2021, to resolve the Motor Oil MDL for an amount that is immaterial to the Company's consolidated financial statements as a whole.

The Company previously reached agreements with the Offices of the New Mexico Attorney General and the Louisiana Attorney General to resolve, for amounts immaterial to the Company's consolidated financial statements as a whole, allegations that the Company's labeling, marketing and sale of certain Dollar General private-label motor oil violated New Mexico and Louisiana law (the "New Mexico and Louisiana Motor Oil Matters").

On September 1, 2017, the Mississippi Attorney General, who also is represented by the counsel for plaintiffs in the Motor Oil MDL, filed an action in the Chancery Court of the First Judicial District of Hinds County, Mississippi alleging that the Company's labeling, marketing and sale of certain Dollar General private-label motor oil violated Mississippi law. The Company removed this matter to Mississippi federal court on October 5, 2017, and it was transferred to the Motor Oil MDL. On July 7, 2021, the matter was remanded to Mississippi federal court.

The Company is vigorously defending these matters and believes that the labeling, marketing and sale of its private-label motor oil comply with applicable federal and state requirements and are not misleading. The Company further believes that these matters are not appropriate for class or similar treatment. At this time, however, except as to the Motor Oil MDL and the New Mexico and Louisiana Motor Oil Matters, it is not possible to predict whether these matters ultimately will be permitted to proceed as a class or in a similar fashion or the size of any putative class or classes. Likewise, except as to Motor Oil MDL and the New Mexico and Louisiana Motor Oil Matters, no assurances can be given that the Company will be successful in its defense of these matters on the merits or otherwise. Based on its belief that a loss in these matters is both probable and reasonably estimable, as noted above, during 2019, the Company recorded an accrual for an amount that is immaterial to the Company's consolidated financial statements as a whole.

8. Segment reporting

The Company manages its business on the basis of one reportable operating segment. As of July 30, 2021, all of the Company's operations were located within the United States with the exception of certain product sourcing operations, which collectively are not material with regard to assets, results of operations or otherwise to the condensed consolidated financial statements. The following net sales data is presented in accordance with accounting standards related to disclosures about segments of an enterprise.

(in thousands)	13 Weeks Ended		26 Weeks Ended	
	July 30, 2021	July 31, 2020	July 30, 2021	July 31, 2020
Classes of similar products:				
Consumables	\$ 6,612,950	\$ 6,496,350	\$ 12,991,085	\$ 13,199,799
Seasonal	1,090,311	1,161,611	2,140,693	2,079,523
Home products	561,190	586,021	1,132,505	1,084,303
Apparel	385,747	440,259	786,879	769,065
Net sales	<u>\$ 8,650,198</u>	<u>\$ 8,684,241</u>	<u>\$ 17,051,162</u>	<u>\$ 17,132,690</u>

9. Common stock transactions

On August 29, 2012, the Company's Board of Directors (the "Board") authorized a common stock repurchase program, which the Board has since increased on several occasions. On March 17, 2021, the Board authorized a \$2.0 billion increase to the existing common stock repurchase program, bringing the cumulative total to \$12.0 billion authorized under the program since its inception in 2012. The repurchase authorization has no expiration date and allows repurchases from time to time in open market transactions, including pursuant to trading plans adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, or in privately negotiated transactions. The timing, manner and number of shares repurchased will depend on a variety of factors, including price, market conditions, compliance with the covenants and restrictions under any applicable debt agreements and other factors. Repurchases under the program may be funded from available cash or borrowings, including under the Revolving Facility and issuance of CP Notes discussed in further detail in Note 5.

Pursuant to its common stock repurchase program, during the 26-week periods ended July 30, 2021 and July 31, 2020, the Company repurchased in the open market approximately 8.3 million shares of its common stock at a total cost of \$1.7 billion and approximately 3.6 million shares of its common stock at a total cost of \$0.7 billion, respectively.

The Company paid a cash dividend of \$0.42 per share during the first two quarters of 2021. On August 25, 2021, the Board declared a quarterly cash dividend of \$0.42 per share, which is payable on or before October 19, 2021 to shareholders of record on October 5, 2021. The amount and declaration of future cash dividends is subject to the sole discretion of the Board and will depend upon, among other things, the Company's results of operations, cash requirements, financial condition, contractual restrictions and other factors that the Board may deem relevant in its sole discretion.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Dollar General Corporation

Results of Review of Interim Financial Statements

We have reviewed the accompanying condensed consolidated balance sheet of Dollar General Corporation and subsidiaries (the Company) as of July 30, 2021, the related condensed consolidated statements of income, comprehensive income, and shareholders' equity for the thirteen and twenty-six week periods ended July 30, 2021 and July 31, 2020, the condensed consolidated statement of cash flows for the twenty-six week periods ended July 30, 2021 and July 31, 2020, and the related notes (collectively referred to as the "condensed consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of January 29, 2021, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the year then ended, and the related notes (not presented herein); and in our report dated March 19, 2021, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 29, 2021, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Ernst & Young LLP

Nashville, Tennessee
August 26, 2021

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

General

This discussion and analysis is based on, should be read with, and is qualified in its entirety by, the accompanying unaudited condensed consolidated financial statements and related notes, as well as our consolidated financial statements and the related Management's Discussion and Analysis of Financial Condition and Results of Operations as contained in our Annual Report on Form 10-K for the fiscal year ended January 29, 2021. It also should be read in conjunction with the disclosure under "Cautionary Disclosure Regarding Forward-Looking Statements" in this report.

Impact of COVID-19

The COVID-19 (coronavirus) pandemic has resulted in widespread and continuing impacts on the global economy and continues to affect our business, as well as our customers, suppliers, and other business partners. In addition, the pandemic has contributed to, and may continue to contribute to, financial results that differ significantly from our historical results and seasonal variations that are significantly different from our historical patterns.

In early March 2020, we began seeing heightened demand from customers, particularly for consumable products such as paper, food and cleaning products, which continued throughout 2020, although with some variability as to the volume and product mix. Beginning in April 2020, demand significantly increased for many non-consumable products, including home, seasonal and apparel, resulting in an overall significant mix shift into non-consumable categories, which continued through the first quarter of 2021, although this trend began to reverse in the second quarter of 2021. We believe these buying patterns were influenced in part by the economic stimulus payments and enhanced unemployment benefits. We also have been acquiring new customers since the beginning of the pandemic, and we are pleased with the retention rates. Finally, general trends in customer behavior toward trip consolidation, and purchases of larger average basket amounts, which began in 2020 as customers shopped our stores less frequently than in 2019, have continued in 2021.

Heightened customer demand and the shifts in customer behavior significantly benefited our results of operations, and in particular, sales, gross profit, operating income and net income, for fiscal 2020 and the first and second quarters of 2021. We anticipate a less favorable overall net impact of the pandemic to operating income and net income for fiscal 2021 than fiscal 2020 primarily due to the moderating positive impact to our net sales and the impacts that the phase out of various economic stabilization efforts such as economic stimulus payments and enhanced unemployment benefits may have on our customers.

We expect to continue to be affected, although the extent and duration is unknown, by the COVID-19 pandemic and its effects on the economy in a variety of ways, including changing consumer demand (whether higher or lower) in certain product categories; supply chain constraints, delays and interruptions (including product shortages and vendor allocation issues); increased distribution and transportation costs; increased payroll expenses; and increased costs in an effort to maintain safe work and shopping environments. Our operating environment during COVID-19 remains very fluid, and developments in this environment, including additional government economic stabilization efforts or actions, or the failure to take such efforts or actions, may materially impact our business, results of operations and financial condition. As a result, the quarterly cadence of our results of operations may continue to vary from historical patterns for an extended period of time.

Due to the significant uncertainty surrounding the COVID-19 pandemic and its effects, including its duration; the duration and intensity of new variants; the availability, adoption rates and effectiveness of vaccines; the extent and duration of any government response efforts, programs and benefits; and impact on employment trends, consumer behavior and the supply chain, there may be consequences that we do not anticipate at this time or that develop in unexpected ways. We will continue to monitor the evolving situation, and we will continue to take actions as necessary to serve our employees, customers, communities and shareholders.

Executive Overview

We are the largest discount retailer in the United States by number of stores, with 17,683 stores located in 46 states as of July 30, 2021, with the greatest concentration of stores in the southern, southwestern, midwestern and eastern United States. We offer a broad selection of merchandise, including consumable products such as food, paper and cleaning products, health and beauty products and pet supplies, and non-consumable products such as seasonal merchandise, home decor and domestics, and basic apparel. Our merchandise includes national brands from leading manufacturers, as well as our own private brand selections with prices at substantial discounts to national brands. We offer our customers these national brand and private brand products at everyday low prices (typically \$10 or less) in our convenient small-box locations.

We believe our convenient store formats, locations, and broad selection of high-quality products at compelling values have driven our substantial growth and financial success over the years and through a variety of economic cycles. We are mindful that the majority of our customers are value-conscious, and many have low and/or fixed incomes. As a result, we are intensely focused on helping our customers make the most of their spending dollars. Our core customers are often among the first to be affected by negative or uncertain economic conditions and among the last to feel the effects of improving economic conditions, particularly when trends are inconsistent and of an uncertain duration. The primary macroeconomic factors that affect our core customers include the unemployment and underemployment rates, wage growth, changes in U.S. and global trade policy, and changes to certain government assistance programs, such as the Supplemental Nutrition Assistance Program, unemployment benefits, economic stimulus payments, and the child tax credit. In 2020 and the first half of 2021, our customers experienced impacts from many of these factors, as detailed above under "Impact of COVID-19". We are monitoring the potential impact of changes to SNAP benefits and unemployment benefit programs, as well as the monthly payments of the child tax credit, all of which may impact our customers during the second half of 2021. Additionally, our customers are impacted by increases in those expenses that generally comprise a large portion of their household budgets, such as rent, healthcare, and fuel prices; as well as cost inflation in frequently purchased household products. Finally, significant unseasonable or unusual weather patterns can impact customer shopping behaviors.

We remain committed to our long-term operating priorities as we consistently strive to improve our performance while retaining our customer-centric focus. These priorities include: 1) driving profitable sales growth, 2) capturing growth opportunities, 3) enhancing our position as a low-cost operator, and 4) investing in our diverse teams through development, empowerment and inclusion.

We seek to drive profitable sales growth through initiatives aimed at increasing customer traffic and average transaction amount. As we work to provide everyday low prices and meet our customers' affordability needs, we remain focused on enhancing our margins through effective category management, inventory shrink reduction initiatives, private brands penetration, distribution and transportation efficiencies, global sourcing, and pricing and markdown optimization. Several of our strategic and other sales-driving initiatives are also designed to capture growth opportunities and are discussed in more detail below.

Historically, our sales in our consumables category, which tend to have lower gross margins, have been the key drivers of net sales and customer traffic, while sales in our non-consumables categories, which tend to have higher gross margins, have contributed to more profitable sales growth and an increase in average transaction amount. Prior to 2020, our sales mix had continued to shift toward consumables, and, within consumables, toward lower margin departments such as perishables. This trend did not occur in 2020 or the first quarter of 2021 (as discussed above under "Impact of COVID-19"), though we did begin to see some reversion toward the prior mix trends beginning in the second quarter of 2021. We continue to expect some sales mix challenges to persist, and we expect the mix trend reversion toward consumables will continue. Several of our initiatives, including certain of those discussed below, are intended to address these mix challenges; however, there can be no assurances that these efforts will be successful.

We continue to make progress on and invest in certain strategic initiatives that we believe will help drive profitable sales growth, both with new and existing customers, and capture long-term growth opportunities. Such opportunities include leveraging existing and developing new digital tools and technology to provide our customers with additional shopping access points and even greater convenience. This technology includes our Dollar General app, which contains a variety of tools to enhance the in-store shopping experience. Additionally, DG Pickup, which is a buy online, pickup in-store initiative, is now available in more than 17,000 stores across the chain. Further, our non-consumables initiative, which offers a new, differentiated and limited assortment that will change throughout the year, is contributing

to improved overall sales and gross margin performance in stores where it has been deployed. We plan to significantly expand the number of stores with the full or “lite” version of our non-consumables initiative offering in 2021, and to complete our initial rollout of the non-consumables initiative in the vast majority of our Dollar General stores by the end of fiscal 2022.

Additionally, in the third quarter of 2020, we introduced pOpshelf, a unique retail concept that incorporates certain of the lessons learned from NCI in a differentiated format that is focused on categories such as seasonal and home décor, health and beauty, home cleaning supplies, and party and entertainment goods. At the end of the second quarter of 2021, we operated 16 standalone pOpshelf locations and two pOpshelf store-within-a-store offerings within existing Dollar General Market stores. Our goal is to operate up to 50 pOpshelf locations, as well as up to 25 pOpshelf store-within-a-store offerings by the end of fiscal 2021.

In the second quarter of 2021, we completed our rollout of the “DG Fresh” initiative, a self-distribution model for frozen and refrigerated products that is designed to reduce product costs, enhance item assortment, improve our in-stock position, and enhance sales. DG Fresh contributed to our strong sales performance in the first half of 2021, driven by higher in-stock levels and the introduction of new products in select stores. In addition, DG Fresh benefitted gross profit in the first half of 2021 through improved initial markups on inventory purchases, which were partially offset by increased distribution and transportation costs. DG Fresh now serves essentially all stores across the chain, and we expect the overall net benefit to our financial results to continue throughout 2021. Moving forward, we plan to focus on further optimization of the distribution footprint and product assortment within DG Fresh to further drive profitable sales growth.

To support our other operating priorities, we remain focused on capturing growth opportunities. In the first half of 2021, we opened 530 new stores, remodeled 1,020 stores, and relocated 58 stores. For 2021, we plan to open approximately 1,050 new stores (including any pOpshelf stores), remodel approximately 1,750 stores, and relocate approximately 100 stores, for a total of 2,900 real estate projects.

We continue to innovate within our channel and are able to utilize the most productive of our various Dollar General store formats based on the specific market opportunity. We recently introduced two new larger format stores (one at approximately 8,500 square feet and the other at approximately 9,500 square feet), which allows us to further expand our offering and our ability to serve our customers. We expect the 8,500 square foot box, along with our existing Dollar General Plus format of a similar size, to become our base prototypes for the majority of new stores moving forward, replacing our traditional 7,300 square foot store format and higher-cooler count Dollar General Traditional Plus format. The innovation in store formats is expected to allow us to capture additional growth opportunities within our existing markets. Additionally, the larger formats allow for expanded high-capacity-cooler counts; an extended queue line; and a broader product assortment, including NCI, a larger health and beauty section, and produce in select stores. We continue to incorporate lessons learned from our various store formats and layouts into our existing store base. These lessons contribute to innovation in developing new formats, with a goal of driving increased customer traffic, average transaction amount, same-store sales and overall store productivity. Additionally, we have a smaller format store (less than 6,000 square feet), which is expected to allow us to capture growth opportunities in urban areas.

We have established a position as a low-cost operator, always seeking ways to reduce or control costs that do not affect our customers’ shopping experiences. We plan to continue enhancing this position over time while employing ongoing cost discipline to reduce certain expenses as a percentage of sales. Nonetheless, we seek to maintain flexibility to invest in the business as necessary to enhance our long-term competitiveness and profitability.

We also have launched “Fast Track”, an initiative aimed at further enhancing our convenience proposition and in-stock position as well as increasing labor efficiencies within our stores. The first phase of Fast Track involved sorting process optimization within our distribution centers, as well as increased shelf-ready packaging, to allow for greater store-level stocking efficiencies, followed by the second-phase pilot of a self-checkout option in a limited number of stores. We completed the sorting process optimization at all of our non-refrigerated distribution centers in 2019. Additionally, we expect to continue to add self-checkout capabilities in additional stores throughout 2021 and beyond. These and the other strategic initiatives discussed above will require us to incur upfront expenses for which there may not be an immediate return in terms of sales or enhanced profitability.

Certain of our operating expenses, such as wage rates and occupancy costs, have continued to increase in recent years, due primarily to market forces, including labor availability, increases in minimum wage rates and increases in

property rents. Further federal, state and/or local minimum wage increases could have a material negative impact on our operating expenses, although the magnitude and timing of such impact is uncertain. We have experienced incremental payroll, distribution and transportation costs related to the COVID-19 pandemic and its associated impacts. Labor shortages and shipping capacity shortages continue to pressure our business, resulting in significantly higher supply chain costs and shipping delays in some instances. As we move through 2021, we expect continued inflationary pressures due to higher input costs will continue to affect us as well as our vendors, including higher commodity, transportation and other costs, all of which may result in continued pressure to our operating results. While we expect these challenges to persist, certain of our initiatives and plans are intended to help offset these challenges; however, they are somewhat dependent on the scale and timing of the increases, among other factors. There can be no assurance that our mitigation efforts will be successful.

Our diverse teams are a competitive advantage, and we proactively seek ways to continue investing in their development. Our goal is to create an environment that attracts, develops, and retains talented personnel, particularly at the store manager level, because employees who are promoted from within our company generally have longer tenures and are greater contributors to improvements in our financial performance.

To further enhance shareholder returns, we repurchased shares of our common stock and paid quarterly cash dividends in the first half of 2021. We expect to continue our share repurchase activity, and to pay quarterly cash dividends, throughout the remainder of 2021, subject to Board discretion and approval.

We utilize key performance indicators (“KPIs”) in the management of our business. Our KPIs include same-store sales, average sales per square foot, and inventory turnover. Same-store sales are calculated based upon stores that were open at least 13 full fiscal months and remain open at the end of the reporting period. We include stores that have been remodeled, expanded or relocated in our same-store sales calculation. Changes in same-store sales are calculated based on the comparable 52 calendar weeks in the current and prior years. The method of calculating same-store sales varies across the retail industry. As a result, our calculation of same-store sales is not necessarily comparable to similarly titled measures reported by other companies. Net sales per square foot is calculated based on total sales for the preceding 12 months as of the ending date of the reporting period divided by the average selling square footage during the period, including the end of the fiscal year, the beginning of the fiscal year, and the end of each of our three interim fiscal quarters. Inventory turnover is calculated based on total cost of goods sold for the preceding four quarters divided by the average inventory balance as of the ending date of the reporting period, including the end of the fiscal year, the beginning of the fiscal year, and the end of each of our three interim fiscal quarters. Each of these measures is commonly used by investors in retail companies to measure the health of the business. We use these measures to maximize profitability and for decisions about the allocation of resources.

A continued focus on our four operating priorities as discussed above contributed to our overall operating and financial performance in the 2021 and 2020 periods, which were enhanced by increased consumer demand, as discussed above under “Impact of Covid-19”.

Highlights of our 2021 second quarter results of operations compared to the 2020 second quarter and our financial condition at July 30, 2021 are set forth below. Basis points amounts referred to below are equal to 0.01% as a percentage of net sales.

- Net sales decreased 0.4% to \$8.65 billion. Sales in same-stores decreased 4.7% primarily reflecting a decrease in customer traffic. Average sales per square foot for all stores over the 52-week period ended July 30, 2021 was \$265.
- Gross profit, as a percentage of net sales, was 31.6% in the 2021 period and 32.5% in the 2020 period, a decrease of 80 basis points, primarily reflecting increased transportation costs and an increased LIFO provision.
- SG&A expense, as a percentage of net sales, was 21.8% in the 2021 period compared to 20.4% in the 2020 period, an increase of 138 basis points, due in part to higher retail labor and store occupancy costs as a percentage of net sales.
- Operating profit decreased 18.5% to \$0.85 billion in the 2021 period compared to \$1.04 billion in the 2020 period.
- Interest expense increased by \$0.1 million in the 2021 period.
- The effective income tax rate for the 2021 period was 21.4% compared to a rate of 21.5% for the 2020 period primarily due to a greater impact of permanent income tax differences in the 2021 period.
- Net income was \$637.0 million, or \$2.69 per diluted share, in the 2021 period compared to net income of \$787.6 million, or \$3.12 per diluted share, in the 2020 period.

Highlights of the year-to-date period of 2020 include:

- Cash generated from operating activities was \$1.32 billion for the 2021 period, a decrease of \$1.59 billion, or 54.7%, from the comparable 2020 period.
- Total cash dividends of \$198.1 million, or \$0.84 per share, were paid during the 2021 period, compared to \$180.3 million, or \$0.72 per share, in the comparable 2020 period.
- Inventory turnover was 4.6 times on a rolling four-quarter basis. On a per store basis, inventories at July 30, 2021 increased by 13.7% compared to the balances at July 31, 2020.

The above discussion is a summary only. Readers should refer to the detailed discussion of our results of operations below in the current year periods as compared with the prior year periods as well as our financial condition at July 30, 2021.

Results of Operations

Accounting Periods. We utilize a 52-53 week fiscal year convention that ends on the Friday nearest to January 31. The following text contains references to years 2021 and 2020, which represent the 52-week fiscal years ending or ended January 28, 2022 and January 29, 2021, respectively. References to the second quarter accounting periods for 2021 and 2020 contained herein refer to the 13-week accounting periods ended July 30, 2021 and July 31, 2020, respectively.

Seasonality. The nature of our business is somewhat seasonal. Primarily because of sales of Christmas-related merchandise, operating profit in our fourth quarter (November, December and January) has historically been higher than operating profit in each of the first three quarters of the fiscal year. Expenses, and to a greater extent operating profit, vary by quarter. Results of a period shorter than a full year may not be indicative of results expected for the entire year. Furthermore, the seasonal nature of our business may affect comparisons between periods. Consumer behavior driven by the COVID-19 pandemic and the U.S. government's response thereto, including economic stimulus legislation, has

resulted in a departure from seasonal norms we have experienced in recent years and may continue to disrupt the historical quarterly cadence of our results of operations for an unknown period of time.

The following table contains results of operations data for the second 13-week periods and the 26-week periods of 2021 and 2020, and the dollar and percentage variances among those periods:

(amounts in millions, except per share amounts)	13 Weeks Ended		2021 vs. 2020		26 Weeks Ended		2021 vs. 2020	
	July 30, 2021	July 31, 2020	Amount Change	% Change	July 30, 2021	July 31, 2020	Amount Change	% Change
<u>Net sales by category:</u>								
Consumables	\$ 6,613.0	\$ 6,496.4	\$ 116.6	1.8 %	\$ 12,991.1	\$ 13,199.8	\$ (208.7)	(1.6)%
% of net sales	76.45 %	74.81 %			76.19 %	77.04 %		
Seasonal	1,090.3	1,161.6	(71.3)	(6.1)	2,140.7	2,079.5	61.2	2.9
% of net sales	12.60 %	13.38 %			12.55 %	12.14 %		
Home products	561.2	586.0	(24.8)	(4.2)	1,132.5	1,084.3	48.2	4.4
% of net sales	6.49 %	6.75 %			6.64 %	6.33 %		
Apparel	385.7	440.3	(54.5)	(12.4)	786.9	769.1	17.8	2.3
% of net sales	4.46 %	5.07 %			4.61 %	4.49 %		
Net sales	\$ 8,650.2	\$ 8,684.2	\$ (34.0)	(0.4)%	\$ 17,051.2	\$ 17,132.7	\$ (81.5)	(0.5)%
Cost of goods sold	5,912.5	5,866.0	46.5	0.8	11,557.8	11,718.8	(160.9)	(1.4)%
% of net sales	68.35 %	67.55 %			67.78 %	68.40 %		
Gross profit	2,737.7	2,818.2	(80.6)	(2.9)	5,493.3	5,413.9	79.4	1.5
% of net sales	31.65 %	32.45 %			32.22 %	31.60 %		
Selling, general and administrative expenses	1,888.1	1,775.6	112.5	6.3	3,734.9	3,504.5	230.4	6.6
% of net sales	21.83 %	20.45 %			21.90 %	20.46 %		
Operating profit	849.6	1,042.6	(193.1)	(18.5)	1,758.4	1,909.4	(151.0)	(7.9)%
% of net sales	9.82 %	12.01 %			10.31 %	11.14 %		
Interest expense	39.4	39.3	0.1	0.3	79.8	69.8	10.0	14.3
% of net sales	0.46 %	0.45 %			0.47 %	0.41 %		
Income before income taxes	810.1	1,003.3	(193.2)	(19.3)	1,678.6	1,839.6	(161.0)	(8.8)%
% of net sales	9.37 %	11.55 %			9.84 %	10.74 %		
Income tax expense	173.1	215.7	(42.6)	(19.7)	363.8	401.5	(37.7)	(9.4)%
% of net sales	2.00 %	2.48 %			2.13 %	2.34 %		
Net income	\$ 637.0	\$ 787.6	\$ (150.6)	(19.1)%	\$ 1,314.8	\$ 1,438.0	\$ (123.3)	(8.6)%
% of net sales	7.36 %	9.07 %			7.71 %	8.39 %		
Diluted earnings per share	\$ 2.69	\$ 3.12	\$ (0.43)	(13.8)%	\$ 5.52	\$ 5.69	\$ (0.17)	(3.0)%

13 WEEKS ENDED JULY 30, 2021 AND JULY 31, 2020

Net Sales. The net sales decrease in the 2021 period was primarily due to a same-store sales decrease of 4.7% compared to the 2020 period. We believe the effect of the onset of the COVID-19 pandemic on consumer behavior had a significant positive effect on net sales and same-store sales, particularly in the 2020 period in our non-consumable categories, which affects the comparisons between periods. For the 2021 period, there were 16,488 same-stores which accounted for sales of \$8.2 billion. The decrease in same-store sales primarily reflects a decline in customer traffic, partially offset by an increase in average transaction amount which was driven by higher average item retail prices. Same-store sales declined in all categories with the largest percentage decrease in the apparel category. Net sales were positively affected by sales from new stores, modestly offset by sales from closed stores.

Gross Profit. For the 2021 period, gross profit decreased by 2.9%, and as a percentage of net sales decreased by 80 basis points to 31.6%, compared to the 2020 period. Increased transportation costs and an increased LIFO provision contributed to the decrease in the gross profit rate. In recent years a greater percentage of our sales have come from our consumables category, which generally has a lower gross profit rate than our other product categories, creating downward pressure on our overall gross profit rate. This sales trend began to reverse in the second quarter of 2020 and continued each subsequent quarter through the first quarter of 2021, as non-consumables sales increased at a higher rate than consumables sales. In relative terms, the mix of sales shifted back to consumables in the current year period, which also contributed to the decrease in the gross profit rate, along with an increase in inventory damages. These factors were partially offset by higher inventory markups and a reduction in inventory shrink as a percentage of net sales.

Selling, General & Administrative Expenses (“SG&A”). SG&A was 21.8% as a percentage of net sales in the 2021 period compared to 20.4% in the comparable 2020 period, an increase of 138 basis points, which was primarily impacted by the reduction in net sales in the 2021 period. The primary expenses that were a greater percentage of net sales in the current year period were retail labor, store occupancy costs, employee benefits, depreciation and amortization, utilities, workers’ compensation and general liability expenses, and taxes and licenses, partially offset by lower incentive compensation expense.

Interest Expense. Interest expense increased by \$0.1 million to \$39.4 million in the 2021 period.

Income Taxes. The effective income tax rate for the 2021 period was 21.4% compared to a rate of 21.5% for the 2020 period which represents a net decrease of 0.1 percentage points. The tax rate for the 2021 period was lower than the comparable 2020 period primarily due to a greater impact of permanent differences resulting from a decrease in pre-tax income for the 2021 period compared to the 2020 period.

26 WEEKS ENDED JULY 30, 2021 AND JULY 31, 2020

Net Sales. The net sales decrease in the 2021 period reflects a same-store sales decrease of 4.7% compared to the 2020 period. For the 2021 period, there were 16,488 same-stores which accounted for sales of \$16.2 billion. The decrease in same-store sales reflects a decline in customer traffic partially offset by an increase in average transaction amount which was driven by higher average item retail prices. Same-store sales decreased in all categories, with the largest percentage decrease in the consumables category. Net sales were positively affected by sales from new stores, modestly offset by sales from closed stores.

Gross Profit. For the 2021 period, gross profit increased by 1.5%, and as a percentage of net sales increased by 62 basis points to 32.2% compared to the 2020 period. Higher inventory markups, a lower inventory shrink rate and a reduction in markdowns as a percentage of net sales each contributed to the increase in the gross profit rate. In addition, consumables sales decreased while non-consumables sales increased in the current year period, which also contributed to the increase in the gross profit rate. These factors were partially offset by increased transportation costs, an increased LIFO provision, and increased inventory damages.

Selling, General & Administrative Expenses. SG&A was 21.9% as a percentage of net sales in the 2021 period compared to 20.5% in the comparable 2020 period, an increase of 144 basis points, which was primarily impacted by the reduction in net sales. The primary expenses that were a higher percentage of net sales in the current year period were retail labor, store occupancy costs, depreciation and amortization, utilities, taxes and licenses, workers’ compensation and general liability expenses, employee benefits and administrative compensation (driven by share-based compensation), partially offset by lower incentive compensation expense.

Interest Expense. Interest expense increased by \$10.0 million to \$79.8 million in the 2021 period primarily due to higher outstanding debt balances in connection with the issuance of debt in the 2020 period.

Income Taxes. The effective income tax rate for the 2021 period was 21.7% compared to a rate of 21.8% for the 2020 period which represents a net decrease of 0.1 percentage points. The tax rate for the 2021 period was lower than the comparable 2020 period primarily due to a greater impact of permanent differences resulting from a decrease in pre-tax income for the 2021 period compared to the 2020 period.

Liquidity and Capital Resources

At July 30, 2021, we had a \$1.25 billion unsecured revolving credit agreement (the “Revolving Facility”), \$4.0 billion aggregate principal amount of senior notes, and a commercial paper program that may provide borrowing availability in the form of commercial paper notes (“CP Notes”) of up to \$1.0 billion. At July 30, 2021, we had total consolidated outstanding long-term obligations of \$4.2 billion, most of which was in the form of senior notes. All of our material borrowing arrangements are described in greater detail below. Our borrowing availability under the Revolving Facility may be effectively limited by our CP Notes as further described below.

We believe our cash flow from operations and existing cash balances, combined with availability under the Revolving Facility, the CP Notes and access to the debt markets, will provide sufficient liquidity to fund our current obligations, projected working capital requirements, capital spending, anticipated dividend payments and share

repurchases for a period that includes the next twelve months as well as the next several years. However, our ability to maintain sufficient liquidity may be affected by numerous factors, many of which are outside of our control. Depending on our liquidity levels, conditions in the capital markets and other factors, we may from time to time consider the issuance of debt, equity or other securities, the proceeds of which could provide additional liquidity for our operations.

For the remainder of fiscal 2021, we anticipate potential combined borrowings under the Revolving Facility and our CP Notes to be a maximum of approximately \$900 million outstanding at any one time.

Revolving Credit Facility

On September 10, 2019, we entered into the Revolving Facility consisting of a \$1.25 billion senior unsecured revolving credit facility of which up to \$175.0 million is available for the issuance of letters of credit and which is scheduled to mature on September 10, 2024.

Borrowings under the Revolving Facility bear interest at a rate equal to an applicable interest rate margin plus, at our option, either (a) LIBOR or (b) a base rate (which is usually equal to the prime rate). The applicable interest rate margin for borrowings as of July 30, 2021 was 1.015% for LIBOR borrowings and 0.015% for base-rate borrowings. We must also pay a facility fee, payable on any used and unused commitment amounts of the Revolving Facility, and customary fees on letters of credit issued under the Revolving Facility. As of July 30, 2021, the facility fee rate was 0.11%. The applicable interest rate margins for borrowings, the facility fees and the letter of credit fees under the Revolving Facility are subject to adjustment from time to time based on our long-term senior unsecured debt ratings.

The Revolving Facility contains a number of customary affirmative and negative covenants that, among other things, restrict, subject to certain exceptions, our (including our subsidiaries') ability to: incur additional liens; sell all or substantially all of our assets; consummate certain fundamental changes or change in our lines of business; and incur additional subsidiary indebtedness. The Revolving Facility also contains financial covenants that require the maintenance of a minimum fixed charge coverage ratio and a maximum leverage ratio. As of July 30, 2021, we were in compliance with all such covenants. The Revolving Facility also contains customary events of default.

As of July 30, 2021, under the Revolving Facility, we had no outstanding borrowings, outstanding letters of credit of \$2.9 million, and borrowing availability of approximately \$1.25 billion that, due to our intention to maintain borrowing availability related to the commercial paper program described below, could contribute incremental liquidity of \$1.05 billion at July 30, 2021. In addition, as of July 30, 2021 we had outstanding letters of credit of \$53.4 million which were issued pursuant to separate agreements.

Commercial Paper

We may issue the CP Notes from time to time in an aggregate amount not to exceed \$1.0 billion outstanding at any time. The CP Notes may have maturities of up to 364 days from the date of issue and rank equal in right of payment with all of our other unsecured and unsubordinated indebtedness. We intend to maintain available commitments under the Revolving Facility in an amount at least equal to the amount of CP Notes outstanding at any time. As of July 30, 2021, our condensed consolidated balance sheet reflected outstanding unsecured CP Notes of \$18.4 million, which had a weighted average interest rate of 0.15%. CP Notes totaling \$181.0 million were held by a wholly-owned subsidiary and are therefore not reflected on the condensed consolidated balance sheet.

Senior Notes

In April 2013 we issued \$900.0 million aggregate principal amount of 3.25% senior notes due 2023 (the "2023 Senior Notes") at a discount of \$2.4 million, which are scheduled to mature on April 15, 2023. In October 2015 we issued \$500.0 million aggregate principal amount of 4.150% senior notes due 2025 (the "2025 Senior Notes") at a discount of \$0.8 million, which are scheduled to mature on November 1, 2025. In April 2017 we issued \$600.0 million aggregate principal amount of 3.875% senior notes due 2027 (the "2027 Senior Notes") at a discount of \$0.4 million, which are scheduled to mature on April 15, 2027. In April 2018 we issued \$500.0 million aggregate principal amount of 4.125% senior notes due 2028 (the "2028 Senior Notes") at a discount of \$0.5 million, which are scheduled to mature on May 1, 2028. In April 2020 we issued \$1.0 billion aggregate principal amount of 3.5% senior notes due 2030 (the "2030 Senior Notes") at a discount of \$0.7 million, which are scheduled to mature on April 3, 2030, and \$500.0 million aggregate principal amount of 4.125% senior notes due 2050 (the "2050 Senior Notes") at a discount of \$5.0 million,

which are scheduled to mature on April 3, 2050. Collectively, the 2023 Senior Notes, 2025 Senior Notes, 2027 Senior Notes, 2028 Senior Notes, 2030 Senior Notes and 2050 Senior Notes comprise the “Senior Notes”, each of which were issued pursuant to an indenture as supplemented and amended by supplemental indentures relating to each series of Senior Notes (as so supplemented and amended, the “Senior Indenture”). Interest on the 2023 Senior Notes and the 2027 Senior Notes is payable in cash on April 15 and October 15 of each year. Interest on the 2025 and 2028 Senior Notes is payable in cash on May 1 and November 1 of each year. Interest on the 2030 and 2050 Senior Notes is payable in cash on April 3 and October 3 of each year.

We may redeem some or all of the Senior Notes at any time at redemption prices set forth in the Senior Indenture. Upon the occurrence of a change of control triggering event, which is defined in the Senior Indenture, each holder of our Senior Notes has the right to require us to repurchase some or all of such holder’s Senior Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date.

The Senior Indenture contains covenants limiting, among other things, our ability (subject to certain exceptions) to consolidate, merge, or sell or otherwise dispose of all or substantially all of our assets; and our ability and the ability of our subsidiaries to incur or guarantee indebtedness secured by liens on any shares of voting stock of significant subsidiaries.

The Senior Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on our Senior Notes to become or to be declared due and payable, as applicable.

Current Financial Condition / Recent Developments

Our inventory balance represented approximately 52% of our total assets exclusive of operating lease assets, goodwill and other intangible assets as of July 30, 2021. Our ability to effectively manage our inventory balances can have a significant impact on our cash flows from operations during a given fiscal year. Inventory purchases are often somewhat seasonal in nature, such as the purchase of warm-weather or Christmas-related merchandise. Efficient management of our inventory has been and continues to be an area of focus for us.

As described in Note 7 to the unaudited condensed consolidated financial statements, we are involved in a number of legal actions and claims, some of which could potentially result in material cash payments. Adverse developments in those actions could materially and adversely affect our liquidity.

Our senior unsecured debt is rated “Baa2,” by Moody’s with a stable outlook and “BBB” by Standard & Poor’s with a stable outlook, and our commercial paper program is rated “P-2” by Moody’s and “A-2” by Standard and Poor’s, respectively. Our current credit ratings, as well as future rating agency actions, could (i) impact our ability to finance our operations on satisfactory terms; (ii) affect our financing costs; and (iii) affect our insurance premiums and collateral requirements necessary for our self-insured programs. There can be no assurance that we will maintain or improve our current credit ratings.

Unless otherwise noted, all references to the 2021 and 2020 periods in the discussion of cash flows from operating, investing and financing activities below refer to the 26-week periods ended July 30, 2021 and July 31, 2020, respectively.

Cash flows from operating activities. Cash flows from operating activities were \$1.32 billion in the 2021 period, which represents a \$1.59 billion decrease compared to the 2020 period. Net income decreased \$123.3 million in the 2021 period compared to the 2020 period. Changes in merchandise inventories resulted in a \$80.0 million decrease in the 2021 period as compared to an increase of \$284.0 million in the 2020 period as further discussed below. Changes in accounts payable resulted in a \$245.4 million decrease in the 2021 period compared to a \$560.9 million increase in the 2020 period, due primarily to the timing of receipts and payments. Changes in accrued expenses and other liabilities resulted in a \$25.5 million decrease in the 2021 period compared to an \$273.2 million increase in the 2020 period, due in part to the timing of regular and discretionary incentive compensation accruals and payments. Changes in income taxes in the 2021 period compared to the 2020 period are primarily due to the timing of payments for income taxes.

On an ongoing basis, we closely monitor and manage our inventory balances, and they may fluctuate from period to period based on new store openings, the timing of purchases, and other factors. Inventory levels in the 2020

period were lower than we had experienced in prior recent years and is reflective of changes in consumer behavior and, to a lesser extent, supply chain disruption caused by the onset of the COVID-19 pandemic. In addition, we strategically accelerated certain inventory purchases during the 2021 period, particularly in select non-consumable categories, in anticipation of the supply chain constraints discussed above. Total merchandise inventories increased by 1% in the 2021 period and decreased by 6% in the 2020 period, with changes in our four inventory categories as follows: consumables increased by 1% compared to a 1% decrease; seasonal decreased 1% compared to a 12% decrease; home products increased by 14% compared to a 13% decrease; and apparel decreased by 15% compared to a 24% decrease.

Cash flows from investing activities. Significant components of property and equipment purchases in the 2021 period included the following approximate amounts: \$248 million for improvements, upgrades, remodels and relocations of existing stores; \$126 million for distribution and transportation-related capital expenditures; \$125 million related to store facilities, primarily for leasehold improvements, fixtures and equipment in new stores; and \$19 million for information systems upgrades and technology-related projects. The timing of new, remodeled and relocated store openings along with other factors may affect the relationship between such openings and the related property and equipment purchases in any given period. During the 2021 period, we opened 530 new stores and remodeled or relocated 1,078 stores.

Significant components of property and equipment purchases in the 2020 period included the following approximate amounts: \$162 million for improvements, upgrades, remodels and relocations of existing stores; \$138 million related to store facilities, primarily for leasehold improvements, fixtures and equipment in new stores; \$95 million for distribution and transportation-related capital expenditures; and \$26 million for information systems upgrades and technology-related projects. During the 2020 period, we opened 500 new stores and remodeled or relocated 1,016 stores.

Capital expenditures for 2021 are currently projected to be in the range of \$1.1 billion to \$1.2 billion. We anticipate funding 2021 capital requirements with a combination of some or all of the following: existing cash balances, cash flows from operations, availability under our Revolving Facility and/or the issuance of additional CP Notes. We plan to continue to invest in store growth through the development of new stores and the remodel or relocation of existing stores. Capital expenditures in 2021 are anticipated to support our store growth as well as our remodel and relocation initiatives, including capital outlays for leasehold improvements, fixtures and equipment; the construction of new stores; costs to support and enhance our supply chain initiatives including new and existing distribution center facilities and our private fleet; technology and other strategic initiatives; as well as routine and ongoing capital requirements.

Cash flows from financing activities. In the 2020 period, net proceeds from the issuance of the 2030 Senior Notes and 2050 Senior Notes totaled \$1.5 billion. Net commercial paper borrowings increased by \$18.4 million in the 2021 period and decreased by \$425.2 million in the 2020 period. There were no borrowings or repayments under the Revolving Facility during the 2021 period, and such borrowings and repayments in the 2020 period were \$300.0 million each. Also during the 2021 and 2020 periods, we repurchased 8.3 million and 3.6 million shares of our common stock at a total cost of \$1.7 billion and \$0.7 billion, respectively, and paid cash dividends of \$198.1 million and \$180.3 million, respectively.

Share Repurchase Program

As of July 30, 2021 our common stock repurchase program had a total remaining authorization of approximately \$0.98 billion. The authorization allows repurchases from time to time in open market transactions, including pursuant to trading plans adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, or in privately negotiated transactions. The timing, manner and number of shares repurchased will depend on a variety of factors, including price, market conditions, compliance with the covenants and restrictions under our debt agreements and other factors. The repurchase program has no expiration date and may be modified or terminated from time to time at the discretion of our Board of Directors. For more about our share repurchase program, see Note 9 to the condensed consolidated financial statements contained in Part I, Item 1 of this report and Part II, Item 2 of this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes to the disclosures relating to this item from those set forth in our Annual Report on Form 10-K for the fiscal year ended January 29, 2021.

ITEM 4. CONTROLS AND PROCEDURES.

(a) *Disclosure Controls and Procedures.* Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) or Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) *Changes in Internal Control Over Financial Reporting.* There have been no changes in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) or Rule 15d-15(f)) during the quarter ended July 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The information contained in Note 7 to the unaudited condensed consolidated financial statements under the heading “Legal proceedings” contained in Part I, Item 1 of this report is incorporated herein by this reference.

ITEM 1A. RISK FACTORS.

There have been no material changes to the disclosures relating to this item from those set forth in our Annual Report on Form 10-K for the fiscal year ended January 29, 2021.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The following table contains information regarding purchases of our common stock made during the quarter ended July 30, 2021 by or on behalf of Dollar General or any “affiliated purchaser,” as defined by Rule 10b-18(a)(3) of the Exchange Act:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(a)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(a)
05/01/21-05/31/21	122,212	\$ 204.56	122,212	\$ 1,653,963,000
06/01/21-06/30/21	2,408,180	\$ 209.18	2,408,180	\$ 1,150,216,000
07/01/21-07/30/21	779,258	\$ 219.50	779,258	\$ 979,167,000
Total	3,309,650	\$ 211.44	3,309,650	\$ 979,167,000

- (a) On September 5, 2012, the Company announced a program permitting the Company to repurchase a portion of its outstanding shares not to exceed a dollar maximum established by the Company’s Board of Directors. The program was most recently amended on March 17, 2021 to increase the repurchase authorization by \$2.0 billion, bringing the cumulative total value of authorized share repurchases under the program since its inception to \$12.0 billion. Under the authorization, repurchases may be made from time to time in open market transactions, including pursuant to trading plans adopted in accordance with Rule 10b5-1 of the Exchange Act, or in privately negotiated transactions. The timing, manner and number of shares repurchased will depend on a variety of factors, including price, market conditions, compliance with the covenants and restrictions under the Company’s debt agreements and other factors. This repurchase authorization has no expiration date.

ITEM 6. EXHIBITS.

See the Exhibit Index to this report immediately before the signature page hereto, which Exhibit Index is incorporated by reference as if fully set forth herein.

CAUTIONARY DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We include “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act, throughout this report, particularly under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Part I, Item 2, and “Note 7. Commitments and Contingencies” included in Part I, Item 1, among others. You can identify these statements because they are not limited to historical fact or they use words such as “may,” “will,” “can,” “should,” “could,” “would,” “expect,” “believe,” “anticipate,” “project,” “predict,” “plan,” “estimate,” “outlook,” “future,” “aim,” “goal,” “seek,” “strive,” “intend,” “improve,” “position,” “opportunities,” “ongoing,” “likely,” “scheduled,” “potential,” “subject to,” “focused on,” “long-term,” “uncertain,” or “continue,” and similar expressions that concern our strategies, plans, initiatives, intentions, outlook or beliefs about future occurrences or results. For example, forward-looking statements include all statements relating to, among others, our estimated and projected expenditures, cash flows, results of operations, financial condition and liquidity; our plans and objectives for, and expectations regarding, future operations, economic and competitive market conditions, growth or initiatives, including but not limited to the number of planned store openings, remodels and relocations, store formats or concepts, progress of strategic (including our non-consumables and digital initiatives, DG Fresh, Fast Track, and pOpshelf), merchandising, distribution and transportation efficiencies, and margin enhancing initiatives, trends in sales of consumable and non-consumable products, customer traffic and basket size, and level of future costs and expenses; expectations regarding inflationary and labor pressures and supply chain challenges; potential future stock repurchases and cash dividends; anticipated borrowing under the Revolving Facility and our commercial paper program; potential impact of the COVID-19 pandemic; potential impact of legal or regulatory changes or governmental assistance or stimulus programs and our responses thereto, including the potential increase of federal, state and/or local minimum wage rates, as well as changes to SNAP benefits, unemployment benefits and child tax credits; and expected outcome or effect of pending or threatened legal disputes, litigation or audits.

Forward-looking statements are subject to risks, uncertainties and other factors that may change at any time and may cause our actual results to differ materially from those that we expected. We derive many of these statements from our operating budgets and forecasts as of the date of this document, which are based on many detailed assumptions that we believe are reasonable. However, it is very difficult to predict the effect of known factors on future results, and we cannot anticipate all factors that could affect future results that may be important to you. Important factors that could cause actual results to differ materially from the expectations expressed in or implied by our forward-looking statements include, but are not limited to:

- risks related to the COVID-19 pandemic, including but not limited to, the effects on our supply chain, distribution network, store and distribution center growth, store and distribution center closures, transportation and distribution costs, SG&A expenses, share repurchase activity, and cybersecurity risk profile, as well as the effects on domestic and foreign economies, the global supply chain, labor availability and customers’ spending patterns;
- economic factors, including but not limited to employment levels; inflation; pandemics; higher fuel, energy, healthcare and housing costs, interest rates, consumer debt levels, and tax rates; tax law changes that negatively affect credits and refunds; lack of available credit; decreases in, or elimination of, government stimulus payments and government subsidies such as unemployment and food/nutrition assistance programs; commodity rates; transportation, lease and insurance costs; wage rates (including the heightened possibility of increased federal, state and/or local minimum wage rates); foreign exchange rate fluctuations; measures or events that create barriers to or increase the costs of international trade (including increased import duties or tariffs); and changes in laws and regulations and their effect on as applicable, customer spending and disposable income, our ability to execute our strategies and initiatives, our cost of goods sold, our SG&A expenses (including real estate costs), and our sales and profitability;
- failure to achieve or sustain our strategies and initiatives, including those relating to merchandising, real estate and new store development, store formats and concepts, digital, shrink, sourcing, private brand, inventory management, supply chain, store operations, expense reduction, technology, our Fresh initiative and our Fast Track initiative;
- competitive pressures and changes in the competitive environment and the geographic and product markets where we operate, including, but not limited to, pricing, promotional activity, expanded availability of mobile, web-based and other digital technologies, and alliances or other business combinations;

- failure to timely and cost-effectively execute our real estate projects or to anticipate or successfully address the challenges imposed by our expansion, including into new states, markets or urban areas;
- levels of inventory shrinkage;
- failure to successfully manage inventory balances;
- failure to maintain the security of our business, customer, employee or vendor information or to comply with privacy laws;
- damage or interruption to our information systems as a result of external factors, staffing shortages or challenges in maintaining or updating our existing technology or developing or implementing new technology;
- a significant disruption to our distribution network, the capacity of our distribution centers or the timely receipt of inventory, or delays in constructing, opening or staffing new distribution centers;
- risks and challenges associated with sourcing merchandise from suppliers, including, but not limited to, those related to international trade;
- natural disasters, unusual weather conditions (whether or not caused by climate change), pandemic outbreaks or other health crises, political or civil unrest, acts of violence or terrorism, and disruptive global political events;
- product liability, product recall or other product safety or labeling claims;
- incurrence of material uninsured losses, excessive insurance costs or accident costs;
- failure to attract, develop and retain qualified employees while controlling labor costs (including the heightened possibility of increased federal, state and/or local minimum wage rates) and other labor issues;
- loss of key personnel or inability to hire additional qualified personnel;
- risks associated with our private brands, including, but not limited to, our level of success in improving their gross profit rate;
- seasonality of our business;
- the impact of changes in or noncompliance with governmental regulations and requirements (including, but not limited to, those dealing with the sale of products, including without limitation, product and food safety, marketing or labeling; information security and privacy; labor and employment; employee wages and benefits (including the heightened possibility of increased federal, state and/or local minimum wage rates); health and safety; imports and customs; and environmental compliance, as well as tax laws (including those related to the corporate tax rate), the interpretation of existing tax laws, or our failure to sustain our reporting positions negatively affecting our tax rate) and developments in or outcomes of private actions, class actions, multi-district litigation, arbitrations, derivative actions, administrative proceedings, regulatory actions or other litigation;
- new accounting guidance or changes in the interpretation or application of existing guidance;
- deterioration in market conditions, including market disruptions, limited liquidity and interest rate fluctuations, or changes in our credit profile;
- factors disclosed under “Risk Factors” in Part I, Item 1A of our Form 10-K for the fiscal year ended January 29, 2021; and

- factors disclosed elsewhere in this document (including, without limitation, in conjunction with the forward-looking statements themselves) and other factors.

All forward-looking statements are qualified in their entirety by these and other cautionary statements that we make from time to time in our other Securities and Exchange Commission filings and public communications. You should evaluate forward-looking statements in the context of these risks, uncertainties and other factors and are cautioned to not place undue reliance on such forward-looking statements. These factors may not contain all of the material factors that are important to you. We cannot assure you that we will realize the results or developments we anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements in this report are made only as of the date hereof. We undertake no obligation, and specifically disclaim any duty, to update or revise any forward-looking statement as a result of new information, future events or circumstances, or otherwise, except as otherwise required by law.

You should also be aware that while we do, from time to time, communicate with securities analysts and others, it is against our policy to disclose to them any material, nonpublic information or other confidential commercial information. Accordingly, shareholders should not assume that we agree with any statement or report issued by any securities analyst regardless of the content of the statement or report. Furthermore, we have a policy against confirming projections, forecasts or opinions issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

EXHIBIT INDEX

3.1	<u>Amended and Restated Charter of Dollar General Corporation (effective May 28, 2021) (incorporated by reference to Exhibit 3.1 to Dollar General Corporation's Current Report on Form 8-K dated May 26, 2021, filed with the Securities and Exchange Commission (the "SEC") on June 1, 2021 (file no. 001-11421))</u>
3.2	<u>Amended and Restated Bylaws of Dollar General Corporation (effective May 28, 2021) (incorporated by reference to Exhibit 3.2 to Dollar General Corporation's Current Report on Form 8-K dated May 26, 2021, filed with the SEC on June 1, 2021 (file no. 001-11421))</u>
10.1	<u>Form of Restricted Stock Unit Award Agreement (approved May 25, 2021) for May 2021 awards to non-employee directors of Dollar General Corporation pursuant to the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2021, filed with the SEC on May 27, 2021 (file no. 001-11421))</u>
10.2	<u>Dollar General Corporation 2021 Stock Incentive Plan (incorporated by reference to Appendix A to Dollar General Corporation's 2021 Definitive Proxy Statement, filed with the SEC on April 1, 2021 (file no. 001-11421))</u>
10.3	<u>Form of Stock Option Award Agreement (approved August 24, 2021) for awards beginning August 24, 2021 to certain newly hired and promoted employees of Dollar General Corporation pursuant to the Dollar General Corporation 2021 Stock Incentive Plan</u>
10.4	<u>Employment Agreement, effective June 3, 2021, between Dollar General Corporation and Todd J. Vasos (incorporated by reference to Exhibit 99.2 to Dollar General Corporation's Current Report on Form 8-K dated May 26, 2021, filed with the SEC on June 1, 2021 (file no. 001-11421))</u>
15	<u>Letter re unaudited interim financial information</u>
31	<u>Certifications of CEO and CFO under Exchange Act Rule 13a-14(a)</u>
32	<u>Certifications of CEO and CFO under 18 U.S.C. 1350</u>
101	Interactive data files for Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended July 30, 2021, formatted in Inline XBRL: (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Income (unaudited); (iii) the Condensed Consolidated Statements of Comprehensive Income (unaudited); (iv) the Condensed Consolidated Statements of Shareholders' Equity (unaudited); (v) the Condensed Consolidated Statements of Cash Flows (unaudited); and (vi) the Notes to Condensed Consolidated Financial Statements (unaudited)
104	The cover page from Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended July 30, 2021 (formatted in Inline XBRL and contained in Exhibit 101)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, both on behalf of the Registrant and in his capacity as principal financial officer of the Registrant.

DOLLAR GENERAL CORPORATION

Date: August 26, 2021

By: /s/ John W. Garratt

John W. Garratt
Executive Vice President & Chief Financial Officer

[Form of New Hire/Promotion Option Award Agreement for use beginning August 24, 2021]

Grant Details

Participant Name:	[]
Employee Number:	[]
Grant Type:	Options (NQ)
Grant Date:	[]
Expiration Date:	[]
Exercise Price:	[]
Total Awarded:	[]

Vest Schedule – Options (NQ):	
Vest Date	Vest Quantity
[]	[]
[]	[]
[]	[]
[]	[]

**DOLLAR GENERAL CORPORATION
STOCK OPTION AWARD AGREEMENT**

THIS AGREEMENT (this “Agreement”), dated as of the date indicated (the “Grant Date”) on the Grant Details page (as defined below) above, is made by and between Dollar General Corporation, a Tennessee corporation (hereinafter referred to as the “Company”), and the individual whose name is indicated on the Grant Details page, who is an employee of the Company or a Subsidiary of the Company who the Committee (as defined below) has determined to be a Key Employee (hereinafter referred to as the “Optionee”). Any capitalized terms used but not otherwise defined in this Agreement shall have the meaning set forth in the Dollar General Corporation 2021 Stock Incentive Plan, as such Plan may be amended from time to time (the “Plan”).

WHEREAS, the Company wishes to carry out the Plan, the terms of which are hereby incorporated by reference and made a part of this Agreement; and

WHEREAS, the Compensation Committee (or a duly authorized subcommittee thereof) of the Board of the Company appointed to administer the Plan (the “Committee”) or the Board of the Company has determined that it would be to the advantage and in the best interests of the Company and its shareholders to grant the nonqualified Option provided for herein to the Optionee, and has advised the Company thereof and instructed the undersigned officer to issue said Option.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

**ARTICLE I
DEFINITIONS**

Whenever the following terms are used in this Agreement, they shall have the meaning specified below unless the context clearly indicates to the contrary.

Section 1.1. Cause

“Cause” shall mean (a) “Cause” as such term may be defined in any employment agreement between the Optionee and the Company or any of its Subsidiaries that is in effect at the time of termination of employment; or (b) if there is no such employment agreement in effect, “Cause” as such term may be defined in any change-in-control agreement between the Optionee and the Company or any of its Subsidiaries that is in effect at the time of termination of employment; or (c) if there is no such employment or change-in-control agreement, with respect to the Optionee: (i) any act of the Optionee involving fraud or dishonesty, or any willful failure to perform reasonable duties assigned to the Optionee; (ii) any material breach by the Optionee of any securities or other law or regulation or any Company policy governing trading or dealing with stock, securities, public debt instruments, bonds, investments or the like or with inappropriate disclosure or “tipping” relating to any stock, securities, public debt instruments, bonds, investments or the like; (iii) any material or substantive violation of the Company’s Code of Business Conduct and Ethics (or the equivalent code in place at the time) or any violation of the Company’s policies and procedures related to asset protection controls and other protocols; (iv) other than as required by law, the carrying out by the Optionee of any activity, or the Optionee making any public statement, which prejudices or reduces the good name and standing of the Company or any of its subsidiaries or affiliates or would bring any one of these into public

contempt or ridicule; (v) attendance by the Optionee at work in a state of intoxication or the Optionee otherwise being found in possession at the Optionee's place of work of any prohibited drug or substance, possession of which would amount to a criminal offense, or any other violation of the Company's drug and alcohol policy; (vi) any assault or other act of violence by the Optionee; or (vii) the Optionee being indicted for any crime constituting (A) any felony whatsoever or (B) any misdemeanor that would preclude employment by the Company or any Subsidiary that employs the Optionee under the Company's or any such Subsidiary's hiring policy.

Section 1.2. Delegee

"Delegee" shall mean any Committee member or members, officer of the Company or any other person or persons to whom the Committee or an officer has delegated any of its authority or duties under the Plan; provided, however, that no such delegation shall give non-Committee members authority with respect to non-ministerial actions under the Plan that affect individuals who are subject to the reporting and other provisions of Section 16 of the Exchange Act or any successor provision.

Section 1.3. Disability Termination

"Disability Termination" shall mean the Optionee's employment with the Company and all Subsidiaries is involuntarily terminated by the Company or any Subsidiary that employs the Optionee other than with Cause at a time when the Optionee is eligible for and receiving benefits under the Company's long-term disability plan.

Section 1.4. Good Reason

"Good Reason" shall mean (a) "Good Reason" as such term may be defined in any employment agreement between the Optionee and the Company or any of its Subsidiaries that is in effect at the time of termination of employment; or (b) if there is no such employment agreement in effect, "Good Reason" as such term may be defined in any change-in-control agreement between the Optionee and the Company or any of its Subsidiaries that is in effect at the time of the termination of employment; or (c) if there is no such employment or change-in-control agreement, with respect to the Optionee: (i) a material diminution in the Optionee's base salary unless such action is in connection with across-the-board base salary reductions affecting 100 percent of employees of the Company or its Subsidiaries at the same grade level; or (ii) a material diminution in the Optionee's authority, duties or responsibilities. To qualify as a termination due to Good Reason under this Agreement, the Optionee must have provided written notice to the Company in accordance with Section 5.3 of this Agreement of the existence of the circumstances providing grounds for termination for Good Reason within thirty (30) days of the initial existence of such grounds and must have given the Company or any Subsidiary that employs the Optionee at least thirty (30) days from receipt of such notice to cure the condition constituting Good Reason. Such termination of employment must have become effective no later than one year after the initial existence of the condition constituting Good Reason.

Section 1.5. Grant Details Page

"Grant Details page" shall mean the Grant Details page attached to the front of this Agreement that indicates, among other things, the Grant Date, the name of the Optionee, the Exercise Price and the aggregate number of Shares for which the Option is exercisable, all of which information is hereby incorporated by reference and made a part of this Agreement.

Section 1.6. Option

“Option” shall mean the right and option to purchase, on the terms and conditions set forth herein, all or any part of an aggregate of the number of Shares indicated on the Grant Details page.

Section 1.7. Qualifying Termination

“Qualifying Termination” shall mean, except as provided otherwise in this Section 1.7, the Optionee’s employment with the Company and all Subsidiaries is involuntarily terminated by the Company or any Subsidiary that employs the Optionee other than with Cause or terminated by the Optionee for Good Reason other than when Cause to terminate exists, in each case within two (2) years following a Change in Control. In no event shall a Qualifying Termination include the Retirement, death, Disability Termination or any other termination of the Optionee not specifically covered by the preceding sentence.

Section 1.8. Retirement

“Retirement” shall mean the voluntary termination of the Optionee’s employment with the Company and all Subsidiaries on or after (a) reaching the minimum age of fifty-five (55) and (b) achieving five (5) consecutive years of service; provided, however, that the sum of the Optionee’s age plus years of service (counting whole years only) must equal at least sixty-five (65) and provided further that there is no basis for the Company or any Subsidiary that employs the Optionee to terminate the Optionee with Cause at the time of the Optionee’s voluntary termination.

ARTICLE II **GRANT OF OPTION**

Section 2.1. Grant of Option

For good and valuable consideration, on and as of the Grant Date the Company irrevocably grants to the Optionee the Option on the terms and conditions set forth in this Agreement.

Section 2.2. Exercise Price

Subject to Section 2.4, the exercise price of the Shares covered by the Option (the “Exercise Price”) shall be as indicated on the Grant Details page, which shall be the Fair Market Value on the Grant Date.

Section 2.3. No Guarantee of Employment

Nothing in this Agreement or in the Plan shall confer upon the Optionee any right to continue in the employ of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which are hereby expressly reserved, to terminate the employment of the Optionee at any time and for any reason whatsoever, with or without Cause, subject to the applicable provisions of, if any, the Optionee’s employment agreement with the Company or any Subsidiary that employs the Optionee or offer letter provided by the Company or any Subsidiary that employs the Optionee to the Optionee.

Section 2.4. Adjustments to Option

The Option shall be subject to the adjustment provisions of Sections 8 and 9 of the Plan, provided, however, that in the event of the payment of an extraordinary dividend by the Company to its shareholders: the Exercise Price of the Option shall be reduced by the amount of the dividend paid, but only to the extent the Committee determines it is permitted under applicable tax laws and it does not have adverse tax consequences to the Optionee under Section 409A of the Code; and, if such reduction cannot be fully effected due to such tax laws and it will not have adverse tax consequences to the Optionee, then the Company shall pay to the Optionee a cash payment, on a per Share basis, equal to the balance of the amount of the dividend not permitted to be applied to reduce the Exercise Price of the applicable Option as follows: (a) for each Share subject to a vested Option, immediately upon the date of such dividend payment; and (b) for each Share subject to an unvested Option, on the date on which such Option becomes vested and exercisable with respect to such Share.

ARTICLE III PERIOD OF EXERCISABILITY

Section 3.1. Commencement of Exercisability

(a) Except as otherwise provided in Section 3.1(b), (c) or (d) below, so long as the Optionee continues to be employed by the Company or a Subsidiary, the Option shall become vested and exercisable with respect to twenty-five percent (25%) of the Shares subject to the Option on each of the first four (4) anniversaries of the Grant Date (each such date, a “Vesting Date”). To the extent this vesting schedule results in the vesting of fractional Shares, the fractional Shares shall be combined into one Share and be exercisable on the earliest Vesting Date.

(b) Notwithstanding Section 3.1(a) above, upon the earliest occurrence of (i) the Optionee’s death, or (ii) the Optionee’s Disability Termination, the Option shall become immediately vested and exercisable with respect to one hundred percent (100%) of the Shares subject to the unvested Option immediately prior to such event (but only to the extent the Option has not otherwise terminated, been forfeited or become exercisable).

(c) Notwithstanding Section 3.1(a) above, in the event the Optionee experiences a Qualifying Termination, the Option shall become immediately vested and exercisable on the date of such Qualifying Termination with respect to one hundred percent (100%) of the Shares subject to the unvested Option (but only to the extent the Option has not otherwise terminated, been forfeited or become exercisable).

(d) Notwithstanding Section 3.1(a) above, in the event of the Optionee’s Retirement, that portion of the Option that would have become vested and exercisable within the one (1) year period following the Optionee’s Retirement date if the Optionee had remained employed with the Company or a Subsidiary shall remain outstanding following the Optionee’s Retirement date and shall become vested and exercisable on the anniversary of the Grant Date that falls within the one (1) year period following the Optionee’s Retirement date (but only to the extent such portion of the Option has not otherwise terminated, been forfeited or become exercisable); provided, however, that if during such one (1) year period the Optionee dies, such portion of the Option shall instead become immediately vested and exercisable (but only to the extent such portion of the Option has not otherwise terminated, been forfeited or become exercisable) upon such death.

(e) No Option shall become vested or exercisable as to any additional Shares following the Optionee's termination of employment for any reason, and any portion of the Option which is unexercisable as of the Optionee's termination of employment shall immediately terminate and be forfeited without payment therefor, in each case except as otherwise provided in Section 3.1(b), (c) or (d) above.

Section 3.2. Expiration of Option

The Optionee may not exercise the Option to any extent after the first to occur of the following events:

- (a) The tenth anniversary of the Grant Date;
- (b) The fifth anniversary of the date of the Optionee's termination of employment with the Company and all Subsidiaries by reason of Retirement;
- (c) The first anniversary of the date of the Optionee's termination of employment with the Company and all Subsidiaries by reason of death or due to a Disability Termination;
- (d) The third anniversary of the date of the Optionee's Qualifying Termination;
- (e) Ninety (90) days after the date of the Optionee's involuntary termination of employment by the Company and all Subsidiaries without Cause that is not a Disability Termination or a Qualifying Termination;
- (f) Ninety (90) days after the date of the Optionee's voluntary termination of employment with the Company and all Subsidiaries by the Optionee that is not a Qualifying Termination or Retirement;
- (g) Immediately upon the date of the Optionee's termination of employment by the Company and all Subsidiaries with Cause; or
- (h) At the discretion of the Company, if the Committee so determines pursuant to Section 9 of the Plan.

ARTICLE IV EXERCISE OF OPTION

Section 4.1. Person Eligible to Exercise

Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised prior to the time when the Option or portion thereof becomes unexercisable under Section 3.2: (a) during the lifetime of the Optionee, only by the Optionee (or his or her duly authorized legal representative or guardian appointed for or by the Optionee) and (b) after the death of the Optionee, only by the Optionee's legatees, personal representatives or distributees.

Section 4.2. Exercise

Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.2; provided, however, that any partial exercise shall be for whole Shares only.

Section 4.3. Manner of Exercise

Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised from time to time solely by delivering through the electronic or telephonic system maintained by the third party designated by the Committee (or its Delegee) to administer the Plan (the “Stock Plan Award Administrator”) (or such other method approved by the Committee (or its Delegee)) all of the following prior to the time when the Option or such portion becomes unexercisable under Section 3.2:

- (a) Written notice from the Optionee or the other person then entitled to exercise the Option or portion thereof, stating the number of Shares with respect to which the Option is being exercised, in such form as the Committee (or its Delegee) shall establish;
- (b) Full payment of the Exercise Price for the number of Shares with respect to which the Option is being exercised (i) in cash, (ii) by surrendering Shares (valued at Fair Market Value on the date of exercise) owned by the Optionee, (iii) by withholding Shares (valued at Fair Market Value on the date of exercise) otherwise issuable upon the exercise of the Option, (iv) by broker-assisted exercise (in accordance with rules established by the Committee or its Delegee), or (v) a combination of any of the above methods, in each case unless determined otherwise by the Committee (or its Delegee), in accordance with applicable law and the requirements established by the Committee (or its Delegee) from time to time;
- (c) Full payment to satisfy the minimum withholding tax obligation with respect to which such Option or portion thereof is exercised, unless otherwise determined by the Committee (or its Delegee), in similar methods as provided in Section 4.3(b) and in accordance with applicable law and the requirements established by the Committee (or its Delegee) from time to time;
- (d) A bona fide written representation and agreement, in a form satisfactory to the Committee (or its Delegee), signed or acknowledged by the Optionee or other person then entitled to exercise such Option or portion thereof, stating that the Shares are being acquired for his or her own account, for investment and without any present intention of distributing or reselling said Shares or any of them except as may be permitted under the Securities Act of 1933, as amended (the “Act”), and then applicable rules and regulations thereunder, and that the Optionee or other person then entitled to exercise such Option or portion thereof will indemnify the Company against and hold it free and harmless from any loss, damage, expense or liability resulting to the Company if any sale or distribution of the Shares by such person is contrary to the representation and agreement referred to above; provided, however, that the Committee (or its Delegee) may, in its reasonable discretion, take whatever additional actions it deems reasonably necessary to ensure the observance and performance of such representation and agreement and to effect compliance with the Act and any other federal or state securities laws or regulations; and

(e) In the event the Option or portion thereof shall be exercised pursuant to Section 4.1 by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise the Option.

Without limiting the generality of the foregoing, the Committee (or its Delegee) may require an opinion of counsel acceptable to it to the effect that any subsequent transfer of Shares acquired on exercise of the Option does not violate the Act, and may issue stop-transfer orders covering such Shares. The Committee (or its Delegee) may cause a legend or legends to be placed on any Share certificates evidencing Shares issued on exercise of the Option, or if such Shares are issued in book-entry or electronic form, otherwise denote such Shares, to make appropriate reference to the provisions of subsection (d) above and the agreements herein. The written representation and agreement referred to in subsection (d) above shall, however, not be required if the Shares to be issued pursuant to such exercise have been registered under the Act, and such registration is then effective in respect of such Shares.

For purposes of this Section 4.3, a written notice includes notice submitted through the electronic or telephonic system maintained by the Stock Plan Award Administrator or through other means pursuant to procedures approved by the Committee (or its Delegee), and a representation or agreement is considered acknowledged if it is signed or submitted electronically or telephonically in accordance with approved procedures and such electronic or telephonic acknowledgement will have the same force and effect as a manual signature.

Notwithstanding the above, the Committee (or its Delegee) may approve alternative procedures for exercise and for payment of the related exercise price and withholding amounts provided such alternative procedures are established in writing prior to the date of exercise.

Section 4.4. Conditions to Issuance of Stock Certificates

The Shares deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued Shares or issued Shares, which have then been reacquired by the Company. Such Shares shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any certificate or certificates for Shares purchased (if certificated), or to register the issuance of such Shares on its books and records (if not certificated), upon the exercise of the Option or portion thereof prior to fulfillment of all of the following conditions:

(a) The obtaining of approval or other clearance from any state or federal governmental agency which the Committee (or its Delegee) shall, in its reasonable and good faith discretion, determine to be necessary or advisable; and

(b) The lapse of such reasonable period of time following the exercise of the Option as the Committee (or its Delegee) may from time to time establish for reasons of administrative convenience or as may otherwise be required by applicable law.

Section 4.5. Rights as Shareholder

Except as otherwise provided in Section 2.4 of this Agreement, the Optionee shall not be, nor have any of the rights or privileges of, a shareholder of the Company in respect of any Shares purchasable upon the exercise of the Option or any portion thereof unless and until certificates

representing such Shares shall have been issued by the Company to the Optionee (or book entry representing such Shares has been made with the appropriate registered book-entry custodian).

ARTICLE V **MISCELLANEOUS**

Section 5.1. Administration

The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, this Agreement and the Option as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Optionee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action taken or determination or interpretation made in good faith with respect to the Plan, this Agreement or the Option. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement.

Section 5.2. Option Not Transferable

Neither the Option nor any interest or right therein or part thereof (a) shall be liable for the debts, contracts or engagements of the Optionee or his or her successors in interest or (b) shall be subject in any manner to disposition by transfer, alienation, anticipation sale, pledge, encumbrance, hypothecation, assignment, charge or any other means whether any such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that this Section 5.2 shall not prevent transfers by will or by the applicable laws of descent and distribution or other transfers authorized in limited circumstances by the Committee (or its Delegee).

Section 5.3. Notices

Except as otherwise provided in Section 4.3, any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its General Counsel or his or her designee, and any notice to be given to the Optionee shall be addressed to the Optionee at the last address of the Optionee known to the Company unless otherwise directed by the Optionee. By a notice given pursuant to this Section 5.3, either party may hereafter designate a different address for the provision of notices under this Agreement. Any notice, which is required to be given to the Optionee, shall, if the Optionee is then deceased, be given to the Optionee's personal representative if such representative has previously informed the Company of his or her status and address by written notice under this Section 5.3. Except for notice under Section 4.3, any notice shall have been deemed duly given when (a) delivered in person; (b) enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service; or (c) enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with fees prepaid) in an office regularly maintained by FedEx, UPS, or comparable non-public mail carrier.

Section 5.4. Titles; Pronouns

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement. The masculine pronoun shall include the feminine and neuter, and the singular the plural, where the context so indicates.

Section 5.5. Applicability of the Plan

The Option and the Shares issued to the Optionee upon exercise of the Option shall be subject to all of the terms and provisions of the Plan to the extent applicable to an Option and Shares; provided, however, that the provisions in Section 10(c) of the Plan applicable to termination of employment, including the provisions related to a “separation from service,” shall not apply to this Agreement. In the event of any conflict between this Agreement and the Plan, the terms of the Plan shall control.

Section 5.6. Amendment

This Agreement may only be amended pursuant to Section 10 of the Plan.

Section 5.7. Governing Law

The laws of the State of Delaware shall govern the interpretation, validity and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws. This Agreement and the Option are subject to all present and future applicable provisions of the Code. If any provision of this Agreement conflicts with any such Code provision, the Committee shall modify this Agreement so as to comply, or if for any reason modification cannot be made, that provision of this Agreement shall be void and of no effect.

Section 5.8. Arbitration

In the event of any controversy among the parties hereto arising out of, or relating to, this Agreement which cannot be settled amicably by the parties, such controversy shall be finally, exclusively and conclusively settled by mandatory arbitration conducted within a reasonable period by a single arbitrator in an arbitral forum to be selected by the parties and subject to the Federal Rules of Procedure and Evidence. Such arbitration process shall take place within the Nashville, Tennessee metropolitan area, unless otherwise mutually agreed by the parties. The decision of the arbitrator shall be final and binding upon all parties hereto and shall be rendered pursuant to a written decision, which contains a detailed recital of the arbitrator’s reasoning. Judgment upon the award rendered may be entered in any court having jurisdiction thereof. Each party shall bear its own legal fees and expenses, unless otherwise determined by the arbitrator, and each party shall bear an equal portion of the arbitrator’s and arbitral forum’s fees.

Section 5.9. Clawback

As a condition of receiving the Option, the Optionee acknowledges and agrees that the Optionee’s rights, payments, and benefits with respect to the Option shall be subject to any reduction, cancellation, forfeiture or recoupment, in whole or in part, upon the occurrence of certain specified events, or as may be required by any rule or regulation of the Securities and Exchange Commission or by any applicable national exchange, or by any other applicable law, rule or regulation or as set forth in a separate “clawback” or recoupment policy as may be adopted from time to time by the Board or

the Committee. In the event the Optionee no longer owns the Shares issued upon exercise of the Option at the time of required recoupment, the Optionee agrees to the recoupment of cash equal to the Fair Market Value of the Shares on the date the Shares were sold.

Section 5.10. Consent to Electronic Delivery

The Optionee hereby consents to and agrees to electronic delivery of this Agreement, the Shares, Plan documents, proxy materials, annual reports and other related documents. The Committee (or its Delegee) has established procedures for electronic delivery and acceptance of Plan documents (including documents relating to any programs adopted under the Plan and this Agreement). The Optionee hereby consents to such procedures and agrees that his or her electronic acceptance is the same as, and shall have the same force and effect as, his or her manual signature. The Optionee hereby consents and agrees that any such procedures and delivery may be effected by a third party designated by the Committee (or its Delegee) to provide administrative services related to the Plan.

Section 5.11. Option and Agreement Acceptance

The Optionee must accept the Option and this Agreement through the electronic or telephonic system maintained by the Stock Plan Award Administrator by no later than sixty (60) days after the Grant Date (or such later date as the Committee (or its Delegee) may accept). If the Optionee does not timely accept, or if the Optionee declines, the Option, the Option will be canceled *ab initio* and the Optionee will not be entitled to any benefits from the Option nor any compensation or benefits in lieu of the canceled award.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the Company.

DOLLAR GENERAL CORPORATION

By: _____

Name: _____

Title: _____

ADDRESS:

Dollar General Corporation
100 Mission Ridge
Goodlettsville, TN 37072

August 26, 2021

To the Shareholders and Board of Directors of Dollar General Corporation

We are aware of the incorporation by reference in the Registration Statements (Nos. 333-151047, 333-151049, 333-151655, 333-163200, 333-254501, and 333-256562 on Forms S-8 and No. 333-237519 on Form S-3) of Dollar General Corporation of our report dated August 26, 2021, relating to the unaudited condensed consolidated interim financial statements of Dollar General Corporation that are included in its Form 10-Q for the quarter ended July 30, 2021.

/s/ Ernst & Young LLP
Nashville, Tennessee

CERTIFICATIONS

I, Todd J. Vasos, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dollar General Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 26, 2021

/s/ Todd J. Vasos

Todd J. Vasos
Chief Executive Officer

I, John W. Garratt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dollar General Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 26, 2021

/s/ John W. Garratt

John W. Garratt

Chief Financial Officer

CERTIFICATIONS
Pursuant to 18 U.S.C. Section 1350

Each of the undersigned hereby certifies that to his knowledge the Quarterly Report on Form 10-Q for the fiscal quarter ended July 30, 2021 of Dollar General Corporation (the “Company”) filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Todd J. Vasos

Name: Todd J. Vasos
Title: Chief Executive Officer
Date: August 26, 2021

/s/ John W. Garratt

Name: John W. Garratt
Title: Chief Financial Officer
Date: August 26, 2021
