

DOLLAR GENERAL CORP

FORM 8-K (Current report filing)

Filed 05/27/04 for the Period Ending 05/27/04

Address	100 MISSION RIDGE GOODLETTSVILLE, TN, 37072
Telephone	6158554000
CIK	0000029534
Symbol	DG
SIC Code	5331 - Retail-Variety Stores
Industry	Discount Stores
Sector	Consumer Cyclical
Fiscal Year	02/02

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): May 27, 2004

Dollar General Corporation

(Exact Name of Registrant as Specified in Charter)

Tennessee

001-11421

61-0502302

(State or Other Jurisdiction
of Incorporation)

(Commission File Number)

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

100 Mission Ridge
Goodlettsville, Tennessee 37072
(Address of Principal Executive Offices) (Zip Code)

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

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

- (a) Financial Statements. None.
- (b) Pro Forma Financial Information. None.
- (c) Exhibits. See Exhibit Index immediately following the signature page hereto.

ITEM 9. REGULATION FD DISCLOSURE

On May 27, 2004, Dollar General Corporation (the "Company") issued a news release regarding results of operations and financial condition for the first quarter ended April 30, 2004, and the conference call to be held to discuss such results. The news release is attached hereto as Exhibit 99 and incorporated by reference as if fully set forth herein.

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The information set forth in Item 9 above is incorporated by reference as if fully set forth herein.

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.

Date: May 27, 2004 DOLLAR GENERAL CORPORATION

By: /s/ Susan S. Lanigan

Susan S. Lanigan
Senior Vice President, General Counsel
and Corporate Secretary

EXHIBIT INDEX

Exhibit No.

Description

99

News release dated May 27, 2004.

Financial and Media Contact:
Emma Jo Kauffman
(615) 855-5525

Dollar General Reports Increased Earnings for the First Quarter of 2004

GOODLETTSVILLE, Tenn.--May 27, 2004--Dollar General Corporation (NYSE:DG) today reported that net income for the first quarter of fiscal 2004 increased 12.5 percent to \$67.8 million, or \$0.20 per diluted share, compared with \$60.3 million, or \$0.18 per diluted share, in the first quarter of fiscal 2003.

Net sales during the first quarter of 2004 increased 11.4 percent to \$1.75 billion from \$1.57 billion in the first quarter of 2003. The increase resulted primarily from 601 net new stores and a same-store sales increase of 3.0 percent.

Gross profit during the current year period was \$512.3 million, or 29.3 percent of sales, versus \$451.9 million, or 28.8 percent of sales, during the comparable period in the prior year. The improvement in gross margin is primarily the result of a higher average markup on beginning inventories and inventories purchased during the quarter, partially offset by increased markdowns.

Selling, general and administrative expenses ("SG&A") during the current year period were \$397.7 million, or 22.8 percent of sales, versus \$349.0 million, or 22.2 percent of sales, during the comparable period in the prior year. The increase in SG&A as a percent to sales is primarily the result of expenses related to the Company's 2004 store work-flow project, increases in the cost of workers' compensation and other insurance programs, and increases in store occupancy costs primarily due to increased rental expense on the Company's leased facilities.

Net interest expense during the current year period was \$6.4 million versus \$9.4 million in the prior year. The Company's effective tax rate was 37.2 percent in the current year period versus 35.5 percent in the comparable prior year period. The increase in the Company's tax rate in the current year period is due in part to the expiration of certain federal jobs tax credits. The tax rate in the first quarter of 2003 was lower than normal due to a \$0.8 million adjustment to state income tax valuation reserves resulting from a tax law change.

Merchandise inventories at April 30, 2004 increased 6.4 percent over the prior year quarter end, while inventory turns increased to 4.0 times in 2004 versus 3.9 times in 2003.

As of April 30, 2004, the Company had cash and cash equivalents of \$256.9 million and total debt, including current portions, of \$278.5 million, resulting in a net debt position of \$21.6 million at the end of the current year quarter compared to a net debt position of \$266.6 million as of May 2, 2003 and a net cash position of \$116.3 million as of January 30, 2004. The change from January 30, 2004 to April 30, 2004 is primarily due to repurchases of the Company's common stock during the quarter.

During the current year quarter, the Company repurchased approximately 8.1 million shares of its common stock at a total cost of \$152.6 million. The Company has repurchased a total of approximately 10.5 million shares to date, including 0.9 million shares purchased after April 30, 2004 with respect to its 12 million share repurchase authorization which expires on March 13, 2005.

Non-GAAP Disclosures

The tables accompanying this release include certain financial information not derived in accordance with generally accepted accounting principles ("GAAP"), including return on invested capital and return on assets, each of which is calculated using certain financial results that exclude restatement-related items. In addition, return on invested capital may be considered a non-GAAP financial measure. None of this information should be considered a substitute for any measures derived in accordance with GAAP. The Company has included its calculation of return on invested capital and reconciliations of these non-GAAP financial measures to the most comparable GAAP financial measures in the accompanying schedules. The reasons why management believes this information is useful to investors, and the additional purposes for which management uses this information are disclosed in the Company's Form 10-K filed with the SEC on March 16, 2004.

Conference Call

The Company will host a conference call today at 10 a.m. EDT to discuss the quarter's results. The security code for the conference call is "Dollar General." If you wish to participate, please call (334) 260-2280 at least 10 minutes before the conference call is scheduled to begin. The call will also be broadcast live online at www.dollargeneral.com. A replay of the conference call will be available until 5 p.m. EDT on Thursday, June 10, online or by calling (334) 323-7226. The access code for the replay is 40954 and the pass code is 86362.

About Dollar General

Dollar General is a Fortune 500(R) discount retailer with 6,930 neighborhood stores as of April 30, 2004. Dollar General stores offer convenience and value to customers by offering consumable basic items that are frequently used and replenished, such as food, snacks, health and beauty aids and cleaning supplies, as well as a selection of basic apparel, housewares and seasonal items at everyday low prices. The

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(Dollars in thousands)

	April 30, 2004	May 2, 2003	January 30, 2004
	-----	-----	-----
	(Unaudited)	(Unaudited)	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 256,883	\$ 75,946	\$ 398,278
Merchandise inventories	1,277,185	1,200,701	1,157,141
Deferred income taxes	21,852	26,664	30,413
Other current assets	73,738	52,080	66,383
	-----	-----	-----
Total current assets	1,629,658	1,355,391	1,652,215
	-----	-----	-----
Property and equipment, at cost	1,775,496	1,606,447	1,709,722
Less: accumulated depreciation	757,849	618,336	720,498
	-----	-----	-----
Net property and equipment	1,017,647	988,111	989,224
	-----	-----	-----
Other assets, net	26,464	12,465	11,270
	-----	-----	-----
Total assets	\$2,673,769	\$2,355,967	\$2,652,709
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term obligations	\$ 16,880	\$ 16,560	\$ 16,670
Accounts payable	510,187	357,224	383,791
Accrued expenses and other	288,028	230,288	297,616
Income taxes payable	38,322	36,536	45,725
	-----	-----	-----
Total current liabilities	853,417	640,608	743,802
	-----	-----	-----
Long-term obligations	261,621	326,028	265,337
Deferred income taxes	70,648	51,584	66,650
	-----	-----	-----
Shareholders' equity:			
Preferred stock	-	-	-
Common stock	164,354	166,762	168,095
Additional paid-in capital	386,158	314,973	376,930
Retained earnings	943,404	860,879	1,037,409
Accumulated other comprehensive income	(1,108)	(1,311)	(1,161)
	-----	-----	-----
	1,492,808	1,341,303	1,581,273
Other shareholders' equity	(4,725)	(3,556)	(4,353)
	-----	-----	-----
Total shareholders' equity	1,488,083	1,337,747	1,576,920
	-----	-----	-----
Total liabilities and shareholders' equity	\$2,673,769	\$2,355,967	\$2,652,709
	=====	=====	=====

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income
(Dollars in thousands, except per share amounts)

(Unaudited)

	For the Quarter (13 Weeks) Ended			
	-----	-----	-----	-----
	April 30, 2004	% of Net Sales	May 2, 2003	% of Net Sales
	-----	-----	-----	-----
Net Sales	\$1,747,959	100.00%	\$1,569,064	100.00%
Cost of goods sold	1,235,709	70.69	1,117,158	71.20
	-----	-----	-----	-----
Gross profit	512,250	29.31	451,906	28.80
Selling, general and				

administrative	397,700	22.75	348,955	22.24
Operating profit	114,550	6.55	102,951	6.56
Interest expense, net	6,442	0.37	9,411	0.60
Income before taxes on income	108,108	6.18	93,540	5.96
Provisions for taxes on income	40,259	2.30	33,208	2.12
Net income	\$ 67,849	3.88%	\$ 60,332	3.85%
Diluted earnings per share	\$ 0.20		\$ 0.18	
Weighted average diluted shares (000s)	337,257		334,597	
Basic earnings per share	\$ 0.20		\$ 0.18	
Weighted average basic shares (000s)	334,109		333,243	
Dividends per share	\$ 0.040		\$ 0.035	

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Dollars in thousands)

(Unaudited)

	For the Quarter (13 Weeks) Ended	
	April 30, 2004	May 2, 2003
Cash flows from operating activities:		
Net income	\$ 67,849	\$ 60,332
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,636	36,756
Deferred income taxes	12,559	8,500
Tax benefit from stock option exercises	2,172	224
Change in operating assets and liabilities:		
Merchandise inventories	(120,044)	(77,670)
Other current assets	(7,355)	(6,381)
Accounts payable	90,906	15,921
Accrued expenses and other	(9,175)	(9,198)
Income taxes	(7,422)	(30,555)
Other	(15,512)	1,763
Net cash provided by (used in) operating activities	53,614	(308)
Cash flows from investing activities:		
Purchase of property and equipment	(51,060)	(30,129)
Proceeds from sale of property and equipment	29	66
Net cash used in investing activities	(51,031)	(30,063)
Cash flows from financing activities:		
Repayments of long-term obligations	(4,063)	(4,086)
Payment of cash dividends	(13,319)	(11,673)
Proceeds from exercise of stock options	6,546	694
Repurchase of common stock	(133,589)	-
Other financing activities	447	64
Net cash used in financing activities	(143,978)	(15,001)
Net decrease in cash and cash equivalents	(141,395)	(45,372)
Cash and cash equivalents, beginning of period	398,278	121,318
Cash and cash equivalents, end of period	\$256,883	\$ 75,946

Supplemental schedule of noncash investing and
financing activities:

Repurchases of common stock included in accounts payable	\$ 18,996	\$ -
Purchases of property and equipment awaiting processing for payment, included in accounts payable	\$ 16,494	\$ -
Purchases of property and equipment under capital lease obligations	\$ 550	\$ 117

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Selected Additional Information
(Unaudited)

Sales by Category (in thousands)

	13 Weeks Ended		
	April 30, 2004	May 2, 2003	% Change
Highly consumable	\$1,114,394	\$990,030	12.6%
Seasonal	260,438	237,119	9.8%
Home products	214,773	199,469	7.7%
Basic clothing	158,354	142,446	11.2%
Total sales	\$1,747,959	\$1,569,064	11.4%

New Store Activity

	13 Weeks Ended	
	April 30, 2004	May 2, 2003
Beginning store count	6,700	6,113
New store openings	244	223
Store closings	14	7
Net new stores	230	216
Ending store count	6,930	6,329
Total selling square footage (000's)	47,004	42,761

Customer Transaction Data

	13 Weeks Ended	
	April 30, 2004	May 2, 2003
Same-store customer transactions	+3.6%	+3.5%
Average customer purchase (total stores)	\$ 8.41	\$ 8.42

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Non-GAAP Disclosures
Return on Invested Capital (a)
(Unaudited)

(\$ in thousands)	For the four quarters ended	
	April 30, 2004	May 2, 2003
Net income	\$ 308,517	\$ 279,350
Add:		
Interest expense, net	28,534	41,618
Rent expense	256,930	224,214
Tax effect of interest and rent	(107,302)	(95,359)
Interest and rent, net of tax	178,162	170,473

Return, net of tax	\$ 486,679	\$ 449,823

Restatement-related items:		
Penalty and litigation settlement proceeds	10,000	(29,541)
Restatement-related items in SG&A	628	1,405
Tax effect	(255)	10,905

Restatement-related items, net of tax	10,373	(17,231)

Return excluding restatement-related items	\$ 497,052	\$ 432,592

Average Invested Capital:		
Average long-term obligations (b)	\$ 295,625	\$ 492,253
Shareholders' equity (c)	1,461,311	1,207,236
Average rent x 8 (d)	1,924,571	1,655,648

Invested capital	\$3,681,507	\$3,355,137

Return on invested capital	13.2%	13.4%
=====		
Return on invested capital, excluding restatement-related items	13.5%	12.9%
=====		

(a) The Company believes that the most directly comparable ratio calculated solely using GAAP measures is the ratio of net income to the sum of average long-term obligations, including current portion, and average shareholders' equity. This ratio was 17.6% and 17.5% for rolling four quarters ended April 30, 2004 and May 2, 2003, respectively.

(b) Average long-term obligations is equal to the average long-term obligations, including current portion, measured at the end of each of the last five fiscal quarters.

(c) Average shareholders' equity is equal to the average shareholders' equity measured at the end of each of the last five fiscal quarters.

(d) Average rent expense is computed using a rolling two-year period. Average rent expense is multiplied by a factor of eight to capitalize operating leases in the determination of pretax invested capital. This is a conventional methodology utilized by credit rating agencies and investment bankers.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Non-GAAP Disclosures Return on Assets (Unaudited)

(\$ in thousands)	For the four quarters ended	
	April 30, 2004	May 2, 2003

Net income	\$ 308,517	\$ 279,350
Restatement-related items, net of tax	10,373	(17,231)

Net income, excluding restatement-related items	\$ 318,890	\$ 262,119

Average assets (a)	\$2,527,404	\$2,390,849

Return on assets	12.2%	11.7%
=====		
Return on assets, excluding restatement-related items	12.6%	11.0%
=====		

(a) Average assets is equal to the average total assets measured at the end of each of the last five fiscal quarters.