DOLLAR GENERAL CORP

FORM 10-Q
(Quarterly Report)

Filed 06/07/00 for the Period Ending 04/28/00

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

DOLLAR GENERAL CORP

FORM 10-Q
(Quarterly Report)

Filed 6/7/2000 For Period Ending 4/28/2000

Address	100 MISSION RIDGE
	GOODLETTSVILLE, Tennessee 37072
Telephone	615-855-4000
CIK	0000029534
Industry	Retail (Specialty)
Sector	Services
Fiscal Year	01/31

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 28, 2000

Commission file number 1-11421

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, Tennessee 37072
(Address of principal executive offices, zip code)

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

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 X No____.

The number of shares of common stock outstanding at June 5, 2000, was 328,623,414.

Dollar General Corporation

Form 10-Q

For the Quarter Ended April 28, 2000

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	Apr. 28, 2000 (Unaudited)	Jan. 28, 2000 *	Apr. 30, 1999 (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 28,397	$ 58,789	$ 25,617
Merchandise inventories	995,495	985,715	939,154
Deferred income taxes	6,682	5,995	2,632
Other current assets	106,471	45,036	31,744
Total current assets	1,137,045	1,095,535	999,147
Property and equipment, at cost	641,158	597,537	533,065
Less: accumulated depreciation	268,958	251,064	216,434
	372,200	346,473	316,631
Other assets	9,025	8,933	9,648
Total assets	$1,518,270	$1,450,941	$1,325,426
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	$ 1,554	$ 1,233	$ 667
Short-term borrowings	181,400	0	113,573
Accounts payable	242,361	334,554	246,672
Accrued expenses	114,654	121,375	145,011
Income taxes	13,110	15,135	6,798
Total current liabilities	553,079	472,297	512,721
Long-term debt	2,240	1,200	647
Deferred income taxes	55,445	51,523	24,611
Commitments and contingencies	0	0	0
Shareholders' equity:			
Preferred stock, stated value $.50 per share: Shares authorized: April 28, 2000, January 28, 2000 April 30, 1999 - 10,000,000 Issued: April 28, 2000 - 0; January 28, 2000 - April 30, 1999 - 1,715,000	0	0	858
Common stock par value $.50 per share: Shares authorized; April 28, 2000, January 28, 2000 April 30, 1999 - 500,000,000 Issued: April 28, 2000 - 328,310,000; January 28, 2000 - 264,692,000 April 30, 1999 - 265,208,000	164,155	132,346	132,604
Additional paid-in capital	235,619	255,581	424,207
Retained earnings	507,732	537,994	430,305
	907,506	925,921	987,974
Less: treasury stock Shares: April 28, 2000 - 0; January 28, 2000 - 0; April 30, 1999 - 32,725,000	0	0	200,527
Total shareholders' equity	907,506	925,921	787,447
Total liabilities and shareholders' equity	$1,518,270	$1,450,941	$1,325,426

* Derived from the January 28, 2000 audited financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share amounts)

(Unaudited)

	Three Months Ended Apr. 28, 2000	Three Months Ended Apr. 30, 1999
Net sales	$997,079	$844,593
Cost of goods sold	724,370	618,646
Gross profit	272,709	225,947
Selling, general and administrative expense	201,878	168,051
Operating profit	70,831	57,896
Interest expense	1,278	879
Income before taxes on income	69,553	57,017
Provision for taxes on income	25,213	20,669
Net income	$ 44,340	$ 36,348
Diluted earnings per share	$ 0.13	$ 0.11
Weighted average diluted shares	334,399	336,376
Basic earnings per share	$ 0.13	$ 0.13

The accompanying notes are an integral part of these consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended Apr. 28, 2000	Three Months Ended Apr. 30, 1999
Operating activities:		
Net income	$44,340	$36,348
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	18,607	14,826
Deferred income taxes	3,235	(5,601)
Change in operating assets and liabilities:		
Merchandise inventories	(9,780)	(127,432)
Other current assets	(61,435)	10,634
Accounts payable	(92,193)	(11,087)
Accrued expenses	(6,721)	(27,814)
Income taxes	(2,025)	(17,027)
Other	1,009	765
Net cash used in operating activities	(104,963)	(126,388)
Investing activities:		
Purchase of property and equipment	(45,519)	(30,637)
Proceeds from sale of property and equipment	84	21,634
Net cash used in investing activities	(45,435)	(9,003)
Financing activities:		
Issuance of short-term borrowings	181,400	146,419
Repayments of short-term borrowings	0	(32,846)
Issuance of long-term debt	1,882	786
Repayments of long-term debt	(521)	(983)
Payments of cash dividend	(10,506)	(8,313)
Proceeds from exercise of stock options	8,390	17,331
Repurchase of common stock	(65,549)	0
Tax benefit of stock options exercised	4,910	16,320
Net cash provided by financing activities	120,006	138,714
Net (decrease) increase in cash and cash equivalents	(30,392)	3,323
Cash and cash equivalents, beginning of period	58,789	22,294
Cash and cash equivalents, end of period	$28,397	$25,617
Suplemental cash flow information Cash paid during quarter for:		
Interest	1,259	881
Income Taxes	21,333	15,405

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except per share amounts)

(Unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in the Company's Annual Report on Form 10-K. Accordingly, the reader of the quarterly report on Form 10-Q should refer to the Company's Annual Report on Form 10-K for the year ended January 28, 2000, for additional information.

The accompanying consolidated financial statements have been prepared in accordance with the Company's customary accounting practices and have not been audited. In management's opinion, all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the consolidated results of operations for the three-month periods ended April 28, 2000, and April 30, 1999, respectively, have been made.

Interim cost of goods sold is determined using estimates of inventory shrinkage, inflation, and markdowns, which are adjusted to reflect actual results at year-end. Because of the seasonal nature of the Company's business, the results for interim periods are not necessarily indicative of the results to be expected for the entire year.

2. Shareholders' Equity

Changes in shareholders' equity for the three months ended April 28, 2000 and April 30, 1999 were as follows.

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balances, January 29, 1999	$ 858	$105,121	$418,039	$402,270	$ (200,527)	$725,761
Net income				36,348		36,348
5-for-4 stock split, May 24, 1999		26,521	(26,521)			-
Cash dividend, $.03 per common share, as declared				(7,135)		(7,135)
Cash dividend, $.69 per preferred share				(1,178)		(1,178)
Issuance of common stock under employee stock incentive plans		962	16,369			17,331
Tax benefit of stock options exercised			16,320			16,320
Balances, April 30, 1999	$ 858	$132,604	$424,207	$430,305	$ (200,527)	$787,447

	Preferred Stock	Common Stock	Paid-In Capital	Additional Retained Earnings	Treasury Stock	Total
	$ -	$132,346	$255,581	$537,994	$ -	$925,921
Net income				44,340		44,340
5-for-4 stock split, May 22, 2000		32,822	(32,822)			0
Cash dividend, $.03 per common share, as declared				(10,506)		(10,506)
Issuance of common stock under employee incentive plans		440	7,950			8,390
Tax benefit, stock options exercised			4,910			4,910
Stock repurchase (2,906,000 shares)		(1,453)		(64,096)		(65,549)
	$ -	$164,155	$235,619	$507,732	$ -	$907,506

3. Earnings Per Share

Shares have been adjusted for all stock splits including the May 22, 2000 five-for-four common stock split.

	Three months ended April 28, 2000		
	Income	Shares	Per-Share Amount
Net income	$ 44,340		
Basic earnings per share Income available to common shareholders	$ 44,340	329,476	$ 0.13
Stock options outstanding	-	4,923	
Diluted earnings per share Income available to common shareholders plus assumed conversions	$ 44,340	334,399	$ 0.13

	Three months ended April 30, 1999		
	Income	Shares	Per-Share Amount
Net income	$ 36,348		
Less: preferred stock dividends	1,178		
Basic earnings per share			
Income available to common shareholders	$ 35,170	278,511	$ 0.13
Stock options outstanding		6,732	
Convertible preferred stock	1,178	51,133	
Diluted earnings per share			
Income available to common shareholders plus assumed conversions	$ 36,348	336,376	$ 0.11

4. Segment Reporting

The Company manages its business on the basis of one reportable segment. As of April 28, 2000 and April 30, 1999, all of the Company's operations were located within the United States. The following data is presented in accordance with SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information."

	April 28, 2000	April 30, 1999
Classes of similar products		
Net Sales:		
Highly Consumable	$545,633	$441,054
Seasonal	137,695	125,241
Basic Clothing	120,910	99,332
Basic Home Products	192,841	178,966
Total Net Sales	$997,079	$844,593

5. Preferred Stock Conversion

On August 23, 1999, the holders of all of the Company's 1.7 million shares of Series A Convertible Junior Preferred Stock converted their shares to 40.9 million shares of Dollar General Common Stock in accordance with the relevant provisions of the Company's Charter. Consequently, preferred stock and treasury stock balances were reduced to zero.

6. Subsequent Event

On April 25, 2000, the Company's Board of Directors authorized a five-for-four common stock split for shareholders of record on May 8, 2000, which was distributed on May 22, 2000. The effect of the stock split has been retroactively reflected as of April 28, 2000, in the consolidated balance sheet and Note 2 to the consolidated financial statements, but activity for 1999 was not restated in that statement or Note 2. All references to the number of common shares and per share amounts have been restated as appropriate to reflect the effect of the split for all periods presented.

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

This discussion and analysis contains both historical and forward-looking information. The forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although Dollar General Corporation (the "Company") believes the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements will prove to be accurate. Forward-looking statements may be significantly impacted by certain risks and uncertainties, including, but not limited to: general transportation and distribution delays or interruptions; interruptions in suppliers' operations; inventory risks due to shifts in market demand; changes in product mix; fuel price and interest rate fluctuations; costs and delays associated with building, opening and operating new distribution centers ("DC"s); and the other risk factors referenced in the Annual Report on Form 10-K for the year ended January 28, 2000. The Company undertakes no obligation to publicly release any revisions to any forward-looking statements to reflect events or circumstances occurring after the date of this report.

The following text contains references to years 2000, 1999, 1998 and 1997, which represent fiscal years ending or ended February 2, 2001, January 28, 2000, January 29, 1999, and January 30, 1998, respectively. This discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and their notes.

RESULTS OF OPERATIONS

The nature of the Company's business is seasonal. Historically, sales in the fourth quarter have been higher than sales achieved in each of the first three quarters of the fiscal year. Thus, expenses, and to a greater extent operating income, vary by quarter. Results of a period shorter than a full year may not be indicative of results expected for the entire year. Furthermore, comparing any period to a period other than the same period of the previous year may reflect the seasonal nature of the Company's business.

THREE MONTHS ENDED APRIL 28, 2000 AND APRIL 30, 1999

NET SALES. Net sales for the first three months of 2000 increased $152.5 million, or 18.1%, to $997.1 million from $844.6 million for the comparable period in 1999. The increase resulted from 658 net additional stores being in operation as of April 28, 2000, as compared with April 30, 1999, and an increase of 4.0% in same-store sales. The increase in same-store sales for the three months ended April 28, 2000 was primarily driven by continued improvements in the Company's consumable basic merchandise mix. Same-store sales growth resulted in a 5.7% increase for the same period last year, which was driven by improved in-stock levels and improvements in the Company's consumable basic merchandise mix.

The Company defines same-stores as those stores opened before the beginning of the previous fiscal year which have remained open throughout the current period.

During the second quarter of 2000, the Company is planning to convert all stores to a new merchandise layout. The new layout includes widening store aisles, adding approximately 500 new items and deleting approximately 700 items. While the Company is excited about the prospects of the new merchandising program, management expects sales to be negatively impacted while the stores move fixtures and set the new layout. For the second quarter of 2000, management anticipates net sales to increase 12-14% and same-store sales to be approximately flat. In 2000 management anticipates net sales to increase at least 20% and same-store sales to increase 5-7%.

GROSS PROFIT. Gross profit for the first three months of 2000 was $272.7 million, or 27.4% of net sales, compared with $225.9 million, or 26.8% of net sales, for the same period last year. Higher markup, lower shrinkage accrual and lower distribution and transportation expense are the primary reasons for this increase. Management anticipates gross profit as a percentage of net sales to increase for the second quarter of 2000, primarily as a result of higher initial markup on purchases.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSE. SG&A expense for the first three months of 2000 totaled $201.9 million, or 20.3% of net sales, compared with $168.1 million, or 19.9% of net sales, during the comparable period last year. Total SG&A expense increased primarily as a result of 658 net additional stores being in operation as compared to the comparable three-month period last year. Lower than expected sales also negatively impacted SG&A as expense as a percentage of net salesin the first quarter of 2000. For the second quarter of 2000, management anticipates SG&A expense as a percentage of net sales to increase compared to the second quarter of 1999 as a result of flat same-store sales.

INTEREST EXPENSE. Interest expense increased to $1.3 million in the first quarter of 2000, as compared to $.9 million during the comparable period last year. This increase in interest expense was primarily a result of higher average borrowings compared to the comparable period last year. Average borrowings increased to $97.6 million in the first quarter of 2000 compared to $83.8 million during the comparable period last year. This increase in short-term borrowings was primarily a result of $65.5 million in expenditures in the first quarter of 2000 to repurchase 3.6 million shares of common stock. Management anticipates interest expense to be slightly higher as a percentage of net sales for the second quarter of 2000 compared to the second quarter of 1999.

PROVISIONS FOR TAXES ON INCOME. The effective income tax rate was 36.25% for the three month periods ended April 28, 2000 and April 30, 1999. Management anticipates the tax rate to be approximately 36.25% for the second quarter of 2000.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities - Net cash used by operating activities totaled $105.0 million during the first three months of 2000, compared to $126.4 million for the comparable period last year. The decrease in use of cash was primarily the result of a smaller increase in inventories this year versus last year. A decrease in existing store inventories and lower distribution center inventories partially offset the increased inventory required to support operating 658 additional stores and one additional distribution center.

Cash flows from investing activities - Net cash used by investing activities totaled $45.4 million during the first three months of 2000, compared to $9.0 million in the comparable period last year. The increase in cash used by investing activities was primarily the result of proceeds received in 1999 from the sale/leaseback of the South Boston, Virginia distribution center expansion. Current period cash used resulted from $45.5 million in capital expenditures primarily from opening 239 new stores during the first three months of 2000.

Cash flows from financing activities - Total debt (including current maturities and short-term borrowings) at April 28, 2000, was $185.2 million, compared will $114.9 million at April 30, 1999.

Because of the significant impact of seasonal buying (e.g., spring and December holiday purchases), the Company's working capital requirements vary significantly during the year. These working capital requirements were financed by short-term borrowings under the Company's $175.0 million revolving credit/term loan facility and short-term bank lines of credit totaling $105.0 million at April 28, 2000. The Company had short-term borrowings of $181.4 million outstanding at April 28, 2000 and $113.6 million as of April 30, 1999. This increase in short-term borrowings was primarily a result of $65.5 million in expenditures in the first quarter of 2000 to repurchase 3.6 million shares of common stock. Seasonal working capital expenditure requirements will continue to be met through cash flow provided by operations supplemented by the revolving credit/term loan facility and short-term bank lines of credit.

ACCOUNTING PRONOUNCEMENTS

The Company will adopt Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" for the fiscal year ending February 1,2002. The Company is in the process of analyzing the impact of the adoption of this Statement.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

With certain instruments entered into for other than trading purposes, the Company has exposure to market risk for changes in interest rates primarily related to the Company's revolving and seasonal lines of credit and certain lease obligations. Under these obligations, the Company has cash flow exposure as a result of its variable interest rates.

The Company seeks to manage this interest rate risk through the use of interest rate swaps. In 1999, the Company entered into interest rate swap agreements totaling $200 million which are scheduled to be in place through February 2001 at which time the counterparties have the option to extend the agreements through 2002. These swap agreements exchange the Company's floating interest rate exposure for a fixed interest rate. The Company will pay a weighted average fixed rate of 5.14% on the $200 million notional amount. The fair value of the interest rate swap agreements was $2.9 million at April 28, 2000. These swap agreements replaced four interest rate swap agreements totaling $200 million and exchanging floating rate exposure to a fixed interest rate. At April 30, 1999, the fair value of the interest rate swap agreements was ($2.5) million.

A 1% change in interest rates would have resulted in a pre-tax expense fluctuation of approximately $3.6 million in 1999. In 2000, the Company does not anticipate this expense fluctuation to vary materially from the estimated impact on 1999.

PART II - OTHER INFORMATION

Item 1. Not applicable.
Item 2. Not applicable.
Item 3. Not applicable.
Item 4. Not applicable.
Item 5. Not applicable.

Item 6. A. Exhibits:
27 Financial Data Schedule (for SEC use only)

B. Reports on Form 8-K The Company filed a Current Report on Form 8-K on February 29, 2000 related to the adoption of a Shareholder Rights Plan.

SIGNATURES

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.

DOLLAR GENERAL CORPORATION
(Registrant)

June 7, 2000 *By: /S/ Brian M. Burr*

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Brian M. Burr, Executive Vice President,
Chief Financial Officer

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS	3 MOS
FISCAL YEAR END	JAN 02 2001	JAN 28 2000
PERIOD END	APR 28 2000	APR 30 1999
CASH	28,937	25,617
SECURITIES	0	0
RECEIVABLES	0	0
ALLOWANCES	0	0
INVENTORY	995,495	939,154
CURRENT ASSETS	106,471	31,744
PP&E	641,158	533,065
DEPRECIATION	268,958	216,434
TOTAL ASSETS	1,518,270	1,325,426
CURRENT LIABILITIES	553,079	512,721
BONDS	0	0
PREFERRED MANDATORY	164,155	132,604
PREFERRED	0	0
COMMON	0	858
OTHER SE	743,351	653,985
TOTAL LIABILITY AND EQUITY	1,518,270	1,325,426
SALES	997,079	844,593
TOTAL REVENUES	997,079	844,593
CGS	724,370	618,646
TOTAL COSTS	201,878	168,051
OTHER EXPENSES	0	0
LOSS PROVISION	0	0
INTEREST EXPENSE	1,278	879
INCOME PRETAX	69,553	57,017
INCOME TAX	25,213	20,669
INCOME CONTINUING	44,340	36,348
DISCONTINUED	0	0
EXTRAORDINARY	0	0
CHANGES	0	0
NET INCOME	44,340	36,348
EPS BASIC	0.13	0.13
EPS DILUTED	0.13	0.11

End of Filing