
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 August 2, 2019

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
(State or other jurisdiction of
incorporation or organization)

61-0502302
(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

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

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|---|--------------------------|--|
| 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 257,068,296 shares of common stock outstanding on August 23, 2019.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands)

| | August 2, 2019 | February 1, 2019 |
|--|----------------------|----------------------|
| | (Unaudited) | (see Note 1) |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 259,568 | \$ 235,487 |
| Merchandise inventories | 4,419,628 | 4,097,004 |
| Income taxes receivable | 61,692 | 57,804 |
| Prepaid expenses and other current assets | 178,250 | 272,725 |
| Total current assets | 4,919,138 | 4,663,020 |
| Net property and equipment | 3,020,406 | 2,970,806 |
| Operating lease assets | 8,405,346 | — |
| Goodwill | 4,338,589 | 4,338,589 |
| Other intangible assets, net | 1,200,111 | 1,200,217 |
| Other assets, net | 33,939 | 31,406 |
| Total assets | <u>\$ 21,917,529</u> | <u>\$ 13,204,038</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term obligations | \$ 555 | \$ 1,950 |
| Current portion of operating lease liabilities | 915,075 | — |
| Accounts payable | 2,727,079 | 2,385,469 |
| Accrued expenses and other | 666,251 | 618,405 |
| Income taxes payable | 3,310 | 10,033 |
| Total current liabilities | 4,312,270 | 3,015,857 |
| Long-term obligations | 2,573,483 | 2,862,740 |
| Long-term operating lease liabilities | 7,480,871 | — |
| Deferred income taxes | 627,765 | 609,687 |
| Other liabilities | 173,980 | 298,361 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Preferred stock | — | — |
| Common stock | 224,935 | 227,072 |
| Additional paid-in capital | 3,292,902 | 3,252,421 |
| Retained earnings | 3,234,944 | 2,941,107 |
| Accumulated other comprehensive loss | (3,621) | (3,207) |
| Total shareholders' equity | 6,749,160 | 6,417,393 |
| Total liabilities and shareholders' equity | <u>\$ 21,917,529</u> | <u>\$ 13,204,038</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 | |
|--|------------------------|-------------------|------------------------|-------------------|
| | August 2, 2019 | August 3, 2018 | August 2, 2019 | August 3, 2018 |
| Net sales | \$ 6,981,753 | \$ 6,443,309 | \$ 13,604,938 | \$ 12,557,772 |
| Cost of goods sold | 4,832,817 | 4,468,436 | 9,453,726 | 8,720,650 |
| Gross profit | 2,148,936 | 1,974,873 | 4,151,212 | 3,837,122 |
| Selling, general and administrative expenses | 1,571,161 | 1,429,397 | 3,061,200 | 2,801,462 |
| Operating profit | 577,775 | 545,476 | 1,090,012 | 1,035,660 |
| Interest expense | 24,810 | 25,451 | 50,743 | 50,224 |
| Other (income) expense | — | 1,019 | — | 1,019 |
| Income before income taxes | 552,965 | 519,006 | 1,039,269 | 984,417 |
| Income tax expense | 126,410 | 111,769 | 227,701 | 212,328 |
| Net income | <u>\$ 426,555</u> | <u>\$ 407,237</u> | <u>\$ 811,568</u> | <u>\$ 772,089</u> |
| Earnings per share: | | | | |
| Basic | \$ 1.65 | \$ 1.53 | \$ 3.14 | \$ 2.89 |
| Diluted | \$ 1.65 | \$ 1.52 | \$ 3.13 | \$ 2.88 |
| Weighted average shares outstanding: | | | | |
| Basic | 257,793 | 266,457 | 258,407 | 267,362 |
| Diluted | 259,102 | 267,226 | 259,683 | 268,180 |
| Dividends per share | \$ 0.32 | \$ 0.29 | \$ 0.64 | \$ 0.58 |

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(In thousands)

| | <u>For the 13 weeks ended</u> | | <u>For the 26 weeks ended</u> | |
|--|-------------------------------|---------------------------|-------------------------------|---------------------------|
| | <u>August 2, 2019</u> | <u>August 3, 2018</u> | <u>August 2, 2019</u> | <u>August 3, 2018</u> |
| Net income | \$ 426,555 | \$ 407,237 | \$ 811,568 | \$ 772,089 |
| Unrealized net gain (loss) on hedged transactions, net of related income tax expense (benefit) of \$86, \$86, \$172, and \$172, respectively | 243 | 244 | 487 | 487 |
| Comprehensive income | <u>\$ 426,798</u> | <u>\$ 407,481</u> | <u>\$ 812,055</u> | <u>\$ 772,576</u> |

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

(In thousands, except per share amounts)

| | Common Stock Shares | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total |
|--|---------------------------|-------------------|----------------------------------|----------------------|---|---------------------|
| Balances, May 3, 2019 | 258,322 | \$ 226,032 | \$ 3,275,917 | \$ 3,074,584 | \$ (3,864) | \$ 6,572,669 |
| Net income | — | — | — | 426,555 | — | 426,555 |
| Dividends paid, \$0.32 per common share | — | — | — | (82,391) | — | (82,391) |
| Unrealized net gain (loss) on hedged transactions | — | — | — | — | 243 | 243 |
| Share-based compensation expense | — | — | 10,874 | — | — | 10,874 |
| Repurchases of common stock | (1,353) | (1,184) | — | (183,804) | — | (184,988) |
| Other equity and related transactions | 99 | 87 | 6,111 | — | — | 6,198 |
| Balances, August 2, 2019 | <u>257,068</u> | <u>\$ 224,935</u> | <u>\$ 3,292,902</u> | <u>\$ 3,234,944</u> | <u>\$ (3,621)</u> | <u>\$ 6,749,160</u> |
| | | | | | | |
| Balances, May 4, 2018 | 267,553 | \$ 234,109 | \$ 3,210,527 | \$ 2,795,620 | \$ (3,938) | \$ 6,236,318 |
| Net income | — | — | — | 407,237 | — | 407,237 |
| Dividends paid, \$0.29 per common share | — | — | — | (77,091) | — | (77,091) |
| Unrealized net gain (loss) on hedged transactions | — | — | — | — | 244 | 244 |
| Share-based compensation expense | — | — | 9,373 | — | — | 9,373 |
| Repurchases of common stock | (2,096) | (1,835) | — | (197,702) | — | (199,537) |
| Other equity and related transactions | 75 | 66 | 2,333 | — | (1) | 2,398 |
| Balances, August 3, 2018 | <u>265,532</u> | <u>\$ 232,340</u> | <u>\$ 3,222,233</u> | <u>\$ 2,928,064</u> | <u>\$ (3,695)</u> | <u>\$ 6,378,942</u> |
| | | | | | | |
| Balances, February 1, 2019 | 259,511 | \$ 227,072 | \$ 3,252,421 | \$ 2,941,107 | \$ (3,207) | \$ 6,417,393 |
| Net income | — | — | — | 811,568 | — | 811,568 |
| Dividends paid, \$0.64 per common share | — | — | — | (165,147) | — | (165,147) |
| Unrealized net gain (loss) on hedged transactions | — | — | — | — | 487 | 487 |
| Share-based compensation expense | — | — | 24,505 | — | — | 24,505 |
| Repurchases of common stock | (3,039) | (2,659) | — | (382,315) | — | (384,974) |
| Transition adjustment upon adoption of leases accounting standard (see Note 1) | — | — | — | 28,830 | — | 28,830 |
| Other equity and related transactions | 596 | 522 | 15,976 | 901 | (901) | 16,498 |
| Balances, August 2, 2019 | <u>257,068</u> | <u>\$ 224,935</u> | <u>\$ 3,292,902</u> | <u>\$ 3,234,944</u> | <u>\$ (3,621)</u> | <u>\$ 6,749,160</u> |
| | | | | | | |
| Balances, February 2, 2018 | 268,733 | \$ 235,141 | \$ 3,196,462 | \$ 2,698,352 | \$ (4,181) | \$ 6,125,774 |
| Net income | — | — | — | 772,089 | — | 772,089 |
| Dividends paid, \$0.58 per common share | — | — | — | (154,748) | — | (154,748) |
| Unrealized net gain (loss) on hedged transactions | — | — | — | — | 487 | 487 |
| Share-based compensation expense | — | — | 21,779 | — | — | 21,779 |
| Repurchases of common stock | (3,685) | (3,225) | — | (346,313) | — | (349,538) |
| Transition adjustment upon adoption of intra-entity transfers accounting standard (see Note 1) | — | — | — | (41,316) | — | (41,316) |
| Other equity and related transactions | 484 | 424 | 3,992 | — | (1) | 4,415 |
| Balances, August 3, 2018 | <u>265,532</u> | <u>\$ 232,340</u> | <u>\$ 3,222,233</u> | <u>\$ 2,928,064</u> | <u>\$ (3,695)</u> | <u>\$ 6,378,942</u> |

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(In thousands)

| | For the 26 weeks ended | |
|---|-------------------------------|---------------------------|
| | August 2, 2019 | August 3, 2018 |
| <i>Cash flows from operating activities:</i> | | |
| Net income | \$ 811,568 | \$ 772,089 |
| <i>Adjustments to reconcile net income to net cash from operating activities:</i> | | |
| Depreciation and amortization | 245,908 | 221,511 |
| Deferred income taxes | 8,118 | 12,500 |
| Loss on debt retirement | — | 1,019 |
| Noncash share-based compensation | 24,505 | 21,779 |
| Other noncash (gains) and losses | 4,001 | 12,120 |
| <i>Change in operating assets and liabilities:</i> | | |
| Merchandise inventories | (321,085) | (292,934) |
| Prepaid expenses and other current assets | (8,516) | (25,727) |
| Accounts payable | 323,217 | 270,862 |
| Accrued expenses and other liabilities | 58,614 | 61,096 |
| Income taxes | (10,611) | 43,058 |
| Other | (5,198) | (84) |
| Net cash provided by (used in) operating activities | <u>1,130,521</u> | <u>1,097,289</u> |
| <i>Cash flows from investing activities:</i> | | |
| Purchases of property and equipment | (293,060) | (370,968) |
| Proceeds from sales of property and equipment | 1,467 | 1,349 |
| Net cash provided by (used in) investing activities | <u>(291,593)</u> | <u>(369,619)</u> |
| <i>Cash flows from financing activities:</i> | | |
| Issuance of long-term obligations | — | 499,495 |
| Repayments of long-term obligations | (525) | (575,664) |
| Net increase (decrease) in commercial paper outstanding | (280,700) | (149,400) |
| Costs associated with issuance and retirement of debt | — | (4,384) |
| Repurchases of common stock | (384,974) | (349,538) |
| Payments of cash dividends | (165,136) | (154,708) |
| Other equity and related transactions | 16,488 | 4,376 |
| Net cash provided by (used in) financing activities | <u>(814,847)</u> | <u>(729,823)</u> |
| Net increase (decrease) in cash and cash equivalents | 24,081 | (2,153) |
| Cash and cash equivalents, beginning of period | 235,487 | 267,441 |
| Cash and cash equivalents, end of period | <u>\$ 259,568</u> | <u>\$ 265,288</u> |
| <i>Supplemental schedule of noncash investing and financing activities:</i> | | |
| Right of use assets obtained in exchange for new operating lease liabilities | \$ 847,498 | \$ — |
| Purchases of property and equipment awaiting processing for payment, included in Accounts payable | \$ 82,055 | \$ 77,541 |

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 and its subsidiaries (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 February 1, 2019 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 February 1, 2019 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 2019 fiscal year is scheduled to be a 52-week accounting period ending on January 31, 2020, and the 2018 fiscal year was a 52-week accounting period that ended on February 1, 2019.

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 August 2, 2019 and results of operations for the 13-week and 26-week accounting periods ended August 2, 2019 and August 3, 2018 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.

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 \$3.2 million and \$3.4 million in the respective 13-week periods, and \$6.6 million and \$5.5 million in the respective 26-week periods, ended August 2, 2019 and August 3, 2018. In addition, ongoing estimates of inventory shrinkage and initial markups and markdowns are included in the interim cost of goods sold calculation.

The Company adopted new accounting guidance related to leases as of February 2, 2019, using the modified retrospective approach. Under this approach, existing leases were recorded at the adoption date, and comparative periods were not restated and are presented under previously existing guidance. In addition, the Company elected the package of practical expedients permitted under the transition guidance in the standard, which among other things, allowed the carry forward of historical conclusions for lease identification, lease classification, and initial direct costs. The Company is accounting for leases with a term of less than one year under the short-term policy election. The Company also elected the practical expedient to not separate lease components from the non-lease components (typically fixed common-area maintenance costs at its retail store locations) for all classes of leased assets. The Company chose not to elect the hindsight practical expedient. Factors incorporated into the calculation of lease discount rates include the valuations and yields of the Company’s senior notes, their credit spread over comparable U.S. Treasury rates, and an index of the credit spreads for all North American investment grade companies by rating. To determine an indicative secured rate, the Company uses the estimated credit spread improvement that would result from an upgrade of one ratings classification by tenor.

Adoption of the leasing standard resulted in right of use operating lease assets and operating lease liabilities of approximately \$8.0 billion each as of February 2, 2019. The cumulative effect of applying the standard resulted in an adjustment to retained earnings of \$28.8 million at February 2, 2019, primarily for the elimination of deferred gain on a 2013 sale-leaseback transaction. Because the standard was adopted under the modified retrospective approach, it did not impact the Company's historical consolidated net income or cash flows.

In February 2018, the FASB issued new accounting guidance for the reclassification of certain tax effects from accumulated other comprehensive income which gives entities the option to reclassify to retained earnings tax effects related to items that have been stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act ("TCJA"). An entity that elects to reclassify these amounts must reclassify stranded tax effects related to the TCJA's change in US federal tax rate for all items accounted for in other comprehensive income. These entities can also elect to reclassify other stranded effects that relate to the TCJA but do not directly relate to the change in the federal tax rate. The Company adopted this standard in the first quarter of 2019 and recorded a transition adjustment of \$0.9 million, which is reflected as a reclassification from accumulated other comprehensive loss to retained earnings in the accompanying condensed consolidated financial statements.

In October 2016, the FASB issued amendments to existing guidance related to accounting for intra-entity transfers of assets other than inventory, which affected the Company's historical accounting for intra-entity transfers of certain intangible assets. This guidance was effective for the Company in 2018. The amendments were applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company adopted this guidance effective February 3, 2018 which resulted in an increase in deferred income tax liabilities and a decrease in retained earnings of \$41.3 million.

In January 2017, the FASB issued amendments to existing guidance related to the subsequent measurement of goodwill. These amendments modify the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. Subsequent to adoption, an entity will perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. This guidance is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2019, and early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The amendments should be applied on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. The Company currently does not anticipate a material effect on its consolidated results of operations, financial position or cash flows to result from the adoption of this guidance.

2. Earnings per share

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

| | 13 Weeks Ended August 2, 2019 | | | 13 Weeks Ended August 3, 2018 | | |
|---------------------------------------|-------------------------------|-------------------------|------------------|-------------------------------|-------------------------|------------------|
| | Net Income | Weighted Average Shares | Per Share Amount | Net Income | Weighted Average Shares | Per Share Amount |
| Basic earnings per share | \$ 426,555 | 257,793 | \$ 1.65 | \$ 407,237 | 266,457 | \$ 1.53 |
| Effect of dilutive share-based awards | | 1,309 | | | 769 | |
| Diluted earnings per share | <u>\$ 426,555</u> | <u>259,102</u> | <u>\$ 1.65</u> | <u>\$ 407,237</u> | <u>267,226</u> | <u>\$ 1.52</u> |
| | 26 Weeks Ended August 2, 2019 | | | 26 Weeks Ended August 3, 2018 | | |
| | Net Income | Weighted Average Shares | Per Share Amount | Net Income | Weighted Average Shares | Per Share Amount |
| Basic earnings per share | \$ 811,568 | 258,407 | \$ 3.14 | \$ 772,089 | 267,362 | \$ 2.89 |
| Effect of dilutive share-based awards | | 1,276 | | | 818 | |
| Diluted earnings per share | <u>\$ 811,568</u> | <u>259,683</u> | <u>\$ 3.13</u> | <u>\$ 772,089</u> | <u>268,180</u> | <u>\$ 2.88</u> |

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 0.6 million and 0.9 million in the respective 13-week periods, and 0.6 million and 0.9 million in the respective 26-week periods, ended August 2, 2019 and August 3, 2018.

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 2014 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 2015 through 2017 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 2015 and later tax years remain open for examination by the various state taxing authorities.

As of August 2, 2019, the total reserves for uncertain tax benefits, interest expense related to income taxes and potential income tax penalties were \$5.0 million, \$1.0 million and \$0.9 million, respectively, for a total of \$6.9 million. This total amount is reflected in noncurrent other liabilities in the condensed consolidated balance sheet.

The Company's reserve for uncertain tax positions will not be reduced in the coming twelve months as a result of expiring statutes of limitations. As of August 2, 2019, approximately \$5.0 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 August 2, 2019 were 22.9% and 21.9%, respectively, compared to rates of 21.5% and 21.6%, respectively, for the 13-week and 26-week periods ended August 3, 2018. The tax rates for the 13-week and 26-week periods were higher than the comparable 13-week and 26-week periods in 2018 primarily due to an increase in state income taxes resulting from law changes, which was partially offset by greater tax benefits associated with share-based compensation.

4. Leases

As of August 2, 2019, the Company's primary leasing activities were real estate leases for most of its retail store locations and certain of its distribution facilities. Many of the Company's store locations are subject to build-to-suit arrangements with landlords which typically carry a primary lease term of up to 15 years. The Company does not control build-to-suit properties during the construction period. Store locations not subject to build-to-suit arrangements are typically shorter-term leases. Certain of the Company's leased store locations have variable payments based upon actual costs of common area maintenance, real estate taxes and property and liability insurance. In addition, some of the Company's leased store locations have provisions for variable payments based upon a specified percentage of defined sales volume. The Company's leased distribution facilities are subject to operating lease agreements, with the exception of one distribution facility which is subject to a financing transaction. The Company's lease agreements generally do not contain material restrictive covenants.

Most of the Company's leases include one or more options to renew and extend the lease term. The exercise of lease renewal options is at the Company's sole discretion. Generally, a renewal option is not deemed to be reasonably certain to be exercised until such option is legally executed. The Company's leases do not include purchase options or

residual value guarantees on the leased property. The depreciable life of leasehold improvements are limited by the expected lease term.

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 sheet. At August 2, 2019, the weighted-average remaining lease term for the Company's leases is 10.2 years, and the weighted average discount rate is 4.4%. For the 26-week period ended August 2, 2019, operating lease cost of \$622.4 million and variable lease cost of \$120.0 million were reflected as selling, general and administrative expenses in the condensed consolidated statement of income. Cash paid for amounts included in the measurement of operating lease liabilities of \$626.3 million was reflected in cash flows from operating activities in the condensed consolidated statement of cash flows for the 26-week period ended August 2, 2019.

The scheduled maturity of the Company's operating lease liabilities is as follows:

| (In thousands) | |
|------------------------------------|---------------------|
| 2019 | \$ 634,593 |
| 2020 | 1,238,277 |
| 2021 | 1,182,516 |
| 2022 | 1,112,780 |
| 2023 | 1,037,980 |
| Thereafter | 5,180,000 |
| Total lease payments (a) | 10,386,146 |
| Less imputed interest | (1,990,200) |
| Present value of lease liabilities | <u>\$ 8,395,946</u> |

- a) Excludes approximately \$0.7 billion of legally binding minimum lease payments for leases signed which have not yet commenced.

5. Current and long-term obligations

Current and long-term obligations consist of the following:

| (In thousands) | August 2, 2019 | February 1, 2019 |
|---|---------------------------|-----------------------------|
| Revolving Facility | \$ — | \$ — |
| 3.250% Senior Notes due April 15, 2023 (net of discount of \$962 and \$1,084) | 899,038 | 898,916 |
| 4.150% Senior Notes due November 1, 2025 (net of discount of \$526 and \$562) | 499,474 | 499,438 |
| 3.875% Senior Notes due April 15, 2027 (net of discount of \$356 and \$375) | 599,644 | 599,625 |
| 4.125% Senior Notes due May 1, 2028 (net of discount of \$449 and \$471) | 499,551 | 499,529 |
| Unsecured commercial paper notes | 86,200 | 366,900 |
| Capital lease obligations | — | 10,977 |
| Tax increment financing due February 1, 2035 | 5,835 | 6,360 |
| Debt issuance costs, net | (15,704) | (17,055) |
| | <u>2,574,038</u> | <u>2,864,690</u> |
| Less: current portion | (555) | (1,950) |
| Long-term portion | <u>\$ 2,573,483</u> | <u>\$ 2,862,740</u> |

At August 2, 2019, the Company maintained a \$1.25 billion senior unsecured revolving credit facility (the "Revolving Facility") that provides for the issuance of letters of credit up to \$175.0 million and is scheduled to mature on February 22, 2022.

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 August 2, 2019 was 1.10% for LIBOR borrowings and 0.10% 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 August 2, 2019, the commitment fee rate was 0.15%. 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 August 2, 2019, the Company was in compliance with all such covenants. The Revolving Facility also contains customary events of default.

As of August 2, 2019, the Company had no outstanding borrowings, outstanding letters of credit of \$6.7 million, and borrowing availability of \$1.24 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 \$976.1 million. In addition, as of August 2, 2019, the Company had outstanding letters of credit of \$42.7 million which were issued pursuant to separate agreements.

As of August 2, 2019, 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 August 2, 2019, the Company's condensed consolidated balance sheet reflected outstanding unsecured CP Notes of \$86.2 million classified as long-term obligations due to its intent and ability to refinance these obligations as long-term debt. An additional \$181.0 million of outstanding CP Notes were held by a wholly-owned subsidiary of the Company and are therefore not reflected on the condensed consolidated balance sheet. As of August 2, 2019, the outstanding CP Notes had a weighted average borrowing rate of 2.5%.

On April 10, 2018, the Company issued \$500.0 million aggregate principal amount of 4.125% senior notes due 2028 (the "2028 Senior Notes"), net of discount of \$0.5 million, which are scheduled to mature on May 1, 2028. Interest on the 2028 Senior Notes is payable in cash on May 1 and November 1 of each year. The Company incurred \$4.4 million of debt issuance costs associated with the issuance of the 2028 Senior Notes.

Effective April 15, 2018, the Company redeemed \$400.0 million aggregate principal amount of outstanding 1.875% senior notes due 2018 (the "2018 Senior Notes"). There was no gain or loss associated with the redemption. The Company funded the redemption price for the 2018 Senior Notes with proceeds from the issuance of the 2028 Senior Notes.

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 August 2, 2019.

The following table presents the Company's liabilities required to be measured at fair value as of August 2, 2019, aggregated by the level in the fair value hierarchy within which those measurements are classified.

| <u>(In thousands)</u> | <u>Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> | <u>Total Fair Value at August 2, 2019</u> |
|---------------------------|---|--|--|---|
| <u>Liabilities:</u> | | | | |
| Long-term obligations (a) | \$ 2,645,339 | \$ 92,035 | \$ — | \$ 2,737,374 |
| Deferred compensation (b) | 27,278 | — | — | 27,278 |

- (a) Included in the condensed consolidated balance sheet at book value as Current portion of long-term obligations of \$555 and Long-term obligations of \$2,573,483.
- (b) Reflected at fair value in the condensed consolidated balance sheet as Accrued expenses and other current liabilities of \$2,131 and noncurrent Other liabilities of \$25,147.

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 the 13-week period ended August 2, 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 in Wage and Hour/Employment Litigation and 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, including without limitation those matters disclosed in Note 6 to the audited consolidated financial statements contained in the Company's Annual Report on Form 10-K filed with the SEC on March 22, 2019 under "*Wage and Hour/Employment Litigation*," could affect our consolidated operating results in future periods or could 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 "the Motor Oil Lawsuits").

On June 2, 2016, the United States Judicial Panel on Multidistrict Litigation ("JPML") granted the Company's motion to centralize the Motor Oil Lawsuits 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"). Subsequently, plaintiffs in the Motor Oil MDL filed a consolidated amended complaint, in which they 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 Company's motion to dismiss the allegations raised in the consolidated amended complaint was granted in part and denied in part on August 3, 2017. To the extent additional consumer lawsuits alleging violation of laws relating to the labeling, marketing and sale of Dollar General private-label motor oil have been or will be filed, the Company expects that such lawsuits will be transferred to the Motor Oil MDL.

In May 2017, the Company received a Notice of Proposed Action from the Office of the New Mexico Attorney General (the "New Mexico AG") which alleges that the Company's labeling, marketing and sale of certain Dollar

General private-label motor oil violated New Mexico law (the “New Mexico Motor Oil Matter”). The State is represented in connection with this matter by counsel for plaintiffs in the Motor Oil MDL.

On June 20, 2017, the New Mexico AG filed an action in the First Judicial District Court, County of Santa Fe, New Mexico pertaining to the New Mexico Motor Oil Matter. (*Hector H. Balderas v. Dolgencorp, LLC*, Case No. D-101-cv-2017-01562). The Company removed this matter to New Mexico federal court on July 26, 2017, and it was transferred to the Motor Oil MDL. (*Hector H. Balderas v. Dolgencorp, LLC*, D.N.M., Case No. 1:17-cv-772). On April 23, 2019, the matter was remanded to state court, and on May 3, 2019, the Company moved to dismiss the action.

On September 1, 2017, the Mississippi Attorney General (the “Mississippi AG”), 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 in which the Mississippi AG alleges that the Company’s labeling, marketing and sale of certain Dollar General private-label motor oil violated Mississippi law. (*Jim Hood v. Dollar General Corporation*, Case No. G2017-1229 T/1) (the “Mississippi Motor Oil Matter”). The Company removed this matter to Mississippi federal court on October 5, 2017, and filed a motion to dismiss the action. The matter was transferred to the Motor Oil MDL and the Mississippi AG moved to remand it to state court. (*Jim Hood v. Dollar General Corporation*, N.D. Miss., Case No. 3:17-cv-801-LG-LRA). On May 7, 2019, the Mississippi AG renewed its motion to remand. The Company’s and the Mississippi AG’s above-referenced motions are pending.

On January 30, 2018, the Company received a Civil Investigative Demand (“CID”) from the Office of the Louisiana Attorney General requesting information concerning the Company’s labeling, marketing and sale of certain Dollar General private-label motor oil (the “Louisiana Motor Oil Matter”). In response to the CID, the Company filed a petition for a protective order on February 20, 2018 in the 19th Judicial District Court for the Parish of East Baton Rouge, Louisiana seeking to set aside the CID. (*In re Dollar General Corp. and Dolgencorp, LLC*, Case No. 666499). The Company’s petition is pending.

On August 20, 2018, plaintiffs moved to certify two nationwide classes relating to their claims of alleged unjust enrichment and breach of implied warranties. In addition, plaintiffs moved to certify a multi-state class relating to their claims of breach of implied warranties and multiple statewide classes relating to alleged unfair trade practices/consumer fraud, unjust enrichment and breach of implied warranty claims. The Company opposed the plaintiffs’ certification motion. On March 21, 2019, the court granted the plaintiffs’ certification motion as to 16 statewide classes regarding claims of unjust enrichment and 16 statewide classes regarding state consumer protection laws. Subsequently, the court certified an additional class, bringing the total to 17 statewide classes. The court denied plaintiffs’ certification motion in all other respects. On June 25, 2019, the United States Court of Appeals for the Eighth Circuit granted the Company’s Petition to Appeal the lower court’s certification rulings.

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, 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, no assurances can be given that the Company will be successful in its defense of these matters on the merits or otherwise. The Company now believes that a loss in this matter is both probable and reasonably estimable, and during the 13-week period ended August 2, 2019, 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 August 2, 2019, all of the Company’s operations were located within the United States with the exception of certain product sourcing operations in Hong Kong and China, 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 | |
|------------------------------|---------------------|---------------------|----------------------|----------------------|
| | August 2, 2019 | August 3, 2018 | August 2, 2019 | August 3, 2018 |
| Classes of similar products: | | | | |
| Consumables | \$ 5,428,005 | \$ 4,988,063 | \$ 10,641,160 | \$ 9,760,451 |
| Seasonal | 854,093 | 792,513 | 1,591,071 | 1,483,544 |
| Home products | 375,068 | 345,161 | 750,781 | 699,794 |
| Apparel | 324,587 | 317,572 | 621,926 | 613,983 |
| Net sales | <u>\$ 6,981,753</u> | <u>\$ 6,443,309</u> | <u>\$ 13,604,938</u> | <u>\$ 12,557,772</u> |

9. Common stock transactions

On August 29, 2012, the Company's Board of Directors authorized a common stock repurchase program, which the Board has since increased on several occasions. Most recently, on March 13, 2019, the Company's Board of Directors authorized a \$1.0 billion increase to the existing common stock repurchase program. As of August 2, 2019, a cumulative total of \$7.0 billion had been authorized under the program since its inception and approximately \$1.0 billion remained available for repurchase. The repurchase authorization has no expiration date and allows repurchases from time to time in the open market or in privately negotiated transactions. The timing and number of shares purchased depends on a variety of factors, such as price, market conditions, compliance with the covenants and restrictions under the Company's debt agreements and other factors. Repurchases under the program may be funded from available cash or borrowings, including under the Company's 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 August 2, 2019 and August 3, 2018, the Company repurchased in the open market approximately 3.0 million shares of its common stock at a total cost of \$385.0 million and approximately 3.7 million shares of its common stock at a total cost of \$349.5 million, respectively.

The Company paid a quarterly cash dividend of \$0.32 per share during each of the first and second quarters of 2019. On August 28, 2019, the Company's Board of Directors declared a quarterly cash dividend of \$0.32 per share, which is payable on or before October 22, 2019 to shareholders of record on October 8, 2019. The amount and declaration of future cash dividends is subject to the sole discretion of the Company's Board of Directors 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 the 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 August 2, 2019, the related condensed consolidated statements of income, comprehensive income, and shareholders' equity for the thirteen and twenty-six week periods ended August 2, 2019 and August 3, 2018, the condensed consolidated statements of cash flows for the twenty-six week periods ended August 2, 2019 and August 3, 2018, 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 February 1, 2019, 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 22, 2019, 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 February 1, 2019, 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

August 29, 2019
Nashville, Tennessee

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 February 1, 2019. It also should be read in conjunction with the disclosure under "Cautionary Disclosure Regarding Forward-Looking Statements" in this report.

Executive Overview

We are among the largest discount retailers in the United States by number of stores, with 15,836 stores located in 44 states as of August 2, 2019, 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 (including price increases from tariffs), and changes to certain government assistance programs, such as the Supplemental Nutrition Assistance Program. Additionally, our customers are impacted by increases in those expenses that generally comprise a large portion of their household budget, such as rent, healthcare and fuel prices. Finally, significant unseasonable or unusual weather patterns can impact customer shopping behaviors.

We remain committed to the following long-term operating priorities as we consistently strive to improve our performance while retaining our customer-centric focus: 1) driving profitable sales growth, 2) capturing growth opportunities, 3) enhancing our position as a low-cost operator, and 4) investing in our people as a competitive advantage.

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 sales-driving initiatives are also designed to capture growth opportunities and are discussed in more detail below.

Historically, our sales of consumables, which tend to have lower gross margins, have been the key drivers of net sales and customer traffic, while sales of non-consumables, which tend to have higher gross margins, have contributed to more profitable sales growth and an increase in average transaction amount. In recent years, our sales mix has continued to shift slightly toward consumables, and, within consumables, slightly toward lower margin departments such as perishables and tobacco. While we expect some sales mix challenges to persist, certain of our initiatives are intended to address these trends, although there can be no assurance we will be successful in reversing them.

We continue to make progress on and invest in certain strategic initiatives that we believe will help drive profitable sales growth 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. Additionally, we tested a refreshed approach to our non-consumable product offerings in 2018, and have implemented this initiative in more than 1,500 stores through the end of the 2019 second quarter. This merchandising strategy offers a new, differentiated and limited assortment that will change throughout the year. As we extend this initiative more broadly in 2019, our goal is to continue to improve the shopping experience while delivering exceptional value within key areas of our non-consumable categories.

In 2019, we are continuing our rollout of the “DG Fresh” initiative, a self-distribution model for fresh and frozen products that is designed to enhance sales, reduce product costs, improve our in-stock position and enhance item assortment. We are currently operating three DG Fresh distribution facilities, which are serving more than 3,500 stores, and we plan to open at least one additional self-distribution facility in 2019.

Tariffs on products from China, as applied to both our direct imports and domestic purchases, did not have a material impact on our financial results in the first half of 2019. Effective May 10, 2019, tariff rates on certain products from China increased from 10% to 25%, and these rates are scheduled to increase to 30% on October 1, 2019. Additionally, a 15% tariff on a fourth list of products is anticipated to go into effect, in part, on September 1, 2019, with the tariff on the remaining items on this list going into effect on December 15, 2019. We believe we can mitigate the potential sales and margin impact of such increased tariffs on our financial results for the remainder of 2019, particularly in light of our performance through the end of the second quarter of 2019, through various sourcing, merchandising and pricing efforts. However, these and additional increases in tariff rates or expansions of products subject to tariffs, if any, may have a more significant impact on our business. Further, as noted above, changes in trade policy that result in higher prices for our customers may negatively impact their budgets, and consequently, their spending. There can be no assurance we will be successful in our efforts to mitigate the impacts of existing or future tariffs in whole or in part, including but not limited to any impacts on customer spending.

To support our other operating priorities, we remain focused on capturing growth opportunities. In the first half of 2019, we opened 489 new stores, remodeled 653 stores, and relocated 46 stores. For 2019, we plan to open approximately 975 new stores, remodel approximately 1,000 stores, and relocate approximately 100 stores for an approximate total of 2,075 real estate projects.

We continue to innovate within our channel and are able to utilize the most productive of our various store formats based on the specific market opportunity. We expect that our traditional 7,300 square foot store format will continue to be the primary store layout for new stores, relocations and remodels in 2019. We expect approximately 500 of the planned 1,000 remodels in 2019 to use a higher-cooler-count store format that enables us to offer an increased selection of perishable items. In addition, our smaller format store (less than 6,000 square feet) allows us to capture growth opportunities in metropolitan areas as well as in rural areas with a low number of households. We continue to incorporate lessons learned from our various store formats and layouts into our existing store base with a goal of driving increased customer traffic, average transaction amount, same-store sales and overall store productivity.

To support our new store growth and drive productivity, we continue to make investments in our traditional distribution center network for non-refrigerated merchandise. Most recently, we began shipping from our distribution center in Longview, Texas in January 2019. In addition, our distribution center in Amsterdam, New York is currently under construction, and we expect to begin shipping from this facility later in 2019.

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 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 productivity within our stores. The first phase of Fast Track involves optimizing sorting processes 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 later in 2019. These and certain other strategic initiatives will require us to incur upfront expenses for which, in some respects, there may not be an immediate or acceptable return in terms of sales or enhanced profitability.

Certain operating expenses such as wage rates and occupancy costs have continued to increase in recent years. While we expect these increases to persist, certain of our initiatives and plans are intended to help offset these challenges, although there can be no assurance we will be successful in mitigating them.

Our employees are a competitive advantage, and we proactively seek ways to continue investing in them. Our goal is to create an environment that attracts and retains talented personnel, particularly at the store level, because employees who are promoted from within our company generally have longer tenures and are greater contributors to improvements in our financial performance. We believe our investments in compensation and training for our store managers have contributed to improved customer experience scores, higher sales and improved turnover metrics.

To further enhance shareholder returns, we repurchased shares of our common stock and paid a quarterly cash dividend in the second quarter of 2019. We intend to continue our share repurchase activity, and to pay quarterly cash dividends, throughout 2019, subject to Board discretion and approval.

Highlights of our 2019 second quarter results of operations compared to the 2018 second quarter and our financial condition at August 2, 2019 are set forth below. Basis points amounts referred to below are equal to 0.01% as a percentage of net sales.

- Net sales increased 8.4% to \$6.98 billion. Sales in same-stores increased 4.0% reflecting increases in average transaction amount and customer traffic. Average sales per square foot for all stores over the 52-week period ended August 2, 2019 was \$234.
- Gross profit, as a percentage of net sales, was 30.8% in the 2019 period compared to 30.6% in the 2018 period, an increase of 13 basis points, reflecting lower markdowns relative to net sales as well as higher initial inventory markups.
- SG&A expense, as a percentage of net sales, was 22.5% in the 2019 period compared to 22.2% in the 2018 period, an increase of 32 basis points, primarily due to expenses of \$31.0 million related to certain legal matters.
- Operating profit increased 5.9% to \$577.8 million in the 2019 period compared to \$545.5 million in the 2018 period.
- Interest expense decreased by \$0.6 million to \$24.8 million in the 2019 period primarily due to lower weighted average borrowings.
- The effective income tax rate for the 2019 period was 22.9% compared to a rate of 21.5% for the 2018 period primarily due to increases in state income taxes.
- Net income was \$426.6 million, or \$1.65 per diluted share, in the 2019 period compared to net income of \$407.2 million, or \$1.52 per diluted share, in the 2018 period.

Highlights of the first half of 2019 include:

- Cash generated from operating activities was \$1.13 billion for the 2019 period, an increase of 3.0% over \$1.10 billion in the comparable 2018 period.
- Total cash dividends of \$165.1 million, or \$0.64 per share, were paid during the 2019 period, compared to \$154.7 million, or \$0.58 per share, in the comparable 2018 period.
- Inventory turnover was 4.5 times on a rolling four-quarter basis. On a per store basis, inventories at August 2, 2019 increased by 7.5% over the balances at August 3, 2018.

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 August 2, 2019.

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 2019 and 2018, which represent the 52-week fiscal years ending or ended January 31, 2020 and February 1, 2019, respectively. References to the second quarter accounting periods for 2019 and 2018 contained herein refer to the 13-week accounting periods ended August 2, 2019 and August 3, 2018, 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.

The following table contains results of operations data for the second 13-week periods and the 26-week periods of 2019 and 2018, and the dollar and percentage variances among those periods:

| (amounts in millions, except per share amounts) | 13 Weeks Ended | | 2019 vs. 2018 | | 26 Weeks Ended | | 2019 vs. 2018 | |
|---|----------------|----------------|---------------|----------|----------------|----------------|---------------|----------|
| | August 2, 2019 | August 3, 2018 | Amount Change | % Change | August 2, 2019 | August 3, 2018 | Amount Change | % Change |
| Net sales by category: | | | | | | | | |
| Consumables | \$ 5,428.0 | \$ 4,988.1 | \$ 439.9 | 8.8 % | \$ 10,641.2 | \$ 9,760.5 | \$ 880.7 | 9.0 % |
| <i>% of net sales</i> | 77.75 % | 77.41 % | | | 78.22 % | 77.72 % | | |
| Seasonal | 854.1 | 792.5 | 61.6 | 7.8 | 1,591.1 | 1,483.5 | 107.5 | 7.2 |
| <i>% of net sales</i> | 12.23 % | 12.30 % | | | 11.69 % | 11.81 % | | |
| Home products | 375.1 | 345.2 | 29.9 | 8.7 | 750.8 | 699.8 | 51.0 | 7.3 |
| <i>% of net sales</i> | 5.37 % | 5.36 % | | | 5.52 % | 5.57 % | | |
| Apparel | 324.6 | 317.6 | 7.0 | 2.2 | 621.9 | 614.0 | 7.9 | 1.3 |
| <i>% of net sales</i> | 4.65 % | 4.93 % | | | 4.57 % | 4.89 % | | |
| Net sales | \$ 6,981.8 | \$ 6,443.3 | \$ 538.4 | 8.4 % | \$ 13,604.9 | \$ 12,557.8 | \$ 1,047.2 | 8.3 % |
| Cost of goods sold | 4,832.8 | 4,468.4 | 364.4 | 8.2 | 9,453.7 | 8,720.7 | 733.1 | 8.4 |
| <i>% of net sales</i> | 69.22 % | 69.35 % | | | 69.49 % | 69.44 % | | |
| Gross profit | 2,148.9 | 1,974.9 | 174.1 | 8.8 | 4,151.2 | 3,837.1 | 314.1 | 8.2 |
| <i>% of net sales</i> | 30.78 % | 30.65 % | | | 30.51 % | 30.56 % | | |
| Selling, general and administrative expenses | 1,571.2 | 1,429.4 | 141.8 | 9.9 | 3,061.2 | 2,801.5 | 259.7 | 9.3 |
| <i>% of net sales</i> | 22.50 % | 22.18 % | | | 22.50 % | 22.31 % | | |
| Operating profit | 577.8 | 545.5 | 32.3 | 5.9 | 1,090.0 | 1,035.7 | 54.4 | 5.2 |
| <i>% of net sales</i> | 8.28 % | 8.47 % | | | 8.01 % | 8.25 % | | |
| Interest expense | 24.8 | 25.5 | (0.6) | (2.5) | 50.7 | 50.2 | 0.5 | 1.0 |
| <i>% of net sales</i> | 0.36 % | 0.39 % | | | 0.37 % | 0.40 % | | |
| Other (income) expense | — | 1.0 | (1.0) | (100.0) | — | 1.0 | (1.0) | (100.0) |
| <i>% of net sales</i> | 0.00 % | 0.02 % | | | 0.00 % | 0.01 % | | |
| Income before income taxes | 553.0 | 519.0 | 34.0 | 6.5 | 1,039.3 | 984.4 | 54.9 | 5.6 |
| <i>% of net sales</i> | 7.92 % | 8.05 % | | | 7.64 % | 7.84 % | | |
| Income tax expense | 126.4 | 111.8 | 14.6 | 13.1 | 227.7 | 212.3 | 15.4 | 7.2 |
| <i>% of net sales</i> | 1.81 % | 1.73 % | | | 1.67 % | 1.69 % | | |
| Net income | \$ 426.6 | \$ 407.2 | \$ 19.3 | 4.7 % | \$ 811.6 | \$ 772.1 | \$ 39.5 | 5.1 % |
| <i>% of net sales</i> | 6.11 % | 6.32 % | | | 5.97 % | 6.15 % | | |
| Diluted earnings per share | \$ 1.65 | \$ 1.52 | \$ 0.13 | 8.6 % | \$ 3.13 | \$ 2.88 | \$ 0.25 | 8.7 % |

13 WEEKS ENDED AUGUST 2, 2019 AND AUGUST 3, 2018

Net Sales. The net sales increase in the 2019 period reflects a same-store sales increase of 4.0% compared to the 2018 period. Same-stores include stores that have been open for at least 13 months and remain open at the end of the reporting period. For the 2019 period, there were 14,764 same-stores which accounted for sales of \$6.6 billion. The increase in same-store sales reflects an increase in average transaction amount driven by higher average item retail prices, as well as an increase in customer traffic. Same-store sales increased in the consumables, seasonal and home products categories and declined in the apparel category. The net sales increase was also positively affected by sales from new stores, modestly offset by sales from closed stores.

Gross Profit. For the 2019 period, gross profit increased by 8.8%, and as a percentage of net sales increased by 13 basis points to 30.8% compared to the 2018 period. A reduction in markdowns as a percentage of net sales and higher initial markups on inventory purchases each contributed to the increase in the gross profit rate. These factors were partially offset by higher shrink, increased distribution costs, and a greater proportion of sales coming from the consumables category, which generally has a lower gross profit rate than our other product categories, and sales of lower margin products comprising a higher proportion of sales within the consumables category.

Selling, General & Administrative Expenses (“SG&A”). SG&A was 22.5% as a percentage of net sales in the 2019 period compared to 22.2% in the comparable 2018 period, an increase of 32 basis points. We recorded expenses of \$31.0 million, or 44 basis points, in the 2019 period reflecting our estimate for the settlement of legal matters discussed in Note 7 to the condensed consolidated financial statements. These results also reflect an increase in expenses for store supplies. These items were partially offset by lower utilities costs as a percentage of sales and reductions in benefits costs, workers’ compensation and general liability expenses.

Interest Expense. Interest expense decreased by \$0.6 million to \$24.8 million in the 2019 period primarily due to lower average outstanding borrowings. See Liquidity and Capital Resources.

Income Taxes. The effective income tax rate for the 2019 period was 22.9% compared to a rate of 21.5% for the 2018 period which represents a net increase of 1.4 percentage points. The tax rate for the 2019 period was higher than the comparable 2018 period primarily due to an increase in state income taxes resulting from law changes, which was partially offset by greater tax benefits associated with share-based compensation.

26 WEEKS ENDED AUGUST 2, 2019 AND AUGUST 3, 2018

Net Sales. The net sales increase in the 2019 period reflects a same-store sales increase of 3.9% compared to the 2018 period. For the 2019 period, there were 14,764 same-stores which accounted for sales of \$12.9 billion. The increase in same-store sales reflects increases in average transaction amount and customer traffic. The increase in average transaction amount was driven by higher average retail prices per transaction. Same-store sales increased in the consumables, seasonal and home products categories and declined in the apparel category. The net sales increase was also positively affected by sales from new stores, modestly offset by sales from closed stores.

Gross Profit. For the 2019 period, gross profit increased by 8.2%, and as a percentage of net sales decreased by 5 basis points to 30.5% compared to the 2018 period. Increased distribution costs, and a greater proportion of sales of consumables, which generally have a lower gross profit rate than our other product categories, and the sales of lower margin products comprising a higher proportion of consumables sales, contributed to the decrease in the gross profit rate. These factors were partially offset by a reduction in markdowns as a percentage of net sales and higher initial markups on inventory purchases.

Selling, General & Administrative Expenses. SG&A was 22.5% as a percentage of net sales in the 2019 period compared to 22.3% in the comparable 2018 period, an increase of 19 basis points. We recorded expenses of \$31.0 million, or 23 basis points, in the 2019 period reflecting our estimate for the settlement of legal matters discussed in Note 7 to the condensed consolidated financial statements. These expenses were partially offset by lower utilities costs as a percentage of sales and reductions in workers’ compensation and general liability expenses.

Interest Expense. Interest expense increased by \$0.5 million to \$50.7 million in the 2019 period primarily due to higher weighted average borrowing rates.

Income Taxes. The effective income tax rate for the 2019 period was 21.9% compared to a rate of 21.6% for the 2018 period which represents a net increase of 0.3 percentage points. The tax rate for the 2019 period was higher than the comparable 2018 period primarily due to an increase in state income taxes resulting from law changes, which was partially offset by greater tax benefits associated with share-based compensation.

Accounting Standards

In January 2017, the FASB issued amendments to existing guidance related to the subsequent measurement of goodwill. These amendments modify the concept of impairment from the condition that exists when the carrying amount

of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. Subsequent to adoption, an entity will perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. This guidance is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2019, and early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The amendments should be applied on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. We currently do not anticipate a material effect on our consolidated results of operations, financial position or cash flows to result from the adoption of this guidance.

Liquidity and Capital Resources

At August 2, 2019, we had a \$1.25 billion unsecured revolving credit agreement (the "Revolving Facility"), \$2.5 billion aggregate principal amount of senior notes, and a commercial paper program that may provide borrowing availability of up to \$1.0 billion. At August 2, 2019, we had total consolidated outstanding debt (including the current portion of long-term obligations) of \$2.6 billion, which includes commercial paper borrowings ("CP Notes") and senior notes, all of which 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 and anticipated dividend payments 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 2019, we anticipate potential combined borrowings under the Revolving Facility and our CP Notes to be a maximum of approximately \$800 million outstanding at any one time, including any anticipated borrowings to fund repurchases of common stock.

Revolving Credit Facility

On February 22, 2017, we entered into the Revolving Facility of which up to \$175.0 million is available for the issuance of letters of credit and which is scheduled to mature on February 22, 2022.

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 August 2, 2019 was 1.10% for LIBOR borrowings and 0.10% 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 August 2, 2019, the commitment fee rate was 0.15%. 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 August 2, 2019, we were in compliance with all such covenants. The Revolving Facility also contains customary events of default.

As of August 2, 2019, under the Revolving Facility, we had no outstanding borrowings, outstanding letters of credit of \$6.7 million, and borrowing availability of \$1.24 billion that, due to our intention to maintain borrowing availability related to the commercial paper program described below, could contribute incremental liquidity of \$976.1 million at August 2, 2019. In addition, as of August 2, 2019 we had outstanding letters of credit of \$42.7 million which were issued pursuant to separate agreements.

Commercial Paper

As of August 2, 2019, our condensed consolidated balance sheet reflected outstanding unsecured CP Notes of \$86.2 million classified as long-term obligations due to our intent and ability to refinance these obligations as long-term debt. An additional \$181.0 million of outstanding CP Notes were held by a wholly-owned subsidiary and are therefore not reflected on the condensed consolidated balance sheet. 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 August 2, 2019, the consolidated outstanding CP Notes had a weighted average borrowing rate of 2.5%.

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. Collectively, the 2023 Senior Notes, 2025 Senior Notes, 2027 Senior Notes and 2028 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.

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 55% of our total assets exclusive of goodwill, operating lease assets, and other intangible assets as of August 2, 2019. 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. 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 “2019 period” and the “2018 period” in the discussion of “Cash flows from operating activities,” “Cash flows from investing activities,” and “Cash flows from financing activities” below refer to the 26-week periods ended August 2, 2019 and August 3, 2018, respectively.

Cash flows from operating activities. Cash flows from operating activities were \$1.13 billion in the 2019 period, which represents a \$33.2 million increase compared to the 2018 period. Net income increased by \$39.5 million in the 2019 period over the 2018 period. Changes in merchandise inventories resulted in a \$321.1 million decrease in the 2019 period as compared to a decrease of \$292.9 million in the 2018 period. Changes in accounts payable resulted in a \$323.2 million increase in the 2019 period compared to a \$270.9 million increase in the 2018 period, due primarily to the timing of receipts and payments. Changes in income taxes in the 2019 period compared to the 2018 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. Merchandise inventories increased by 8% in the 2019 period and also increased 8% in the 2018 period, with changes in our four inventory categories as follows: consumables increased by 8% compared to a 11% increase; seasonal increased 9% compared to a 5% increase; home products increased by 15% compared to a 5% increase; and apparel decreased by 5% compared to a 3% decrease.

Cash flows from investing activities. Significant components of property and equipment purchases in the 2019 period included the following approximate amounts: \$136 million for improvements, upgrades, remodels and relocations of existing stores; \$68 million related to new leased stores, primarily for leasehold improvements, fixtures and equipment; \$54 million for distribution and transportation-related capital expenditures; and \$28 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 2019 period, we opened 489 new stores and remodeled or relocated 699 stores.

Significant components of property and equipment purchases in the 2018 period included the following approximate amounts: \$147 million for improvements, upgrades, remodels and relocations of existing stores; \$113 million for distribution and transportation-related capital expenditures; \$81 million related to new leased stores, primarily for leasehold improvements, fixtures and equipment; and \$24 million for information systems upgrades and technology-related projects. During the 2018 period, we opened 510 new stores and remodeled or relocated 710 stores.

Capital expenditures for 2019 are currently projected to be in the range of \$775 million to \$825 million. We anticipate funding 2019 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 2019 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 2018 period, net proceeds from the issuance of the 2028 Senior Notes were \$499.5 million and we redeemed all outstanding 1.875% senior notes due 2018 for \$400.0 million. Net commercial paper borrowings decreased by \$280.7 million in the 2019 period and decreased by \$149.4 million in the 2018 period. There were no borrowings or repayments under the Revolving Facility during the 2019 or 2018 periods. Also during the 2019 and 2018 periods, we repurchased 3.0 million and 3.7 million shares of our common stock at a total cost of \$385.0 million and \$349.5 million, respectively, and paid cash dividends of \$165.1 million and \$154.7 million, respectively.

Share Repurchase Program

At August 2, 2019, our common stock repurchase program had a total remaining authorization of approximately \$1.0 billion. Under the authorization, purchases may be made in the open market or in privately negotiated transactions from time to time subject to market and other conditions. The authorization has no expiration date and may be modified or terminated from time to time at the discretion of our Board of Directors. For more information 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 February 1, 2019.

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 August 2, 2019 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 February 1, 2019.

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 August 2, 2019 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) |
|-------------------|----------------------------------|------------------------------|---|---|
| 05/04/19-05/31/19 | 39,505 | \$ 126.57 | 39,505 | \$ 1,141,137,000 |
| 06/01/19-06/30/19 | 681,385 | \$ 135.02 | 681,385 | \$ 1,049,138,000 |
| 07/01/19-08/02/19 | 631,935 | \$ 139.24 | 631,935 | \$ 961,150,000 |
| Total | 1,352,825 | \$ 136.74 | 1,352,825 | \$ 961,150,000 |

- (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 13, 2019 to increase the repurchase authorization by \$1.0 billion, bringing the total value of authorized share repurchases under the program to \$7.0 billion. Under the authorization, purchases may be made in the open market or in privately negotiated transactions from time to time subject to market and other conditions. 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 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,” “should,” “expect,” “believe,” “anticipate,” “project,” “plan,” “estimate,” “aim,” “goal,” “opportunity,” “intend,” “could,” “can,” “would,” “committed,” “likely,” “scheduled,” “predict,” “seek,” “potential,” “strive,” “subject to,” “focused on,” or “continue,” and similar expressions that concern our strategy, plans, initiatives, intentions or beliefs about future occurrences or results. For example, statements relating to estimated and projected expenditures, cash flows, results of operations, financial condition and liquidity; plans and objectives for, and expectations regarding, future operations, economic and competitive market conditions, growth or initiatives, including the number of planned store openings, remodels and relocations, store format plans, progress of strategic (including our non-consumables initiative, DG Fresh, and Fast Track), merchandising and margin enhancing initiatives, trends in sales of consumable and non-consumable products, results of the investment in and training of our personnel; potential future stock repurchases and cash dividends; anticipated borrowing under the Revolving Facility and our commercial paper program; the potential impact of legal or regulatory changes and our responses thereto, including the potential impact of tariffs imposed by the U.S. government; efforts to improve distribution and transportation efficiencies, including anticipated timing of distribution center openings; and the expected outcome or effect of pending or threatened litigation or audits are forward-looking statements.

Forward-looking statements are subject to risks and uncertainties that may change at any time, so our actual results may differ materially from those that we expected. We derive many of these statements from our operating budgets and forecasts, which are based on many detailed assumptions that we believe are reasonable. However, it is very difficult to predict the effect of known factors, and we cannot anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from the expectations expressed in our forward-looking statements include, without limitation:

- economic factors, including but not limited to employment levels; inflation; higher fuel, energy, health care 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 subsidies such as unemployment and food assistance programs; commodity rates; transportation, lease and insurance costs; wage rates; foreign exchange rate fluctuations; measures 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, and our SG&A expenses (including real estate costs);
- failure to achieve or sustain our strategies and initiatives, including those relating to merchandising, real estate and new store development, store formats, digital, shrink, sourcing, private brand, inventory management, supply chain, store operations, store formats, expense reduction, and technology;
- 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 or metro areas;
- competitive pressures and changes in the competitive environment and the geographic and product markets where we operate, including, but not limited to, pricing, expanded availability of mobile, web-based and other digital technologies, and consolidation;
- levels of inventory shrinkage;
- failure to successfully manage inventory balances;
- failure to maintain the security of information that we hold relating to proprietary business information or our customers, employees and vendors;
- a significant disruption to our distribution network, to the capacity of our distribution centers or to the timely receipt of inventory, or delays in constructing or opening new distribution centers;

- risks and challenges associated with sourcing merchandise from suppliers, including, but not limited to, those related to international trade;
- product liability, product recall or other product safety or labeling claims;
- the impact of changes in or noncompliance with governmental regulations and requirements (including, but not limited to, those relating to environmental compliance, product and food safety, labeling and sales, information security and privacy, labor and employment, employee wages, and consumer protection, as well as tax laws, 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, administrative proceedings, regulatory actions or other litigation;
- incurrence of material uninsured losses, excessive insurance costs or accident costs;
- natural disasters, unusual weather conditions (whether or not caused by climate change), pandemic outbreaks, terrorist acts and geo-political events;
- 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;
- failure to attract, train and retain qualified employees while controlling labor costs 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;
- deterioration in market conditions, including market disruptions, limited liquidity and interest rate fluctuations, or changes in our credit profile;
- new accounting guidance or changes in the interpretation or application of existing guidance;
- factors disclosed under “Risk Factors” in Part I, Item 1A of our Form 10-K for the fiscal year ended February 1, 2019; 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 and uncertainties 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 publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

EXHIBIT INDEX

- 10.1 [Dollar General Corporation Executive Relocation Policy, as amended \(effective August 27, 2019\)](#)
- 10.2 [Amended Schedule of Senior Vice President-level Executive Officers who have executed a Senior Vice President Employment Agreement in the form filed as Exhibit 10.1 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended May 4, 2018, filed with the SEC on May 31, 2018 \(incorporated by reference to Exhibit 10.1 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended May 3, 2019, filed with the SEC on May 30, 2019 \(file no. 001-11421\)\)](#)
- 15 [Letter re unaudited interim financial information](#)
- 31 [Certifications of CEO and CFO under Exchange Act Rule 13a-14\(a\)](#)
- 32 [Certifications of CEO and CFO under 18 U.S.C. 1350](#)
- 101 Interactive data files for Dollar General Corporation's Quarterly Report on Form 10-Q for the quarter ended August 2, 2019, 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 quarter ended August 2, 2019 (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 29, 2019

By: /s/ John W. Garratt

John W. Garratt

Executive Vice President & Chief Financial Officer

DOLLAR GENERAL®



BRISTOL
GLOBAL MOBILITY

Congratulations on your new assignment!

In addition to the challenges your new position brings, you and your family will encounter many changes as you leave familiar surroundings, find a new place to live and settle into your new location.

The relocation of employees contributes to the Company's ability to stay flexible and competitive. For that reason, we have partnered with Bristol Global Mobility, as well as a number of other top rate service providers, to provide you with a program of relocation support to reduce normal move disruptions, and enable you to get settled in your new home and job as quickly as possible.

This Relocation Guide outlines the services made available to you to help facilitate your move, including selling your current residence and finding a new community and home.

Please take the time to read through this guide and familiarize yourself with the policy and Bristol Global Mobility relocation services before you begin planning your relocation. Recognizing that relocating can be a disruptive time, the Company, through your dedicated Mobility Advisor, will assist you and your family throughout your move.

Our best wishes for success in your new location!

Contents

| | |
|---------------------------------------|----|
| Benefits at a Glance | 3 |
| Introduction | 4 |
| Relocation Administration | 5 |
| Forms to Complete | 5 |
| Expense Reimbursement | 6 |
| Relocation and Transition Expenses | 6 |
| Miscellaneous Expense Allowance | 6 |
| House Hunting | 7 |
| Home Sale Assistance program | 7 |
| Renters' Assistance | 16 |
| Destination Location | 17 |
| Home Purchase Closing Cost Assistance | 18 |
| Moving to the New Location | 19 |
| Tax Assistance | 21 |
| Tax Treatment Table | 22 |

BENEFITS AT A GLANCE

| Policy Component | Description |
|---|--|
| Eligibility | <ul style="list-style-type: none"> You are eligible for coverage under the relocation program described in this guide if you are classified as an active full-time current or newly-hired, salaried executive level employee or senior officer; homeowner or renter. It is your responsibility to work with the Sr. Manager Human Resources to monitor your eligibility for benefits and to ensure your status is accurately reflected in the payroll system. Note: Active Full-time (AF) means not L, LP, or T status. |
| Miscellaneous Allowance | <ul style="list-style-type: none"> You will receive an Allowance of \$10,000 to cover expenses not provided elsewhere in the policy Such payment will not be grossed-up |
| Home Finding Trip | <ul style="list-style-type: none"> Professional assistance will be provided by Bristol Global Mobility The Company will provide you with two home finding trips for up to seven days/six nights, for you, your spouse or one additional family member and for your children. Reimbursable expenses include reasonable costs associated with: <ul style="list-style-type: none"> Airfare or Mileage Lodging Meals (\$25/day/adult & \$15/day/child) Rental car (if airfare) |
| Temporary Housing | <ul style="list-style-type: none"> Professional assistance will be provided by Bristol Global Mobility The Company will provide you with temporary housing accommodations for up to 90 days Up to 14 days rental car if automobile is being shipped |
| Home Sale Assistance: GBO/Amended Value Sale | <ul style="list-style-type: none"> Marketing Assistance Appraised Value Offer Amended Value Sale Independent Sale |
| Renter Services | <ul style="list-style-type: none"> Lease Cancellation: <ul style="list-style-type: none"> Up to two months' rent if required to cover lease cancellation or lease break fees |
| New Home Purchase Assistance | <ul style="list-style-type: none"> If you decide to purchase a home in the new location, you will be reimbursed for normal and customary new home purchase closing costs |
| Movement of Household Goods | <ul style="list-style-type: none"> A professional van line will be selected and coordinated by Bristol Global Mobility Van line will pack, load, transport, unload goods, and unpack, including normal appliance servicing The Company will provide: <ul style="list-style-type: none"> Debris pick up Storage for up to 90 days Up to \$125,000 of valuation coverage Shipment for up to two automobiles if the distance to the new location is over 300 miles |
| Final Trip to the Destination Location | <ul style="list-style-type: none"> You and your family will be reimbursed for en route expenses from the departure location to the destination location. Reimbursable expenses include reasonable costs associated with: <ul style="list-style-type: none"> Airfare if vehicle(s) is/are shipped Lodging – 1 night in origin, en route Mileage – 1 vehicle if 1 is shipped or 2 vehicles if none are shipped Meals(\$25/day/adult & \$15/day/child) You must travel a minimum of 300 miles per day by the most direct route |

INTRODUCTION

On the Move...

This handbook has been designed to help you understand Dollar General's relocation program and to assist you and your family in relocating as quickly as possible with minimal inconvenience. You are encouraged to carefully read this handbook in its entirety. Recognizing that relocating can be a disruptive process, the Company and Bristol Global Mobility will assist you and your family throughout your move.

Eligibility

The relocation program was developed to facilitate the movement of active, full-time newly-hired and current, salaried, executive-level employees or senior officers who are requested to relocate by the Company and designated by the Company to receive the benefits described in this handbook.

In order to be eligible for relocation as described in this handbook, your relocation must meet the IRS 50-mile distance test. The distance between your former residence and your new job site must be at least 50 miles greater than the distance between your former residence and your former job site.

Family

Your family members eligible for assistance under this policy include your spouse and your dependent household members. In the event an additional member of your household is asked to relocate by the Company, you are eligible to receive only one set of benefits.

Time Limit

You are eligible for the benefits extended in this handbook for up to 12 months following your effective date of transfer. All expense reports related to your relocation are required to be submitted within 90 days of the date incurred within this 12-month period.

Disclaimer

The Company has the sole right at any time to revise, amend or discontinue this policy. This policy shall not be considered or construed as an employment contract and does not constitute a guarantee of employment for any minimum or specified period of time.

Policy Exceptions

If you feel an exception is needed, please submit your request in writing to your Bristol Global Mobility dedicated Mobility Advisor. They will review and forward your request to the Relocation Department at Dollar General for consideration. Upon initial receipt, the Relocation Department will present a recommendation along with facts to the appropriate senior level officer for final approval by the Board's Compensation Committee. Your dedicated Mobility Advisor will communicate the decision to you.

RELOCATION ADMINISTRATION

Upon notification of your relocation, your dedicated Mobility Advisor will contact you and be your main point of contact throughout your move. Your dedicated Mobility Advisor will guide you through each step of the relocation process, answer your questions, and help coordinate all aspects of your move. Listed below are highlights of the services your dedicated Mobility Advisor will provide to you:

- general information
- expense report reimbursements
- disposition of your present home
- assistance in finding a new residence
- moving your household goods
- moving you and your family to the new location

We encourage you to become fully involved in your move and work closely with the professionals who have been made available to assist you throughout the relocation process. By working closely with your dedicated Mobility Advisor, you will be able to effectively manage your move.

Forms to Complete

Our goal is to have a relocation process that is as simple and easy to use as possible. Therefore, there are only two steps that you must complete before receiving your relocation benefits.

Step 1. Complete and return the Relocation Initiation Form

The Relocation Initiation Form provides us with important information to pass on to the moving company and for relocation check/reimbursement requests.

Step 2. Complete and return the Employee Reimbursement Form.

The Employee Reimbursement Form states that you have read Dollar General's Relocation policy and understand that you are responsible for any expenses not covered under the policy. This form may also have a reimbursement schedule you would follow to pay back a pro-rated share of your relocation benefits should you leave the company within a year of the date of your last relocation reimbursement or last relocation expense incurred by Dollar General.

Both of these forms can be emailed or faxed to the following:

Email: Relocation@DollarGeneral.com

Fax: (615) 855-4139

EXPENSE REIMBURSEMENT

Most ordinary expenses involved in moving from one location to another are covered under this policy. Any questions of interpretation should be discussed with your dedicated Mobility Advisor *before you take action*.

All relocation expenses must be submitted on the Relocation Expense Report Form (will be provided to you by Bristol Global Mobility) and *must not* be combined with regular business expenses. In order to determine the federal and state tax liability for reimbursed expenses, all relocation expenses must be reported accurately.

Where relocation-related expenses are specifically reimbursable, consistent guidelines apply.

- All reimbursable expenses must be reasonable and appropriate.
- All relocation benefits are reflected in U.S. dollars.
- All reimbursable moving expenses must be incurred within 12 months from the effective date of employment or transfer and submitted for payment within 90 days from the date the expense is incurred.
- Only expenses specifically outlined in the policy will be reimbursed.
- You must submit original receipts for reimbursement. Your completed expense reports together with your original receipts should be forwarded directly to your dedicated Mobility Advisor.
- It is important not to include any business expenses on relocation expense forms.

RELOCATION AND TRANSITION EXPENSES

Miscellaneous Expense Allowance



The Company will provide you with an allowance equal to \$10,000, to cover many of the incidental expenses not specifically reimbursed under this policy, which may occur as a direct result of your transfer. Some of these expenses may include:

- driver's licenses and automobile registrations in the new location,
- meals during temporary living,
- duplicate mortgage,
- utility deposits,
- shipment of pets,
- cleaning or maid service (new or old location),
- non-refundable tuition, memberships, club dues or subscriptions,
- piano tuning,
- tips to movers,
- drapery and carpet installation or alterations,
- television or cable installation or adjustments,
- overnight mail charges,
- tax consulting,
- items unique to your personal move not covered by this policy,
- disassemble/reassemble playground, gym equipment, swimming pools, and similar items.

For newly hired employees, a check will be processed and deposited into your account within 2 weeks after your start date.

Tax Assistance

Gross-up will not be provided for the Miscellaneous Expense Allowance.

House Hunting

Dollar General will provide you and your spouse or one additional household member and your children with two (2) house hunting/apartment hunting trips for a total of seven (7) days. The House Hunting Trip will include the following:

- Hotel accommodations for a maximum six (6) nights.
- Airfare or mileage reimbursement at current Company rate if personal vehicle is driven.
- Reimbursement for rental car for maximum of seven (7) days.
- Reimbursable meal expenses not to exceed \$25.00/day per adult, \$15.00/day per child (original receipts must be submitted).

Tax Assistance

Gross-up will be provided for residence hunting expenses.

Temporary Living

Temporary Living Assistance is intended only for short-term living arrangements at the new location.

Dollar General will reimburse you for up to 90 days of temporary living expenses. Temporary living assistance includes the following:

- One bedroom fully furnished corporate apartment for employee only.
- If trailing family, a two bedroom fully furnished corporate apartment may be requested in lieu of a one bedroom.
- Reimbursement for full size rental car for a maximum of two (2) weeks.

If you require temporary living assistance please contact your dedicated Mobility Advisor at least two weeks in advance. He or she will be happy to help you make arrangements and answer any questions you may have.

Return Trip

If you are required to report to work in your new location prior to your family's final move, you shall receive coverage of travel expenses for one (1) return trip home per month up to a total of 3 round trips during the temporary living period. One family member may visit you in the new location in lieu of a return trip.

Tax Assistance

Gross-up will be provided for temporary living and return trip expenses.

HOME SALE ASSISTANCE PROGRAM

Your dedicated Mobility Advisor will provide you with the necessary expertise to facilitate the sale of your home through the services described below.

Home Eligibility

A home eligible for home sale assistance is any completed single-family or two-family residence, including a condominium that is used as your principal residence and that is owned by you, your spouse, any of your dependents residing in the same household, or any combination of those persons at the time you are asked to relocate. This also includes land customarily considered part of a residential lot and all personal property normally sold with a residence according to local custom. If your home does not meet these eligibility guidelines, you may qualify for reimbursement of certain home sale closing costs and commission expenses if you sell your primary residence on your own.

Homes considered *ineligible* for home sale assistance (Guaranteed Buyout Offer/Buyer Value Option) include, but are not limited to, the following:

- cooperative apartments,
- mobile homes,
- vacation/secondary homes,
- investment properties,
- homes with excessive acreage (+5 acres),
- homes that are partially completed or under substantial renovation,
- homes ineligible for conventional financing,
 - houseboats,
- homes deemed ineligible through building inspections, and
- vacant lots appraised as contributory value only.

If you have any questions regarding your home's eligibility, please contact your dedicated Mobility Advisor prior to beginning the relocation process.

Overview

Marketing Your Home



The home sale process will begin with the appraisal and listing your home. Your dedicated Mobility Advisor will help you select a qualified real estate agent and together they will determine selling strategies targeted to help you receive the best possible offer for your home. The advantage to successfully marketing your home and selling to an outside buyer is that you may receive a greater cash return than the Appraised Value Offer.

You are required to speak with your dedicated Mobility Advisor prior to taking any steps to list or market your home. You are required to market your home for a minimum of 90 days from the date your home is listed with an approved real estate agent.

Appraised Value Offer

Two independent appraisers will appraise your home to determine the Appraised Value Offer. Your Mobility Advisor will provide a list of ERC endorsed appraisers in your area to

choose from. This offer will be your “safety net” providing you with a guaranteed price, should your home not sell on the open market. Your Appraised Value Offer will be available to you for 90 days.

Amended Value Sale

If you receive a qualified offer on your home from an outside buyer you have an opportunity to “amend” the Appraised Value Offer from Bristol Global Mobility to reflect your buyer’s offer.

Marketing Assistance

As soon as the Company authorizes your relocation, your dedicated Mobility Advisor will contact you to explain the first step—the listing, marketing and appraisal of your home. Placing your home on the market as advantageously as possible is a critical element in successfully marketing your home. Throughout the home sale process, your dedicated Mobility Advisor will continuously track your agent’s efforts to market your home. The goal of these efforts is to help you obtain the best offer for your home within a reasonable time frame.

Your dedicated Mobility Advisor’s objectives are to:



- help you identify a qualified and active broker to assist you in marketing and listing your home in a highly effective manner;
- work with your real estate agent to develop a strategic marketing plan to sell your home at the best possible market value;
- in conjunction with your real estate agent, suggest any minor repairs and/or improvements that will increase the marketability of your home; and
- work with you throughout the process of you selling your home.

How the Marketing Process Works...

The following is a step-by-step process of marketing assistance services provided by your dedicated Mobility Advisor.

Agent Selection

Your dedicated Mobility Advisor will place a referral with two (2) area real estate agents who will visit your home and prepare a complete Employee Relocation Council (ERC) Market Analysis. If you would like to designate a particular real estate agent that has not been recommended, please notify your dedicated Mobility Advisor. As long as the real estate agent agrees to the program’s requirements, he or she will be able to work with you as one of your two selected agents. You may not utilize or ask to have qualified any real estate agent that is a family member; i.e., spouse, child, mother, father, brother, sister or in-laws. If you have no preference or are not familiar with local brokers, your dedicated Mobility Advisor will assist you in the selection.

Listing Your Home

Your dedicated Mobility Advisor will ask you to select one real estate agent from the two you have interviewed. He or she will then work with you and your selected agent to develop a marketing strategy and establish a list price that is both attractive and realistic in the local market.

You are required to list your home within 110% Appraised Value. You are required to list your home for a minimum of 90 days from the initial list date before you are eligible to accept the Appraised Value Offer.

Listing Exclusion Clause

When you speak with your dedicated Mobility Advisor, he or she will discuss the necessity of including the following language in the listing agreement with your broker. The reason for this clause is to allow for cancellation of the listing agreement if necessary for Bristol Global Mobility to close with the buyer. This clause is considered “standard operating procedure” among agents who work with corporate transferees. The following Exclusion Clause should be attached as an addendum to the Listing Agreement.

“In the event of any conflict or inconsistency between this Addendum and the Listing Agreement, the terms of this Addendum shall control.

It is understood and agreed that regardless of whether or not an offer is presented by a ready, willing and able buyer:

1. No commission or compensation shall be earned by, or be due and payable to, broker until the sale of the property has been consummated between seller and buyer, the deed delivered to the buyer and the purchase price delivered to the seller; and

2. The seller reserves the right to sell the property to Bristol Global Mobility or to: _____ (individually and collectively a “Named Prospective Purchaser”) at any time. Upon the execution by a Named Prospective Purchaser and me (us) of an Agreement of Sale with respect to the property, this listing agreement shall immediately terminate without obligation of my (our) part or on the part of any Named Prospective Purchaser to either pay a commission or to continue this listing.”

Real Estate Agent _____
Date

Seller _____
Date

Seller _____
Date

Monitoring the Marketing Process

Your dedicated Mobility Advisor will work with you and your real estate agent throughout the marketing process to ensure maximum exposure for your home, provide feedback on the marketing process, and recommend strategy modifications, if needed.

Negotiating a Sale



When you have an interested buyer and receive an offer, your dedicated Mobility Advisor will be a valuable resource as you negotiate a price and an Offer Letter. You must submit ALL offers received to your dedicated Mobility Advisor for review and consideration. DO NOT SIGN a contract (or any other document) with the buyers or take any money as a deposit from the real estate agent or prospective buyer.

Finalizing a Sale

Your dedicated Mobility Advisor will handle the details of the real estate transaction once the terms of the sales agreement have been finalized.

APPRAISED VALUE OFFER

Your decision to relocate should not be hampered by concerns about selling your home. Bristol Global Mobility will assist you by making an offer to purchase your home at a value established by independent fee appraisers. *The appraisal process will begin immediately after entering the relocation program.*

Appraiser Selection

Once you have notified your dedicated Mobility Advisor of your choice of appraisers, your dedicated Mobility Advisor will notify the approved appraisers to contact you in order to schedule a convenient time to survey your home.

Relocation Appraisal

A relocation appraisal is an estimate of the anticipated sales price of your home over a reasonable selling period. Relocation Appraisers estimate value primarily by comparing your home to the sales of similar properties making detailed adjustments for the differences between those properties and your home. The appraisers consider location, size, age, condition, and marketability.

When the appraisers arrive to inspect your home, you should be prepared to discuss any facts that may be important in determining the value of your home:

- any improvements you have made to the home that may or may not be visible to the appraisers; and
- any information on similar homes that have recently sold in your area.

Your home will be appraised in “as is” condition, so it is important your home shows favorably to maximize the appraised value and resale efforts. Your dedicated Mobility Advisor and your real estate agent will assist in suggesting specific fix-up items to help maximize your marketing efforts.

The appraisers may also ask for a copy of the land survey and a copy of the title policy that you received when you closed on your home. They will need these items to obtain the correct legal description.

Determining the Appraised Value Offer

Your Appraised Value Offer will be equal to the average of two independent relocation appraisals.

However, if the variance between the two appraisals is greater than 5% of the higher amount, a third relocation appraisal will be ordered. In this case, your offer will be determined by averaging the two closest appraisals. Normal and customary home inspections will be ordered at the time of the appraisals.

Your dedicated Mobility Advisor will present you with your Appraised Value Offer once the inspection and appraisal reports have been received and reviewed. Your home will have to pass all inspections and/or you must satisfactorily remedy any deficiencies before your offer is finalized. The entire process should be completed within 30 days from the date of the last inspection.



You are required to list your home at no more than 110% of the Appraised Value Offer. This may require you to make an adjustment to your most current list price.

Title Search

In addition to arranging for the appraisals and inspections, a title search will be initiated in order to prepare for closing. You may need to be involved in clearing any title issues should they appear on the title report.

Please inform your real estate agent that Bristol Global Mobility is bringing the title up-to-date. This can avoid a duplicate title search. Often an agent will arrange for a title search upon notification from a lender of a buyer's loan approval.

Offer Period

Your dedicated Mobility Advisor will call you with your Appraised Value Offer and outline the timing and process of the home sale program. The Appraised Value Offer has a 90-day acceptance period—90 days to continue marketing your home knowing you have a set “safety net”. Your 90-day acceptance period begins the day your Offer Letter is postmarked. You may accept the appraised value offer at any time after marketing your home for 90 days.





You are required to market your home for 90 days from the list date before you are able to accept the Appraised Value Offer.

Accepting the Appraised Value Offer

If you are unable to sell your home during the 90-day offer period and accept the Appraised Value Offer, you and your spouse should sign the Bristol Global Mobility Offer Letter and return both copies to your dedicated Mobility Advisor along with the other supporting documents. Your execution of the Offer Letter is a legal transaction. You will need to sign and notarize the Offer Letter and other related documents.

The signed Bristol Global Mobility Offer Letter and related documents must be received by your dedicated Mobility Advisor on or prior to the expiration date of your offer. The contract will be dated on the day all necessary documents are completed and signed by you and your dedicated Mobility Advisor.

Vacating the Home

You have 60 days from the date you sign the Bristol Global Mobility Offer Letter in which to vacate the property provided a resale closing does not occur sooner. If you cannot move within 60 days, please let your dedicated Mobility Advisor know and you may be granted additional time to vacate, if circumstances warrant.

After you and Bristol Global Mobility have signed the Offer Letter, you will continue to be responsible for the costs of maintenance, repairs, utilities, insurance, etc., until you actually vacate. Prior to vacating, you will be expected to cooperate fully with all attempts by Bristol Global Mobility to market the home by allowing prospective purchasers to view the premises by appointment during reasonable hours.

From the date you vacate, Bristol Global Mobility will make all future mortgage, tax, and other carrying payments on your home. It will also assume payment of maintenance and utility costs. Your equity statement will reflect mortgage interest through your executed Bristol Global Mobility contract or vacate date, whichever comes last.

Utilities

Since sudden cold weather can cause damage due to freezing, do not turn off any utilities when you vacate the home. The utilities must be left in your name until you contract with Bristol Global Mobility or vacate the home, whichever is later. At that time, you should request final readings from the utility companies serving your home. Your dedicated Mobility Advisor will instruct your real estate agent to transfer the utilities into the real estate company's name until the home closes with new buyers. The day you vacate is customarily the date utilities are transferred to the real estate company. If you receive a utility bill covering a period of time when payment was not your responsibility, please submit the invoice to your dedicated Mobility Advisor for payment.

Insurance

You will need to cancel your homeowner's insurance policy effective when Bristol Global Mobility signs the Offer Letter or you vacate, whichever is later. Any refund due to you from the insurance company will be paid directly to you. Make note to discuss this with your insurance agent and follow-up if necessary.



If you are vacating your home prior to contracting with Bristol Global Mobility, contact your insurance agent to arrange coverage during any periods the home will be unoccupied. Most homeowner's insurance policies state coverage is void if the dwelling is unoccupied for a specific period of time.

AMENDED VALUE SALE

Achieving an Amended Value Sale is of benefit to you and the Company. The Company avoids the significant expense of purchasing, maintaining, and reselling your home through Bristol Global Mobility and you receive the highest possible price for your home.

If at any time during your marketing period, you receive an offer through the efforts of your real estate agent, you must submit the offer to your dedicated Mobility Advisor. **DO NOT SIGN** a contract (or any other document) with the buyers or take any money as a deposit from the real estate agent or prospective buyer.

Advantages of an Amended Value Sale

- You may receive a greater cash net return than the Appraised Value Offer.
- You will be relieved of the responsibilities of property ownership upon vacate or contract date with Bristol Global Mobility, whichever is later.
- You will be relieved of the necessity of closing with the buyer.
- After contracting with Bristol Global Mobility, you will be assured of receiving the net proceeds based upon the Amended Value Sale even if the original sale falls through and does not close.

Analyzing the Offer

Your dedicated Mobility Advisor will review the terms of the offer in an effort to determine whether the offer is bona fide (made in good faith), and to confirm that it is not subject to the sale of the buyer's property, does not contain any unusual or unreasonable terms, and is not subject to interim financing.

Amending the Offer Letter

Once the final offer has been approved, your dedicated Mobility Advisor will ask you to "amend" the amount in your Bristol Global Mobility Offer Letter to reflect the buyer's offer and to sign and return the Offer Letter.

Buyer's Offer Less Than Appraised Value Offer

At its discretion, the Company may also accept offers which are lower than your Appraised Value Offer. You will remain eligible to receive your equity calculation based on the Appraised Value Offer.

Closing an Amended Value Sale

Bristol Global Mobility will acquire your home, according to the terms of the amended Bristol Global Mobility Offer Letter with you. Bristol Global Mobility will also fully honor the terms of the Purchase Agreement with the buyers.

Bristol Global Mobility will make every effort to close the transaction with the buyer. However, since Bristol Global Mobility has already purchased your home, you will not be impacted if the sale to the buyer is not eventually consummated. Your equity payment will be based upon the Amended Value Sale Price.

Responsibility for your property remains with you until you contract with Bristol Global Mobility or vacate, whichever is later. This includes maintenance of your home, payments for utilities, mortgage, taxes, and premiums for insurance.

Equity

Your equity is calculated as of the Bristol Global Mobility contract date or your scheduled vacate date, whichever is later, and is based upon the Amended Value sale price or guaranteed offer price, whichever is greater. You will need to coordinate the timing of your equity check with your dedicated Mobility Advisor. You may be eligible to receive an equity advance once you have signed the Bristol Global Mobility Offer Letter and when there is a specific need for funds to close on a new home in the destination area.



It is important to note that certain items are not covered under the policy and will be deducted from your final equity, if you have agreed to any of these additional seller's expenses:

- repairs and improvements requested by the buyer;
- buyer's closing costs;
- homeowner warranties;
- buyer's incentives;
- real estate commission above the standard rate for your area;
- closing dates beyond 60 days of vacating or contracting with Bristol Global Mobility.

INDEPENDENT SALE

If your home is considered ineligible for the Company's Home Sale Assistance Program (Buyer Value Option or Amended Value Offer) or you elect to sell your home independently prior to initiation into Bristol Global Mobility's Home Sale Assistance Program, you may be eligible to receive direct reimbursement of normal and customary home sale closing costs and commission when you sell your home on your

own. Contact your dedicated Mobility Advisor to determine if your home qualifies for this home sale option.

If your home is *eligible* for Bristol Global Mobility's home sale assistance (Buyer Value Option or Amended Value Offer) and you sell your home on your own, the Company will *not* provide tax assistance for your home sale commission and closing cost expenses.

Reimbursement of Expenses

Normal and customary home sale closing costs and real estate commission at the prevailing rate in your current location (maximum of 6%) will be reimbursed if you sell your home independently within twelve (12) months of your effective date of transfer.

Discount points incurred through negotiation with FHA, VA and conventional financing are not reimbursable.

Tax Assistance



You will receive tax assistance for normal and customary home sale closing costs and eligible commission expenses only if your home is ineligible for the Home Sale Assistance Program (Buyer Value Option or Amended Value Offer). If you choose to sell your home on your own, no tax assistance will be provided to you.

RENTERS' ASSISTANCE

Lease Cancellation

If you are presently renting your home or apartment at the origination location, you should immediately notify your landlord or lease holder of your move to avoid or minimize penalty charges. You should attempt to obtain a written waiver of any provisions of the lease requiring fees or penalties due to your transfer. The Company asks that you make every effort to minimize the penalties by making the best possible arrangements with your landlord.

Should you be required to pay a penalty, the Company reimburses up to a maximum of two (2) months' rent for any combination of lease termination penalty charges, forfeiture of lease deposit, and/or duplicate rent on your former home or apartment. If necessary, your dedicated Mobility Advisor can assist you with lease cancellation arrangements.

New Lease Agreement



Should you decided to rent a home or apartment in the destination location your new lease should be examined carefully before it is signed. You should negotiate a cancellation clause that would give you the right to cancel the lease without penalty after giving 30 days' notice, in the event of a company-initiated transfer.

Sample Clause:

If tenant's employer relocates tenant to a location more than fifty (50) miles from the premises that are the subject of this lease, this lease will be automatically terminated without further liability at any time. Tenant agrees to give landlord at least 30 days' notice of his/her intention to terminate this lease along with proof of such transfer of employment.

Tax Assistance

Gross-up will be provided for renters' assistance reimbursements.

DESTINATION LOCATION

Planning Your House Hunting Trip

Whether you are a homeowner or a renter, selecting a new community and home is one of the most important decisions you will make as a result of your job transfer. The Company's relocation program offers you professional home finding counseling through Bristol Global Mobility. The Company encourages you to take advantage of this valuable service.

Your dedicated Mobility Advisor will discuss your family's specific needs, preferences, and lifestyle. After review of your requirements, your dedicated Mobility Advisor will select a local real estate professional who is experienced in the areas of interest to you.



Remember to contact your dedicated Mobility Advisor prior to contacting any real estate agent in the new location.

Your dedicated Mobility Advisor and real estate agent will work together to organize your house hunting trip so it is productive. By planning in advance, the agent will be prepared to take you on area tours and discuss items of interest to you and your family. Preparation gives you a better chance of quickly finding a residence to fit your needs at a price you can afford.

Once your real estate agent is contacted, he or she will provide the following information:

- schools, churches, etc.,
- commuting times,
- child and elder care services, and
- pre-selected homes for viewing



If you are a current homeowner, you should delay house hunting in the new location until you have an estimated value on your present home and you have been pre-qualified by a mortgage lender. Home purchase decisions made with unrealistic expectations of current equity may result in over-commitment at the new location.

Internet Home Search

Although the Internet can be a useful tool to gain information on housing in the new area, keep in mind you need to use the approved real estate agent assigned to you to obtain information or to view any home you find on the Internet. This will avoid confusion as to which agent you are working with and any possible real estate commission disputes.

HOME PURCHASE CLOSING COST ASSISTANCE

If you are purchasing a residence in the new location, you will be reimbursed for reasonable and actual home purchase closing costs provided you sign a contract to purchase a home in the new area and close within one year of your employment effective date or effective date of transfer.

One time closing costs for permanent financing will be reimbursed including:

- normal attorney's fees,
- appraisal fees,
- tax service fees,
- title insurance (lender's coverage, only),
- recording fees (including tax stamps),
- credit reports,
- survey fees,
- flood certification, and
- inspections required by the lender

The Company does not cover one-time closing adjustments such as property taxes, home hazard insurance, fuel adjustments, or private mortgage insurance (PMI). The Company does not cover the costs associated with establishing second mortgages, home equity lines of credit or construction loans.

Tax Assistance

Gross-up will be provided for home purchase closing costs.

National Mortgage Lender Program

The Company has selected national mortgage lenders to provide you with a wide variety of mortgage services. Your dedicated Mobility Advisor will provide you with information on participating mortgage companies.

Using the services of these preferred lenders offers many advantages:

- familiarity with the Company's program,
- mortgage loan pre-approval process,
- direct billing of closing costs to the Company, and
- consideration of current spousal income



New Construction

If you elect to build a home in the new location, you may incur additional expenses as opposed to purchasing an existing home. Be aware in making your decision that policy benefits will not be extended if you decide to build.

MOVING TO THE NEW LOCATION

To enable you and your family to make an effective transition to the new area, the Company's relocation program provides for a range of move-related assistance:

- pre-move survey of your household goods by the moving company;
- complete packing of all items;
- transportation of your household goods to your new residence;
- up to \$125,000 in full replacement valuation coverage for your household goods;
- unloading, unpacking, and placement of all furniture in your new residence; and
- storage of your household goods for up to 90 days, if required.

Shipment of Household Goods

You, or a representative appointed by you, will need to plan to be present during all phases of your move—pack, load, delivery, and unpacking. Your own planning, preparation, and involvement during the process will contribute to a successful move.

Items Excluded From Shipment



The items listed below are not ordinarily considered household goods and are your responsibility. The Company, Bristol Global Mobility, and the moving company will not be able to take responsibility for these items.

The Miscellaneous Expense Allowance is intended to assist you with expenses unique to your personal move and for items not covered by this policy. Please note the Company will not pay for the shipping of the following items. If you have any questions, contact your dedicated Mobility Advisor.

- | | |
|---|--|
| → boats | → airplanes |
| → campers, trailers, motor homes | → plants, animals |
| → farm machinery | → large playground equipment |
| → firewood, rocks, sand, soil, etc. | → tool or storage sheds, outdoor buildings |
| → perishable food items, refrigerated or frozen | → valuables such as jewelry, money, coins, coin |
| → aerosol cans, flammable liquids and other hazardous materials | and stamp collections, irreplaceable photos, |
| → lumber, bricks, blocks, cement, tiles and building materials | stocks, bonds, deeds, wills, and other legal documents |

Playground and Similar Equipment

Playground, gym equipment, swimming pools, and similar items must be disassembled prior to your move day. If the movers disassemble and reassemble these items, you will be responsible for payment of these costs at the time of service.

Insurance

Your household goods are protected with up to \$125,000 of full replacement valuation coverage.

Items of Extraordinary Value (Including Antiques)

It is recommended that items of extraordinary value such as antiques, fine art, furs, silver, china, crystal, photography equipment, oriental rugs, baseball cards, comics, other collectibles, etc. be professionally appraised prior to your move. If purchased within the last year, the value can be substantiated with a sales receipt. The Company will not pay for appraisals or any special handling and packaging of antiques or other high-value items.

Packing and Loading

Careful packing and proper loading are very important steps in assuring a successful move. It is important that the mover packs all your household goods. The driver will prepare a complete inventory list of your household goods describing the condition of each item (nicks, scratches, dents, etc.). Review the inventory carefully to make sure you agree with the driver's description before you sign the inventory. The inventory is an important document in the settlement of claims for loss and damage.

Unloading

Check with the van driver about delivery times at the new location. Be sure to give them all possible telephone numbers where you can be reached en route and in the new location.

As your goods are being unloaded, you must check off each item on your inventory sheets. Make notations on the sheets of missing or damaged items immediately and have the driver sign it. Assembly of furniture will be completed prior to the driver leaving your home. Unpacking of your goods consists of removing the items from the cartons in the room for which they are labeled. This does not include putting items away. Disposal of cartons is included in the move services.

Billing

The van line will send the invoice for your move directly to Bristol Global Mobility. If you transport household goods not covered by the policy or incur unauthorized charges, you will be expected to pay for these items at the time of delivery.

Tipping

Tips to the movers are not covered under this policy. Your Miscellaneous Expense Allowance is designed to offset costs associated with tipping.

Shipment of Automobiles

The Company will reimburse mileage at the current business rate for up to two (2) automobiles to be driven to the new location. In lieu of driving, the Company will pay to ship up to two automobiles if the distance to the new location exceeds 300 miles.

Storage in the New Location

You should make every effort to move directly to your permanent residence. If necessary, you may store your household goods for up to 90 days.

Time Off for Moving

Dollar General understands that moving can be a time-consuming and stressful project. Therefore, you may need to take some time off from work for this purpose. At your manager's approval, Dollar General will allow you up to one week of paid time off for relocation. During this time it is suggested that you take care of anything relating to your relocation so that you are able to become settled in your new residence and be fully focused on your job upon your return. Please discuss your plans to take time off for moving with your manager well in advance, so that he or she may plan for your absence.

Travel to the New Location

You will be reimbursed for one-way transportation for you and your family to travel to the new location. If you drive, you will be expected to drive a minimum of 300 miles per day and via the most direct route as established by a standard Rand McNally table or equivalent.

You will be reimbursed for the following reasonable and actual en route expenses:

- lodging (one night in departure or destination location or en route night as needed),
- meals, reimbursed up to \$25.00/day for adults and \$15.00/day for children (original receipts must be submitted),
- mileage (current business mileage rate), parking, and tolls, and
- airfare, if necessary (14-day advance purchase required).

TAX ASSISTANCE

Many reimbursements made to you are considered taxable income. The Company is required to report all relocation reimbursements as compensation. For informational purposes, the Company will provide you with a tax assistance sheet that will be prepared and mailed to you in January following your move.

The Company will assist in paying the additional tax resulting from taxable relocation reimbursements.

Payments will be made directly to the federal, state, and FICA tax authorities. It is recommended you seek guidance from a tax professional for any year in which you receive relocation-related services or expense reimbursements. Accurate expense documentation is very important.

The tax assistance provided to you is based solely on your Company derived income, your filing status, and number of 1040 exemptions. Spouse income, investment income or any other outside income will not be included in the calculations. Individual variances from the program's calculations will not be reimbursed.

The additional taxes as calculated by the gross-up program and paid on your behalf will be included on your W-2 as income.

TAX TREATMENT TABLE

Keep in mind some relocation items are not eligible for gross-up. The table below outlines which relocation payments will be tax assisted.

| Relocation Provision | Taxable | Grossed Up |
|---|----------------------------|------------|
| Miscellaneous Expense Allowance | ✓ | No |
| House Hunting | ✓ | Yes |
| Temporary Living and Allowable return trips | ✓ | Yes |
| Home Sale Assistance | Billed directly to Company | |
| Independent Sale - <i>eligible home</i> | ✓ | No |
| Independent Sale - <i>ineligible home</i> | ✓ | Yes |
| Renters' Assistance | ✓ | Yes |
| Home Purchase Closing Cost | ✓ | Yes |
| Household Goods Move | ✓ | Yes |
| Storage | ✓ | Yes |
| Travel to the New Location | ✓ | Yes |

August 29, 2019

Shareholders and Board of Directors
Dollar General Corporation

We are aware of the incorporation by reference in the Registration Statements (Nos. 333-151047, 333-151049, 333-151655, and 333-163200 on Form S-8 and No. 333-216940 on Form S-3) of Dollar General Corporation of our report dated August 29, 2019, 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 August 2, 2019.

/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 29, 2019

/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 29, 2019

/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 August 2, 2019 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 29, 2019

/s/ John W. Garratt

Name: John W. Garratt

Title: Chief Financial Officer

Date: August 29, 2019
