

DOLLAR GENERAL CORP

FORM 10-Q (Quarterly Report)

Filed 09/14/94 for the Period Ending 07/31/94

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

DOLLAR GENERAL CORP

FORM 10-Q (Quarterly Report)

Filed 9/14/1994 For Period Ending 7/31/1994

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period July 31, 1994

Commission file number 0-4769

DOLLAR GENERAL CORPORATION

(Exact name of registrant as specified in its charter)

	KENTUCKY	61-0502302
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)	

104 Woodmont Blvd.
Suite 500
Nashville, Tennessee 37205
(Address of principal executive offices, zip code)

Registrant's telephone number, including area code:(615) 783-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No_____.

The number of shares of common stock outstanding at August 26, 1994 was 53,129,372.

Dollar General Corporation

Form 10-Q

For the Quarter Ended July 31, 1994

Index

Part I. Financial Information Page No.

Item 1. Financial Statements (unaudited):

	Consolidated Statements of Income for the three months and six months ended July 31, 1994 and 1993	3
	Consolidated Balance Sheets as of July 31, 1994, January 31, 1994 and July 31, 1993	4
	Consolidated Statements of Cash Flows for the six months ended July 31, 1994 and July 31, 1993	5
	Notes to Consolidated Financial Statements	6-7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	8-10

Part II. Other Information

	Item 2.	Changes in Securities	11
	Item 4.	Submission of Matters to a Vote of Security Holders	11
	Item 6.	Exhibits and Reports on Form 8-K	11
	Signatures		12

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the three months and six months ended July 31, 1994 and 1993

(amounts in thousands except per share amounts)

(unaudited)

	Three Months		Six Months	
	1994	1993	1994	1993
Net Sales	\$317,323	\$255,564	\$604,409	\$477,363
Cost of goods sold	229,615	182,558	436,721	341,868
Gross profit	87,708	73,006	167,688	135,495
Selling, general and administrative expense	64,636	56,668	128,940	109,022
Operating profit	23,072	16,338	38,748	26,473
Interest expense	647	698	1,039	1,204
Income before taxes on income	22,425	15,640	37,709	25,269
Provision for taxes on income	8,465	6,021	14,235	9,728
Net income	13,960	9,619	23,474	15,541
Net income per common share	\$.25	\$.18	\$.43	\$.29
Weighted average number of common shares outstanding	55,071	53,472	54,914	53,716
Cash dividends per common share as declared	\$.05	\$.05	\$.10	\$.10
Adjusted to give appropriate retroactive effect to the five-for-four stock splits distributed on April 15, 1994 and September 17, 1993	.05	\$.03	\$.10	\$.06

The accompanying notes are an integral part of this statement.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of July 31, 1994, January 31, 1994 and July 31, 1993
(amounts in thousands)

ASSETS	July 31, 1994	January 31, 1994	July 31, 1993
Current Assets:	(unaudited)		(unaudited)
Cash and cash equivalents	\$ 26,764	\$ 35,365	\$ 22,611
Merchandise inventories	332,551	260,042	263,670
Deferred income taxes	10,808	9,664	9,001
Other current assets	10,757	8,397	9,849
Income Taxes	2,215	1,563	0
Total current assets	383,095	315,031	305,131
Property & equipment, at cost	147,779	124,827	108,381
Less: Accumulated depreciation	54,580	47,322	41,932
	93,199	77,505	66,449
Other Assets	4,719	4,701	4,641
	\$481,013	\$397,237	\$376,221
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	\$ 1,303	\$ 1,302	\$ 1,301
Short-term borrowings	62,000	18,000	34,000
Accounts payable	91,515	81,038	83,256
Accrued expenses	49,418	47,906	40,215
Income taxes	0	0	2,404
Total current liabilities	204,236	148,246	161,176
Long-term debt	4,669	5,711	5,974
Deferred income taxes	2,563	2,563	2,606
Shareholders' equity:			
Common stock	27,248	27,248	21,963
Additional paid-in capital	75,372	65,857	61,111
Retained earnings	169,308	151,165	127,650
	271,928	244,270	210,724
Less treasury stock	2,383	3,553	4,259
	269,545	240,717	206,465
	\$481,013	\$397,237	\$376,221

The accompanying notes are an integral part of this statement.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three months ended July 31, 1994 and 1993
(amounts in thousands)
(unaudited)

	July 31, 1994	July 31, 1993
Cash flows from operating activities:		
Net income	\$ 23,474	\$ 15,541
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,805	5,200
Deferred income taxes	(1,144)	(1,366)
Change in operating assets and liabilities:		
Merchandise inventories	(72,509)	(46,827)
Accounts payable	10,475	19,231
Accrued expenses	1,512	2,545
Income taxes	(652)	(1,611)
Other	(2,023)	(2,856)
Net cash used by operating activities	(33,062)	(10,143)
Cash flows used in investing activities:		
Purchase of property & equipment	(23,852)	(16,413)
Cash flows provided by financing activities:		
Issuance of short-term borrowings	44,000	37,000
Repayments of short-term borrowings	0	(13,001)
Repayments of long-term debt	(1,041)	(1,038)
Payments of cash dividends	(5,331)	(3,328)
Proceeds from exercise of stock options	5,899	2,328
Tax benefits from exercise of stock options	4,786	2,718
Other	0	(558)
Net cash provided by financing activities	48,313	24,121
Net decrease in cash and equivalents	(8,601)	(2,435)
Cash and cash equivalents at beginning of year	35,365	25,056
Cash and cash equivalents at end of period	\$ 26,764	\$ 22,611

The accompanying notes are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The accompanying financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in the Company's Annual Report on Form 10-K. Accordingly, the reader of the quarterly report on Form 10-Q should refer to the Company's annual report on Form 10-K for the year ended January 31, 1994 for additional information.

The accompanying financial statements have been prepared in accordance with the Company's customary accounting practices and have not been audited. All subsidiaries are included. In management's opinion, all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the results of operations for the three month and six month periods ended July 31, 1994 and 1993, respectively have been made.

Because of the seasonal nature of the Company's business, the results for interim periods are not necessarily indicative of the results to be expected for the year.

2. Net Income Per Common Share

Net income per common share is based upon the actual weighted average number of common shares outstanding during each period plus the assumed exercise of dilutive stock options as follows:

	Three Months Ended July 31		Six Months Ended July 31	
	1994	1993	1994	1993
Actual weighted average number of common shares outstanding during the period	53,063	50,726	52,838	52,342
Equivalent number of common shares representing the dilutive effect of stock options using the "treasury stock method"	2,008	2,746	2,076	1,374
Weighted Average Number of Common Shares	55,071	53,472	54,914	53,716

3. Changes in shareholder's equity for the six months ended July 31, 1994 and 1993 were as follows (dollars in thousands except per share amounts):

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock
Balances, January 31, 1993	\$17,820	\$57,246	\$119,580	\$4,881
Net Income			15,541	
Cash dividend, \$.10 per common share, as declared			(3,328)	
Five for four stock split	4,143		(4,143)	
Reissuance of treasury stock under stock incentive plans		1,147		(622)
Tax benefit from exercise of options		2,718		
Balances, July 31, 1993	\$21,963	\$61,111	\$127,650	4,259
Balances, January 31, 1994	\$27,248	\$65,857	\$151,165	\$3,553
Net Income			23,474	
Cash dividend, \$.10 per common share, as declared			(5,331)	
Reissuance of treasury stock under stock incentive plans		4,729		(1,170)
Tax benefit from exercise of options		4,786		
Balances, July 31, 1994	\$27,248	\$75,372	\$169,308	\$2,383

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

RESULTS OF OPERATIONS

The nature of the Company's business is highly seasonal. Historically, sales in the fourth quarter have been substantially higher than sales achieved in each of the first three quarters of the fiscal year. Thus expenses, and to a greater extent operating income, vary greatly by quarter. Caution, therefore, is advised when evaluation results for a period shorter than a full year or when comparing any period to other than the same period of the previous year.

Six months ended July 31, 1994 and 1993.

NET SALES. Net sales for the first six months of fiscal 1995 increased \$127.0 million, or 26.6%, to \$604.4 million from \$477.4 million for the comparable period of fiscal 1994. The increase resulted from 212 net additional stores being open during the first six months of fiscal 1995 as compared to the same prior year period and an increase of 13.4% in same-store sales. The Company defines same-stores as those opened prior to the beginning of the previous fiscal year which have remained open throughout the previous fiscal year and the period reported. Management believes that the same-store sales increase was primarily due to higher in-stock levels in the stores, improved merchandising, and continued aggressive every day low pricing. The mix of merchandise sales for the period was 64.9% hardlines and 35.1% softlines, unchanged from the same period a year ago.

GROSS PROFIT. Gross profit for the first six months of fiscal 1995 was \$167.7 million, or 27.7% of net sales, compared to \$135.5 million, or 28.4% of net sales, for the comparable period in the prior fiscal year. This decrease in gross profit percentage is the result of the effect of markdowns taken in prior periods and planned price reductions providing lower initial markup on current merchandise purchases. Interim cost of goods sold is determined using estimates of shrinkage, inflation and markdowns which are adjusted to reflect actual results at year end.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE. Selling, general and administrative expense as a percentage of net sales decreased to 21.3% for the first six months of fiscal 1995 from 22.8% for the comparable period of fiscal 1994 primarily because of higher sales volume and lower advertising, supply, and health benefit costs. Selling, general and administrative expense of \$128.9 million for the first six months of fiscal 1995 represents an increase of 18.3% from \$109.0 million for the comparable prior year period. This increase resulted from operating 212 net additional stores during the first six months of fiscal 1995 as compared to the same prior year period and an 11.6% increase in same-store expenses.

INTEREST EXPENSE. Interest expense decreased 13.7% to \$1.0 million for the first six months of fiscal 1995 from \$1.2 million for the comparable prior year period. The decrease resulted primarily from lower interest rates partially offset by higher average borrowings.

Three months ended July 31, 1994 and 1993.

NET SALES. Net sales in the second quarter of fiscal 1995 increased \$61.7 million or 24.2%, to \$317.3 million from \$255.6 million for the same period in fiscal 1994. The increase resulted from a same-store sales increase of 11.3% and the operation of 52 net additional stores.

GROSS PROFIT. Gross profit as a percentage of sales was 27.6% in the second quarter of fiscal 1995 as compared to 28.6% for the comparable period in fiscal 1994. This decrease was due to the same factors affecting gross profit for the six month period.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE. Selling, general and administrative expense expressed as a percentage of sales decreased to 20.4% for the second quarter of fiscal 1995 from 22.2% for the same period in the previous year. This decrease was due to the same factors affecting selling, general, and administrative expenses for the six month period. Selling, general and administrative expense increased \$7.9 million or 14.0% in the second quarter of fiscal 1995 as compared to fiscal 1994 due to 52 net new stores and same-store expenses increasing 8.5%.

INTEREST EXPENSE. Interest expense for the second quarter of fiscal 1995 decreased 7.3%, to \$0.6 million from \$0.7 million, from the comparable period in fiscal 1994 due to lower interest rates which more than offset higher average borrowings.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities. Cash flow used in operating activities totaled \$33.0 million during the first six months of fiscal 1995 compared to \$10.1 million in the same period last year. This increased use of cash is primarily due to inventories increasing by \$72.5 million, \$25.7 million more than in the same period last year, and a \$10.5 million increase in trade payables, \$8.8 million less than in the same period last year. This smaller increase in trade payables is due partly to a greater proportion of merchandise purchases being imported and financed by letters of credit rather than by trade credit. Also the receipt of merchandise purchases occurred earlier this year to support anticipated Fall and Christmas sales and to avoid distribution capacity limitations while the Company's third distribution center is being constructed.

Cash flows from investing activities. Cash used for capital expenditures during the first six months of fiscal 1995 was \$23.9 million compared to \$16.4 million during the same period of fiscal 1994. This increase is primarily due to the investment in stores including, new, relocated and remodeled stores of \$13.2 million this year versus \$9.5 million in the prior year and \$4.5 million related to the construction of the Ardmore, OK distribution center.

Cash flows from financing activities. The Company's net borrowings during the first six months of fiscal 1995 increased \$44.0 million compared to an increase of \$24.0 million during the same period in the prior fiscal year. This higher level of borrowings is referable to the increased merchandise imports that are financed by letters of credit, rather than trade credit. The increase in borrowings is also due to a shifting of purchases to earlier in the year to support anticipated Fall and Christmas sales and to avoid distribution capacity limitation while the Company's third distribution center is being constructed.

Because the Company emphasizes seasonal events, such as Christmas and back-to-school, its working capital requirements vary significantly during the year. Bank credit facilities equaled \$120 million at July 31, 1994 (\$65 million revolving credit/term loan facility plus \$55.0 million seasonal lines of credit). The Company had no seasonal line of credit borrowings as of July 31, 1994 or 1993. Seasonal working capital and capital expenditure requirements will continue to be met through cash flow provided by operating activities supplemented by the revolving credit/term loan facility and seasonal credit lines.

The Company's liquidity position is set forth in the following table (dollar amounts in thousands):

	July 31, 1994	January 31, 1994	July 31, 1993
Current ratio	1.9x	2.1x	1.9x
Total debt/equity	25.2%	10.4%	20.0%
Long-term debt/equity	1.7%	2.4%	2.9%
Working capital (000)	\$178,859	\$166,785	\$143,955
Average daily use of debt: (fiscal year to date)			
Short-term (000)	38,315	34,102	28,867
Long-term (000)	6,250	7,335	7,550
Total (000)	44,565	41,437	36,417
Maximum outstanding short-term debt (fiscal year-to-date)	\$ 62,000	\$ 70,909	\$ 47,000

PART II - OTHER INFORMATION

Item 1. Not applicable.

Item 2. Changes in Securities - Subsequent to end of the fiscal quarter ended July 31, 1994

On August 22, 1994, Dollar General Corporation issued of 1,715,742 shares of a newly authorized series of convertible junior preferred stock, as approved by the Board of Directors. The shares of Series A Convertible Junior Preferred Stock ("Preferred Stock") were issued in exchange for the 8,578,710 shares of Dollar General Common Stock, \$.50 par value per shares, owned by C.T.S., Inc. a personal holding company of the Turner family (founders of Dollar General).

The transaction was effected through an Exchange Agreement dated August 22, 1994, by the Company, Dolgencorp, Inc., a wholly-owned subsidiary, C.T.S., Inc. and the C.T.S., Inc. shareholders. In the event of a voluntary or involuntary liquidation, dissolution, or winding up of the Company, after payment of all amounts due creditors, if any, the holders of the Preferred Stock shall be entitled, before any distribution is made upon any shares of the Company's common stock, to receive a preferential payment from the assets of the Company of cash or property (to the extent funds are legally available therefor) equal to \$.50 per share.

The terms of the transaction have been previously reported to the Securities and Exchange Commission pursuant to current Report on Form 8-K dated August 23, 1994.

Item 3. Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Stockholders of the Corporation held June 6, 1994, the Stockholders voted upon two proposals. The results of the Stockholders' vote on each of the proposals are as follows:

Proposal No. 1. Election of Directors. The following nominees were elected to serve as Directors of the Corporation until the next Annual Shareholder's Meeting:

Nominee	Votes For	Votes Withheld
James L. Clayton	36,537,122	34,569
James D. Cockman	36,538,344	33,347
Reginald D. Dickson	36,531,235	40,456
John B. Holland	36,536,799	34,892
Wallace N. Rasmussen	36,536,082	35,609
Cal Turner	36,533,991	37,700
Cal Turner, Jr.	36,533,562	38,129
David M. Wilds	36,537,831	33,860
William S. Wire, II	36,538,538	33,153

Proposal No. 2. Ratification of Coopers & Lybrand as the Corporation's Independent Public Accounts.

Vote For	Votes Against	Abstentions	Broker No-votes
36,459,880	12,966	98,845	---

Item 5. Not applicable.

Item 6. Exhibits and reports on Form 8-K

(b) No reports on Form 8-K have been filed during the quarter ended July 31, 1994.

SIGNATURES

Pursuant to the requirements of the Securities Exchange act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DOLLAR GENERAL CORPORATION
(Registrant)

Date: September 14, 1994

By: _____
C. Kent Garner, Vice President,
Treasurer and Chief Financial
Officer

(2ndqtr95.pub)

ARTICLE 5

The accompanying notes are an integral part of this Schedule.

CIK: 0000029534

NAME: SALLEE WISE

PERIOD TYPE	6 MOS
FISCAL YEAR END	JAN 31 1995
PERIOD END	JUL 31 1994
CASH	26,764
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	332,551
CURRENT ASSETS	383,095
PP&E	147,779
DEPRECIATION	54,580
TOTAL ASSETS	481,013
CURRENT LIABILITIES	204,236
BONDS	0
COMMON	27,248
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	242,297
TOTAL LIABILITY AND EQUITY	481,013
SALES	604,409
TOTAL REVENUES	604,409
CGS	436,721
TOTAL COSTS	128,940
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	1,039
INCOME PRETAX	37,709
INCOME TAX	14,235
INCOME CONTINUING	23,474
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	23,474
EPS PRIMARY	.43
EPS DILUTED	.43

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.