

DOLLAR GENERAL CORP

FORM 8-K (Current report filing)

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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

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report

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

Date of Report (Date of earliest event reported): December 1, 2004

Dollar General Corporation

(Exact Name of Registrant as Specified in Charter)

Tennessee	001-11421	61-0502302
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(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

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

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

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On December 1, 2004, Dollar General Corporation (the "Company") issued a news release regarding results of operations and financial condition for the fiscal 2004 third quarter, 2004 earnings guidance and 2005 operating initiatives, as well as the conference call to be held to discuss these matters. The news release is attached hereto as Exhibit 99.1 and incorporated by reference as if fully set forth herein.

ITEM 7.01. REGULATION FD DISCLOSURE

The information set forth in Item 2.02 above is incorporated herein by reference.

On December 1, 2004, the Company issued a news release regarding the declaration of a dividend and the authorization of a share repurchase program. The news release is attached hereto as Exhibit 99.2 and incorporated by reference as if fully set forth herein.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

- (a) Financial Statements of businesses acquired. N/A
- (b) Pro Forma Financial Information. N/A
- (c) Exhibits. See Exhibit Index immediately following the signature page hereto.

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 hereunto duly authorized.

Date: *December 1, 2004*

DOLLAR GENERAL CORPORATION

By: */s/ Susan S. Lanigan*

Susan S. Lanigan
Senior Vice President and General Counsel

EXHIBIT INDEX

Exhibit No. -----	Description -----
99.1	News release dated December 1, 2004 regarding fiscal 2004 third quarter earnings.
99.2	News release dated December 1, 2004 regarding dividend declaration and share repurchase authorization.

**DOLLAR GENERAL REPORTS THIRD QUARTER EARNINGS;
COMMENTS ON 2004 GUIDANCE AND 2005 OPERATING INITIATIVES**

GOODLETTSVILLE, Tenn.--(BUSINESS WIRE)--Dec. 1, 2004--Dollar General Corporation (NYSE:DG) today reported net income for the third quarter of fiscal 2004 of \$71.1 million, or \$0.22 per diluted share, compared to \$77.9 million, or \$0.23 per diluted share, in the third quarter of fiscal 2003.

As a reminder, financial results for the third quarter of 2003 were favorably impacted by a \$7.8 million pre-tax non-recurring inventory adjustment, which primarily represented a change in the Company's estimated provision for inventory shrinkage.

As previously reported, net sales during the third quarter of 2004 increased 11.5 percent to \$1.88 billion compared to \$1.69 billion in the third quarter of 2003. The increase resulted primarily from new store growth and a same-store sales increase of 3.4 percent.

Gross profit during the quarter was \$554.0 million, or 29.5 percent of sales, versus \$516.9 million, or 30.7 percent of sales, in the prior year. Sales of highly consumable items, which generally have lower gross profit rates than the Company's other merchandise categories, increased as a percentage of total sales mix. Approximately half of the decrease in the gross profit rate as a percent to sales resulted from the change in mix of sales and increased transportation expense, primarily fuel costs. The prior year favorable inventory adjustment discussed above also contributed to the decrease in the gross profit rate.

Selling, general and administrative expenses ("SG&A") for the quarter were \$440.0 million, or 23.4 percent of sales, in the current year, versus \$385.6 million, or 22.9 percent of sales, in the prior year. The increase in SG&A as a percent to sales includes increases as a percentage of sales in store occupancy costs, including rent and utilities, fees associated with increased customer usage of debit cards, and costs of counting physical inventories. In addition, the Company recorded a \$4.5 million charge for additional sales and use tax accruals, a \$3.1 million charge related to the lease expiration and subsequent purchase of the Company's airplane, and a \$2.1 million charge for disaster losses resulting primarily from hurricane damages. Partially offsetting these expense increases was a lower accrual for estimated employee bonus expenses compared with the prior year period. Last year's higher bonus accrual resulted from the strong year-over-year financial performance achieved by the Company through the 39-week period ended October 31, 2003.

Net interest expense was \$6.4 million in the current year quarter compared to \$8.0 million in the prior year. The decrease is primarily attributable to interest capitalized on distribution center construction projects. The Company had \$335.9 million in debt outstanding at October 29, 2004, compared to \$285.7 million at October 31, 2003.

The Company's effective income tax rate was 33.9 % for the current year quarter, versus 36.9 % last year. Approximately 111 basis points of the tax rate decrease in the quarter is the result of the reinstatement of certain federal targeted jobs tax credits retroactive to December 31, 2003. An additional 173 basis point decline in the tax rate resulted from adjustments to the accrual for income taxes for fiscal 2003.

For the 39-week year-to-date period, net income was \$210.3 million in fiscal 2004, or \$0.63 per diluted share, compared to \$198.2 million, or \$0.59 per diluted share, in the comparable prior year period, an increase of 6.1 percent.

Year-to-date through November 26, 2004, the Company opened 703 new traditional Dollar General stores and eight Dollar General Markets.

As of November 26, 2004, 6,725 Dollar General stores were equipped with refrigerated coolers, with over 5,500 stores accepting electronic benefits transfer (EBT) payments. At the end of the quarter on October 29, there were 6,525 Dollar General stores with refrigerated coolers. Approximately 5,300 of these stores were accepting EBT payments.

Outlook for 2004 and 2005

Dollar General narrowed its annual earnings expectation for 2004. The Company now expects net income for the year to be at the low end of its original guidance, or between \$341 million and \$350 million. The Company cautioned, however, that its core customer, the low income consumer, will likely continue to be impacted by the challenging economic environment, including higher gasoline prices, higher heating oil costs and unemployment. Lower than expected consumer discretionary spending during the holiday period may negatively impact the Company's ability to meet its expected earnings.

For the month ended November 26, 2004, same-store sales increased 3.4 percent. Tomorrow, the Company will release final November sales in its regular monthly sales release.

Dollar General today also announced that the Company expects to open approximately 730 new stores, including at least 30 Dollar General Markets, in fiscal 2005. Some of the Dollar General Markets will be conversions of traditional stores. The Dollar General Market is a larger format store that offers an expanded selection of Dollar General's core mix of merchandise with a broader selection of refrigerated food items and fresh produce. The Company will continue its practice of reviewing potential store closings and currently expects closings in 2005 to be in the range of 60 to 80.

Dollar General plans to open its new distribution center in Union County, SC, in mid to late 2005. By the end of 2005, the Company plans to select a location for a ninth distribution center, which is expected to open in fiscal 2006.

The Company also plans to continue its implementation of the EZstore initiatives, focused on improving all aspects of store operations, including material handling and labor scheduling. The Company plans to complete the implementation of EZstore by the end of fiscal 2006.

Forward-Looking Information

This press release contains forward-looking information, such as information regarding the Company's expectation for 2004 net income, its 2004 and 2005 store growth targets, distribution center site selection, construction plans and project completion targets, the timing and anticipated results of operating initiatives, including the implementation of EZstore, and the possible expected impact on the fourth quarter of external economic factors. The words "believe," "anticipate," "project," "plan," "schedule," "expect," "estimate," "objective," "forecast," "goal," "intend," "will likely result," or "will continue" and similar expressions generally identify forward-looking statements. These matters involve risks, uncertainties and other factors that may cause the actual performance of the Company to differ materially from that expressed or implied by these forward-looking statements. All forward-looking information should be evaluated in the context of these risks, uncertainties and other factors. The Company believes the assumptions underlying these forward-looking statements are reasonable; however, any of the assumptions could be inaccurate and, therefore, actual results may differ materially from those projected by, or implied in, the forward-looking statements. Factors that may result in actual results differing from such forward-looking information include, but are not limited to:

- transportation and distribution delays or interruptions both domestically and internationally;
- labor shortages in the trucking industry;
- the Company's ability to negotiate effectively the cost and purchase of merchandise;
- prolonged or repeated price increases of certain raw materials that could affect vendors' product costs;
- inventory risks due to shifts in market demand;
- changes in product mix;
- interruptions in suppliers' businesses;
- the inability to execute operating initiatives;
- costs and potential problems and interruptions associated with implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems;
- fuel price and interest rate fluctuations;
- a continued rise in health insurance costs or workers' compensation costs;
- a deterioration in general economic conditions whether caused by acts of war, terrorism or other factors;
- changes in demand due to unexpected or unusual weather patterns;
- seasonality of the Company's business such as a sales shortfall during the Christmas selling season;
- unanticipated changes in the federal or state minimum wage or living wage requirements;
- changes in federal or state regulations governing the sale of the Company's products, particularly "over-the-counter" medications or health products;
- excessive costs and delays associated with building, opening and operating new stores;
- excessive costs and delays associated with building, opening, expanding or converting new or existing distribution centers;
- the reputational and financial impact of the Securities and Exchange Commission ("SEC") inquiry related to the restatement of certain of the Company's financial statements;
- results of other legal proceedings and claims;

-- and other risk factors described in the Company's Form 10-K for the fiscal year ended January 30, 2004, filed with the SEC on March 16, 2004, and the Company's most recent Quarterly Report on Form 10-Q.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. Except as may be required by law, the Company disclaims any obligation to publicly update or revise any forward-looking statements contained herein to reflect events or circumstances occurring after the date of this release or to reflect the occurrence of unanticipated events. Readers are advised, however, to consult any further disclosures the Company may make on related subjects in its public disclosures or documents filed with the SEC.

Earnings Conference Call Information

The Company will host a conference call on Wednesday, December 1, 2004, at 10 a.m. EST to discuss the quarter's results. The security code for the conference call is "Dollar General." If you wish to participate, please call (334) 260-2280 at least 10 minutes before the conference call is scheduled to begin. The call can be accessed live online at www.dollargeneral.com, by clicking on the homepage spotlight item. A replay of the conference call will be available until 5 p.m. EST on Wednesday, December 15, online at www.dollargeneral.com under "Investing," "Conference Calls and Investor Events," or by calling (334) 323-7226. The replay pass code is 73518650.

About Dollar General

Dollar General is a Fortune 500(R) discount retailer with 7,324 neighborhood stores as of November 26, 2004. Dollar General stores offer convenience and value to customers by offering consumable basic items that are frequently used and replenished, such as food, snacks, health and beauty aids and cleaning supplies, as well as a selection of basic apparel, housewares and seasonal items at everyday low prices. The Company store support center is located in Goodlettsville, Tennessee. Dollar General's Web site can be reached at www.dollargeneral.com.

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

	October 29, 2004	October 31, 2003	January 30, 2004
	----- (Unaudited)	----- (Unaudited)	----- (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$45,832	\$138,470	\$398,278
Merchandise inventories	1,558,574	1,373,200	1,157,141
Deferred income taxes	17,305	21,729	30,413
Other current assets	100,523	65,301	66,383
	-----	-----	-----
Total current assets	1,722,234	1,598,700	1,652,215
	-----	-----	-----
Property and equipment, at cost	1,905,578	1,667,438	1,709,722
Less: accumulated depreciation and amortization	828,951	687,951	720,498
	-----	-----	-----
Net property and equipment	1,076,627	979,487	989,224
	-----	-----	-----
Other assets, net	29,156	11,007	11,270
	-----	-----	-----
Total assets	\$2,828,017	\$2,589,194	\$2,652,709
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term obligations	\$14,704	\$17,295	\$16,670
Accounts payable	475,841	440,505	383,791
Accrued expenses and other	336,408	287,724	297,616
Income taxes payable	21,706	14,553	45,725
	-----	-----	-----
Total current liabilities	848,659	760,077	743,802
	-----	-----	-----
Long-term obligations	321,194	268,357	265,337
Deferred income taxes	80,674	59,100	66,650
	-----	-----	-----
Shareholders' equity:			
Preferred stock	-	-	-
Common stock	163,785	168,415	168,095
Additional paid-in capital	405,003	363,767	376,930
Retained earnings	1,014,969	975,255	1,037,409
Accumulated other comprehensive			

loss	(1,009)	(1,206)	(1,161)
	1,582,748	1,506,231	1,581,273
Other shareholders' equity	(5,258)	(4,571)	(4,353)
Total shareholders' equity	1,577,490	1,501,660	1,576,920
Total liabilities and shareholders' equity	\$2,828,017	\$2,589,194	\$2,652,709

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income

(Dollars in thousands, except per share amounts)

(Unaudited)

	For the Quarter (13 Weeks) Ended			
	October 29, 2004	% of Net Sales	October 31, 2003	% of Net Sales
Net sales	\$1,879,187	100.00%	\$1,685,346	100.00%
Cost of goods sold	1,325,202	70.52	1,168,449	69.33
Gross profit	553,985	29.48	516,897	30.67
Selling, general and administrative	440,029	23.42	385,551	22.88
Operating profit	113,956	6.06	131,346	7.79
Interest expense, net	6,364	0.34	7,976	0.47
Income before taxes on income	107,592	5.73	123,370	7.32
Provision for taxes on income	36,466	1.94	45,467	2.70
Net income	\$71,126	3.78%	\$77,903	4.62%
Diluted earnings per share	\$0.22		\$0.23	
Weighted average diluted shares (000s)	330,313		339,238	
Basic earnings per share	\$0.22		\$0.23	
Weighted average basic shares (000s)	327,844		335,411	
Dividends per share	\$0.040		\$0.035	

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income

(Dollars in thousands, except per share amounts)

(Unaudited)

	For the 39 Weeks Ended			
	October 29, 2004	% of Net Sales	October 31, 2003	% of Net Sales
Net sales	\$5,463,389	100.00%	\$4,905,504	100.00%
Cost of goods sold	3,860,174	70.66	3,463,871	70.61
Gross profit	1,603,215	29.34	1,441,633	29.39
Selling, general and administrative	1,266,583	23.18	1,105,493	22.54
Operating profit	336,632	6.16	336,140	6.85
Interest expense, net	16,847	0.31	25,286	0.52
Income before taxes on income	319,785	5.85	310,854	6.34
Provision for taxes on income				

income	109,488	2.00	112,683	2.30
Net income	\$210,297	3.85%	\$198,171	4.04%
Diluted earnings per share	\$0.63		\$0.59	
Weighted average diluted shares (000s)	332,623		336,892	
Basic earnings per share	\$0.64		\$0.59	
Weighted average basic shares (000s)	329,917		334,175	
Dividends per share	\$0.120		\$0.105	

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

(Unaudited)

	39 Weeks Ended	
	October 29, 2004	October 31, 2003
Cash flows from operating activities:		
Net income	\$210,297	\$198,171
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	122,882	113,114
Deferred income taxes	27,132	20,912
Tax benefit from stock option exercises	5,615	10,780
Change in operating assets and liabilities:		
Merchandise inventories	(401,433)	(250,169)
Other current assets	(34,140)	(19,602)
Accounts payable	87,233	95,314
Accrued expenses and other	39,987	49,039
Income taxes	(24,082)	(52,538)
Other	(12,610)	1,974
Net cash provided by operating activities	20,881	166,995
Cash flows from investing activities:		
Purchase of property and equipment	(209,534)	(93,035)
Purchase of promissory notes	-	(49,582)
Proceeds from sale of property and equipment	154	195
Net cash used in investing activities	(209,380)	(142,422)
Cash flows from financing activities:		
Net borrowings under revolving credit facilities	64,500	-
Repayments of long-term obligations	(12,311)	(11,808)
Payment of cash dividends	(39,564)	(35,136)
Proceeds from exercise of stock options	21,125	39,660
Repurchases of common stock	(198,362)	-
Other financing activities	665	(137)
Net cash used in financing activities	(163,947)	(7,421)
Net increase (decrease) in cash and cash equivalents	(352,446)	17,152
Cash and cash equivalents, beginning of period	398,278	121,318
Cash and cash equivalents, end of period	\$45,832	\$138,470
Supplemental schedule of noncash investing and financing activities:		
Purchases of property and equipment awaiting processing for payment, included in accounts payable	\$4,817	\$3,888
Purchases of property and equipment under		

capital lease obligations \$1,690 \$551
 =====

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Selected Additional Information
 (Unaudited)

Net Sales by Category (in thousands)

	13 Weeks Ended			39 Weeks Ended		
	October 29, 2004	October 31, 2003	% Change	October 29, 2004	October 31, 2003	% Change
Highly consumable	\$1,251,106	\$1,076,913	16.2%	\$3,532,824	\$3,094,797	14.2%
Seasonal	258,835	237,365	9.0%	810,166	737,952	9.8%
Home products	203,227	207,570	-2.1%	626,153	614,746	1.9%
Basic clothing	166,019	163,498	1.5%	494,246	458,009	7.9%

Total sales \$1,879,187 \$1,685,346 11.5% \$5,463,389 \$4,905,504 11.4%

New Store Activity

	39 Weeks Ended	
	October 29, 2004	October 31, 2003
Beginning store count	6,700	6,113
New store openings	639	601
Store closings	82	61
Net new stores	557	540
Ending store count	7,257	6,653
Total selling square footage (000's)	49,474	44,998

Customer Transaction Data

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2004	October 31, 2003	October 29, 2004	October 31, 2003
Same-store customer transactions	+2.3%	+3.4%	+2.9%	+3.9%
Average customer purchase (total stores)	\$8.49	\$8.38	\$8.42	\$8.37

CONTACT: Dollar General Corporation
 Emma Jo Kauffman, 615-855-5525

**DOLLAR GENERAL BOARD OF DIRECTORS DECLARES DIVIDEND;
AUTHORIZES REPURCHASE OF COMMON STOCK**

GOODLETTSVILLE, Tenn.--(BUSINESS WIRE)--Dec. 1, 2004--Dollar General Corporation (NYSE: DG) today announced that its board of directors declared a dividend of \$0.04 per share, payable January 13, 2005, to common shareholders of record on December 30, 2004.

In addition, the board of directors authorized the Company to repurchase up to 10 million shares of its outstanding common stock. Purchases may be made in the open market or in privately negotiated transactions from time to time subject to market conditions and the limitations in the authorization. This authorization expires November 30, 2005.

During the quarter ended October 29, 2004, the Company repurchased 1.48 million shares of its common stock, substantially completing the repurchases authorized under its existing 12 million share authorization.

About Dollar General

Dollar General is a Fortune 500(R) discount retailer with 7,324 neighborhood stores as of November 26, 2004. Dollar General stores offer convenience and value to customers by offering consumable basic items that are frequently used and replenished, such as food, snacks, health and beauty aids and cleaning supplies, as well as a selection of basic apparel, housewares and seasonal items at everyday low prices. The Company store support center is located in Goodlettsville, Tennessee. Dollar General's Web site can be reached at www.dollargeneral.com.

CONTACT: Dollar General Corporation, Goodlettsville Emma Jo Kauffman, 615-855-5525