DOLLAR GENERAL CORP

FORM 10-Q
(Quarterly Report)

Filed 12/14/94 for the Period Ending 10/31/94

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

DOLLAR GENERAL CORP

FORM 10-Q
(Quarterly Report)

Filed 12/14/1994 For Period Ending 10/31/1994

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 October 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 October 31, 1994 was 53,264,271.

Dollar General Corporation

Form 10-Q

For the Quarter Ended October 31, 1994

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (unaudited)
For the three months and nine months ended October 31, 1994 and 1993
(in thousands except per share amounts)

	Three Months		Nine Months	
	1994	1993	1994	1993
Net Sales	$359,430	$272,567	$963,839	$749,930
Cost of goods sold	253,851	192,862	690,572	534,730
Gross profit	105,579	79,705	273,267	215,200
Selling, general and administrative expense	76,620	61,951	205,560	170,973
Operating profit	28,959	17,754	67,707	44,227
Interest expense	1,177	532	2,216	1,736
Income before taxes on income	27,782	17,222	67,491	42,491
Provision for taxes on income	10,488	6,248	24,723	15,976
Net income	17,294	10,974	40,768	26,515
Net income per common share	$ .31	$ .20	$ .74	$ .49
Weighted average number of common shares outstanding	55,354	54,784	55,061	54,138
Cash dividends per common share as declared	$ .05	$ .05	$ .15	$ .15
Adjusted to give appropriate retroactive effect to the five-for-four stock splits distributed on April 15, 1994 and September 17, 1993	$ .05	$ .03	$ .15	$ .10

The accompanying notes are an integral part of this statement.

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

ASSETS	October 31, 1994 (unaudited)	January 31, 1994	October 31, 1993 (unaudited)
Current Assets:			
Cash and cash equivalents	$ 25,582	$ 35,365	$ 22,188
Merchandise inventories	392,605	260,042	322,568
Deferred income taxes	11,221	9,664	9,591
Other current assets	12,913	8,397	11,757
Income Taxes	0	1,563	0
Total current assets	442,321	315,031	377,104
Property & equipment, at cost	165,263	124,827	116,032
Less: Accumulated depreciation	57,477	47,322	44,121
	107,786	77,505	71,911
Other Assets	4,818	4,701	5,383
	$554,925	$397,237	$454,398
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	$ 1,305	$ 1,302	$ 1,301
Short-term borrowings	112,712	18,000	67,800
Accounts payable	88,836	81,038	111,978
Accrued expenses	53,572	47,906	44,243
Income taxes	5,007	0	1,271
Total current liabilities	261,432	148,246	226,593
Long-term debt	4,538	5,711	5,842
Deferred income taxes	2,563	2,563	2,606
Shareholders' equity:			
Preferred stock	858	0	0
Common stock	27,248	27,248	21,970
Additional paid-in capital	276,975	65,857	64,591
Retained earnings	183,981	151,165	136,502
	489,062	244,270	223,063
Less treasury stock	202,670	3,553	3,706
	286,392	240,717	219,357
	$554,925	$397,237	$454,398

The accompanying notes are an integral part of this statement.

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

	October 31, 1994	October 31, 1993
Cash flows from operating activities:		
Net income	$ 40,768	$ 26,515
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,217	8,254
Deferred income taxes	(1,557)	(1,956)
Change in operating assets and liabilities:		
Merchandise inventories	(132,563)	(105,725)
Accounts payable	7,800	47,953
Accrued expenses	5,666	6,573
Income taxes	6,570	(2,744)
Other	(4,216)	(5,255)
Net cash used by operating activities	(65,315)	(26,385)
Cash flows used in investing activities:		
Purchase of property & equipment	(42,916)	(25,180)
Cash flows provided by financing activities:		
Issuance of short-term borrowings	96,212	58,920
Repayments of short-term borrowings	(1,501)	(1,128)
Repayments of long-term debt	(1,170)	(1,162)
Payments of cash dividends	(7,952)	(5,444)
Proceeds from exercise of stock options	6,584	3,826
Tax benefits from exercise of stock options	5,585	5,253
Other	690	(558)
Net cash provided by financing activities	98,448	59,707
Net increase (decrease) in cash and equivalents	(9,783)	8,142
Cash and cash equivalents at beginning of year	35,365	25,046
Cash and cash equivalents at end of period	$ 25,582	$ 33,188

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 nine month periods ended October 31, 1994 and 1993, respectively have been made.

Interim cost of goods sold is determined using estimates of inventory shrinkage, inflation, and markdowns which are adjusted to reflect actual results at year end. Because of the seasonal nature of the Company's business, the results for interim periods are not necessarily indicative of the results to be expected for the 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 October 31		Nine Months Ended October 31	
	(in thousands)			
	1994	1993	1994	1993
Actual weighted average number of common shares outstanding during the period	53,165	1,874	52,947	52,683
Equivalent number of common shares representing the dilutive effect of stock options using the "treasury stock method"	2,189	2,910	2,114	1,455
Weighted Average Number of Common Shares	55,354	54,784	55,061	54,138

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

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Preferred Stock
Balances, January 31, 1993	$17,821	$57,246	$119,580	$ 4,881	$ 0
Net Income			26,515		
Cash dividend, $.15 per common share, as declared			(5,444)		
Five for four stock split	4,149		(4,149)		
Reissuance of treasury stock under stock incentive plans		2,092		(1,175)	
Tax benefit from exercise of options		5,253			
Balances, October 31, 1993	$21,970	$64,591	$136,502	$ 3,706	$ 0
Balances, January 31, 1994	$27,248	$ 65,857	$151,165	$ 3,553	$ 0
Net Income			40,768		
Cash dividend, $.15 per common share, as declared			(7,952)		
Reissuance of treasury stock under stock incentive plans		5,217		(1,367)	
Tax benefit from exercise of options		5,585			
Transfer to employee pension plan (25,314 shs.)		647		43	
Issuance of Preferred Stock and exchange for Company Common Stock (1)		199,669		200,527	858
Balances, October 31, 1994	$27,248	$276,975	$183,981	$202,670	$ 858

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

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION ANDRESULTS 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 evaluating results for a period shorter than a full year or when comparing any period to other than the same period of the previous year.

Nine months ended October 31, 1994 and 1993.

NET SALES. Net sales for the first nine months of fiscal 1995 increased $213.9 million, or 28.5%, to $963.8 million from $749.9 million for the comparable period of fiscal 1994. The increase resulted primarily from 245 net additional stores being in operation as of October 31, 1994 as compared to the same prior year period (1,997 stores at October 31, 1994 compared to 1,752 at October 31, 1993) and an increase of 14.7% in same-store sales. The Company defines same-stores as those stores 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 the result of better ordering that caused more complete in-stock levels of the appropriate items in the stores, improved merchandising, and continued aggressive every day low pricing. The mix of merchandise sales for the period was 65.1% hardlines and 34.9% softlines, which is a slightly greater percentage of hardlines than during the same period a year ago.

GROSS PROFIT. Gross profit for the first nine months of fiscal 1995 was $273.3 million, or 28.4% of net sales, compared to $215.2 million, or 28.7% of net sales, for the comparable period in the prior fiscal year. This decrease in gross profit percentage was primarily the result of the effect of markdowns taken in prior periods decreasing the margin on beginning-of-the-year inventory.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE. Selling, general and administrative expense as a percentage of net sales decreased to 21.3% for the first nine 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 $205.6 million for the first nine months of fiscal 1995 represents an increase of 20.2% from $171.0 million for the comparable prior year period. This increase resulted from operating 245 net additional stores as of October 31, 1994 compared to the same prior year period and an 11.2% increase in same-store expenses.

INTEREST EXPENSE. Interest expense decreased 27.6% to $2.2 million for the first nine months of fiscal 1995 from $1.7 million for the comparable prior year period. The increase resulted from higher average borrowings and higher average interest rates.

Three months ended October 31, 1994 and 1993.

NET SALES. Net sales in the third quarter of fiscal 1995 increased $86.8 million, or 31.8%, to $359.4 million from $272.6 million for the same period in fiscal 1994. The increase resulted from a same-store sales increase of 17.2% and the operation of 104 net additional stores 1,997 stores at October 31, 1994 compared to 1,893 a year ago.

GROSS PROFIT. Gross profit as a percentage of sales was 29.4% in the third quarter of fiscal 1995 as compared to 29.2% for the comparable period in fiscal 1994. This increase was primarily the result of higher margins on current purchases, higher initial mark- up, and a lower LIFO charge.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE. Selling, general and administrative expense as a percentage of sales decreased to 21.3% for the third quarter of fiscal 1995 from 22.7% for the same period in the previous year. This decrease was principally the result of lower supply, property self-insurance reserve, electricity, and salary costs. Selling, general and administrative expense increased $14.7 million or 23.7% in the third quarter of fiscal 1995 as compared to the third quarter of fiscal 1994 due to the addition of 104 net new stores and the 10.4% increase in same- store expenses.

INTEREST EXPENSE. Interest expense for the third quarter of fiscal 1995 increased 121.2%, to $1.2 million from $0.5 million, from the comparable period in fiscal 1994 due to higher average borrowings and higher average interest rates.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities. Cash flow used in operating activities totaled $65.3 million during the first nine months of fiscal 1995 compared to $26.4 million in the same period last year. This increased use of cash was primarily the result of the following factors: First, inventories increased by $132.6 million this year, $26.8 million more than a year ago. Trade payables increased by $7.8 million versus a $48.0 million increase last year. These factors more than offset the increases in net income and depreciation and amortization, $14.3 million and $4.0 million, respectively. This smaller increase in trade payables was 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 minimize distribution capacity constraints while the Company's third distribution center is being constructed.

Cash flows from investing activities. Cash used for capital expenditures during the first nine months of fiscal 1995 was $42.9 million compared to $25.2 million during the same period of fiscal 1994. This increase was principally the result of investment in stores, including new, relocated and remodeled stores, of $23.3 million for the nine months of fiscal 1995 versus $20.1 million in the prior year period and $13.5 million related to the construction of the Ardmore, Oklahoma distribution center which had no counterpart in the prior period.

Cash flows from financing activities. The Company's net borrowings during the first nine months of fiscal 1995 increased $93.5 million compared to an increase of $56.6 million during the same period in the prior fiscal year. This higher level of borrowings relates to increased merchandise inventory purchases necessary to support higher sales and increased merchandise imports that are financed by letters of credit, rather than by trade credit. The increase in borrowings was also the result of a shifting of purchases to earlier in the year to support anticipated Fall and Christmas sales and to minimize distribution capacity constraints 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 $150 million at October 31, 1994 ($65 million revolving credit/term loan facility plus $85.0 million seasonal lines of credit). The Company's seasonal line of credit borrowings as of October 31, 1994 were $50.7 million versus $4.8 million at October 31, 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):

	October 31, 1994	January 31, 1994	October 31, 1993
Current ratio	1.7x	2.1x	1.7x
Total debt/equity	41.4%	10.4%	34.2%
Long-term debt/equity	1.6%	2.4%	3.3%
Working capital (000)	$180,889	$166,785	$150,511
Average daily use of debt: (fiscal year-to-date)			
Short-term (000)	52,240	34,102	34,713
Long-term (000)	6,128	7,335	7,430
Total (000)	58,368	41,437	42,143
Maximum outstanding short-term debt (fiscal year-to-date)	$112,712	$ 70,909	$ 67,800

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

The holders of the Preferred Stock retain the same voting rights as those held prior to the exchange and will receive dividends, as declared by the Board of Directors, in an amount equal to ninety percent (90%) of the dividend paid per share of Common Stock times the number of shares of Common Stock that the holder of the Preferred would be entitled to receive upon conversion after five years. The conversion ratio for the Preferred Stock into Common Stock, subject to adjustment for stock dividends or splits, is as follows: (1) Issuance date through year three: 4.5 to 1 (however, the holders of the Preferred Stock have no voluntary right to convert such shares to Common Stock during the first two years following the exchange); (2) during year four:
4.625 to 1; (3) during year five: 4.75 to 1; (4) after year five: 5 to 1.

The terms and conditions of the exchange, the rights and preferences of the Preferred Stock and the certain limited registration rights for the underlying Common Stock for the benefit of the estate of the 1980 Turner Children Trust (a holder of the Preferred Stock) are more fully described in the Exchange Agreement, the Articles of Amendment to the Restated Articles of Incorporation and the Registration Rights Agreement, respectively, copies of which were filed with the Current Report on Form 8-K dated August 22, 1994.

PART II - OTHER INFORMATION

Item 1. Not applicable.

Item 2. Not applicable.

Item 3. Not applicable.

Item 4. Not applicable.

Item 5. Not applicable.

Item 6. Exhibits and reports on Form 8-K

(b) A current report on Form 8-K dated August 22, 1994 was filed on August 23, 1994. The report addressed Item 5. "Other Events" and addressed the issuance of the Series A Convertible Junior Preferred Stock. No financial statements were included.

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)

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Date: December 14, 1994       By: SS/:C. Kent Garner
                                  C. Kent Garner, Vice President,
                                  Treasurer and Chief Financial
                                  Officer
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ARTICLE 5

The accompanying notes are an integral part of this schedule.

CIK: 0000029534

NAME: SALLEE WISE

PERIOD TYPE	9 MOS
FISCAL YEAR END	JAN 31 1995
PERIOD END	OCT 31 1994
CASH	25,582
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	392,605
CURRENT ASSETS	442,321
PP&E	165,263
DEPRECIATION	57,477
TOTAL ASSETS	554,925
CURRENT LIABILITIES	261,432
BONDS	0
COMMON	27,248
PREFERRED MANDATORY	0
PREFERRED	858
OTHER SE	258,286
TOTAL LIABILITY AND EQUITY	554,925
SALES	963,839
TOTAL REVENUES	963,839
CGS	690,572
TOTAL COSTS	205,560
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	2,216
INCOME PRETAX	65,491
INCOME TAX	24,723
INCOME CONTINUING	40,768
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	40,768
EPS PRIMARY	.74
EPS DILUTED	.74

End of Filing