

DOLLAR GENERAL CORP

FORM 8-K (Current report filing)

Filed 12/12/06 for the Period Ending 12/12/06

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 8-K (Current report filing)

Filed 12/12/2006 For Period Ending 12/12/2006

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

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**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 12, 2006

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 12, 2006, Dollar General Corporation issued a news release regarding results of operations and financial condition for the third quarter ended November 3, 2006. The news release is attached hereto as Exhibit 99 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. The news release also sets forth information regarding the planned conference call and webcast to discuss third quarter results and other matters.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

- (a) Financial statements of businesses acquired. N/A
- (b) Pro forma financial information. N/A
- (c) Shell company transactions. N/A
- (d) 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 12, 2006*

DOLLAR GENERAL CORPORATION

By: */s/ Susan S. Lanigan*

Susan S. Lanigan
Executive Vice President and General
Counsel

EXHIBIT INDEX

Exhibit No.	Description
99	News release dated December 12, 2006.

Dollar General Reports Third Quarter 2006 Financial Results

GOODLETTSVILLE, Tenn.--(BUSINESS WIRE)--Dec. 12, 2006--Dollar General Corporation (NYSE: DG) today reported a net loss for its third fiscal quarter ended November 3, 2006 of \$5.3 million, or \$0.02 per share, after recognizing pre-tax costs and charges in the quarter of approximately \$79.2 million relating to the elimination of its packaway inventory model and planned store closings, as discussed at length in the Company's announcement on November 29, 2006. Net income for the prior year quarter ended October 28, 2005 was \$64.4 million, or \$0.20 per share.

Net sales for the fiscal 2006 third quarter were \$2.21 billion, a 7.6 percent increase over net sales of \$2.06 billion for the fiscal 2005 third quarter. The sales increase is largely attributable to increased sales of highly consumables and, to a lesser extent, increased sales of seasonal merchandise. It includes the sales from 430 net new stores and a same-store sales increase of 2.0 percent.

As a percentage of sales, gross profit for the fiscal 2006 third quarter was 23.8 percent compared to 28.1 percent for the fiscal 2005 third quarter. Gross profit was reduced in the 2006 third quarter by below-cost inventory adjustments of approximately \$63.5 million relating to the Company's recent decision to eliminate packaway inventory by the end of fiscal 2007 and \$7.8 million relating to inventory in stores the Company plans to close, outside of the ordinary course of business, in 2007. The amount of the below-cost inventory adjustments is based on management's assumptions regarding the timing and adequacy of markdowns and the final adjustment may vary materially from the amount recorded depending on various factors, including timing of the plan's execution, the accuracy of assumptions used by management in developing these estimates, and retail market conditions. In addition to these charges, the gross profit rate was negatively impacted by a greater sales mix of lower-margin merchandise, a decrease in markups on purchases, more promotional markdowns, and higher inventory shrink.

Selling, general and administrative expenses ("SG&A") were 23.6 percent of sales in the third quarter of fiscal 2006 versus 23.2 percent of sales in the fiscal 2005 third quarter. The increase in SG&A reflects impairment charges on leasehold improvements and fixtures of approximately \$8.0 million relating to planned store closings outside of the ordinary course of business. Other expenses contributing to the increase in SG&A (as a percent of sales) were store labor due to additional labor associated with various store initiatives, store occupancy costs due primarily to higher store rental rates, and administrative salaries, resulting from additions to the Company's leadership and the reorganization of the merchandising and real estate teams, as well as the expensing of stock options. These increases were partially offset by proceeds of \$7.9 million related to the final settlement of the Company's Hurricane Katrina insurance claim.

Interest expense, net of interest income, for the fiscal 2006 third quarter increased \$6.4 million over the prior year quarter due to higher net borrowings and an increase in income tax-related interest of \$3.2 million. The increase in tax-related interest expense is due in part to reductions in interest expense in the prior year period pertaining to the resolution of certain income tax-related contingencies.

For the 39-week year-to-date period, net income was \$87.9 million, or \$0.28 per share, compared to \$204.9 million, or \$0.63 per share, in the comparable fiscal 2005 period. Year-to-date net sales increased 8.4 percent, including a same-store sales increase of 2.3 percent.

The Company's gross profit rate to sales was 26.0 percent in the 2006 year-to-date period compared to 28.4 percent in the 2005 year-to-date period. In addition to the below-cost inventory adjustments described above, the decrease in the gross profit rate was impacted by lower markups on purchases during the period, increased promotional markdowns, a higher sales mix of lower-margin merchandise, higher inventory shrink, and higher transportation expenses primarily attributable to increased fuel costs. These factors were partially offset by higher average markups on beginning inventory in the 2006 period as compared with the 2005 period. Year-to-date, the Company's inventory shrink rate was 3.38 percent in 2006 compared to 3.20 percent in 2005.

SG&A for the fiscal 2006 year-to-date period was 23.5 percent of sales compared to 23.0 percent in 2005. In addition to the \$8.0 million of asset impairment charges described above, SG&A was impacted by increased advertising, store occupancy costs and administrative salaries. These increases were partially offset by proceeds of \$13.0 million related to the settlement of hurricane-related insurance claims.

The Company's effective income tax rate for the fiscal 2006 39-week period was 38.6 percent compared to 35.5 percent in the 2005 period. The increase in the effective income tax rate is a result of a tax law change in the 2006 period that reduced previously recorded deferred tax assets related to the Company's operations in the state of Texas, the non-recurrence in the 2006 period of benefits realized in the 2005 period related to an internal corporate restructuring, an increase in a deferred tax valuation allowance in the 2006 period due to revised estimates regarding the Company's ability to utilize certain state income tax credit carry forwards prior to their expiration, and a reduction in income tax reserves in the 2005 period (due principally to the expiration of the statute of limitations) that did not reoccur in the 2006 period.

Inventory

The Company's inventory balance, after the \$71.2 million below-cost markdowns, increased 6.4 percent in total and was flat on a per square footage basis as compared to the prior year third quarter. The Company made substantial progress in its efforts to sell through the higher than anticipated level of highly consumable promotional inventory held at the end of the Company's 2006 second fiscal quarter. With regard to the current holiday season, the Company has taken measures to ensure that its stores are better prepared and seasonal inventories are better managed than in the prior year. Holiday-related sales to date, which reflect the results of a holiday circular, are positive, although the Company's outlook remains cautious in the highly competitive retail environment.

Earnings Conference Call Information

The Company will host a conference call on Tuesday, December 12, 2006, at 9:00 a.m. CST/10:00 a.m. EST to discuss the quarter's financial results. If you wish to participate, please call (334) 260-2280 at least 10 minutes before the conference call is scheduled to begin. The pass code for the conference call is "Dollar General." The call will also be broadcast live online at www.dollargeneral.com by clicking on the homepage "Spotlight Item." A replay of the conference call will be available through Tuesday, December 26, online or by calling (334) 323-7226. The pass code for the replay is 33961603.

About Dollar General

Dollar General is a Fortune 500(R) discount retailer with 8,276 neighborhood stores as of November 24, 2006. 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's store support center is located in Goodlettsville, Tennessee. Dollar General's website can be reached at www.dollargeneral.com.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES Consolidated Balance Sheets (In thousands)

	November 3, 2006	October 28, 2005	February 3, 2006
	-----	-----	-----
	(Unaudited)	(Unaudited)	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 90,914	\$ 92,769	\$ 200,609
Short-term investments	29,400	1,417	8,850
Merchandise inventories	1,676,057	1,574,567	1,474,414
Deferred income taxes	49,627	14,348	11,912
Prepaid expenses and other current assets	71,993	61,549	67,140
	-----	-----	-----
Total current assets	1,917,991	1,744,650	1,762,925
	-----	-----	-----
Property and equipment, at cost	2,410,754	2,139,087	2,221,540
Less: accumulated depreciation and amortization	1,163,864	983,806	1,029,368
	-----	-----	-----
Net property and equipment	1,246,890	1,155,281	1,192,172
	-----	-----	-----
Other assets, net	41,422	30,850	37,090
	-----	-----	-----
Total assets	\$3,206,303	\$2,930,781	\$2,992,187
=====			
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term obligations	\$ 8,473	\$ 8,864	\$ 8,785
Accounts payable	517,443	521,087	508,386
Accrued expenses and other	406,761	372,537	372,920
Income taxes payable	15,826	7,452	43,706
	-----	-----	-----
Total current liabilities	948,503	909,940	933,797
	-----	-----	-----
Long-term obligations	495,339	344,436	269,962
Deferred income taxes	59,520	62,118	67,633
	-----	-----	-----
Shareholders' equity:			
Preferred stock	-	-	-
Common stock	156,024	158,437	157,840
Additional paid-in capital	477,687	451,180	462,383
Retained earnings	1,069,472	1,011,019	1,106,165
Accumulated other comprehensive loss	(659)	(839)	(794)
Other shareholders' equity	417	(5,510)	(4,799)
	-----	-----	-----
Total shareholders' equity	1,702,941	1,614,287	1,720,795
	-----	-----	-----
Total liabilities and shareholders' equity	\$3,206,303	\$2,930,781	\$2,992,187
=====			

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations
(Unaudited)

(In thousands, except per share amounts)

	For the Quarter (13 Weeks) Ended			
	November 3, 2006	% of Net Sales	October 28, 2005	% of Net Sales
Net sales	\$2,213,396	100.00%	\$2,057,888	100.00%
Cost of goods sold	1,686,949	76.22	1,478,872	71.86
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Gross profit	526,447	23.78	579,016	28.14
Selling, general and administrative	523,108	23.63	477,404	23.20
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Operating profit	3,339	0.15	101,612	4.94
Interest income	(885)	(0.04)	(1,670)	(0.08)
Interest expense	10,904	0.49	5,321	0.26
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Income (loss) before income taxes	(6,680)	(0.30)	97,961	4.76
Income taxes	(1,395)	(0.06)	33,536	1.63
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Net income (loss)	\$ (5,285)	(0.24%)	\$ 64,425	3.13%

Basic earnings (loss) per share	\$ (0.02)	\$ 0.20
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Weighted average basic shares (000s)	312,049	319,520
<hr style="border-top: 1px dashed black;"/>		
Diluted earnings (loss) per share	\$ (0.02)	\$ 0.20
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Weighted average diluted shares (000s)	312,049	321,443
<hr style="border-top: 1px dashed black;"/>		
Dividends per share	\$ 0.050	\$ 0.045

	For the 39 Weeks Ended			
	November 3, 2006	% of Net Sales	October 28, 2005	% of Net Sales
Net sales	\$6,615,836	100.00%	\$6,101,733	100.00%
Cost of goods sold	4,893,581	73.97	4,367,838	71.58
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Gross profit	1,722,255	26.03	1,733,895	28.42
Selling, general and administrative	1,557,054	23.54	1,404,292	23.01
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Operating profit	165,201	2.50	329,603	5.40
Interest income	(4,792)	(0.07)	(6,442)	(0.11)
Interest expense	27,024	0.41	18,633	0.31
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Income before income taxes	142,969	2.16	317,412	5.20
Income taxes	55,116	0.83	112,529	1.84
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Net income	\$ 87,853	1.33%	\$ 204,883	3.36%

Basic earnings per share	\$ 0.28	\$ 0.63
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Weighted average basic shares (000s)	312,664	323,855
<hr style="border-top: 1px dashed black;"/>		
Diluted earnings per share	\$ 0.28	\$ 0.63
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Weighted average diluted shares (000s)	313,588	326,334
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Dividends per share	\$ 0.150	\$ 0.130

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)

	For the 39 Weeks Ended	
	November 3, 2006	October 28, 2005
Cash flows from operating activities:		
Net income	\$ 87,853	\$ 204,883
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	148,911	137,817
Deferred income taxes	(45,828)	293
Tax benefit from stock option exercises	(1,898)	4,009
Non-cash inventory adjustments and asset impairments	79,213	-
Change in operating assets and liabilities:		
Merchandise inventories	(272,876)	(198,030)
Prepaid expenses and other current assets	(4,853)	(7,847)
Accounts payable	18,680	103,896
Accrued expenses and other	33,755	39,593
Income taxes	(26,062)	(62,245)
Other	2,865	12,348
Net cash provided by operating activities	19,760	234,717
Cash flows from investing activities:		
Purchases of property and equipment	(221,043)	(216,849)
Purchases of short-term investments	(10,476)	(30,250)
Sales of short-term investments	10,550	73,175
Purchases of long-term investments	(21,515)	-
Insurance proceeds related to property and equipment	1,807	-
Proceeds from sales of property and equipment	1,324	1,085
Net cash used in investing activities	(239,353)	(172,839)
Cash flows from financing activities:		
Issuance of long-term borrowings	-	14,495
Borrowings under revolving credit facility	1,767,450	148,600
Repayments of borrowings under revolving credit facility	(1,535,150)	(73,600)
Repayments of long-term obligations	(11,417)	(10,832)
Payment of cash dividends	(46,864)	(41,999)
Proceeds from exercise of stock options	13,889	22,041
Repurchases of common stock	(79,947)	(260,707)
Tax benefit from stock option exercises	1,898	-
Other financing activities	39	63
Net cash provided by (used in) financing activities	109,898	(201,939)
Net decrease in cash and cash equivalents	(109,695)	(140,061)
Cash and cash equivalents, beginning of period	200,609	232,830
Cash and cash equivalents, end of period	\$ 90,914	\$ 92,769
Supplemental schedule of non-cash investing and financing activities:		
Investments awaiting settlement, included in Accounts payable	\$ 242	\$ 12,129
Purchases of property and equipment awaiting processing for payment, included in Accounts payable	\$ 14,885	\$ 8,656
Purchases of property and equipment under capital lease obligations	\$ 4,150	\$ 3,283
Reduction of financing obligations	\$ 46,608	\$ -
Reduction of promissory notes receivable	\$ 46,608	\$ -

Selected Additional Information
(Unaudited)

Net Sales by Category (in thousands)

	13 Weeks Ended		
	November 3, 2006	October 28, 2005	% Change
Highly consumable	\$1,523,398	\$1,405,413	8.4%
Seasonal	306,758	269,695	13.7
Home products	212,587	211,609	0.5
Basic clothing	170,653	171,171	(0.3)
Total sales	\$2,213,396	\$2,057,888	7.6%

	39 Weeks Ended		
	November 3, 2006	October 28, 2005	% Change
Highly consumable	\$4,482,687	\$4,078,515	9.9%
Seasonal	970,655	862,534	12.5
Home products	638,422	638,493	0.0
Basic clothing	524,072	522,191	0.4
Total sales	\$6,615,836	\$6,101,733	8.4%

Store Count

	39 Weeks Ended	
	November 3, 2006	October 28, 2005
Beginning store count	7,929	7,320
New store openings	408	605
Store closings	86	104
Net new stores	322	501
Ending store count	8,251	7,821
Total selling square footage (000s)	57,305	53,869

CONTACT: Dollar General Corporation
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or
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