DOLLAR GENERAL CORP

FORM 10-Q
(Quarterly Report)

Filed 09/13/96 for the Period Ending 08/02/96

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 9/13/1996 For Period Ending 8/2/1996

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 ended August 2, 1996

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 30, 1996 was 73,163,378.

Dollar General Corporation
Form 10-Q
For the Quarter Ended August 2, 1996
Index

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 August 2, 1996 and August 4, 1995*
(in thousands except per share amounts)
(unaudited)

	Three Months		Six Months	
	1996	1995*	1996	1995*
Net Sales	$494,389	$403,719	$950,245	$778,239
Cost of Goods sold	360,661	290,645	693,143	560,407
Gross Profit	133,728	113,074	257,102	217,832
Selling, general and administrative expense	97,321	82,918	195,266	166,408
Operating profit	36,407	30,156	61,836	51,424
Interest expense	1,109	1,662	2,306	2,907
Income before taxes on income	35,298	28,494	59,530	48,517
Provision for taxes on income	13,413	10,970	22,621	18,679
Net income	21,885	17,524	36,909	29,838
Net income per common and common equivalent share	$ .25	$ .20	$ .42	$ .34
Weighted average number of common shares outstanding	89,094	87,890	88,886	87,636
Cash dividends per common share as declared	$ .05	$ .05	$ .10	$ .10
Adjusted to give retroactive effect to the five-for-four stock split distributed on April 26, 1996	$ .05	$ .04	$ .10	$ .08

*Restated as explained in Note 1.
The accompanying notes are an integral part of this statement.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of August 2, 1996, January 31, 1996 and August 4, 1995*
(in thousands)
(unaudited)

	Aug. 2, 1996	January 31, 1996	Aug. 4, 1995*
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 12,950	$ 4,344	$ 11,781
Merchandise inventories	513,665	488,362	474,954
Deferred income taxes	11,959	11,989	10,065
Other current assets	13,630	11,548	12,366
Total current assets	552,204	516,243	509,166
Property & Equipment, at cost	260,716	242,628	214,585
Less: Accumulated depreciation	98,124	84,041	73,109
	162,592	158,587	141,476
Other Assets	5,094	5,166	5,557
	$719,890	$679,996	$656,199
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	$ 1,553	$ 1,536	$ 1,483
Short-term borrowings	74,954	72,146	120,000
Accounts payable	121,212	103,176	103,906
Accrued expenses	63,885	62,099	55,945
Income Taxes	2,991	14,757	3,201
Total current liabilities	264,595	253,714	284,535
Long-term debt	2,108	3,278	3,585
Deferred income taxes	3,573	2,993	3,382
Shareholders' equity:			
Preferred stock	858	858	858
Common stock	42,918	42,762	33,971
Additional paid-in capital	317,446	303,609	299,561
Retained earnings	288,919	273,309	230,441
	650,141	620,538	564,831
Less treasury stock	200,527	200,527	200,134
	449,614	420,011	364,697
	$719,890	$679,996	$656,199

*Restated as explained in Note 1.

The accompanying notes are an integral part of this statement.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the six months ended August 2, 1996 and August 4, 1995*
(in thousands)
(unaudited)

	Aug. 2, 1996	Aug. 4 1995*
Cash flows from operating activities:		
Net income	$ 36,909	$ 29,838
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,929	11,885
Deferred income taxes	610	1,720
Change in operating assets and liabilities:		
Merchandise inventories	(25,303)	(118,843)
Accounts payable	18,036	(7,769)
Accrued expenses	1,786	(5,092)
Income taxes	(11,766)	(2,009)
Other	(649)	(2,249)
Net cash provided by (used in) operating activities	34,552	(92,519)
Cash flows used in investing activities:		
Purchase of property & equipment	(20,296)	(29,108)
Cash flows provided by financing activities:		
Issuance of short-term borrowings	43,178	124,501
Repayments of short-term borrowings	(40,370)	(34,101)
Repayments of long-term debt	(1,153)	(1,140)
Payments of cash dividends	(9,207)	(6,833)
Proceeds from exercise of stock options	9,957	11,595
Repurchase of common stock	(12,330)	0
Tax benefits from exercise of stock options	4,275	6,341
Net cash (used in) provided by financing activities	(5,650)	100,363
Net increase (decrease) in cash and cash equivalents	8,606	(21,264)
Cash and cash equivalents at beginning of year	4,344	33,045
Cash and cash equivalents at end of period	$ 12,950	$ 11,781

*Restated as explained in Note 1.
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, 1996 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 ofa normal recurring nature) necessary for a fair presentation of the results of operations for the three-month and six-month periods ended August 2, 1996 and August 4, 1995, 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 entire year.

The comparative financial statements presented for the period ended August 4, 1995, have been restated from the 10-Q report for the period ended July 31, 1995 to reflect the adoption of a retail 52/53 week reporting calendar effective February 1, 1996. For the six-month and three-month periods ended July 31, 1995, the Company reported net income of $29,267,000 and $17,691,000, respectively, or $0.33 and $0.20, respectively per common and common equivalent share, as restated for the April 26, 1996 stock split.

2. Net Income Per Common Share

Net income per common and common equivalent share is based upon the actual weighted average number of common shares outstanding during each period
(including the presumed conversion of the Series A Convertible Preferred Stock)
plus the assumed exercise of dilutive stock options as follows:

	Three Months Ended August 2,		Six Months Ended August 4,	
	Shares (in thousands)			
	1996	1995	1996	1995
Actual weighted average number of common shares outstanding during the period	72,716	71,417	72,475	71,053
Common Stock Equivalents:				
Dilutive effect of stock options using the "Treasury Stock Method"	2,974	3,069	3,007	3,179
1,715,742 shares of Series A Convertible Preferred Stock Issued August 22, 1994	13,404	13,404	13,404	13,404
Weighted Average Shares	89,094	87,890	88,886	87,636

3. Changes in shareholder's equity for the six months ended August 2, 1996 and August 4, 1995 were as follows (dollars in thousands except per share amounts):

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock
Balances, January 31, 1995	$ 858	$ 33,971	$283,323	$207,436	$201,832
Net income				29,838	
Cash dividend, $.10 per common share, as declared				(5,869)	
Cash dividend, $.56 per preferred share				(964)	
Reissuance of treasury stock under employee stock incentive plans			9,897		(1,698)
Tax benefit from exercise of options			6,341		
Balances, August 4, 1995	$ 858	$ 33,971	$299,561	$230,441	$200,134
Balances, January 31, 1996	$ 858	$ 42,762	$303,609	$273,309	$200,527
Net Income				36,909	
Cash dividend, $.10 per common share, as declared				(8,001)	
Cash dividend, $.56 per preferred share				(1,206)	
Issuance of Common Stock under employee stock incentive plans		395	9,562		
Tax benefit from exercise of options			4,275		
Repurchase of common stock		(239)		(12,092)	
Balances, August 2, 1996	$ 858	$ 42,918	$317,446	$288,919	$200,527

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 seasonal. Historically, sales in the fourth quarter have been significantly 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 by quarter. Results of a period shorter than a full year may not be indicative of results expected for the entire year. Furthermore, comparing any period to other than the same period of the previous year will not reflect the seasonal nature of the Company's business.

In August 1996, the federal minimum wage law was changed to increase minimum wage from $4.25 per hour to $4.75 per hour effective October 1, 1996 and from $4.75per hour to $5.15 per hour effective September 1, 1997. The Company estimates that this change will result in an increase in wage expense during fiscal 1997 from approximately $2.1 to $2.3 million above otherwise expected levels. The Company believes the financial impact of the minimum wage increase to operations for fiscal 1997 will be partially offset by increased sales and employee productivity.

SIX MONTHS ENDED AUGUST 2, 1996 AND AUGUST 4, 1995

NET SALES. Net sales for the first six months of fiscal 1997 increased $172.0 million, or 22.1%, to $950.2 million from $778.2 million for the comparable period of fiscal 1996. The increase resulted from 326 net additional stores being in operation as of August 2, 1996 as compared with August 4, 1995, and an increase of 8.6% in same-store sales as compared with the 6.4% increase in the same period last year.

The Company regards 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 gains are a reflection of better in-stock positions compared to the prior year and improved focus on its strategy as a distributor of consumable basics. The Company's sales mix shifted in favor of hardlines which accounted for 73% of sales and softlines' equal to 27% of sales in the first six months of fiscal 1997 as compared with 69% and 31%, respectively in the comparable 1996 period. In the second quarter of fiscal 1997, the Company opened 123 stores, closed 4 stores and ended the quarter with a total of 2,586 stores.

GROSS PROFIT. Gross profit for the first six months of fiscal 1997 was $257.1 million, or 27.06% of net sales, compared to $217.8 million, or 27.99% of net sales, for the comparable period in the prior fiscal year. This decrease was driven by lower margin on sales of current purchases, as a result of the shift of sales towards hardlines, lower beginning inventory margins and higher shrinkage reserves at 3.2% up from 3.0% a year ago. These effects were partially offset by the LIFO charge of zero in the current year as compared with 0.16% last year (based on current price trend indications). Cost of goods sold is determined in the first, second and third quarters utilizing estimates of inventory, shrinkage, markdowns and inflation. Adjustments of these estimates based upon actual results are included in cost of goods sold in the fourth quarter.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE. Selling, general and administrative expense for the period equaled $195.3 million, or 20.6% of sales, compared with $166.4 million, or 21.4% of sales in the same period last year. This decrease (as a percentage of sales) was the result of better labor control, both retail and administrative, and lower advertising costs resulting from the elimination of the August circular. Increased incentive compensation accruals partially offset these gains.

9 INTEREST EXPENSE. Interest expense decreased 20.7% to $2.3 million for the first six months of fiscal 1997 from $2.9 million for the comparable prior-year period. The decrease resulted from both lower average short-term borrowings as well as lower average interest rates. Average short-term borrowings were $81.3 million and $85.9 million for the respective six-month periods of fiscal 1997 and 1996.

THREE MONTHS ENDED AUGUST 2, 1996 AND AUGUST 4, 1995

NET SALES. Net sales in the second quarter of fiscal 1997 increased $90.7 million or 22.5%, to $494.4 million from $403.7 million for the same period in fiscal 1996. The increase resulted from an increase of 9.8% in same store sales and the operation of 326 additional stores at the end of the quarter.

GROSS PROFIT. Gross profit as a percentage of sales was 27.05% in the second quarter of fiscal 1997, as compared with 28.01% for the comparable period in fiscal 1996. This decrease was the result of the same factors affecting gross profit for the six-month period.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE. Selling, general and administrative expense increased $14.4, million or 17.4%, in the second quarter of fiscal 1997 as compared with fiscal 1996. As a percentage of sales, selling, general and administrative expense decreased to 19.7% for the second quarter of fiscal 1997 from 20.5% for the same period in the previous year. Operating expense as a percentage of sales decreased primarily as a result of better labor control, both retail and administrative, and lower advertising due to the elimination of the August circular. These improvements offset increases in insurance reserves and incentive compensation accruals.

INTEREST EXPENSE. Interest expense for the second quarter of fiscal 1997 decreased 33.3% to $1.1 million from $1.7 million from the comparable period in fiscal 1996 due to lower average interest rates and average borrowings.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities - Cash flows provided by operating activities totaled $34.5 million during the first six months of fiscal 1997 compared with cash flow used by operating activities of $92.5 last year. This significant change in cash flow is primarily the result of a much smaller increase in inventories during the 1997 period as compared to 1996 plus an increase in accounts payable ($18.0 million this year versus a use of cash of $7.8 million in accounts payable reduction last year). Inventories increased as a result of opening new stores and maintaining better in-stock levels, but much of this occurred before the beginning of fiscal year 1997.

Cash flows from investing activities - Cash used for capital expenditures during the first six months decreased $8.8 million to $20.3 million as compared with $29.1 million in the comparable period in 1996. The current period expenditures resulted principally from opening 326 new stores, remodeling and relocating 87 stores, and investment in warehouse equipment. The decrease is driven by reduced investment in stores, a reduction of $3.5 million, and lower trailer purchases, down $2.1 million. On July 18, 1996 the Company's Board of Directors authorized a buy-back of up to 2 million shares of the Company's outstanding common stock. As of August 2, 1996 the Company had repurchased 475,100 shares at an aggregate cost of $12,330,492. As of August 30, 1996, the Company had repurchased a total of 1,000,000 shares at an aggregate cost of $26,972,486.

Cash flows from financing activities - The Company's short-term borrowings during the first six months of fiscal 1997 increased by a net of $2.8 million to $43.2 million compared with an increase of $90.4 million to $124.5 million in 1996.
The decreased short-term borrowings resulted from the greater cash flow from operating activities and lower capital expenditures discussed above.

10 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 $325.0 million at August 2, 1996 ($170.0 million revolving credit/term loan facility plus $155.0 million seasonal lines of credit). The Company successfully negotiated an increase in its revolving credit/term loan facility from $65.0 million to $170.0 million during June 1995. The Company had seasonal lines of credit borrowings of $9.9 million as of August 2, 1996 and $0 as of August 4, 1995. 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 (dollars in thousands):

	Aug. 2, 1996	January 31, 1996	Aug. 4, 1995
Current ratio	2.1x	2.0x	1.8x
Total borrowings/equity	17.5%	18.3%	34.3%
Long-term debt/equity	0.5%	0.8%	1.0%
Working Capital (000)	$287,609	$262,529	$224,631
Average daily use of debt: (fiscal year-to-date)			
Short-term (000)	$ 81,332	$ 99,564	$ 84,898
Long-term (000)	3,998	4,718	4,932
Total (000)	$ 85,330	$104,282	$ 89,830
Maximum outstanding short-term debt (fiscal year-to-date)	$104,733	$227,397	$124,501

PART II - OTHER INFORMATION

Item 1. Not applicable.

Item 2. Changes In Securities
Rider 11

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 3, 1996, the Stockholders voted upon three 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 Stockholders' Meeting:

Nominee	Votes For	Votes Withheld/Against
Cal Turner	54,700,980	47,885
Cal Turner, Jr.	54,700,703	48,162
James L. Clayton	54,701,739	47,126
Reginald D. Dickson	54,704,456	44,409
John B. Holland	54,624,054	124,811
Barbara M. Knuckles	54,696,185	52,680
Wallace N. Rasmussen	54,623,850	125,015
David M. Wilds	54,624,288	124,577
William S. Wire, II	54,624,291	124,574

Proposal No. 2: Approval of Amendment to the Corporation's restated Articles of Incorporation increasing the number of authorized shares of Common Stock to 200,000,000 Shares.

Votes For Votes Against Abstentions/Broker Non-Votes

51,825,617 2,792,693 130,555

Proposal No. 3: Ratification of Coopers & Lybrand L.L.P. as the Corporation's Independent Accountants

Votes For	Votes Against	Abstentions/Broker Non-Votes
54,608,037	10,047	130,781

Item 5. Not applicable.

Item 6. Exhibits and reports on Form 8-K

(a) No reports on Form 8-K were filed during the quarter ended August 2, 1996.

Rider 11

Effective July 18, 1996, the Corporation's restated Articles of Incorporation was amended to increase the authorized shares of Common Stock from 100,000,000 to 200,000,000. The additional authorized shares of Common Stock may be issued by the Board of Directors, at their discretion and without stockholder approval, except as may be required by law or the rules of the New York Stock Exchange.

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)

September 13, 1996 *By:/S/ Phil Richards*
Phil Richards, Vice President,
Chief Financial Officer,

ARTICLE 5

The accompanying notes are an integral part of this statement.

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	JAN 31 1997
PERIOD END	AUG 2 1996
CASH	12,950
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	513,665
CURRENT ASSETS	552,204
PP&E	165,263
DEPRECIATION	98,124
TOTAL ASSETS	719,890
CURRENT LIABILITIES	264,595
BONDS	0
COMMON	42,918
PREFERRED MANDATORY	0
PREFERRED	858
OTHER SE	405,838
TOTAL LIABILITY AND EQUITY	719,890
SALES	950,245
TOTAL REVENUES	950,245
CGS	693,143
TOTAL COSTS	195,266
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	2,306
INCOME PRETAX	59,530
INCOME TAX	22,621
INCOME CONTINUING	36,909
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	36,909
EPS PRIMARY	.42
EPS DILUTED	.42

End of Filing