DOLLAR GENERAL CORP

FORM 10-Q
(Quarterly Report)

Filed 06/13/96 for the Period Ending 05/03/96

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 6/13/1996 For Period Ending 5/3/1996

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 of May 3, 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 May 3, 1996 was 72,380,519.

Dollar General Corporation

Form 10-Q

For the Quarter Ended May 3, 1996

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the three months ended May 3, 1996 and May 5, 1995*
(in thousands except per share amounts)
(unaudited)

	May 3, 1996	May 5, 1995*
Net Sales	$455,856	$374,520
Cost of goods sold	332,482	269,762
Gross Profit	123,374	104,758
Selling, general and administrative expense	97,945	83,490
Operating profit	25,429	21,268
Interest expense	1,197	1,245
Income before taxes on income	24,232	20,023
Provision for taxes on income	9,208	7,709
Net income	15,024	12,314
Net income per common and common equivalent share	$ .17	$ .14
Weighted average number of common and common equivalent shares outstanding	88,676	87,384
Cash dividends per common share, as declared	$ .05	$ .05
Adjusted to give retroactive effect to the five-for-four common stock split distributed on April 26, 1996	$ .05	$ .04

*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 May 3, 1996, January 31, 1996 and May 5, 1995*
(in thousands)
(unaudited)

ASSETS	May 3, 1996	January 31, 1996	May 5, 1995*
Current Assets:			
Cash and cash equivalents	$ 19,425	$ 4,344	$ 37,588
Merchandise inventories	526,120	488,362	426,244
Deferred income taxes	11,468	11,989	12,277
Other current assets	13,497	11,548	11,305
Total current assets	570,510	516,243	487,414
Property & Equipment, at cost	247,865	242,628	197,979
Less: Accumulated depreciation	90,831	84,041	67,579
	157,034	158,587	130,400
Other Assets	5,130	5,166	5,534
	$732,674	$679,996	$623,348
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	$ 1,545	$ 1,536	$ 1,442
Short-term borrowings	105,000	72,146	89,939
Accounts payable	120,387	103,176	126,489
Accrued expenses	56,021	62,099	55,533
Income Taxes	8,406	14,757	6,463
Total current liabilities	291,359	253,714	279,866
Long-term debt	2,305	3,278	3,857
Deferred income taxes	3,573	2,993	3,382
Shareholders' equity:			
Preferred stock	858	858	858
Common stock	42,893	42,762	33,971
Additional paid-in capital	308,155	303,609	286,047
Retained earnings	284,058	273,309	216,818
	635,964	620,538	537,694
Less treasury stock	200,527	200,527	201,451
	435,437	420,011	336,243
	$732,674	$679,996	$623,348

*Restated as explained in Note 1.

The accompanying notes are an integral part of this statement.
/TABLE>

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three months ended May 3, 1996, and May 5, 1995*
(in thousands)
(unaudited)

	May 3, 1996	May 5, 1995*
Cash flows from operating activities:		
Net income	$ 15,024	$ 12,314
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,318	5,855
Deferred income taxes	1,101	(492)
Change in operating assets and liabilities:		
Merchandise inventories	(37,758)	(70,133)
Accounts payable	17,211	14,814
Accrued expenses	(6,078)	(5,504)
Income taxes	(6,351)	1,253
Other	(576)	(965)
Net cash used for operating activities	(10,109)	(42,858)
Cash flows used in investing activities:		
Purchase of property & equipment	(7,102)	(12,202)
Cash flows provided by financing activities:		
Issuance of short-term borrowings	50,276	67,117
Repayments of short-term borrowings	(17,422)	(6,778)
Repayments of long-term debt	(964)	(909)
Payments of cash dividends	(4,275)	(2,932)
Proceeds from exercise of stock options	3,307	1,612
Tax benefits from exercise of stock options	1,370	1,493
Net cash provided by financing activities	32,292	59,603
Net increase (decrease) in cash and equivalents	15,081	4,543
Cash and cash equivalents at beginning of year	4,344	33,045
Cash and cash equivalents at end of period	$ 19,425	$ 37,588

*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 solely of a normal recurring nature) necessary for a fair presentation of the results of operations for the three-month periods ended May 3, 1996 and May 5, 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 May 5, 1995, have been restated from the 10-Q report for the first quarter ended April 30, 1995 to reflect the adoption of a retail 52/53 week reporting calendar effective February 1, 1996. For the period ended April 30, 1995, the Company reported net income of $11,576,000 or $0.13 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 plus the assumed exercise of dilutive stock options as follows:

	Three Months Ended Shares (000's) May 3,1996	May 5, 1995
Actual weighted average number of shares shares outstanding during the period	72,232	70,691
Common Stock Equivalents:		
Dilutive effect of stock options using the "Treasury Stock Method"	3,040	3,289
1,715,742 shares Convertible Preferred Stock Issued August 22, 1994	13,404	13,404
Weighted Average Shares	88,676	87,384

3. Changes in shareholder's equity for the three months ended May 3, 1996 and May 5, 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					12,314	
Cash dividend, $.05 per common share, as declared					(2,450)	
Cash dividend, $.28 per preferred share					(482)	
Reissuance of treasury stock under employee stock incentive plans				1,231		(381)
Tax benefit from exercise of options				1,493		
Balances, May 5, 1995		$ 858	$ 33,971	$286,047	$216,818	$201,451
Balances, January 31, 1996		$ 858	$ 42,762	$303,609	$273,309	$200,527
Net Income					15,024	
Cash dividend, $.05 per common share, as declared					(3,672)	
Cash dividend, $.28 per preferred share					(603)	
Issuance of Common Stock under employee stock incentive plans			131	3,176		
Tax benefit from exercise of options				1,370		
Balances, May 3, 1996		$ 858	$ 42,893	$308,155	$284,058	$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.

NET SALES. Net sales for the first three months of fiscal 1997 increased $81.4 million, or 21.7%, to $455.9 million from $374.5 million for the comparable period of fiscal 1996. The increase resulted from 300 net additional stores being in operation as of May 3, 1996 as compared with May 5, 1995 and an increase of 7.3% in same-store sales as compared with the 6.2% 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 compared to softlines' 27% of sales versus 69% and 31%, respectively, in the first quarter of fiscal 1996. In the first quarter of fiscal 1997, the Company opened 78 stores, closed 27 stores and ended the quarter with a total 2,467 stores.

GROSS PROFIT. Gross profit for the first three months of fiscal 1997 was $123.3 million, or 27.06% of net sales, compared to $104.8 million, or 27.97% of net sales, for the comparable period in the prior fiscal year. The decrease was primarily driven by lower margin on sales of current purchases representing the shift of sales toward hardlines, lower beginning inventory margins, and higher shrinkage reserves. Allowance for shrinkage of 3.20% was up from 3.06% a year ago and the LIFO charge of 0.13% was slightly lower than the 0.16% in the same period last year. Cost of goods sold is determined in the first, second and third quarters utilizing estimates of inventory markdowns, shrinkage 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. Operating expenses for the quarter equaled $97.9 million, or 21.5% of sales, compared with $83.5 million, or 22.3% of sales, in the same period last year. Driving this decrease in operating expense percentage to sales were reductions in labor and related taxes, travel and training costs stemming from tighter control of operating and administrative areas, lower insurance expenses, and lower advertising costs due to fewer new store openings this year versus last year. Partially offsetting these improvements was an increase in incentive compensation. The total increase in these operating expenses of $14.4 million from last year resulted primarily from an increase of 300 stores in operation during fiscal 1997.

INTEREST EXPENSE. Interest expense was flat at $1.2 million for the first three months of fiscal 1997 compared to 1996. As a percentage of sales, interest expense dropped to 0.26% from 0.32% in the comparable prior year period.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities - Cash flows used in operating activities totaled $10.1 million during the first quarter of fiscal 1997 compared with $42.9 million in the first quarter of fiscal 1996. This decrease in use of cash is primarily the result of a smaller increase in inventories this year versus last year (a $32.4 million difference) being only partially offset by an increase in accounts payable ($17.2 million versus $14.8 million in the prior year). Inventories increased as a result of opening new stores, maintaining better in-stock levels, and some carry-over seasonal merchandise from last year.

Cash flows from investing activities - Cash used for capital expenditures during the first quarter decreased $6.0 million to $7.1 million as compared to $13.1 million in the comparable period in 1996. The current period expenditures resulted principally from opening 78 new stores, remodeling and relocating 45 stores, and investment in warehouse equipment. The decrease is driven by reduced investment in stores, down $2.8 million and reduced trailer purchases of $1.0 million.

Cash flows from financing activities - The Company's short-term borrowings during the first quarter of fiscal 1997 increased by a net of $33.9 million compared to 61.3 million in 1996. The increased short-term borrowings were due to the cash used in operating activities and capital expenditures discussed above.

Because of the seasonal nature of the Company's business, its working capital requirements vary significantly during the year. Bank credit facilities equaled $285.0 million at May 3, 1996 ($170.0 million revolving credit/term loan facility plus $115.0 million seasonal lines of credit). The Company had seasonal lines of credit borrowings of $0.0 million and $24.9 million as of May 3, 1996 and 1995, respectively. The Company anticipates that 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):

	May 3, 1996	January 31, 1996	May 5, 1995
Current ratio	2.0%	2.0%	1.7%
Total borrowings/equity	25.0%	18.3%	28.3%
Long-term debt/equity	0.5%	0.8%	1.1%
Working Capital (000)	$279,151	$262,529	$207,548
Average daily use of debt: (Fiscal year-to-date)			
Short-term (000)	$ 80,430	$ 99,564	$ 66,301
Long-term (000)	4,264	4,718	5,163
Total (000)	$ 84,694	$104,282	$ 71,464
Maximum outstanding short-term debt (fiscal year-to-date)	$110,077	$227,397	$ 99,119

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

(a) No reports on Form 8-K were filed during the quarter ended May 3, 1996.

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)

June 13, 1996

By: /s/Bob Carpenter
Bob Carpenter, Vice President,
Chief Administrative Officer,
and Corporate Secretary

ARTICLE 5

The accompanying notes are an integral part of this statement.

PERIOD TYPE	3 MOS
FISCAL YEAR END	JAN 31 1997
PERIOD END	MAY 03 1996
CASH	19,425
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	526,120
CURRENT ASSETS	570,510
PP&E	247,865
DEPRECIATION	90,831
TOTAL ASSETS	732,674
CURRENT LIABILITIES	291,359
BONDS	0
COMMON	42,893
PREFERRED MANDATORY	0
PREFERRED	858
OTHER SE	391,686
TOTAL LIABILITY AND EQUITY	732,674
SALES	455,856
TOTAL REVENUES	455,856
CGS	332,482
TOTAL COSTS	97,945
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	1,197
INCOME PRETAX	24,232
INCOME TAX	7,208
INCOME CONTINUING	15,024
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	15,024
EPS PRIMARY	.17
EPS DILUTED	.17

End of Filing