DOLLAR GENERAL CORP

FORM 10-Q/A
(Amended Quarterly Report)

Filed 06/20/97 for the Period Ending 04/30/95

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/A
(Amended Quarterly Report)

Filed 6/20/1997 For Period Ending 4/30/1995

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 May 2, 1997

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.
(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: (615) 783-2000

The number of shares of common stock outstanding at May 2, 1997 was __________.

Dollar General Corporation
Form 10-Q
For the Quarter Ended May 2, 1997
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Item 1. Financial Statements (unaudited):

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands except per share amounts)
(Unaudited)

	Three Months Ended May 2, 1997	May 3, 1996
Net Sales	$520,014	$455,856
Cost of goods sold	378,159	332,482
Gross Profit	141,855	123,374
Selling, general and administrative expense	110,335	97,945
Operating profit	31,520	25,429
Interest expense	526	1,197
Income before taxes on indome	30,994	24,429
Provision for taxes on income	11,700	9,208
Net income	19,294	15,024
Net income per common and common equivalent share	.17	.14
Weighted average number of common and common equivalent shares oustanding	110,605	110,845
Cash dividends per common share as declared	$ .05	$ .05
Adjusted to give retroactive effective to the five-for-four common stock split distributed on February 12, 1997	$ .05	$ .04

The accompanying notes are an integral part of these consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

	May 2, 1997 (Unaudited)	Jan. 31, 1997 (Audited)	May 3, 1996 (Unaudited)
ASSETS			
Current Assets:			
Cash and cash equivelents	$ 33,388	$ 6,563	$ 19,425
Merchandise inventories	540,956	476,103	526,120
Deferred income taxes	3,747	3,689	11,468
Other current assets	18,669	18,244	13,497
Total current assets	596,760	504,599	$570,510
Property & Equipment, at cost	331,645	321,917	247,365
Less: Accumulated depretiation	121,885	113,381	90,831
Other Assets	5,478	5,012	5,130
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liavilities:			
Current portion of long-term debt	$ 1,940	$ 2,030	$ 1,545
Short-term borrowings	50,000	38,469	105,000
Accounts Payable	152,724	103,523	120,387
Accrued expenses	61,382	70,441	56,021
Income taxes	955	10,002	8,406
Total urrent liabilities	267,001	224,465	291,359
Long-term debt	1,807	2,582	2,305
Deferred income taxes	7,847	5,571	3,573
Shareholders' equity:			
Preferred stock	858	858	858
Common stock	53,672	53,105	42,893
Additional paid-in capital	350,387	329,948	308,155
Retained earnings	314,962	302,145	284,058
	719,879	686,056	635,964
Less treasury stock	200,527	200,527	200,527
Total shareholders' equity	519,352	485,529	435,437
	$796,007	$718,147	$732,674

The accompanying notes are an integral part of these consolidated financial statements

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended May 2, 1996	May 3, 1995
Operating activities:		
Net income	$ 19,294	$ 15,024
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	8,577	7,318
Deferred income taxes	2,218	1,101
Change in oprating assets and liabilities:		
Merchandise inventories	(64,853)	(37,758)
Accounts payable	49,201	17,211
Accrued expenses	9,059)	(6,078)
Income taxes	(9,047)	(6,351)
Other	(690)	(576)
Net cash used by operating activities	(4,359)	(10,109)
Investing activities:		
Purchase of property & equipment	(27,822)	(7,102)
Proceeds from sales of property and equipment	33,811	0
Net cash provided (used) by investing activities	5,989	(7,102)
Financing activities:		
Issuance of short-term borrowings	$ 47,404	$ 50,276
Repayments of short-term borrowings	(35,873)	(17,413)
Issuance of long-term debt	190	0
Repayments of long-term debt	(1,055)	(973)
Payments of cash dividend	(6,477)	(4,275)
Proceeds from exercise of stock options	12,715	3,307
Tax benefit of stock options exercised	8,291	1,370
Net cash provided by financing activities	25,195	32,292
Net increase in cash and cash equivalents	26,825	15,081
Cash and cash equivalents, beginning of period	6,563	4,344
Cash and cash equivalents, end of period	$ 33,388	$ 19,425

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying consolidated 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, 1997 for additional information.

The accompanying consolidated financial statements have been prepared in accordance with the Company's customary accounting practices and have not been audited. In management's opinion, all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the consolidated results of operations for the three-month periods ended May 2, 1997 and May 3, 1996,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.

2. Net Income Per Common Share and Common Equivalent 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 (In thousands)	
	May 2, 1997	May 3, 1996
Actual weighted average number of shares outstanding during the period	89,743	90,290
Common Stock Equivalents:		
Dilutive effect of stock options using the "Treasury Stock Method"	4,107	3,800
1,715,742 shares Convertible Preferred	16,755	16,755
Weighted Average Shares	110,605	110,845

3. Changes in shareholders' equity for the three months ended May 2, 1997 and May 3, 1996 were as follows (dollars in thousands except per share amounts):

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balances, January 31, 1996	$858	$42,762	$303,609	$273,309	$200,527	$420,011
Net income				15,024		15,024
Cash dividend, $.05 per common share, as declared				(3,672)		(3,672)
Cash dividend. $.28 per preferred share				(603)		(603)
Issuance of common stock under employee stock incentive plans		131	3,176			3,307
Tax benefit of stock options exercised		1,370		1,370		
Balances, May 3, 1997	$858	$42,893	$308,155	$284,058	$200,527	$435,437
Balances, January 31, 1997	$858	$53,105	$329,948	$302,145	$200,527	$485,529
Net Income				19,294		19,294
Cash dividend, $.05 per				(5,723)		(5,723)
Cash dividend. $.28 per preferred share				(754)		(754)
Issuance of common stock under employee stock incentive plans		567	12,148			12,715
Tax benefit from exercise of options			8,291			8,291
Balances, May 2, 1997	$858	$53,672	$350,387	$314,962	$200,527	$519,352

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis contains both historical and forward-looking information. The forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although the Company believes the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those projected in the forward-looking statements. Forward-looking statements may be significantly impacted by certain risks and uncertainties, including, but not limited to, general transportation and distribution delays or interruptions, inventory risks due to shifts in market demand, changes in product mix, costs and delays associated with building, opening and operating a new distribution center and the risk factors listed in this Annual Report on Form 10-K for the year ended January 31, 1997. The Company undertakes no obligation to publicly release any revisions to any forward-looking statements contained herein to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

The following text contains references to years 1998, 1997, 1996 and 1995 which represent fiscal years ending or ended January 30, 1998, and January 31, 1997, 1996 and 1995, respectively. This discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements, including the notes thereto.

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 $4.75 per 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 1998 of approximately $8.0 million and resulted in an increase during fiscal 1997 of approximately $2.1 to $2.3 million above otherwise expected levels. The Company believes that increased sales and employee productivity will partially offset the financial impact of the minimum wage increase to operations for fiscal 1998.

THREE MONTHS ENDED MAY 2, 1997 AND MAY 3, 1996

NET SALES. Net sales for the first quarter of fiscal 1998 increased $64.2 million, or 14.1%, to $520.0 million from $455.9 million for the comparable period of fiscal 1997. The increase resulted from 393 net additional stores being in operation as of May 2, 1997 as compared with May 3, 1996 and an increase of 1.6% in same-store sales; same store sales growth was a 7.3% increase for 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 were negatively impacted during the first quarter of 1998 by dropping an advertising circular and by remerchandising 1,382 stores to a new store layout. The new store merchandising layout and related product mix reflects a 65%/35% hardlines to softlines space allocation versus the previous 50%/50% allocation. The new layout allocates more space to the faster-moving consumable merchandise. Management is anticipating a sales rebound in the last six months of fiscal 1998 as the remerchandising of all stores to the new layout is completed.

GROSS PROFIT. Gross profit for the quarter was $141.9 million, or 27.3% of net sales, compared to $123.4 million, or 27.1% of net sales, in the same period last year. Driving the increase in gross margin as a percent to sales was lower inventory shrinkage and higher margin on beginning inventory which more than offset lower margin on current purchases and higher distribution costs. 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 are included in cost of goods sold in the fourth quarter.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE. Selling, general and administrative expenses for the quarter totaled $110.3 million, or 21.2% of net sales, compared with $97.9 million, or 21.5% of net sales last year. Driving the percentage of sales decrease were decreases in employee incentive compensation costs and advertising expense which more than offset increases in employee compensation and professional fees. Total selling, general and administrative expense increased 12.6% primarily as a result of 393 net additional stores being in operation as compared to last year.

INTEREST EXPENSE. Interest expense decreased to $0.5 million, or 0.1% of sales, compared with $1.20 million or 0.3% of sales, in the comparable period last year. This decrease was primarily a result of lower average short-term borrowings in the first quarter of 1998.

PROVISIONS FOR TAXES ON INCOME. The effective income tax rate for the quarter was 37.8% compared with 38.0% in the comparable period last year.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities - Cash flows used in operating activities totaled $4.4 million during the quarter compared with $10.1 million in the comparable period last year. This decrease in use of cash is primarily the result of a $32.0 million increase in accounts payable being only partially offset by a $27.1 million increase in inventories. Inventories increased primarily as a result of opening new stores.

Cash flows from investing activities - Cash provided by investing activities totaled $6.0 million during the quarter compared with cash used by investing activities of $7.1 million in the comparable period last year. The current period cash provided resulted primarily from $33.8 million received from the sale/leaseback of the South Boston, Virginia distribution center. Partially offsetting the cash received was $27.8 million in expenditures primarily from opening 141 new stores, remodeling 1,382 stores, expansion of the Scottsville, Kentucky distribution center and expenditures for point-of-sale scanners in the stores. Capital expenditures exceeded last year by $20.7 million primarily due to a $6.8 million increase in expenditures for stores, $6.6 million increase for point-of-sale scanners and a $3.4 million increase for distribution center expansion.

Cash flows from financing activities - The Company=s short-term borrowings during the first three months of fiscal 1998 increased from January 31, 1997 by a net of $11.5 million to $50.0 million, compared with an increase of $32.9 million to $105.0 million in the first quarter of 1997. The lower level of short-term borrowings in fiscal 1998 resulted from the cash received from the sale/leaseback of the South Boston, Virginia distribution center and from the greater cash flow from operating activities, which was partially offset by increased capital expenditures.

Because of the significant impact of seasonal buying (e.g. Spring and Christmas purchases), the Company's working capital requirements vary significantly during the year. These working capital requirements were financed by short-term borrowings under the Company's $170.0 million revolving credit/term loan facility and short-term bank lines of credit totaling $170.0 million at May 2, 1997. The Company had short-term bank lines of credit borrowings of $50.0 million as of May 2, 1997 and $105.0 million as of May 3, 1996. Seasonal working capital expenditure requirements will continue to be met through cash flow provided by operations and supplemented by the revolving credit/term loan facility and short-term bank lines of credit.

The Company's liquidity position is set forth in the following table (dollars in thousands):

	May 2, 1997	January 31, 1997	May 3, 1996
Current ratio	2.2x	2.2x	2.0x
Total borrowings/equity	10.3%	8.9%	25.0%
Long-term debt/equity	0.3%	0.5%	0.5%
Working Capital	$329,759	$280,134	$279,151
Average daily use of debt: (fiscal year-to-date)			
Short-term	$ 37,353	$ 87,952	$ 80,430
Long-term	4,020	2,930	4,264
Total	$ 41,373	$ 90,882	$ 84,694
Maximum outstanding short-term debt (fiscal year-to-date)	$ 64,855	$184,725	$110,077

ACCOUNTING PRONOUNCEMENTS

The company will adopt Statement of Financial Accounting Standards No. 128 "Earnings Per Share" for the year ended January 30, 1998. This accounting pronouncement requires the disclosure of basic and diluted earnings per share. The Company believes that, upon adoption, diluted earnings per share will approximate earnings per share as previously reported. Because the concept of basic earnings per share does not include the impact of common stock equivalents, such as preferred stock and stock options, basic earnings per share will be significantly higher than diluted earnings per share.

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) The Company filed a Current Report on Form 8-K dated May 2, 1997 to reflect (i) the dismissal of Coopers & Lybrand LLP as its certified independent auditors and (ii) the engagement of Deloitte & Touche LLP to serve as the certified independent auditors, all pursuant to Item 4 of Form 8-K.

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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June 13, 1997                  By:
                     Phil Richards, Vice President,
                               Chief Financial Officer
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