DOLLAR GENERAL CORP

FORM 10-Q
(Quarterly Report)

Filed 06/14/95 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
(Quarterly Report)

Filed 6/14/1995 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 of April 30, 1995

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 April 30, 1995 was 67,942,306.

Dollar General Corporation

Form 10-Q

For the Quarter Ended April 30, 1995

Index

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

For the three months ended April 30, 1995 and 1994

(in thousands except per share amounts)

(unaudited)

	April 30, 1995	April 30, 1994
Net Sales	$343,392	$287,086
Cost of goods sold	247,111	207,106
Gross Profit	96,281	79,980
Selling, general and administrative expense	76,325	64,304
Operating profit	19,956	15,676
Interest expense	1,133	392
Income before taxes on income	18,823	15,284
Provision for taxes on income	7,247	5,770
Net income	11,576	9,514
Net income per common and common equivalent share	$ .17	$ .14
Weighted average number of common and common equivalent shares outstanding	69,907	68,444
Cash dividends per share		
As declared	$ .05	$ .05
Adjusted to give retroactive effect to the five-for-four common stock split distributed on March 6, 1995	$ .05	$ .04

The accompanying notes are an integral part of this statement.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of April 30, 1995, January 31, 1995 and April 30, 1994
(in thousands)

ASSETS	April 30, 1995	January 31, 1995	April 30, 1994
Current Assets:			
Cash and cash equivalents	$ 41,145	$ 33,045	$ 30,282
Merchandise inventories	419,951	356,111	304,242
Deferred income taxes	12,277	11,785	9,893
Other current assets	13,533	9,212	8,465
Income Taxes	0	0	679
Total current assets	486,906	410,153	353,561
Property & Equipment, at cost	196,700	187,360	132,492
Less: Accumulated depreciation	67,129	62,108	50,935
	129,571	125,252	81,557
Other Assets	5,535	5,463	4,684
	$622,012	$540,868	$439,802
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities:			
Current portion of long-term debt	$ 1,442	$ 1,441	$ 1,303
Short-term borrowings	96,487	29,600	27,000
Accounts payable	122,772	111,675	101,060
Accrued expenses	53,486	61,037	46,547
Income Taxes	6,001	5,210	0
Total current liabilities	280,188	208,963	175,910
Long-term debt	3,857	4,767	4,801
Deferred income taxes	3,382	3,382	2,563
Shareholders' equity:			
Preferred stock	858	858	0
Common stock	33,971	33,971	27,248
Additional paid-in capital	286,047	283,323	73,861
Retained earnings	225,160	207,436	158,031
	536,056	525,588	259,140
Less treasury stock	201,451	201,832	2,612
	334,585	323,756	256,528
	$622,012	$540,868	$439,802

The accompanying notes are an integral part of this statement.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

for the three months ended April 30, 1995 and 1994

(in thousands)

(unaudited)

	April 30, 1995	April 30, 1994
Cash flows from operating activities:		
Net income	$ 11,576	$ 9,514
Adjustments to reconcile new income to net cash provided by operating activities:		
Depreciation and amortization	5,405	3,684
Deferred income taxes	(492)	(229)
Change in operating assets and liabilities:		
Merchandise inventories	(63,840)	(44,200)
Accounts payable, trade	11,097	20,022
Accrued expenses	(7,551)	(1,359)
Income taxes	791	884
Other	(3,194)	138
Net cash provided (used) by operating activities	(46,215)	(11,546)
Cash flows used in investing activities:		
Purchase of property & equipment	(10,922)	(7,922)
Cash flows provided by financing activities:		
Issuance of short-term borrowings	67,117	17,000
Repayments of short-term borrowings	(230)	(8,000)
Repayments of long-term debt	(909)	(909)
Payments of cash dividends	(3,846)	(2,648)
Proceeds from exercise of stock options	1,612	4,780
Tax benefits from exercise of stock options	1,463	4,162
Net cash provided by financing activities	65,237	14,385
Net increase (decrease) in cash and equivalents	8,100	(5,083)
Cash and cash equivalents at beginning of year	33,045	35,365
Cash and cash equivalents at end of period	$ 41,145	$ 30,282

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, 1995 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 April 30, 1995 and 1994, 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

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 April 30, Shares (000's)	
	1995	1994
Actual weighted average number of shares outstanding during the period	56,553	65,765
Common Stock Equivalents:		
Dilutive effect of stock options using the "Treasury Stock Method"	2,631	2,679
1,715,742 shares Convertible Preferred Stock Issued August 22, 1994	10,723	0
Weighted Average Shares	69,907	68,444

3. Changes in shareholder's equity for the three months ended April 30, 1995 and 1994 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, 1994	$ 0	$27,248	$ 65,857	$151,165	$ 3,553
Net income			9,514		
Cash dividend, $.05 per common share, as declared				(2,648)	
Reissuance of treasury stock under employee stock incentive plans			3,842		(941)
Tax benefit from exercise of options			4,162		
Balances, April 30, 1994	$ 0	$27,248	$ 73,861	$158,031	$ 2,612
Balances, January 31, 1995	$858	$33,971	$283,323	$207,436	$201,832
Net Income				11,576	
Cash dividend, $.05 per common share, as declared				(3,370)	
Cash dividend, $.28 per preferred share				(482)	
Reissuance of treasury stock under employee stock incentive plans			1,231		(381)
Tax benefit form exercise of options			1,493		
Balances, April 30, 1995	$858	$ 33,971	$286,047	$215,160	$201,451

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 1996 increased $56.3 million, or 19.6%, to $343.4 million from $287.1 million for the comparable period of fiscal 1995. The increase resulted from 321 net additional stores being in operation as of April 30, 1995 as compared with the same prior year period and an increase of 4.8% in same-store sales as compared with the 15.8% 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 increase is a continued reflection of the success of its everyday low price strategy and merchandise selection. The Company's sales mix shifted in favor of hardlines which accounted for 69% of sales compared to softlines' 31% of sales versus 65% and 35%, respectively, in the first quarter of fiscal 1995. In the first quarter of fiscal 1996, the Company opened 111 stores, closed 8 stores and ended the quarter with a total 2,162 stores.

GROSS PROFIT. Gross profit for the first three months of fiscal 1996 was $96.3 million, or 28.04% of net sales, compared to $80.0 million, or 27.90% of net sales, for the comparable period in the prior fiscal year. The increase resulted from higher beginning inventory margins, greater purchase discounts and lower markdowns which more than offset increased distribution costs related to the start-up of the Ardmore, Oklahoma distribution center. Allowance for shrinkage of 2.06% was up slightly from 1.94% a year ago and the LIFO charge of 0.17% was essentially unchanged from 0.15% 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 $76.3 million, or 22.2% of sales, compared with $64.3 million, or 22.4% of sales, in the same period last year. Operating expenses as a percentage of sales decreased principally as a result of lower advertising and self-insurance reserve costs which more than offset higher labor, rent and depreciation costs.

INTEREST EXPENSE. Interest expense increased 189.0% to $1.1 million for the first three months of fiscal 1996 from $0.4 million for the comparable prior year period. The increase resulted from both greater average short-term borrowings and higher interest rates.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities - Cash flows used in operating activities totaled $46.2 million during the first quarter of fiscal 1996 compared with $11.5 million in the first quarter of fiscal 1995. This increased use of cash is primarily the result of the build up in inventories by $63.8 million ($44.2 million in the prior year), being only partially offset by an $11.1 million increase in accounts payable $20.0 million in prior year). Inventories increased sharply as a result of operating 321 more stores, stocking the new Ardmore distribution center, increased imported merchandise in transit, and inventory to support the May, 1995 circular.

Cash flows from investing activities - Cash used for capital expenditures during the first quarter increased $3.0 million to $10.9 million as compared to $7.9 million in the comparable period in 1995. The current year expenditures result principally from opening 111 new stores, remodeling and relocating 161 stores, and purchasing additional distribution trailers.

Cash flows from financing activities - The Company's short-term borrowings during the first quarter of fiscal 1996 increased $67.1 million to $96.5 million compared with an increase of $9.0 million to $27.0 million during the same period of the prior fiscal year. The increased short-term borrowings were due to the cash used in operating activities and capital expenditures discussed above.

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 $150.0 million at April 30, 1995 ($65 million revolving credit/term loan facility plus $85.0 million in seasonal lines of credit). The Company had seasonal line of credit borrowings of $31.5 million and $0.0 million as of April 30, 1995 and 1994, respectively. The Company believes it can continue to meet its seasonal working capital and capital expenditure requirements through cash flows provided by operating activities supplemented by the revolving credit/term loan facility and credit lines. The Company is currently renegotiating to increase its revolving credit/term loan facility from $65.0 million to $170.0 million. The new agreement is expected to be executed by June 30, 1995.

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

	April 30, 1995	January 31, 1995	April 30, 1994
Current ratio	1.7x	2.0x	2.0x
Total debt/equity	30.3%	11.1%	12.9%
Long-term debt/equity	1.1%	1.5%	1.9%
Working capital	$207,638	$201,190	$177,651
Average daily use of debt:			
(fiscal year-to-date)			
Short-term	$ 66,301	$ 51,528	$ 28,876
Long-term	5,163	6,035	6,488
Total	$ 71,464	$ 57,563	$ 35,364
Maximum outstanding			
Short-term debt			
(fiscal year-to-date)	$ 99,119	$116,712	$ 35,000

PART II - OTHER INFORMATION

Item 6. Exhibits and reports on Form 8-K

(b) No reports on Form 8-K have been filed during the quarter ended April 30, 1995.

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)

Date: June 13, 1995	*By:/s/: C. Kent Garner* *C. Kent Garner,* *Vice President,Treasurer and* *Chief Financial Officer*

ARTICLE 5

The accompanying noters are an integral part of this statement.

PERIOD TYPE	3 MOS
FISCAL YEAR END	JAN 31 1996
PERIOD END	APR 30 1995
CASH	41,145
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	419,951
CURRENT ASSETS	486,906
PP&E	196,700
DEPRECIATION	67,129
TOTAL ASSETS	622,012
CURRENT LIABILITIES	280,188
BONDS	0
COMMON	33,971
PREFERRED MANDATORY	0
PREFERRED	858
OTHER SE	299,756
TOTAL LIABILITY AND EQUITY	622,012
SALES	343,392
TOTAL REVENUES	343,392
CGS	247,111
TOTAL COSTS	247,111
OTHER EXPENSES	76,325
LOSS PROVISION	0
INTEREST EXPENSE	1,133
INCOME PRETAX	18,823
INCOME TAX	7,247
INCOME CONTINUING	11,576
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	11,576
EPS PRIMARY	.17
EPS DILUTED	.17

End of Filing