DOLLAR GENERAL CORP

FORM 10-Q
(Quarterly Report)

Filed 12/13/96 for the Period Ending 11/01/96

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 12/13/1996 For Period Ending 11/1/1996

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 November 1, 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 November 30, 1996 was 84,787,091.

Dollar General Corporation

Form 10-Q

For the Quarter Ended November 1, 1996
Index

Part I. Financial Information Page No.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of November 1, 1996, January 31, 1996 and November 3, 1995*
(in thousands)
(unaudited)

ASSETS	Nov. 1, 1996	Jan. 31, 1996	Nov. 3, 1995*
Current Assets:			
Cash and cash equivalents	$ 8,769	$ 4,344	$ 7,355
Merchandise inventories	623,354	488,362	592,200
Deferred income taxes	11,954	11,989	12,232
Other current assets	16,447	11,548	12,310
Total current assets	660,524	516,243	624,097
Property & Equipment, at cost	285,084	242,628	234,192
Less: Accumulated depreciation	105,715	84,041	77,881
	179,369	158,587	156,311
Other Assets	5,065	5,166	5,550
	$ 844,958	$ 679,996	$ 785,958
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	$ 2,060	$ 1,536	$ 1,473
Short-term borrowings	184,725	72,146	201,599
Accounts payable	144,684	103,176	126,350
Accrued expenses	67,937	62,099	60,151
Income Taxes	4,913	14,757	6,728
Total current liabilities	404,319	253,714	396,301
Long-term debt	2,748	3,278	3,418
Deferred income taxes	3,573	2,993	3,382
Shareholders' equity:			
Preferred stock	858	858	858
Common stock	42,389	42,762	34,149
Additional paid-in capital	326,199	303,609	302,045
Retained earnings	265,399	273,309	246,332
	634,845	620,538	583,384
Less treasury stock	200,527	200,527	200,527
	434,318	420,011	382,857
	$ 844,958	$ 679,996	$ 785,958

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

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the three months and nine months ended
November 1, 1996 and November 3, 1995*
(in thousands except per share amounts)
(unaudited)

	Three Months		Nine Months	
	1996	1995*	1996	1995*
Net Sales	$508,977	$429,898	$1,459,222	$1,208,137
Cost of goods sold	360,343	304,000	1,053,486	864,407
Gross profit	148,634	125,898	405,736	343,730
Selling, general and administrative expense	104,178	92,129	299,444	258,537
Operating profit	44,456	33,769	106,292	85,193
Interest expense	1,485	2,549	3,791	5,456
Income before taxes on income	42,971	31,220	102,501	79,737
Provision for taxes on income	16,329	12,020	38,950	30,699
Net income	$ 26,642	$ 19,200	$ 63,551	$ 49,038
Net income per common and common equivalent share	$ .30	$ .22	$ .72	$ .56
Weighted average number of common shares outstanding	88,377	88,001	88,716	87,758
Cash dividends per common share as declared	$ .05	$ .05	$ .15	$ .15
Adjusted to give retroactive effect to the five-for-four stock split distributed on April 26, 1996	$ .05	$ .04	$ .15	$ .12

*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 nine months ended November 1, 1996 and November 3, 1995*
(in thousands)
(unaudited)

	Nov. 1, 1996	Nov. 3, 1995*
Cash flows from operating activities:		
Net income	$ 63,551	$ 49,038
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,027	18,494
Deferred income taxes	615	(447)
Change in operating assets and liabilities:		
Merchandise inventories	(134,992)	(236,089)
Accounts payable	41,508	14,675
Accrued expenses	5,838	(886)
Income taxes	(9,844)	1,518
Other	(1,710)	(1,265)
Net cash used in operating activities	(12,007)	(154,962)
Cash flows used in investing activities:		
Purchase of property & equipment	(46,897)	(51,473)
Cash flows provided by financing activities:		
Issuance of short-term borrowings	149,390	201,631
Repayments of short-term borrowings	(36,811)	(29,632)
Issuance of long-term debt	1,487	0
Repayments of long-term debt	(1,493)	(1,317)
Payments of cash dividends	(12,673)	(10,142)
Proceeds from exercise of stock options	15,257	12,879
Repurchase of common stock	(59,788)	0
Tax benefits from exercise of stock options	7,436	6,997
Other	524	329
Net cash provided by financing activities	63,329	180,745
Net increase (decrease) in cash and cash equivalents	4,425	(25,690)
Cash and cash equivalents at beginning of year	4,344	33,045
Cash and cash equivalents at end of period	$ 8,769	$ 7,355

*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 of a normal recurring nature) necessary for a fair presentation of the results of operations for the three-month and nine-month periods ended November 1, 1996 and November 3, 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 November 3, 1995, have been restated from the 10-Q report for the period ended October 31, 1995 to reflect the adoption of a retail 52/53 week reporting calendar effective February 1, 1996. For the nine-month and three-month periods ended October 31, 1995, the Company reported net income of $49,275,000 and $20,008,000, respectively, or $0.56 and $0.23, 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	Nine Months Ended

	(Shares in thousands)			
	1996	1995	1996	1995
Actual weighted average number of common shares outstanding during the period	72,148	71,946	72,465	71,351
Common Stock Equivalents:				
Dilutive effect of stock options using the "Treasury Stock Method"	2,825	2,651	2,847	3,003
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	88,377	88,001	88,716	87,758

3. Changes in shareholder's equity for the nine months ended November 1, 1996 and November 3, 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				49,038	
Cash dividend, $.15 per common share, as declared				(8,696)	
Cash dividend, $.84 per preferred share				(1,446)	
Reissuance of treasury stock under employee stock incentive plans			7,549		(1,305)
Issuance of common stock under employee stock incentive plans		172	3,853		
Tax benefit from exercise of options			6,997		
Transfer to employee pension plan (12,783 shares)		6	323		
Balances, November 3, 1995	$ 858	$ 34,149	$302,045	$246,332	$200,527
Balances, January 31, 1996	$ 858	$ 42,762	$303,609	$273,309	$200,527
Net Income				63,551	
Cash dividend, $.15 per common share, as declared				(10,863)	
Cash dividend, $.84 per preferred share				(1,810)	
Issuance of common stock under employee stock incentive plans		614	14,643		
Tax benefit from exercise of options			7,436		
Transfer to employee pension plan (26,347 shares)		13	511		
Repurchase of common stock		(1,000)		(58,788)	
Balances, November 1, 1996	$ 858	$ 42,389	$326,199	$265,399	$200,527

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

RESULTS OF OPERATIONS

This discussion and analysis contain both historical and forward-looking information. 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 forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. 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, the holiday shopping season results, cost of merchandise, mix of hardline and softline merchandise, number of store openings and distribution costs as described in this Management's Discussion and Analysis.

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 1997 of 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.

NINE MONTHS ENDED NOVEMBER 1, 1996 AND NOVEMBER 3, 1995

NET SALES. Net sales for the first nine months of fiscal 1997 increased $251.1 million, or 20.8%, to $1,459.2 million from $1,208.1 million for the comparable period of fiscal 1996. The increase resulted from 301 net additional stores being in operation as of November 1, 1996 as compared with November 3, 1995, and an increase of 7.9% in same-store sales as compared with the 6.6% 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 74% of sales, compared to softlines' 26% of sales in the first nine months of fiscal 1997 as compared with 69% and 31%, respectively in the comparable 1996 period. In the third quarter of fiscal 1997, the Company opened 105 stores, closed 0 stores and ended the quarter with a total of 2,691 stores.

GROSS PROFIT. Gross profit for the first nine months of fiscal 1997 was $405.7 million, or 27.8% of net sales, compared to $343.7 million, or 28.5% 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 and lower beginning inventory margins. These effects were partially offset by no LIFO charge in the current year as compared with 0.2% 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 $299.4 million, or 20.5% of sales, compared with $258.5 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 expense 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.

INTEREST EXPENSE. Interest expense decreased 30.5% to $3.8 million for the first nine months of fiscal 1997 from $5.5 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 $90.5 million and $108.7 million for the respective nine month periods of fiscal 1997 and 1996.

THREE MONTHS ENDED NOVEMBER 1, 1996 AND NOVEMBER 3, 1995

NET SALES. Net sales in the third quarter of fiscal 1997 increased $79.1 million or 18.4%, to $509.0 million from $429.9 million for the same period in fiscal 1996. The increase resulted from an increase of 6.5% in same store sales and the operation of 301 net additional stores at the end of the quarter.

GROSS PROFIT. Gross profit as a percentage of sales was 29.2% in the third quarter of fiscal 1997, as compared with 29.3% for the comparable period in fiscal 1996. This decrease was driven primarily by lower beginning inventory margins.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE. Selling, general and administrative expense increased $12.0, million or 13.1%, in the third quarter of fiscal 1997 as compared with fiscal 1996. As a percentage of sales, selling, general and administrative expense decreased to 20.5% for the third quarter of fiscal 1997 from 21.4% for the same period in the previous year. Operating expense as a percentage of sales decreased primarily as a result of better labor expense control, both retail and administrative, lower advertising due to the elimination of the August circular, and reduced self-insurance expense due to better claims management. These improvements offset increases in incentive compensation accruals.

INTEREST EXPENSE. Interest expense for the third quarter of fiscal 1997 decreased 41.7% to $1.5 million from $2.5 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 used in operating activities totaled $12.0 million during the first nine months of fiscal 1997 compared with $155.0 last year. This decrease in use of cash is primarily the result of a smaller increase in inventories during the 1997 period as compared to 1996 plus an increase in accounts payable and net income.

Cash flows from investing activities - Cash used for capital expenditures during the first nine months decreased $4.6 million to $46.9 million as compared with $51.5 million in the comparable period in 1996. The current period expenditures resulted principally from opening 306 new stores, remodeling 61 stores, relocating 72 stores, and construction of the South Boston, VA distribution center. The decrease is driven by reduced investment in new stores, a reduction of $4.8 million, and lower trailer purchases, down $4.8 million. On July 18, 1996 the Company's Board of Directors authorized a buy-back of up to 2.0

million shares of the Company's outstanding common stock.

Cash flows from financing activities - The Company's short-term borrowings during the first nine months of fiscal 1997 increased from January 31, 1996 by a net of $112.6 million to $184.7 million, compared with an increase of $172.0 million to $201.6 million in fiscal 1996. The lower level of short-term borrowings in fiscal 1997 resulted from the greater cash flow from operating activities and lower capital expenditures discussed above. As of November 1, 1996 the Company had completed the entire purchase at an aggregate cost of $59.8 million, or an average cost of $29.89 per share.

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 $340.0 million at November 1, 1996 ($170.0 million revolving credit/term loan facility plus $170.0 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 $24.7 million as of November 1, 1996 and $35.1 million as of November 3, 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):

	Nov. 1, 1996	Jan. 31, 1996	Nov. 3, 1995
Current ratio	1.6x	2.0x	1.6x
Total borrowings/equity	43.6%	18.3%	53.9%
Long-term debt/equity	0.6%	0.8%	0.9%
Working Capital (000)	$256,205	$262,529	$227,796
Average daily use of debt: (fiscal year-to-date)			
Short-term (000)	$ 90,548	$ 99,564	$108,659
Long-term (000)	3,843	4,718	4,812
Total (000)	$ 94,391	$104,282	$113,471
Maximum outstanding short-term debt (fiscal year-to-date)	$184,725	$227,397	$211,227

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 November 1, 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)

December 13, 1996	By: Phil Richards, Vice President, Chief Financial Officer

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

ARTICLE 5

The accompanying notes are an integral part of this statement.

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	JAN 31 1997
PERIOD END	NOV 01 1996
CASH	8,769
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	623,354
CURRENT ASSETS	660,524
PP&E	285,084
DEPRECIATION	105,715
TOTAL ASSETS	844,958
CURRENT LIABILITIES	404,319
BONDS	0
COMMON	42,389
PREFERRED MANDATORY	0
PREFERRED	858
OTHER SE	391,071
TOTAL LIABILITY AND EQUITY	844,958
SALES	1,459,222
TOTAL REVENUES	1,459,222
CGS	1,053,486
TOTAL COSTS	299,444
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	3,791
INCOME PRETAX	102,501
INCOME TAX	38,950
INCOME CONTINUING	63,551
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	63,551
EPS PRIMARY	.72
EPS DILUTED	.72 The accompanying notes are an integral part of this statement.

End of Filing