DOLLAR GENERAL CORP

FORM 10-Q
(Quarterly Report)

Filed 12/14/95 for the Period Ending 10/31/95

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 12/14/1995 For Period Ending 10/31/1995

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 October 31, 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 November 22, 1995 was 57,626,392.

Index

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME (unaudited) For the three months and nine months ended October 31, 1995 and 1994
in thousands except per share amounts)

	Three Months		Nine Months	
	1995	1994	1995	1994
Net Sales	$437,218	$359,430	$1,188,814	$963,839
Cost of goods sold	308,853	253,851	850,223	690,572
Gross Profit	128,365	105,579	338,591	273,267
Selling, general and administrative expense	93,270	76,620	253,010	205,560
Operating profit	35,095	28,959	85,581	67,707
Interest expense	2,561	1,177	5,459	2,216
Income before taxes on income	32,534	27,782	80,122	65,491
Provision for taxes on income	12,526	10,488	30,847	24,723
Net income	20,008	17,294	49,275	40,768
Net income per common share	$ .28	$ .25	$ .70	$ .59
Weighted average number of common shares outstanding	70,401	69,193	70,206	68,826
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 March 6, 1995.	$ .05	$ .04	$ .15	$ .12

The accompanying notes are an integral part of this statement.

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

ASSETS	October 31, 1995	January 31, 1995	October 31, 1994
Current assets:			
Cash and cash equivalents	$ 4,146	$ 33,045	$ 25,582
Merchandise inventories	580,928	356,111	392,605
Deferred income taxes	12,232	11,785	11,221
Other current assets	12,205	9,212	12,913
Total current assets	609,511	410,153	442,321
Property & equipment, at cost	231,500	187,360	165,263
Less: Accumulated depreciation	77,548	62,108	57,477
	153,952	125,252	107,786
Other Assets	5,566	5,463	4,818
	$769,029	$540,868	$554,925
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	$ 1,308	$ 1,441	$ 1,305
Short-term borrowings	200,304	29,600	112,712
Accounts payable	111,919	111,675	88,836
Accrued expenses	58,755	61,037	53,572
Income taxes	6,876	5,210	5,007
Total current liabilities	379,162	208,963	261,432
Long-term debt	3,422	4,767	4,538
Deferred income taxes	3,382	3,382	2,563
Shareholders' equity:			
Preferred stock	858	858	858
Common stock	34,149	33,971	27,248
Additional paid-in capital	302,014	283,323	276,975
Retained earnings	246,569	207,436	183,981
	583,590	525,588	489,062
Less treasury stock	200,527	201,832	202,670
	383,063	323,756	286,392
	$769,029	$540,868	$554,925

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 October 31, 1995 and 1994
(amounts in thousands)
(unaudited)

	October 31, 1995	October 31, 1994
Cash flows from operating activities:		
Net income	$ 49,275	$ 40,768
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,938	12,217
Deferred income taxes	(447)	(1,557)
Change in operating assets and liabilities:		
Merchandise inventories	(224,817)	(132,563)
Accounts payable	244	7,800
Accrued expenses	(2,282)	5,666
Income taxes	1,666	6,570
Other	(1,160)	(4,216)
Net cash used by operating activities	(159,583)	(65,315)
Cash flows used in investing activities:		
Purchase of property & equipment	(48,574)	(42,916)
Cash flows provided by financing activities:		
Issuance of short-term borrowings	184,653	96,212
Repayments of short-term borrowings	(13,949)	(1,501)
Repayments of long-term debt	(1,478)	(1,170)
Payments of cash dividends	(10,142)	(7,952)
Proceeds from exercise of stock options	12,848	6,584
Tax benefits from exercise of stock options	6,997	5,585
Other	329	690
Net cash provided by financing activities	179,258	98,448
Net increase (decrease) in cash and equivalents	(28,899)	(9,783)
Cash and cash equivalents at beginning of year	33,045	35,365
Cash and cash equivalents at end of period	$ 4,146	$ 25,582

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 of a normal recurring nature) necessary for a fair presentation of the results of operations for the three month and nine month periods ended October 31, 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 year.

2. Net Income Per Common Share

Net income per common 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 October 31,		Nine Months Ended October 31,	
	(in thousands)			
	1995	1994	1995	1994
Actual weighted average number of common shares outstanding during the period	57,557	64,788	57,081	64,515
Common Stock Equivalents: Dilutive effect of stock options using the "Treasury Stock Method"	2,121	2,736	2,402	2,642
1,715,742 shares of Convertible Preferred Stock issued August 22, 1994	10,723	1,669	10,723	1,669
Weighted Average Number of Common Shares	70,401	69,193	70,206	68,826

3. Changes in shareholder's equity for the nine months ended October 31, 1995 and 1994 were as follows (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				40,768	
Cash dividend, $.15 per common share, as declared				(7,952)	
Reissuance of treasury stock under employee stock incentive plans			5,217		(1,367)
Tax benefit from exercise of options			5,585		
Transfer to employee pension plan (25,134 shares)			647		(43)
Issuance of preferred stock in exchange for company common stock	858		199,669		200,527
Balances, October 31, 1994	$ 858	$ 27,248	$276,975	$183,981	$202,670
Balances, January 31, 1995	$ 858	$ 33,971	$283,323	$207,436	$201,832
Net income				49,275	
Cash dividend, $.15 per common share				(8,696)	
Cash dividend, $.84 per preferred share				(1,446)	
Issuance of common stock under employee stock incentive plans		172	3,822		
Reissuance of treasury stock under employee stock incentive plans			7,549		(1,305)
Transfer to employee pension plan (12,783 shares)		6	323		
Tax benefit from exercise of options			6,997		
Balances, October 31, 1995	$ 858	$ 34,149	$302,014	$246,569	$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 which ends January 31. 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. Due to the seasonal nature of the business, current-year periods are most accurately evaluated by comparison to the same periods in prior years.

Nine months ended October 31, 1995 and 1994.

NET SALES. Net sales for the first nine months of fiscal 1996 increased $225.0 million, or 23.34% to $1,188.8 million from $963.8 million for the comparable period of fiscal 1995. The increase resulted primarily from 393 net additional stores being in operation as of October 31, 1995 as compared with the same prior-year period and an increase of 6.6% in same-store sales. In the first nine months of fiscal 1996, the Company opened 353 stores, closed 22 stores and ended the period with a total of 2,390 stores.

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 this year through the first nine months (6.6% increase as compared to 14.7% in the comparable period last year) has been hurt by distribution constraints in shipping merchandise to stores related to the Ardmore distribution center start up and by industry-wide soft apparel sales. The Company's sales mix continued to show the shift in favor of hardlines, which accounted for 69% of the sales, compared to softlines' 31% of sales versus 65% and 35%, respectively, in the first nine months of fiscal 1995.

GROSS PROFIT. Gross profit for the first nine months of fiscal 1996 was $338.6 million, or 28.48% of net sales, compared to $273.3 million, or 28.35% of net sales, for the comparable period in the prior fiscal year. The increase resulted from higher beginning inventory margins and lower markdowns which more than offset lower margins on current purchases and higher distribution costs related to the Ardmore distribution center start-up. Shrinkage allowances and LIFO charges were essentially unchanged from 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. Adjustment 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 period equaled $253.0 million, or 21.28% of sales, compared with $205.6 million, or 21.33% of sales, in the same period last year. This 23% increase is principally the result of opening and operating 393 net additional stores. Operating expenses as a percentage of sales decreased principally as a result of lower self-insurance reserves, employee benefit and supply costs, and bonus accruals, which more than offset higher depreciation, rent and professional fees.

INTEREST EXPENSE. Interest expense increased 146.3% to $5.5 million for the first nine months of fiscal 1996 from $2.2 million for the comparable prior year period. The increase resulted primarily from greater average short-term borrowings related to increases in inventories. Average short-term borrowings were $97.6 million and $52.2 million for the respective nine month periods of fiscal 1996 and 1995.

Three months ended October 31, 1995 and 1994.
NET SALES. Net sales in the third quarter of fiscal 1996 increased $77.8 million or 21.6%, to $437.2 million from $359.4 million for the same period in fiscal 1995. The increase resulted from a same-store sales increase of 4.6% (as compared to 17.2% in the third quarter of 1994) and the operation of 393 additional stores at October 31, 1995 as compared to October 31, 1994. Continued soft apparel sales and some inventory imbalances in the first month of the quarter hurt the same-store performance relative to last year.

GROSS PROFIT. Gross profit as a percentage of sales was 29.36% in the third quarter of fiscal 1996 as compared to 29.37% for the comparable period in fiscal 1995. This performance resulted from higher beginning inventory margins and lower distribution costs which offset higher damage markdown reserves and lower margins on current purchases. Although distribution costs were up year-to-date, for the quarter they were down reflecting more efficient operation of the company's distribution centers.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE. Selling, general and administrative expense increased $16.7 million or 21.7% in the third quarter of fiscal 1996 as compared to fiscal 1995, primarily as a result of more stores in operation. As a percentage of sales, selling, general and administrative expense was constant at 21.33% for the third quarter of fiscal 1996 compared to 21.32% for the same period in the previous year. Expenses increasing as a percent of sales for the quarter were depreciation, rent and professional and bank fees; these were offset by decreases in supplies and employee benefit costs.

INTEREST EXPENSE. Interest expense for the third quarter of fiscal 1996 increased 117.6%, to $2.6 million from $1.2 million, from the comparable period in fiscal 1995 as a result of greater average borrowings related to increases in inventories. Average short-term borrowings were $145.8 million and $62.0 million for the respective three-month periods of fiscal 1996 and 1995.

LIQUIDITY AND CAPITAL RESOURCES
Cash flows from operating activities. Cash used in operating activities totaled $159.6 million during the first nine months of fiscal 1996 compared to $65.3 million in the same period last year. This increased use of cash is primarily the result of a $224.8 million increase in inventories since fiscal year end 1995, $92.2 million more than in the same period last year. The increase in merchandise inventories is the result of operating 393 more stores, stocking the new Ardmore distribution center, and inventory build up in existing stores for the Christmas season.
Cash flows from investing activities. Cash used for capital expenditures during the first nine months of fiscal 1996 increased $5.7 million to $48.6 million as compared to $42.9 million in the comparable period in 1995. The current year expenditures result principally from opening 353 new stores this year versus 226 last year, remodeling and relocating 267 stores this year versus 264 last year, and purchasing additional distribution trailers versus constructing the Ardmore distribution center last year.

Cash flows from financing activities. The Company's short-term borrowings during the first nine months of fiscal 1996 increased $170.7 million to $200.3 million compared with an increase of $94.7 million to $112.7 million during the same period of the prior fiscal year. The increase in short-term borrowings was required to fund the cash used in operating activities and for the 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 $305.0 million at October 31, 1995 ($170.0 million revolving credit/term loan facility plus $135 million seasonal lines of credit). In June 1995, the Company renegotiated an increase in its revolving credit/term loan facility to $170.0 million from $65.0 million. The Company had seasonal lines of credit borrowings of $35.1 million and 50.7 million as of October 31, 1995 and 1994, respectively. 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 (amounts in thousands):

	October 31, 1995	January 31, 1995	October 31, 1994
Current ratio	1.6x	2.0x	1.7x
Total borrowings/equity	53.5%	11.1%	41.4%
Long-term debt/equity	0.9%	1.5%	1.6%
Working capital (000)	$230,349	$201,190	$180,889
Average daily use of debt: (fiscal year to date)			
Short-term(000)	$ 97,604	$ 51,528	$ 52,240
Long-term (000)	4,812	6,035	6,128
Total (000)	102,416	57,563	58,368
Maximum outstanding Short-term debt (fiscal year-to-date)	$211,227	$116,712	$112,712

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 October 31, 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)

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Date: December 14, 1995  By:  SS/: Bob Carpenter
                                   Bob Carpenter, Chief
                                   Administrative Officer, Vice


                                   President and Corporate Secretary
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ARTICLE 5

The accompanying notes are an integral part of this statement.

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	JAN 31 1996
PERIOD END	OCT 31 1995
CASH	4,146
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	580,928
CURRENT ASSETS	609,511
PP&E	231,500
DEPRECIATION	77,548
TOTAL ASSETS	769,029
CURRENT LIABILITIES	379,162
BONDS	0
COMMON	34,149
PREFERRED MANDATORY	0
PREFERRED	858
OTHER SE	348,056
TOTAL LIABILITY AND EQUITY	769,029
SALES	1,188,814
TOTAL REVENUES	1,188,814
CGS	850223
TOTAL COSTS	253010
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	5,459
INCOME PRETAX	80,122
INCOME TAX	30,847
INCOME CONTINUING	49,275
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	49,275
EPS PRIMARY	.70
EPS DILUTED	.70

End of Filing