

DOLLAR GENERAL CORP

FORM 10-Q (Quarterly Report)

Filed 06/14/94 for the Period Ending 04/30/94

Address	100 MISSION RIDGE GOODLETTSVILLE, TN, 37072
Telephone	6158554000
CIK	0000029534
Symbol	DG
SIC Code	5331 - Retail-Variety Stores
Industry	Discount Stores
Sector	Consumer Cyclical
Fiscal Year	02/02

DOLLAR GENERAL CORP

FORM 10-Q (Quarterly Report)

Filed 6/14/1994 For Period Ending 4/30/1994

Address	100 MISSION RIDGE GOODLETTSVILLE, Tennessee 37072
Telephone	615-855-4000
CIK	0000029534
Industry	Retail (Specialty)
Sector	Services
Fiscal Year	01/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period April 30, 1994

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 No .

The number of shares of common stock outstanding at May 16, 1994 was 53,014,870.

Dollar General Corporation

Form 10-Q

For the Quarter Ended April 30, 1994

Index

Part I. Financial Information Page No.

Item 1. Financial Statements (unaudited):

	Consolidated Statements of Income for the three months ended April 30, 1994 and 1993	3
	Consolidated Balance Sheets as of April 30, 1994, January 31, 1994 and April 30, 1993	4
	Consolidated Statements of Cash Flows for the three months ended April 30, 1994 and April 30, 1993	5
	Notes to Consolidated Financial Statements	6-7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	8-10

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K 11

Signatures 12

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF INCOME
 For the three months ended April 30, 1994 and 1993
 (amounts in thousands except per share amounts)
 (unaudited)

	April 30, 1994	April 30, 1993
Net Sales	\$287,086	\$221,799
Cost of goods sold	207,106	159,310
Gross profit	<u>79,980</u>	<u>62,489</u>
Selling, general and administrative expense	64,304	52,354
Operating profit	<u>15,676</u>	<u>10,135</u>
Interest expense	392	506
Income before taxes on income	<u>15,284</u>	<u>9,629</u>
Provision for taxes on income	5,770	3,707
Net income	<u>9,514</u>	<u>5,922</u>
Net income per share	<u>\$.17</u>	<u>\$.11</u>
Weighted average number of shares outstanding	<u>54,755</u>	<u>53,570</u>
Cash dividends per share As declared	<u>\$.05</u>	<u>\$.05</u>
Adjusted to give appropriate retro- active effect to the five-for-four stock splits distributed on April 15, 1994 and September 17, 1993	<u>\$.05</u>	<u>\$.03</u>

The accompanying notes are an integral part of this statement.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of April 30, 1994, January 31, 1994 and April 30, 1993
(amounts in thousands)

ASSETS	April 30, 1994 (unaudited)	January 31, 1994	April 30, 1993 (unaudited)
Current Assets:			
Cash and cash equivalents	\$ 30,282	\$ 35,365	\$ 17,427
Merchandise inventories	304,242	260,042	276,938
Deferred income taxes	9,893	9,664	8,335
Other current assets	8,465	8,397	7,000
Income Taxes	679	1,563	0
Total current assets	<u>353,561</u>	<u>315,031</u>	<u>309,700</u>
Property & equipment, at cost	132,492	124,827	98,350
Less: Accumulated depreciation	50,935	47,322	39,814
	<u>81,557</u>	<u>77,505</u>	<u>58,536</u>
Other Assets	4,684	4,701	5,770
	<u>\$439,802</u>	<u>\$397,237</u>	<u>\$374,006</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	\$ 1,303	\$ 1,302	\$ 1,301
Short-term borrowings	27,000	18,000	25,000
Accounts payable	101,060	81,038	101,347
Accrued expenses	46,547	47,906	36,799
Income taxes	0	0	6,249
Total current liabilities	<u>175,910</u>	<u>148,246</u>	<u>170,696</u>
Long-term debt	4,801	5,711	6,104
Deferred income taxes	2,563	2,563	2,606
Shareholders' equity:			
Common stock	27,248	27,248	17,820
Additional paid-in capital	73,861	65,857	57,684
Retained earnings	158,031	151,165	123,833
	<u>259,140</u>	<u>244,270</u>	<u>199,337</u>
Less treasury stock	2,612	3,553	4,737
	<u>256,528</u>	<u>240,717</u>	<u>194,600</u>
	<u>\$439,802</u>	<u>\$397,237</u>	<u>\$374,006</u>

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, 1994 and 1993
(amounts in thousands)
(unaudited)

	April 30, 1994	April 30, 1993
Cash flows from operating activities:		
Net income	\$ 9,514	\$ 5,922
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,684	2,496
Deferred income taxes	(229)	(700)
Change in operating assets and liabilities:		
Merchandise inventories	(44,200)	(60,095)
Accounts payable, trade	20,022	37,322
Accrued expenses	(1,359)	(871)
Income taxes	884	2,234
Other	138	(1,930)
	<hr/>	<hr/>
Net cash provided (used) by operating activities	(11,546)	(15,622)
	<hr/>	<hr/>
Cash flows used in investing activities:		
Purchase of property & equipment	(7,922)	(5,002)
	<hr/>	<hr/>
Cash flows provided by financing activities:		
Issuance of short-term borrowings	17,000	30,000
Repayments of short-term borrowings	(8,000)	(15,000)
Repayments of long-term debt	(909)	(908)
Payments of cash dividend	(2,648)	(1,664)
Proceeds from exercise of stock options	4,780	550
Tax benefits from exercise of stock options	4,162	590
Other	0	(563)
	<hr/>	<hr/>
Net cash provided by financing activities	14,385	13,005
	<hr/>	<hr/>
Net increase (decrease) in cash and equivalents	(5,083)	(7,619)
Cash and cash equivalents at beginning of year	35,365	25,046
	<hr/>	<hr/>
Cash and cash equivalents at end of period	\$ 30,282	\$ 17,427
	<hr/>	<hr/>

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 Form 10-Q may wish to refer to the Company's Form 10-K for the year ended January 31, 1994 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 (all of which are normal recurring accruals) necessary for a fair presentation of the results of operations for the three month periods ended April 30, 1994 and 1993, respectively have been made.

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 April 30 Shares (000's)	
	1994	1993
Actual weighted average number of shares outstanding during the period	52,612	50,747
Equivalent number of shares representing the dilutive effect of stock options using the "treasury stock method"	2,143	2,823
Weighted Average Shares	<u>54,755</u>	<u>53,570</u>

3. Changes in shareholder's equity for the three months ended April 30, 1994 and 1993 were as follows (dollars in thousands except per share amounts):

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock <C
Balances, January 31, 1993	\$17,820	\$57,246	\$119,580	\$4,881
Net Income			\$ 5,922	
Cash dividend, \$.05 per share, as declared			(1,669)	
Reissuance of treasury stock under stock incentive plans		(152)		(144)
Tax benefit from exercise of options		590		
	<hr/>	<hr/>	<hr/>	<hr/>
Balances, April 30, 1993	\$17,820	\$57,684	\$123,833	\$4,737
	<hr/>	<hr/>	<hr/>	<hr/>
Balances, January 31, 1994	\$27,248	\$65,857	\$151,165	\$3,553
Net Income			9,514	
Cash dividend, \$.05 per share, as declared			(2,648)	
Reissuance of treasury stock under stock incentive plans		3,842		(941)
Tax benefit from exercise of options		4,162		
	<hr/>	<hr/>	<hr/>	<hr/>
Balances, April 30, 1994	\$27,248	\$73,861	\$158,031	\$2,612
	<hr/>	<hr/>	<hr/>	<hr/>

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 highly seasonal. Historically, sales in the fourth quarter have been substantially 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 greatly by quarter. Caution, therefore, is advised when evaluating results of a period shorter than a full year or when comparing any period other than to the same period of the previous year.

NET SALES. Net sales for the first three months of fiscal 1995 increased \$65.3 million, or 29.4%, to \$287.1 million from \$221.8 million for the comparable period of fiscal 1994. The increase resulted from 199 net additional stores being open during the first nine months of fiscal 1995 as compared to the same prior year period and an increased of 15.8% in same store sales. 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 and generally improved economic conditions.

GROSS PROFIT. Gross profit for the first three months of fiscal 1995 was \$80.0 million, or 27.9% of net sales, compared to \$62.4 million, or 28.2% of net sales, for the comparable period in the prior fiscal year. The decline resulted from greater merchandise markdowns and lower purchase discounts, which were partially offset by a smaller LIFO charge. The estimate of shrink was virtually unchanged from the prior year and the LIFO charge was 0.15% of net sales compared to 0.64% a year ago. Cost of goods sold is determined in the first, second and third quarters utilizing estimates of inventory shrinkage, inflation and markdowns. 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 current quarter equaled \$64.3 million, or 22.4% of sales versus \$52.4 million or 23.6% of sales in the same period last year. This decrease was principally due to the 15.8% increase in same store sales exceeding the 14.9% increase in same store expenses. Advertising expense was also lower due to a change in advertising mix from utilizing print and broadcast media last fiscal year to employing almost solely printed advertising this fiscal year.

INTEREST EXPENSE. Interest expense decreased 22.5% to \$392 thousand for the first three months of fiscal 1995 from \$506 thousand for the comparable prior year period. The decrease resulted from lower interest rates, which more than offset higher average borrowings.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities. Cash flows used in operating activities totaled \$11.5 million during the first quarter of fiscal 1995 compared to \$15.6 million in first quarter of fiscal 1994. This decrease in use of cash resulted from higher income and depreciation offset partially by increase in inventories of \$44.2 million (\$60.1 million in the prior year period). Trade payables increased by \$20.0 million as compared to an increase of \$37.3 million in first quarter 1994. This smaller relative increase in trade payables is due principally to a greater proportion of merchandise purchases being imported and financed by letters of credit rather than by trade credit.

Cash flows from investing activities. Cash used for capital expenditures during the first quarter related to increase in stores in fiscal year 1995 was \$7.9 million as compared to \$5.0 million in the comparable period in 1994. The current year expenditures are primarily referable to opening, remodeling and relocating stores; providing new fixtures to stores; and costs associated with the construction of the new Ardmore, Oklahoma distribution center.

Cash flows from financing activities. The Company's short-term borrowings during the first quarter of fiscal 1995 increased \$9.0 million to \$27.0 million compared to an increase of \$15.0 million to \$25.0 million during the same period of the prior fiscal year. The increased short-term borrowings were due to the cash used in operating activities discussed above. The Company's long-term obligations during the first quarter of fiscal 1995 decreased \$0.9 million to \$4.8 million compared to a decrease of \$0.9 million to \$6.1 million during the first quarter of fiscal 1994.

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 \$100.0 million at April 30, 1994 (\$65 million revolving credit/term loan facility plus \$35.0 million seasonal line of credit). The Company had no seasonal line of credit borrowings as of April 30, 1994 or 1993. 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 currently in place.

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

	April 30, 1994	January 31, 1994	April 30, 1993
Current ratio	2.0x	2.1x	1.8x
Total debt/equity	12.9%	10.4%	16.7%
Long-term debt/equity	1.9%	2.4%	3.1%
Working capital	\$177,651	\$166,785	\$139,004
Average daily use of debt: (fiscal year to date)			
Short-term	28,876	34,102	19,562
Long-term	6,488	7,335	7,788
	<hr/>	<hr/>	<hr/>
Total	35,364	41,437	27,750
	<hr/>	<hr/>	<hr/>
Maximum outstanding short-term debt (fiscal year-to-date)	\$ 35,000	\$ 70,909	\$ 40,000

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, 1994.

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: May 14, 1994

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

End of Filing

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