

## **Dollar General Corporation Reports Second Quarter 2015 Financial Results**

GOODLETTSVILLE, Tenn. (BUSINESS WIRE), August 27, 2015 - Dollar General Corporation (NYSE: DG) today reported financial results for its fiscal 2015 second quarter (13 weeks) ended July 31, 2015.

"Dollar General achieved strong financial performance in the second quarter. We delivered 7.9 percent sales growth, 2.8 percent same-store sales growth, robust gross margin expansion and 14 percent diluted EPS improvement over the 2014 second quarter. We also grew both customer traffic and average ticket for the 30<sup>th</sup> consecutive quarter when compared to the prior year quarter," said Todd Vasos, Dollar General's chief executive officer.

"With new leadership in place for store operations and merchandising, we are well positioned to execute our key initiatives to drive topline growth over time. Looking ahead to 2016, our team is energized to accelerate our pace of growth as we focus on providing our consumers with everyday low prices and convenient locations. We remain confident in the long-term growth prospects for Dollar General to deliver strong financial results and healthy cash returns for our shareholders," said Vasos.

### **Second Quarter 2015 Highlights**

The Company's net income was \$282 million, or \$0.95 per diluted share, in the 2015 second quarter, compared to net income of \$251 million, or \$0.83 per diluted share, in the 2014 second quarter.

Net sales increased 7.9 percent to \$5.10 billion in the 2015 second quarter compared to \$4.72 billion in the 2014 second quarter. Same-store sales increased 2.8 percent, with increases in both customer traffic and average transaction value. The remainder of the sales increase was attributable to new stores, partially offset by closed stores. All categories delivered positive same-store sales growth. Growth in consumables was driven by candy and snacks, tobacco products and perishables. Within non-consumables, the most significant growth was due to seasonal items, sundries, hardware and housewares.

Gross profit, as a percentage of net sales, was 31.2 percent in the 2015 second quarter, an increase of 36 basis points from the 2014 second quarter. The gross profit rate increase was primarily attributable to higher initial inventory markups, an improved inventory shrink rate and lower transportation costs, partially offset by increased markdowns.

Selling, general and administrative expense ("SG&A") as a percentage of net sales was 21.8 percent in the 2015 second quarter compared to 21.7 percent in the 2014 second quarter, an increase of nine basis points. The SG&A increase was primarily attributable to higher store asset impairments, incentive compensation, repairs and maintenance, and fees associated with the increased use of debit cards. Partially offsetting these items was a higher volume of cash back transactions resulting in increased convenience fees collected from customers.

The effective income tax rate was 38.0 percent for the 2015 second quarter compared to a rate of 38.1 percent for the 2014 second quarter.

### **26-Week Period Highlights**

For the 26-week period ended July 31, 2015, net sales increased 8.3 percent over the comparable 2014 period to \$10.0 billion. Same-store sales increased 3.3 percent. Increases in customer traffic and average transaction amount contributed to the increase in same-store sales. The remainder of the sales increase was attributable to new stores, partially offset by closed stores.

Gross profit increased by 9.7 percent and, as a percentage of net sales, increased by 39 basis points to 30.8 percent in the 2015 26-week period compared to the 2014 period. The gross profit rate increase in the 2015 period as compared to the 2014 period was primarily attributable to higher initial inventory markups, lower transportation costs and an improved inventory shrink rate.

SG&A was 21.8 percent of net sales in the 2015 period compared to 21.7 percent in the 2014 period, an increase of 11 basis points. The SG&A increase was primarily attributable to higher incentive compensation, repairs and maintenance, fees associated with the increased use of debit cards, and an increase in store asset impairments. Partially offsetting these items was a higher volume of cash back transactions resulting in increased convenience fees collected from

customers.

The effective income tax rate for the 2015 period was 37.8 percent compared to a rate of 38.0 percent for the 2014 period.

For the 26-week 2015 period, the Company reported net income of \$536 million, or \$1.79 per diluted share, compared to net income of \$474 million, or \$1.54 per diluted share, for the 26-week 2014 period.

### **Merchandise Inventories**

As of July 31, 2015, total merchandise inventories, at cost, were \$3.03 billion compared to \$2.79 billion as of August 1, 2014, an increase of 2.7 percent on a per-store basis.

### **Capital Expenditures**

During the 26-week period, the Company opened 428 new stores and remodeled or relocated 593 stores. Total additions to property and equipment in the 26-week period ended July 31, 2015 were \$247 million, including: \$95 million for improvements, upgrades, remodels and relocations of existing stores; \$55 million for distribution and transportation-related capital expenditures; \$53 million related to new leased stores, primarily for leasehold improvements, fixtures and equipment; \$24 million for stores built by the Company; and \$18 million for information systems upgrades and technology-related projects.

### **Share Repurchases**

During the 2015 second quarter, the Company repurchased 2.6 million shares of its common stock at a total cost of \$199.7 million, at an average price of \$77.84 per share. For the 2015 26-week period, the Company repurchased 9.7 million shares of its common stock under the share repurchase program at a total cost of \$734.3 million, at an average price of \$76.03 per share. Since the inception of the share repurchase program in December 2011, the Company has repurchased 54.1 million shares totaling \$3.0 billion, at an average price of \$55.64 per share. The Company has a total remaining authorization under the share repurchase program of approximately \$489 million at August 26, 2015.

### **Fiscal 2015 Financial Outlook**

For the 2015 fiscal year, the Company is reconfirming its financial guidance provided on June 2, 2015. Total sales are expected to increase 8 to 9 percent over the 2014 fiscal year, with same-store sales expected to increase 3 to 3.5 percent. Operating profit for 2015 is expected to increase 7 to 9 percent over the 2014 adjusted operating profit. Diluted EPS for the fiscal year is expected to be approximately \$3.85 to \$3.95. Considering sales performance to date and the current operating environment, management expectations are that same-store sales likely will be closer to the low-end of the range.

Capital expenditures are expected to be in the range of \$500 million to \$550 million in 2015. Dollar General plans to open approximately 730 new stores in 2015, or 6 percent square footage growth, and relocate or remodel 875 stores. To date, the Company is on track with its pipeline development to accelerate new store openings to 7 percent square footage growth in 2016.

### **Conference Call Information**

The Company will hold a conference call on Thursday, August 27, 2015 at 9:00 a.m. CT/10:00 a.m. ET, hosted by Todd Vasos, chief executive officer, and John Garratt, interim chief financial officer. If you wish to participate, please call (855) 576-2641