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THE WALL STREET JOURNAL

WSJ.com

BUSINESS | JUNE 8, 2010, 3:23 P.M. ET

Dollar General Profit Rises 64%, Raises View

By [TESS STYNES](#) And [MARY ELLEN LLOYD](#)

Dollar General Corp.'s fiscal first-quarter earnings jumped 64% as the discount retailer leveraged global sourcing to reduce product costs at the same time customer visits and spending continued to increase.

The results beat analysts' expectations and the company boosted its earnings target for the year to between \$1.62 a share and \$1.69 a share from between \$1.55 and \$1.63 a share despite only affirming sales guidance.

"The volatility of the macroeconomic environment, including sustained rates of high unemployment, continues to pressure the consumer in general," the company said in a statement. "Dollar General is closely monitoring how consumers respond to both the economic and the competitive climate."

Consumers have been spending more this year, though the increase has been uneven amid uncertainty about the U.S. recovery and Europe's economic woes. Dollar-store chains are continuing their expansions in a bet they can retain bargain-hunting customers gained in the downturn when the economy picks up.

Bank of America Merrill Lynch analyst Alan Rifkin reiterated his buy rating on Dollar General in the wake of the results. "DG continues to benefit from strong industry trends," he wrote, adding he likes shares of rivals [Dollar Tree Inc.](#) and [Family Dollar Stores Inc.](#) as well. "The sector has great resiliency during times of heightened volatility and uncertainty," he said.

Dollar General, which plans to open 600 stores this year, is upgrading or relocating another 500, as well as beefing up its private-label offerings and adding branded merchandise.

For the quarter ended April 30, Dollar General reported a profit of \$136 million, or 39 cents a share, up from \$83 million, or 26 cents a share, a year earlier. Results for the latest quarter included three cents a share in charges. Net sales jumped 12% to \$3.11 billion, with consumables, its largest category, up 12% and seasonal jumping 21%.

Analysts polled by Thomson Reuters most recently forecast earnings of 34 cents a share on revenue of \$3.03 billion.

Same-store sales rose 6.7% on top of prior-year growth of 13%. The company had 8,965 stores at the end of the quarter, compared with 8,462 a year earlier.

Gross margin, a measure of profitability, rose to 32.1% from 30.8% mostly because of higher initial prices. Dollar General said its improved global sourcing and stronger sales volume aided initial markups, but selling a higher percentage of private-label products, which carry higher margins, also helped.

Meanwhile, Dollar General revamped merchandise in more parts of the stores than a year earlier, which contributed to higher markdowns in the quarter.

Three years ago, Dollar General was taken private in a \$6.9 billion leveraged buyout by private-equity firm Kohlberg Kravis Roberts & Co. In November, the company went public again. On Tuesday, it reported \$3.4 billion in debt in the latest quarter, a decline of 18% from a year earlier, with interest expense falling 19%.

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