

DOLLAR GENERAL (DG) 1Q17 Results: Beats on EPS and Sales, Lifts Outlook

Figure 1. Dollar General 1Q17 Key Metrics

	1Q17	1Q16	YoY Change
Revenues (USD Bil.)	\$5.61	\$5.27	6.5%
Gross Margin	30.3%	30.6%	(35) bps
SG&A/Sales	21.8%	21.5%	35 bps
Operating Margin	8.4%	9.1%	(70) bps
Adjusted EPS (USD)	\$1.03	\$1.03	0%

Source: Company reports/Fung Global Retail & Technology

- Dollar General reported 1Q17 adjusted EPS of \$1.03, flat versus the year-ago quarter and slightly above the \$1.00 consensus estimate. Total revenues were \$5.61 billion versus expectations of \$5.58 billion, and were up 6.5% year over year.
- Total comps increased by 0.7% for the quarter, in line with the consensus estimate; comp growth was driven by an increase in average transaction that was partially offset by a decline in traffic. Comp sales were driven by positive results in consumables and apparel categories that were partially offset by results in home and seasonal categories.
- Dollar General reaffirmed its FY17 EPS guidance of \$4.25–\$4.50 compared with consensus of \$4.46. The company expects comps to be “slightly positive” to up 2%. The company raised its full-year guidance for revenue growth from 4%–6% to 5%–7%, assuming the pending acquisition of 322 small-box retail stores is completed. The consensus estimate calls for full-year revenue growth of 5.5%.

1Q17 Results

Dollar General reported 1Q17 adjusted EPS of \$1.03, including a charge of \$0.01 related to the early retirement of long-term debt. Adjusted EPS was flat versus the year-ago quarter and slightly above the \$1.00 consensus. Total revenues were \$5.61 billion versus analysts’ expectations of \$5.58 billion, and were up 6.5% year over year. By category, consumables were up 6.8% from the year-ago quarter, while apparel was up 6.7%, seasonal goods were up 6.2% and home products were up 3.2%.

Total comps increased by 0.7% for the quarter, in line with the consensus estimate; comp growth was driven by an increase in average transaction that was partially offset by a decline in traffic. Comp sales were driven by positive results in consumables and apparel categories that were partially offset by results in home and seasonal categories.

Gross margins were 30.3% for the quarter, compared with 30.6% in the year-ago period. The decrease was primarily driven by higher markdowns, promotional activities and a greater portion of sales of consumables, which have a lower gross profit compared with other categories.

FY17 Outlook

Dollar General reaffirmed its FY17 EPS guidance of \$4.25–\$4.50 compared with consensus of \$4.46. The company expects comps to be “slightly positive” to up 2%. The company raised its full-year guidance for revenue growth from 4%–6% to 5%–7%.



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assuming the purchase of 322 stores from a small-box retailer is completed; consensus calls for full-year revenue growth of 5.5%.

Including the stores related to the pending acquisition, the company now expects to open 1,290 new stores by the end of FY17, up from a previously expected 1,000.



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Deborah Weinswig, CPA

Managing Director
Fung Global Retail & Technology
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

Steven Winnick
Research Associate

Hong Kong:

8th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 4406

London:

242–246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

New York:

1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

FungGlobalRetailTech.com