Dollar General to ramp up new stores, remodels in 2011

Will gear up store expansion next year

By HTT Staff -- Home Textiles Today, December 6, 2010

Goodlettsville, Tenn. - Encouraged by its ability to maintain increases in net income and sales over the past several quarters, Dollar General Corp. is ramping up its new store and remodel program in 2011 and expanding for the first time into three untapped U.S. states.

In the new year, the 9,273-unit discount chain expects to open approximately 625 new sites, some of them for the first time in Connecticut, New Hampshire and Nevada. Additionally, Dollar General plans to remodel or relocate about 550 existing stores.

Overall, selling square footage in 2011 is expected to increase about 7%.

However, the company said, its shoppers are still spending carefully.

"Customers are as sensitive as I've seen them," said Rick Dreiling, chairman and ceo, during the company's earnings conference call today. "[They] are still being frugal, and I expect competition to remain fierce," he continued.

When asked to described activity over the third quarter, Dreiling said Dollar General "had a very strong August, and I was pleased with it because this was indicative of our back-to-school offering. In September, while comps dipped down, the company stayed positive. As we moved through the quarter, we saw an uptick again in October. We're seeing customers being very need-based. In August, they needed [school supplies.] Then, September was when they took a break [from spending], and they did."

This analysis is supported by Dollar General's consistent growth in its consumables business, which experienced strong sales "in nearly every category."

But "also paying off" have been the retailer's efforts to improve its offering and presentation of some of its key non-consumable offerings, including housewares and home, which lately "has been contributing meaningfully to comps...We are especially pleased that our home category comps were positive."

Net income for the third quarter, ended October 29, hit $128 million, or earnings per share of 37 cents, up 68% from $76 million, or 24 cents per share, in last year's third quarter. Results were impacted by an $8 million pre-tax charge from the early repayment of some long-term obligations.

Sales climbed 10.1% to $3.22 billion, and same-store sales were up 4.2% on top of a 9.2% increase in 2009's third quarter.

Both customer traffic and average transaction were up, said Dreiling.

Year-to-date, net income was $405.3 million, or $1.18 per share, up 61% from a profit of $252.2 million, or 79 cents per share during the year-ago period.

Sales rose10.9% to $9.5 billion, with comps up 5.3% on top of a 10.3% gain a year ago.

The company raised its full-year guidance to earnings per share of $1.78 to $1.81.