



# Dollar General Corp. (DG)

Updated August 29<sup>th</sup>, 2025 by Prakash Kolli

## Key Metrics

<b>Current Price:</b>	\$112	<b>5 Year CAGR Estimate:</b>	5.4%	<b>Market Cap:</b>	\$24.58B
<b>Fair Value Price:</b>	\$109	<b>5 Year Growth Estimate:</b>	4.0%	<b>Ex-Dividend Date:</b>	10/07/25
<b>% Fair Value:</b>	103%	<b>5 Year Valuation Multiple Estimate:</b>	-0.5%	<b>Dividend Payment Date:</b>	10/21/25
<b>Dividend Yield:</b>	2.1%	<b>5 Year Price Target</b>	\$132	<b>Years Of Dividend Growth:</b>	9
<b>Dividend Risk Score:</b>	D	<b>Sector:</b>	Consumer Staples	<b>Rating:</b>	Hold

## Overview & Current Events

Dollar General Corporation opened its first dollar store in 1955. The company went public in 1968 and was merged into a privately held company in 2007. The company conducted an initial public offering in November 2009. Today, it is the leading U.S. “dollar store”. About 80% of its items are offered at \$5 or less. Dollar General sells a wide variety of merchandise in four categories: consumables, seasonal, home products, and apparel. About 77% of sales are from consumables. Dollar General operated 20,594 stores as of August 1, 2025. Most stores are located in towns with 20,000 or fewer people and are about 7,400 sq. ft. Total sales were \$40.6B in FY 2024.

Dollar General reported Q2 FY2025 results on August 28<sup>th</sup>, 2025. After excellent performance during and after the COVID-19 pandemic, the company has been experiencing weakness. However, Dollar General is still growing albeit more slowly because of new store openings offset by store closures. The return of the prior CEO and the Back-to-Basics effort have resulted in renewed focus, positive same-store sales, and better operating results.

Net sales increased 5.1% to \$10,728M from \$10,210M on a year-over-year basis as same-store sales grew 2.8% on higher average transactions, more customer traffic, and store openings, offset by store closures. Diluted earnings per share increased 9.4% to \$1.86 from \$1.70 in the prior year on greater revenue and lower interest expense. All four categories increased sales: consumables (+5.1%), seasonal (+5.5%), home products (+6.3%), and apparel (+3.7%).

Dollar General raised guidance to about 4.3% to 4.8% sales growth and same-store sales growth of 2.1% to 2.6%, and diluted EPS of \$5.80 to \$6.30 in fiscal 2025.

## Growth on a Per-Share Basis

Year <sup>1</sup>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$3.95	\$4.43	\$4.49	\$5.97	\$6.64	\$10.62	\$10.17	\$10.68	\$7.55	\$5.11	<b>\$6.05</b>	<b>\$7.36</b>
<b>DPS</b>	\$0.88	\$1.00	\$1.04	\$1.14	\$1.25	\$1.40	\$1.62	\$2.07	\$2.32	\$2.36	<b>\$2.36</b>	<b>\$2.61</b>
<b>Shares<sup>2</sup></b>	287	275	269	259	252	241	230	219	220	220	<b>220</b>	<b>216</b>

Dollar General’s top line continues to grow due to organic sales increases and new store openings. The company is investing heavily in growth and is expecting capital expenditures up to \$1.3B to \$1.4B in fiscal 2025. The company expects to open 585 new stores, remodel 2,000 stores and relocate 45 stores in fiscal 2025. Dollar General is expanding into Washington, Wyoming, and Mexico. The pOpshelf store count is being reduced and the retailer took impairment charges. Capital expenditures combined with aggressive share buybacks from FY 2020 to 2022 have increased total debt, leverage, and interest expense. The company did not buy back shares in 2023 – 2024 and will not do so in 2025.

Our earnings per share growth estimate is 4% out to fiscal 2030 accounting for inflation, stressed consumers, labor expense, and higher interest costs. But growth will be volatile and uneven. Dollar General initiated a dividend in FY 2015. The company has not raised the dividend in 11 quarters and thus we have lowered our estimated growth rate to 2% to FY 2030. The company will likely lose its dividend growth streak. However, we do not believe the retailer will reduce the rate because of the firm’s commitment to the dividend and in improving payout ratio.

<sup>1</sup> Dollar General’s fiscal year ends on the Friday nearest January 31<sup>st</sup> in the following calendar year.

<sup>2</sup> Share count in millions.

Disclosure: This analyst is long DG.





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## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.4	18.1	17.5	17.2	21.1	18.0	21.2	19.3	17.9	14.7	18.5	18.0
Avg. Yld.	1.2%	1.2%	1.3%	1.1%	1.2%	0.8%	0.8%	1.0%	1.7%	3.0%	2.1%	2.0%

Dollar General's share price is down slightly despite beating estimates and a positive outlook. The company's growth was slowing but renewed focus under the prior CEO is improving operational execution. We again updated our fiscal 2025 earnings estimate to the mid-point of current guidance. We believe a reasonable long-term earnings multiple is 18X, slightly lower than the trailing 10-year average. Our fair value estimate is \$109. Our 5-year price target is \$132.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	22%	23%	23%	19%	19%	13%	16%	19%	31%	46%	39%	35%

Dollar General's main competitive advantage is its industry positioning, small store formats and location in small towns. Dollar General benefits from lower distribution costs due to the small store format and lower number of stocked items. Furthermore, the lower average transaction cost limits competition from online retailers.

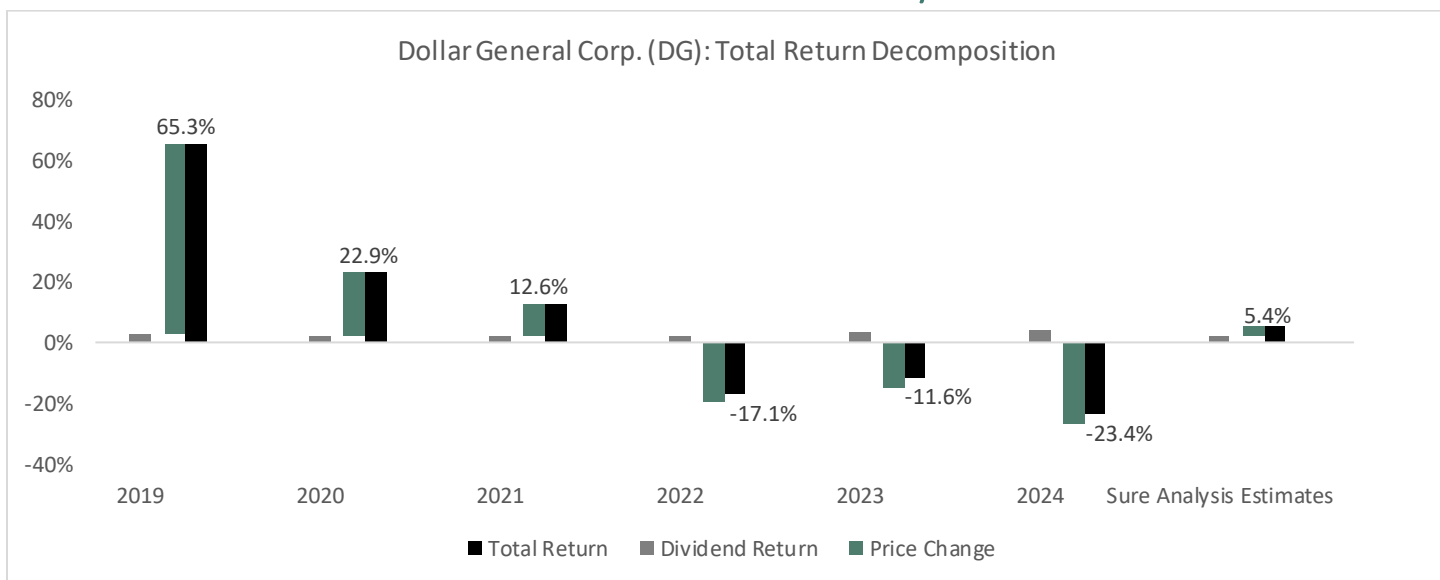
As a discount retailer, Dollar General is resistant to recessions since consumers are more likely to trade down their spending to dollar-store chains during economic downturns. In fact, Dollar General grew earnings per share during the Great Recession and the top and bottom lines clearly benefitted during the COVID-19 pandemic. However, inflation negatively affects its core customer's spending ability.

Dollar General's balance sheet is leveraged. Short-term and current long-term debt is \$19.3M and long-term debt is \$5,725.8M offset by \$1,284.5M in cash. The interest coverage ratio is 7.87X. The leverage ratio is now about 2.95X.

## Final Thoughts & Recommendation

At present we are forecasting a 5.4% annualized total return for the next five years from a dividend yield of 2.1%, 4.0% EPS growth, and -0.5% P/E multiple contraction. Inflation is affecting input costs and margins, and its core customer is constrained and spending less. Hence, margins and earnings were falling for Dollar General and the category in general. However, results have improved under the current CEO. We have maintained our rating at a hold.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	18910	20369	21987	23471	25625	27754	33747	34220	37845	38692
Gross Profit	5803	6306	6783	7221	7804	8489	10719	10813	11820	11719
Gross Margin	30.7%	31.0%	30.8%	30.8%	30.5%	30.6%	31.8%	31.6%	31.2%	30.3%
SG&A Exp.	4033	4366	4719	5214	5688	6187	7164	7592	8492	9273
D&A Exp.	342	352	380	404	454	505	574	641	725	849
Operating Profit	1769	1940	2063	2008	2116	2302	3555	3221	3328	2446
Op. Margin	9.4%	9.5%	9.4%	8.6%	8.3%	8.3%	10.5%	9.4%	8.8%	6.3%
Net Profit	1065	1165	1251	1539	1589	1713	2655	2399	2416	1661
Net Margin	5.6%	5.7%	5.7%	6.6%	6.2%	6.2%	7.9%	7.0%	6.4%	4.3%
Free Cash Flow	953	887	1045	1156	1409	1453	2848	1795	424	692
Income Tax	616	688	714	368	426	489	749	664	701	458

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	11209	11258	11672	12517	13204	22825	25863	26327	29083	30796
Cash & Equivalents	580	158	188	267	235	240	1377	345	382	537
Inventories	2783	3074	3259	3609	4097	4677	5247	5614	6761	6994
Goodwill & Int. Ass.	5540	5540	5539	5539	5539	5539	5538	5538	5538	5538
Total Liabilities	5499	5880	6266	6391	6787	16123	19201	20065	23542	24046
Accounts Payable	1388	1494	1558	2010	2385	2861	3614	3739	3553	3587
Long-Term Debt	2725	2971	3212	3006	2865	2912	4131	4172	7009	7000
Shareholder's Equity	5710	5378	5406	6126	6417	6703	6661	6262	5542	6749
D/E Ratio	0.48	0.55	0.59	0.49	0.45	0.43	0.62	0.67	1.26	1.03

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	9.7%	10.4%	10.9%	12.7%	12.4%	9.5%	10.9%	9.2%	8.7%	5.5%
Return on Equity	19.2%	21.0%	23.2%	26.7%	25.3%	26.1%	39.7%	37.1%	40.9%	27.0%
ROIC	12.8%	13.9%	14.7%	17.3%	17.3%	18.1%	26.0%	22.6%	21.0%	12.6%
Shares Out.	303.5	286.7	268.7	259.1	251.9	246.9	242.0	235.8	226.3	219.9
Revenue/Share	61.86	69.00	77.89	85.86	96.30	107.55	134.95	145.12	167.24	175.92
FCF/Share	3.12	3.00	3.70	4.23	5.30	5.63	11.39	7.61	1.87	3.14

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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