

DOLLAR GENERAL



The Frugalicious Team

What Does Dollar General Do?

- Dollar General is a discount retailer in the United States
- Has over 17,266 stores in 46 states
- Has a market cap of \$51 Billion

DG Offers Consumable Items

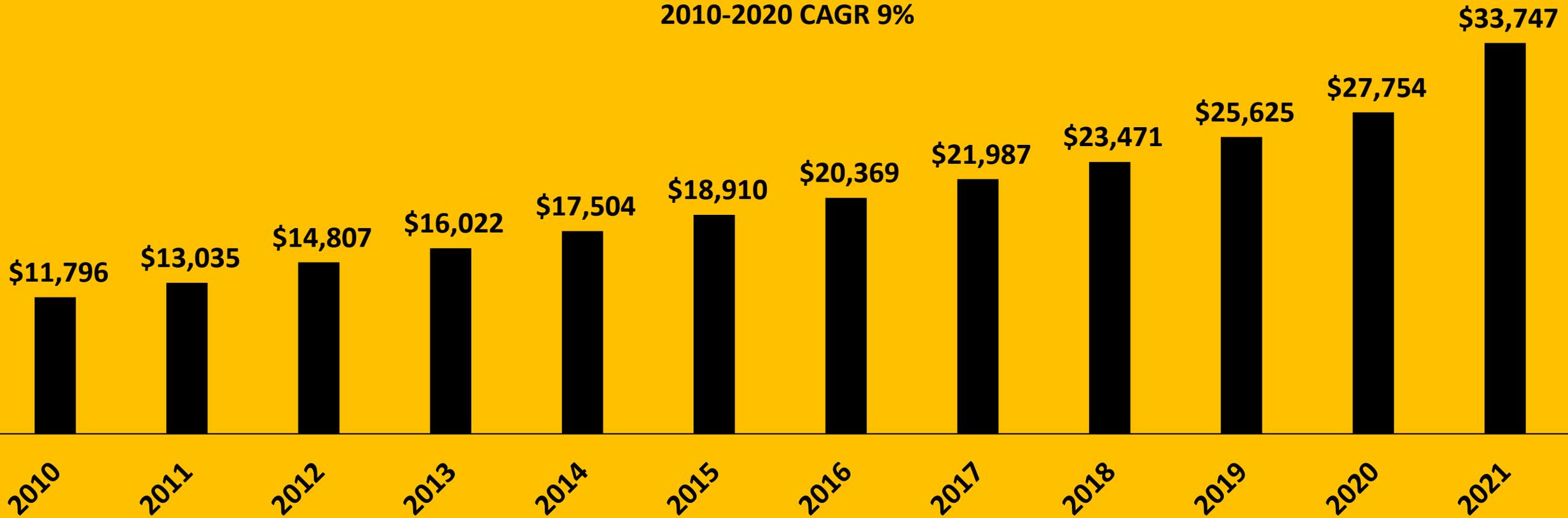
- Seasonal items, Essential goods, Home products, Apparel
- At everyday low prices at \$10 or less



Predictable and Consistent

Revenue

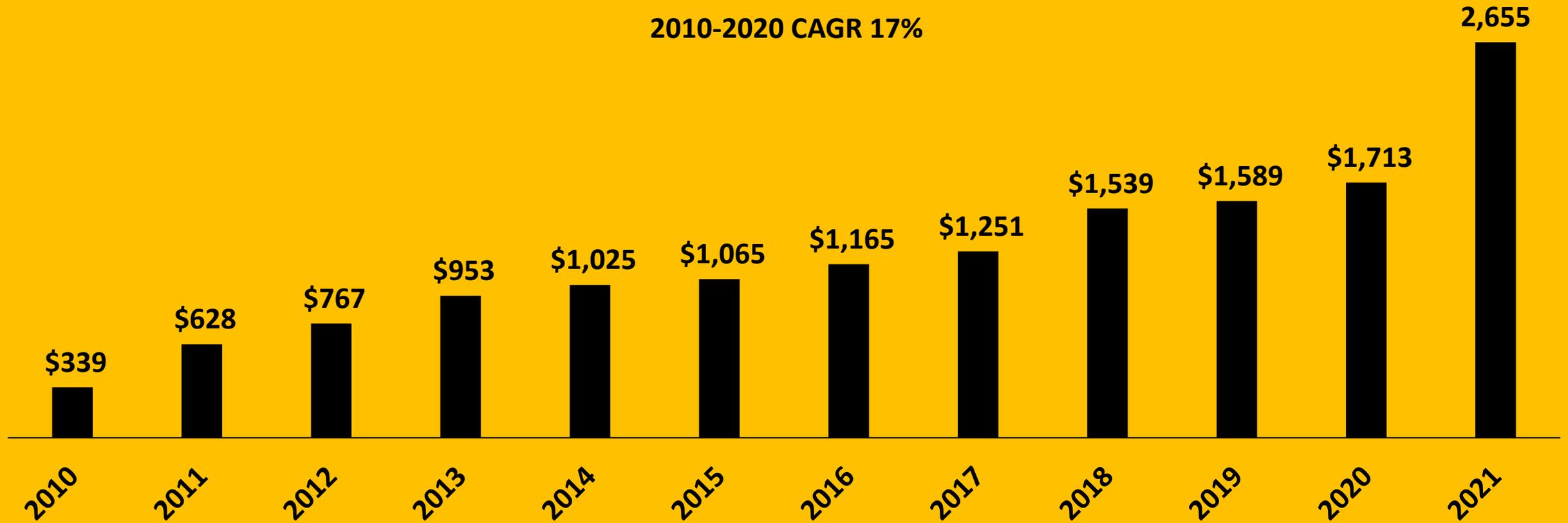
2010-2020 CAGR 9%



Predictable and Consistent

Net Income

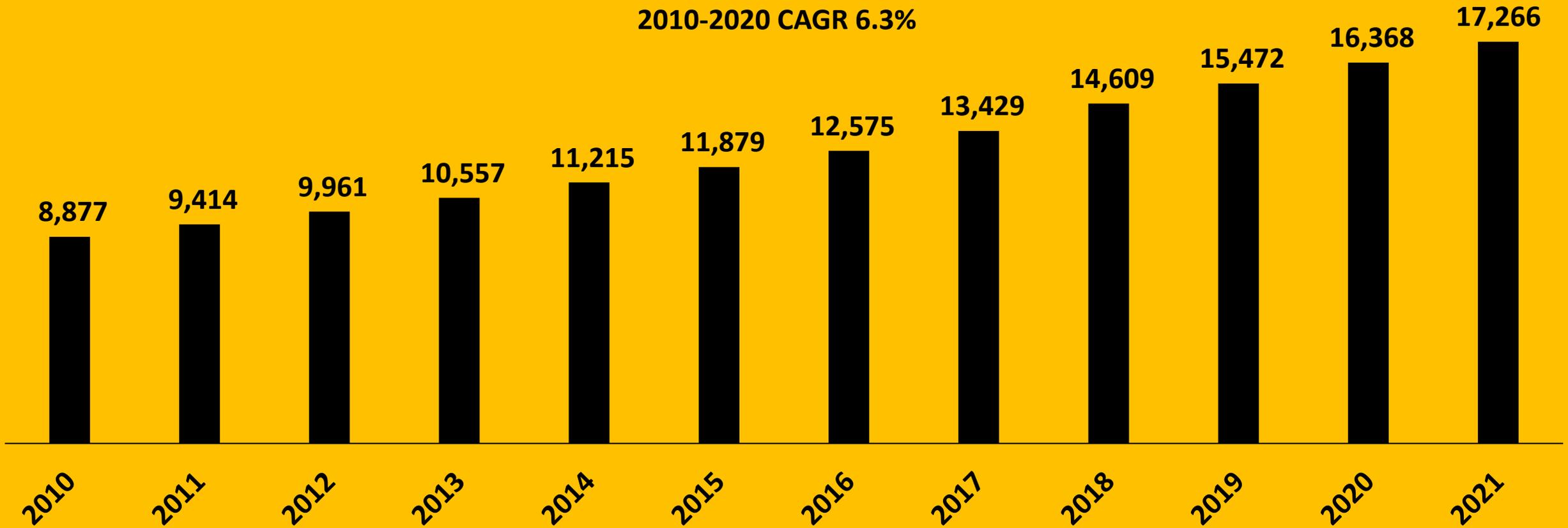
2010-2020 CAGR 17%



Predictable and Consistent

Number of Stores

2010-2020 CAGR 6.3%



What Makes Dollar General Successful?

- Providing essential goods
- Everyday Low Prices and Quality Merchandise
- Convenient Locations
- 75% of stores located in towns with less than 20,000 people
- 75% of Americans live within 5 miles of a DG
- Time Saving Shopping Experience



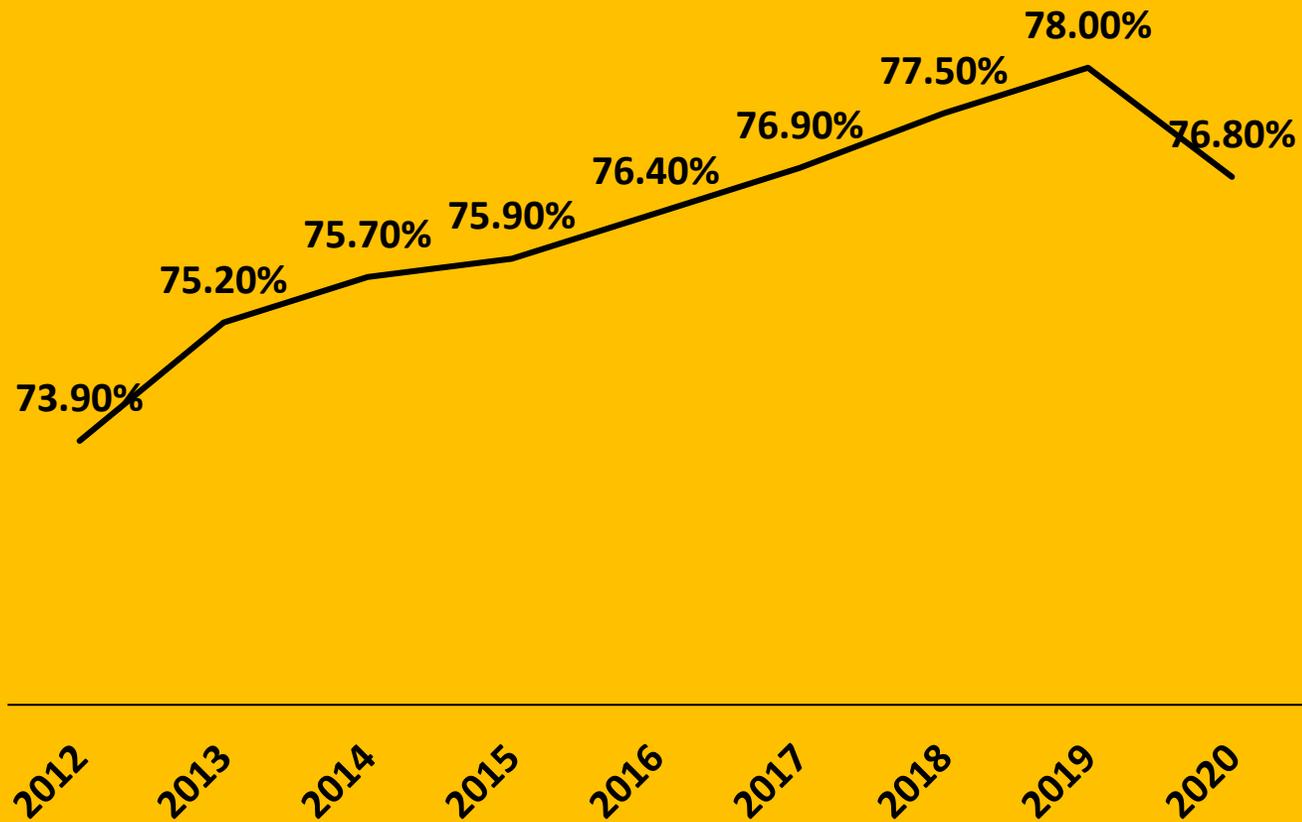
What Makes Dollar General Successful?

- Seek value and convenience
- Focused buying power
- Low-cost operations 3-4 employees
- Target low-income customers
- Strategic merchandise
- Low absolute dollar price
- Ability to maintain high margins

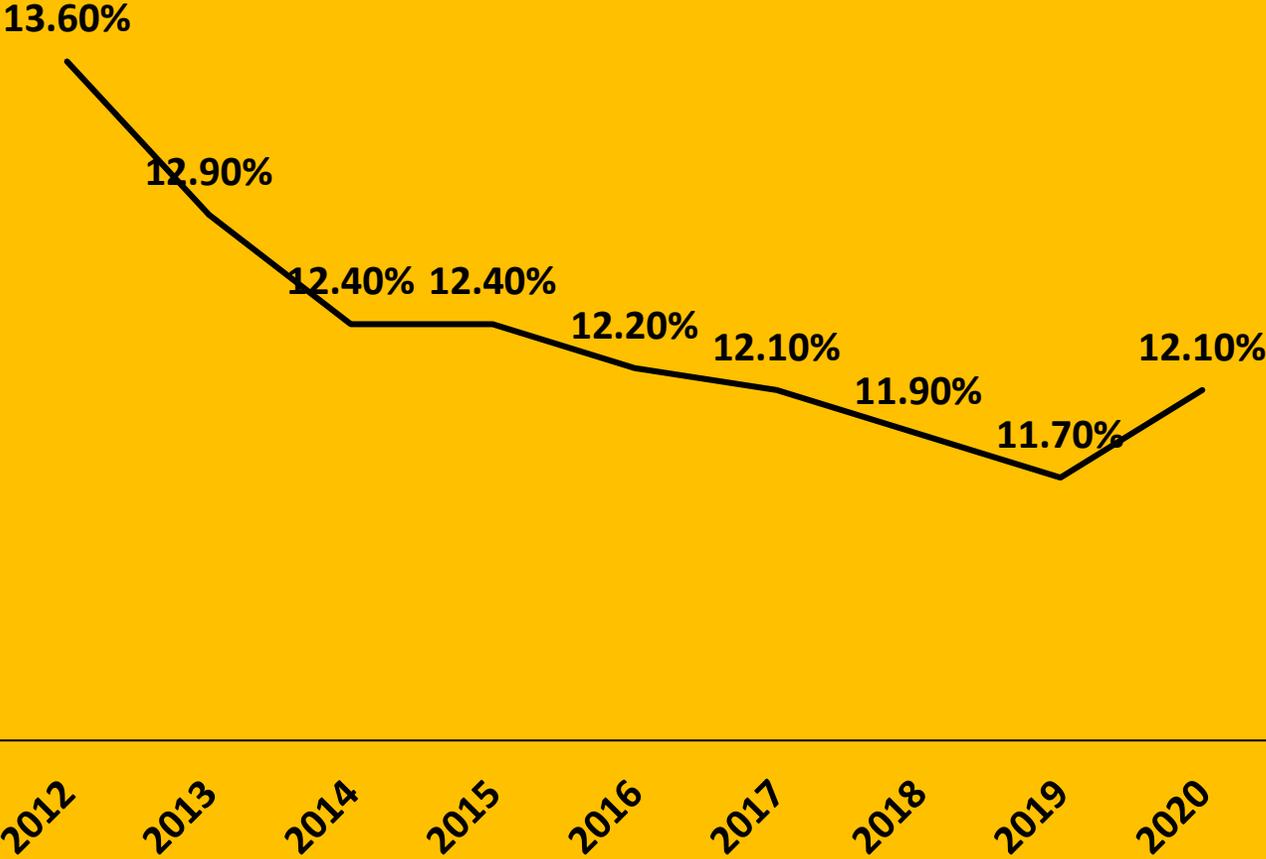


Company Breakdown

Consumables Category



Seasonal Category



DOLLAR GENERAL
Save time. Save money. Every day!®

NET10 WIRELESS

\$40 UNLIMITED
TALK, TEXT, DATA
WITH 1GB HIGH SPEED
DOWNLOAD

sale \$69
NET10 N700 II
4.3" screen, 8MP camera, 1GB RAM, 16GB storage, 1.5 GHz processor, 1.5 GHz processor, 1.5 GHz processor

sale \$10
NET10 LG440
4.3" screen, 2MP camera, 1GB RAM, 16GB storage, 1.5 GHz processor, 1.5 GHz processor, 1.5 GHz processor

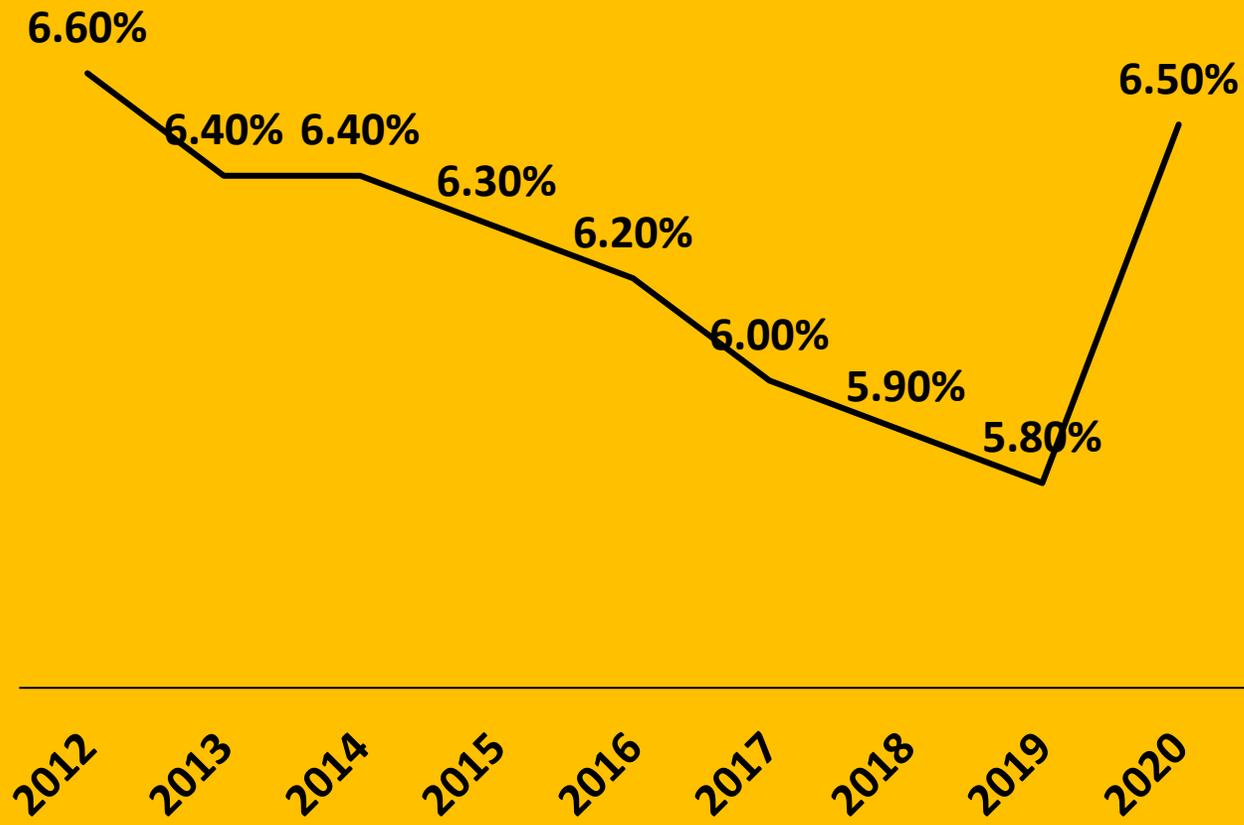
sale \$19
NET10 OPTIMUS FUEL™
4.3" screen, 8MP camera, 1GB RAM, 16GB storage, 1.5 GHz processor, 1.5 GHz processor, 1.5 GHz processor

www.DollarGeneral.com/wireless

EVERYTHING'S \$1

50% Off Valentines Starts 2/15

Home Products Category



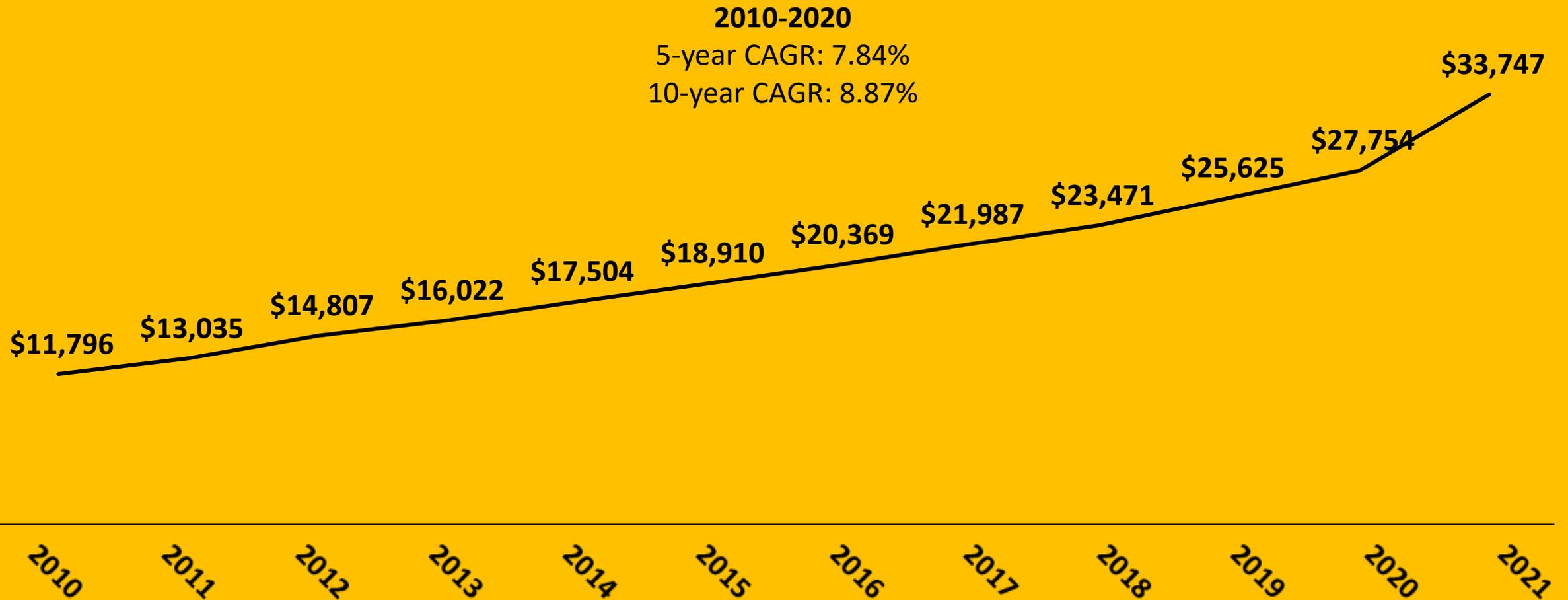
Apparel Category



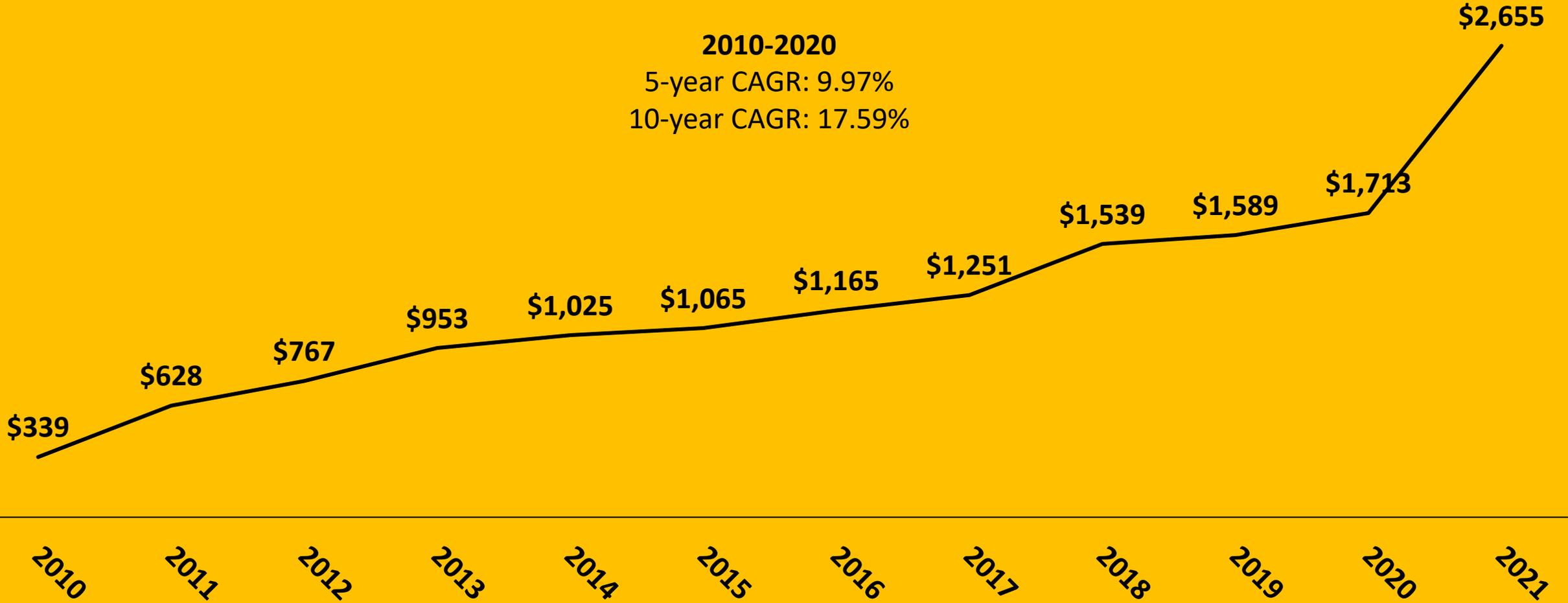
2012 2013 2014 2015 2016 2017 2018 2019 2020

Interpretations of Financial Statements

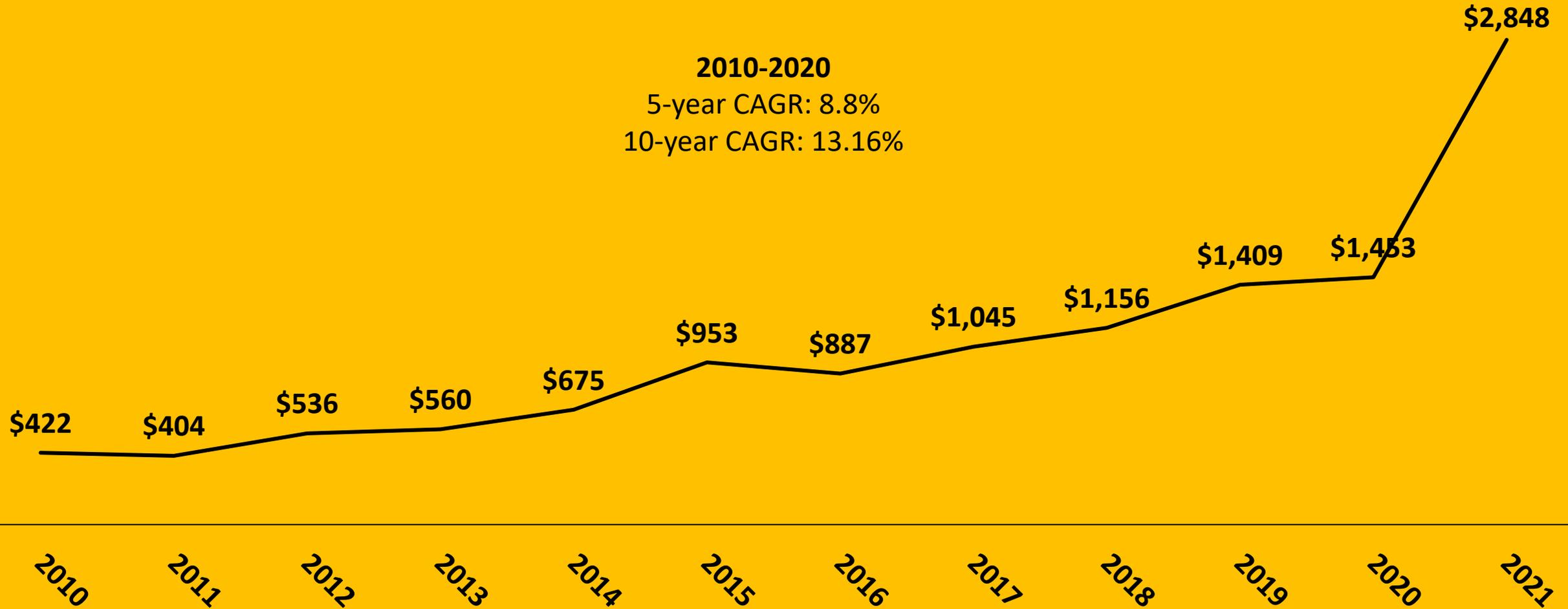
Revenue



Net Income



Free Cash Flow



Gross Profit Margin

Above 40%

Year	Gross Profit Margin (%)
2010	31.28
2011	32.04
2012	31.73
2013	31.74
2014	31.05
2015	30.69
2016	30.96
2017	30.85
2018	30.77
2019	30.45
2020	30.59
2021	31.76

2010

2011

2012

2013

2014

2015

2016

2017

2018

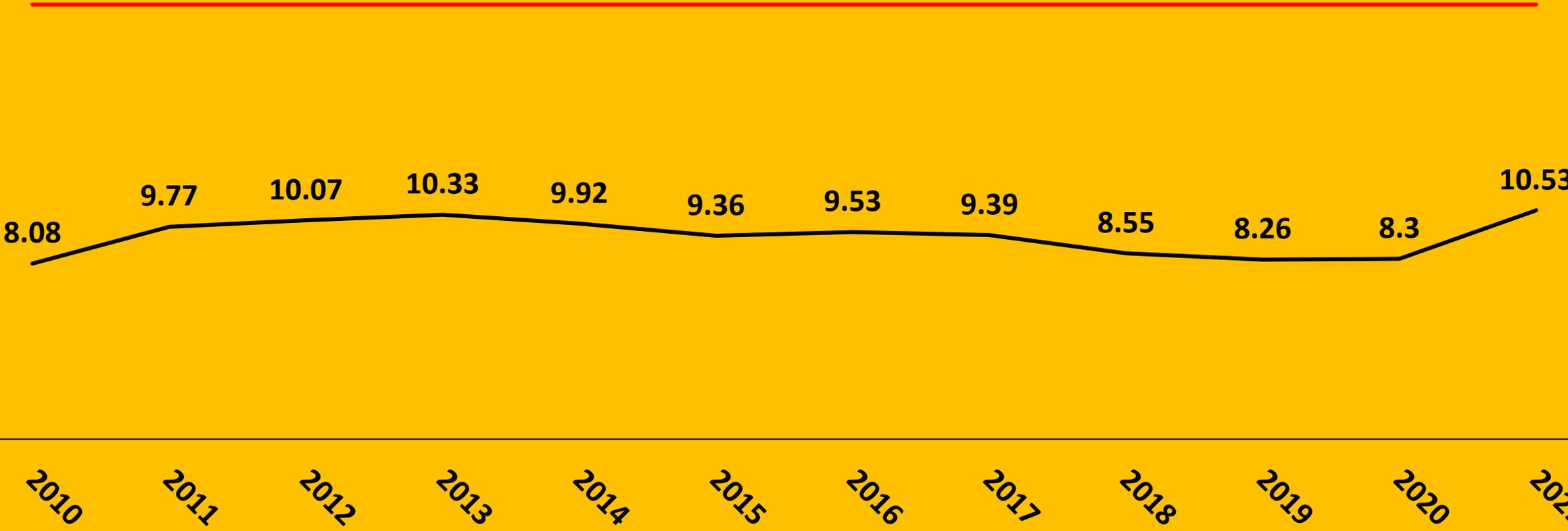
2019

2020

2021

Operating Margin

Above 20%



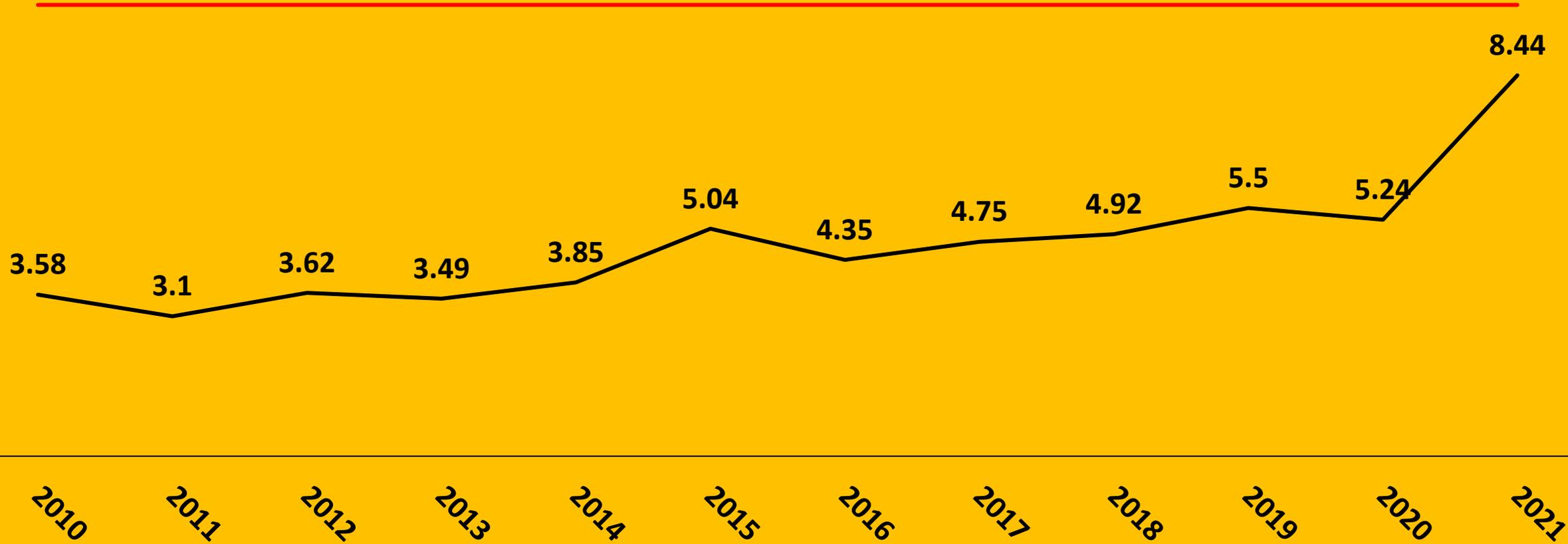
Net Margin

Above 10%



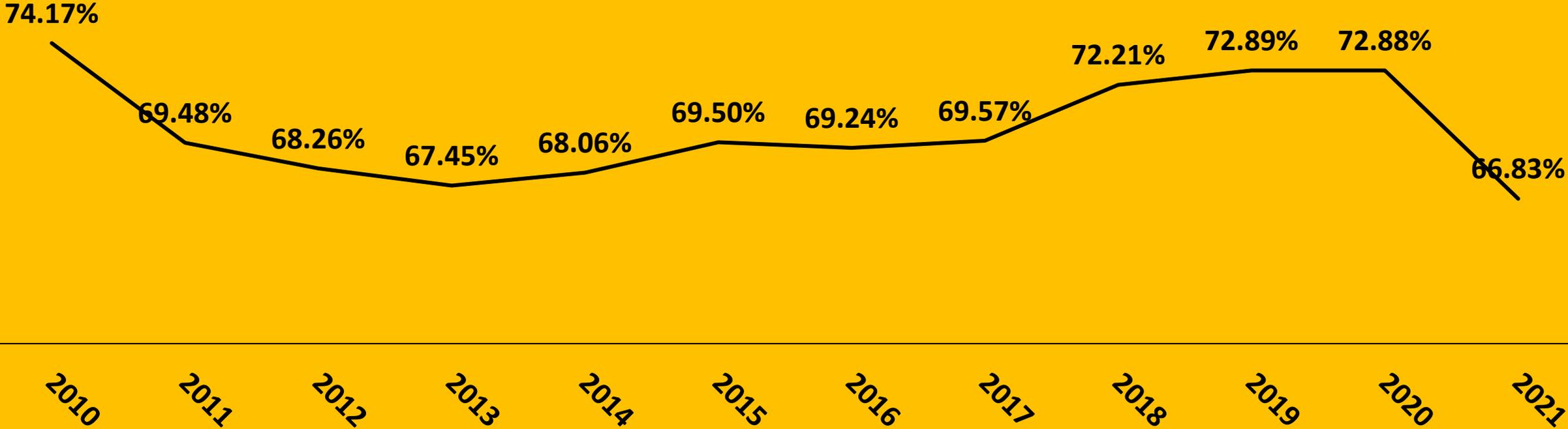
Free Cash Flow Margin

Above 10%



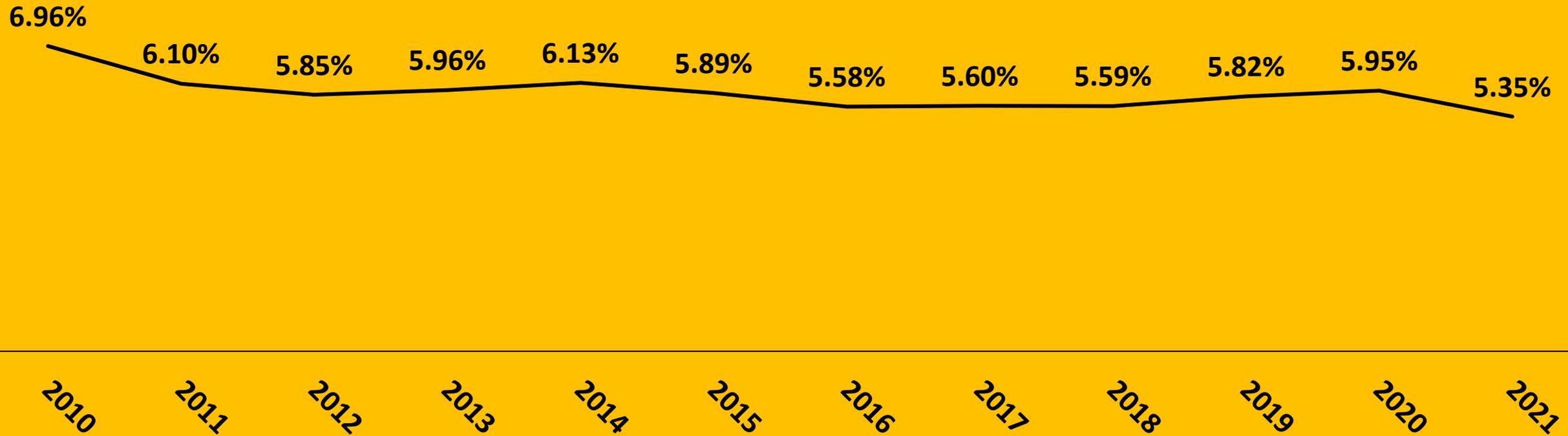
Selling General & Administration to Gross Profit

Below 80%

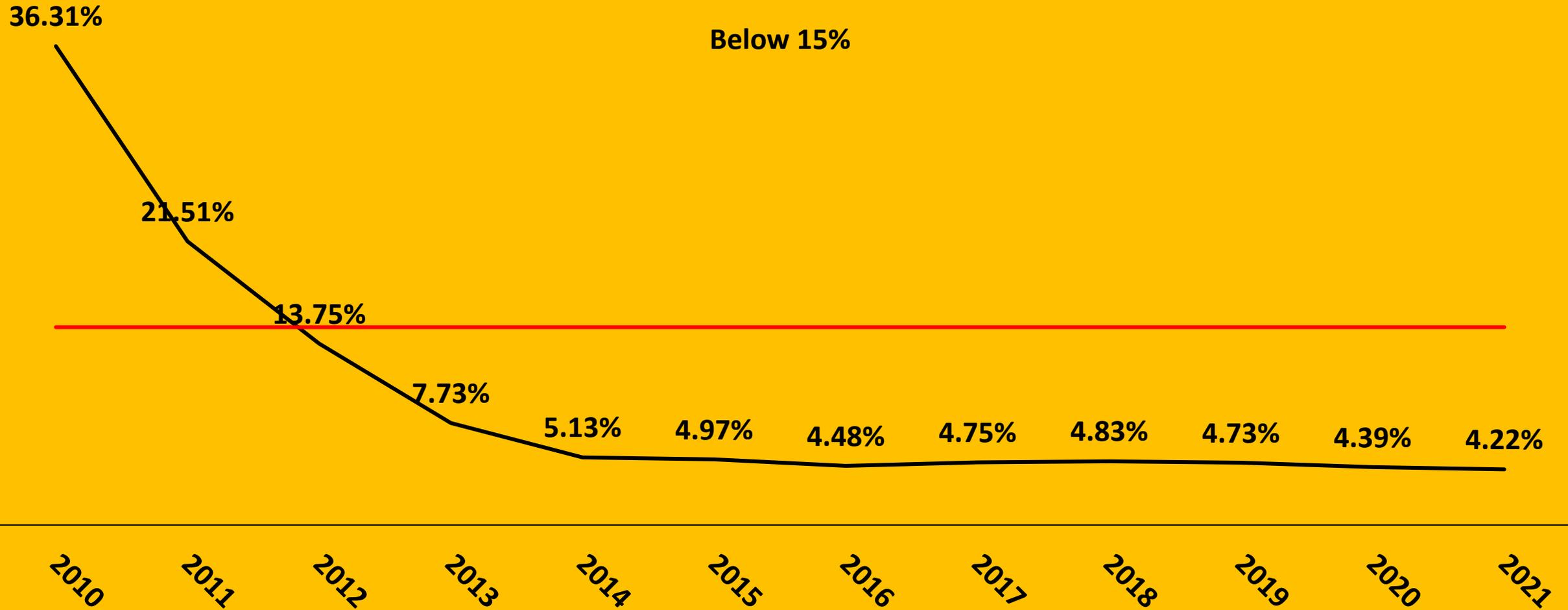


Depreciation and Amortization to Gross Profit

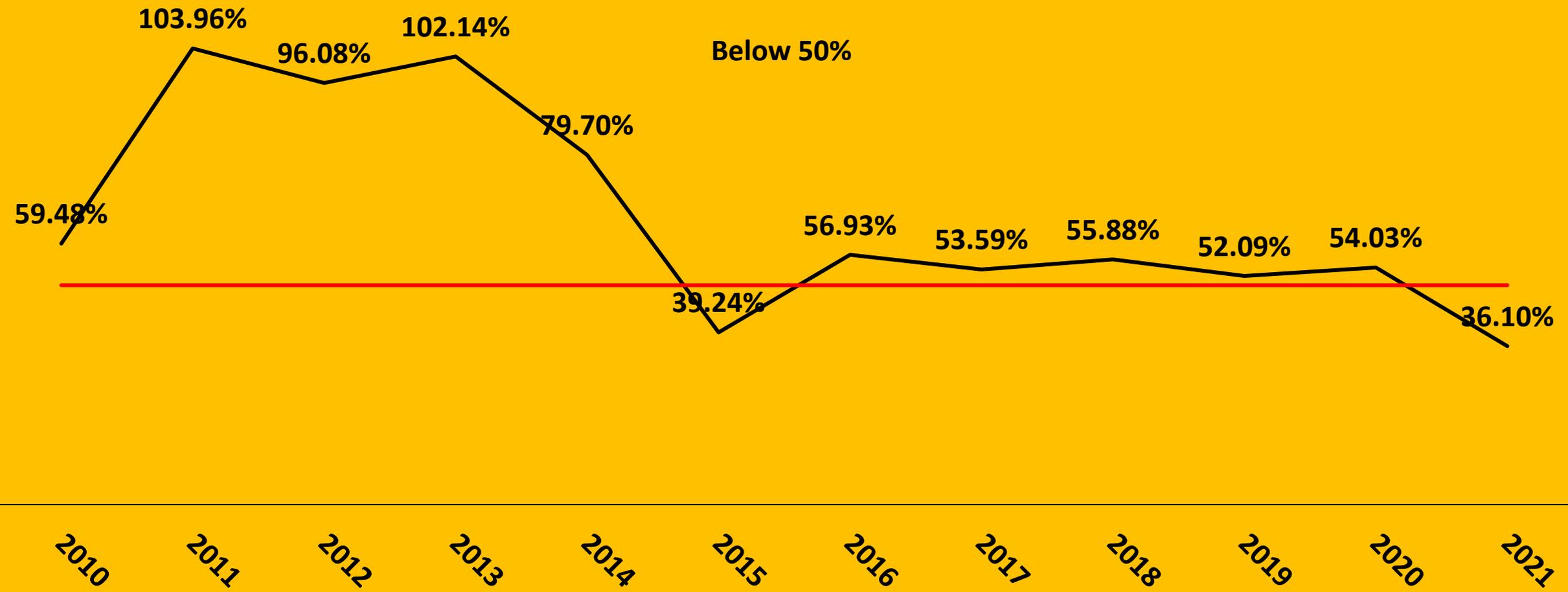
Below 10%



Interest Expense to Operating Income



Capital Expenditures to Free Cash Flow



Obligation Ratio

+ Total Debt	+ 4,132 million
+ Leases x7	+\$ 1,313 million x 7
+ Pension Shortfall	+ 0
+ Preferred Stock	+ 0
- Cash Assets	- \$2,199.4 million

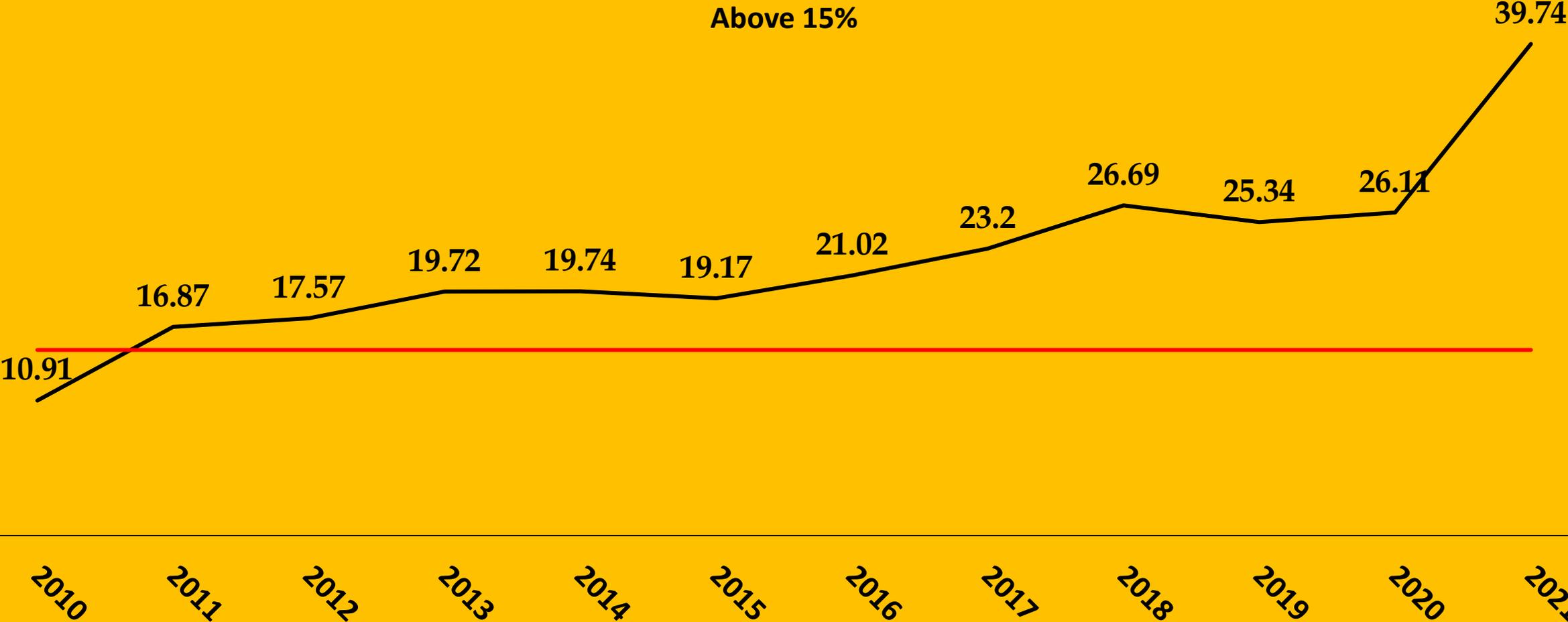
Sum / Net Income = __

/ = 4.189 years

Debt Maturities

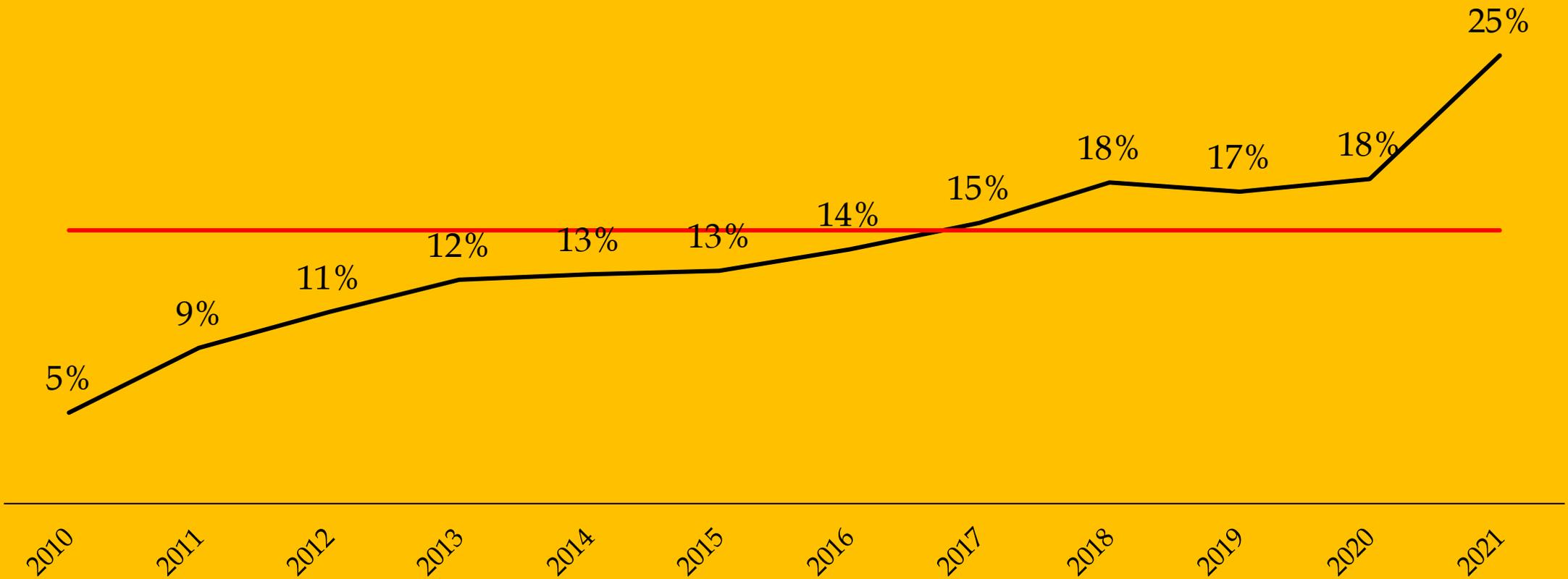
Contractual Obligations	Total	< 1 year	1-3 years	3-5 years	5+ years
Long-term debt obligations	\$4,164,365	\$4,127	\$913,765	\$513,722	\$2,732,751
Interest	\$1,431,214	\$153,876	\$284,119	\$242,921	\$750,298
Self-insurance Obligations	\$245,086	\$110,383	\$87,880	\$30,310	\$16,513
Operating lease obligations	\$11,366,117	\$1,419,082	\$2,672,507	\$2,337,755	\$4,936,335
Subtotal	\$17,206,782	\$1,687,468	\$3,958,271	\$3,124,708	\$8,436,335

Return on Equity



Return on Capital

Above 15%



Risk Factors

Competition

Retail Competitors

- Discount retailers
- Warehouse clubs
- Grocery stores
- Drug stores
- Convenience stores

What Dollar General Competes For

- Price
- Merchandise Selection
- Suppliers
- Location
- Convenience



Walmart



Retail Apocalypse

- The world is becoming more digitalized
- Less people are shopping in stores
- Online convenience

Competitors Like Amazon

- Free one day shipping on items as little as \$1
- 45% discount for people on welfare or food stamps



Covid-19

Phenomenal 2020 Results

- Covid benefited Dollar General
- Sales growth up 20%
- Profit growth of 50%

Fiscal 2021

- Over earning uncertainty
- Can they continue to replicate this growth?

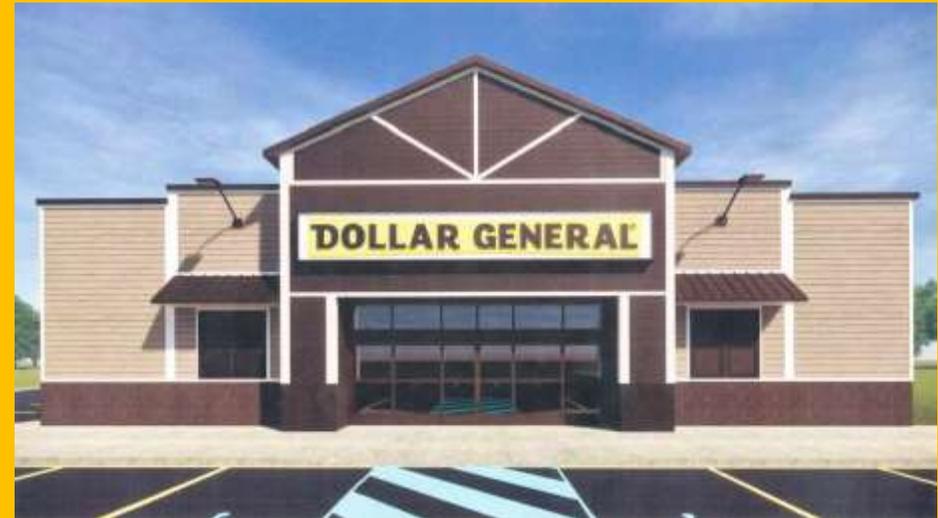


Economic Moat

Operating Efficiency

Low-Cost Operations

- Limited manpower in the store
- 3-4 employees working at a time
- Low maintenance requirement costs
- Lease infrastructure to expand fast and reduce short-term costs
- Less upfront cost with flexibility to change locations



Targeted Customers

- Targets customers with annual income of \$40,000 or less
- Buys inventory wholesale
- Breaks down packages into smaller units
- Limited number of items in a wide range of categories
- Carries better margins for retailers and manufacturers



Buying Power

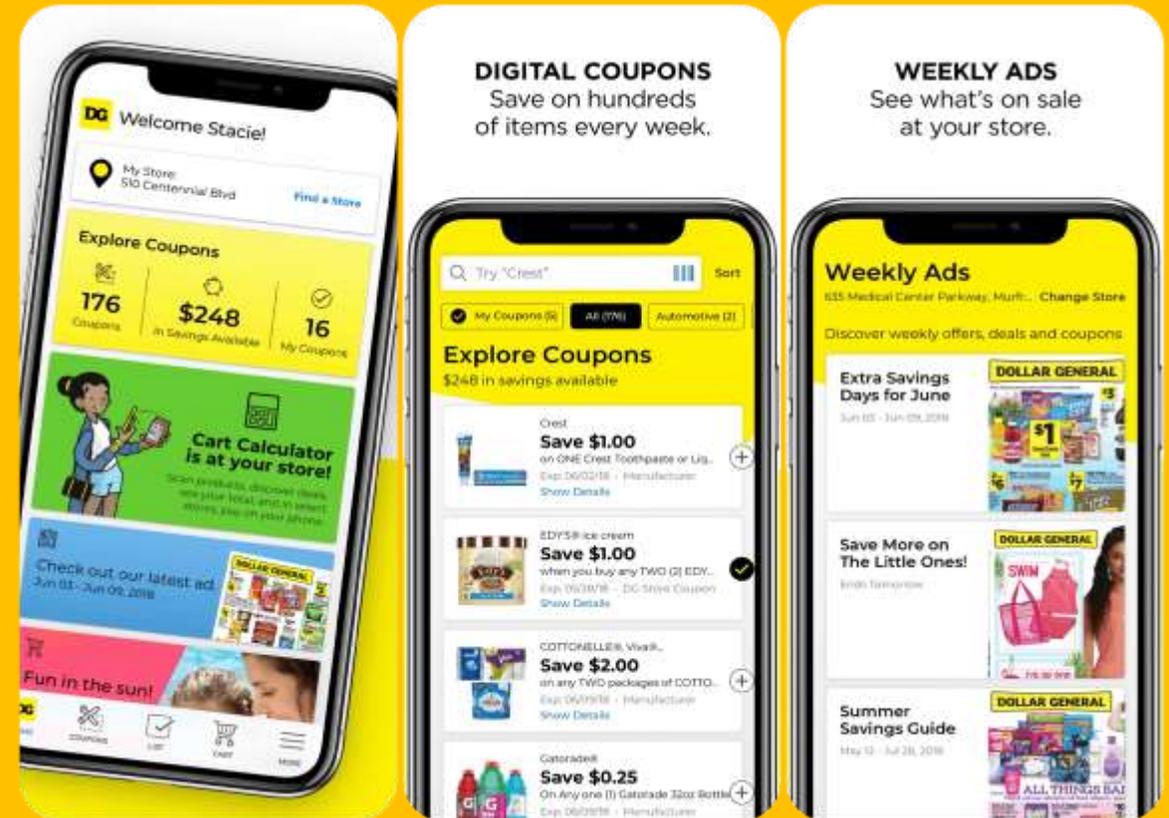
- Operates with SKU ranging from 10,000-12,000
- Offers more focused selection than larger-format competition
- Both private label and national advertised products
- Reduces costs while prioritizing the firm's buying power on specified items



Dollar General App

Dollar General App Adds:

- To cost edge and competitive standing
- Digital coupons and targeted advertising increase use of the app
- Testing cashier-less checkout in store using app
- Giving DG the ability to reduce labor costs even more



The Amazon Effect

E-Commerce Disruption

- Proximity to low-income consumers that value convenience
- Offers a “one stop” experience
- Consumers leverage time and fuel in a shopping trip
- Dollar General’s app growth opportunities



Convenience

- 75% of Americans are within a 5-mile distance to a Dollar General
- Located in towns of 20,000 people or less
- Establishes an advantaged network of locations
- Taken advantage of rural locations, which raises leverage against rivals



**Management
&
Capital Allocation**

Management Overview



Todd Vasos

CEO

2015 – Present

Joined DG in 2008

EVP, Merchandise



John Garratt

CFO

2015 – Present

Joined DG in 2014



Jeff Owen

COO

2019 – Present

Joined DG in 2015



Steve Sunderland

EVP, Store Ops

2019 – Present

Joined DG in 2014



Emily Taylor

EVP, Merchandise

2020 – Present

Joined DG in 1998

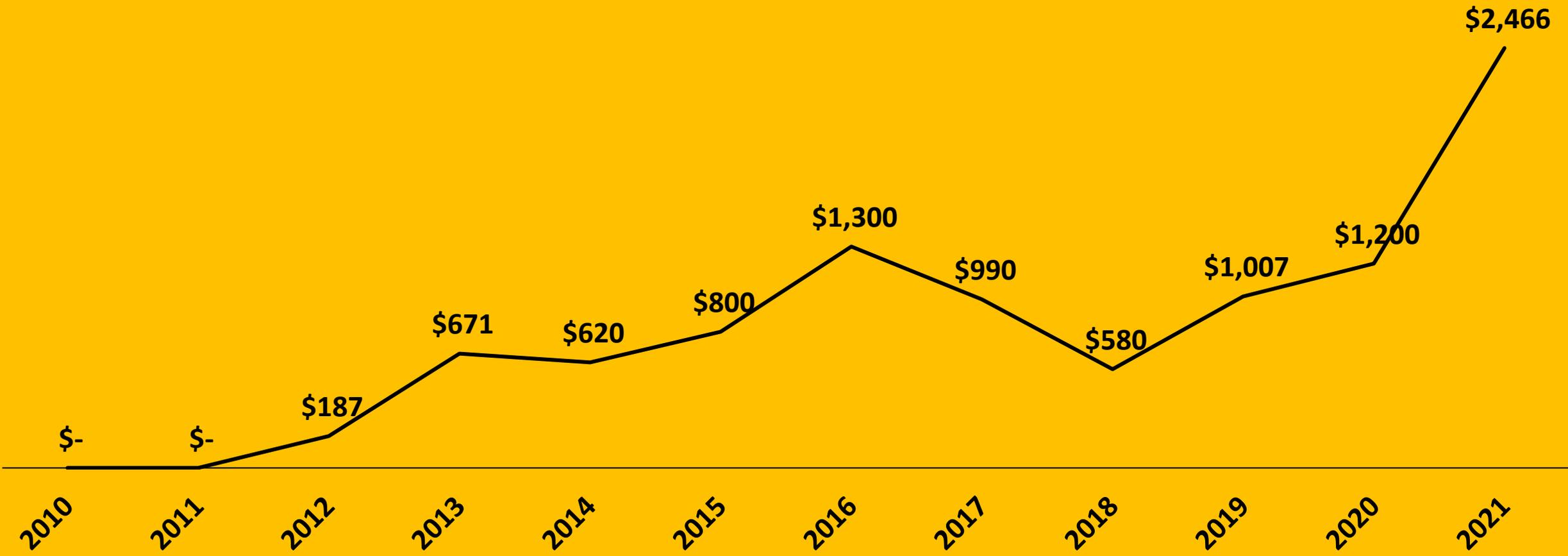
Insider Ownership

- Cal Turner Jr. – 9.4m shares - \$2.01B
- Todd Vasos – 245k shares – \$52.2M
- John Garratt – 31k shares – \$6.5M
- Jeff Owen – 43k shares – \$9.1M
- Steve Sunderland – 7.8k shares - \$1.7M

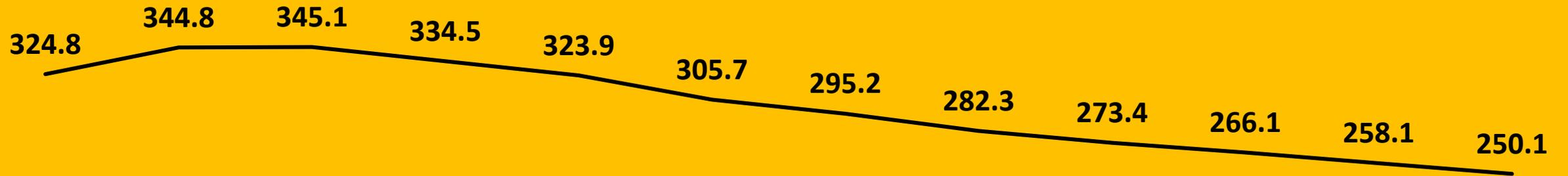
Officer Level	Multiple of Base Salary
CEO	6X
COO	4X
EVP	3X
SVP	2X

Combined, management/insiders owns about 5% of Dollar General
Above average for a company of this size

Share Repurchases



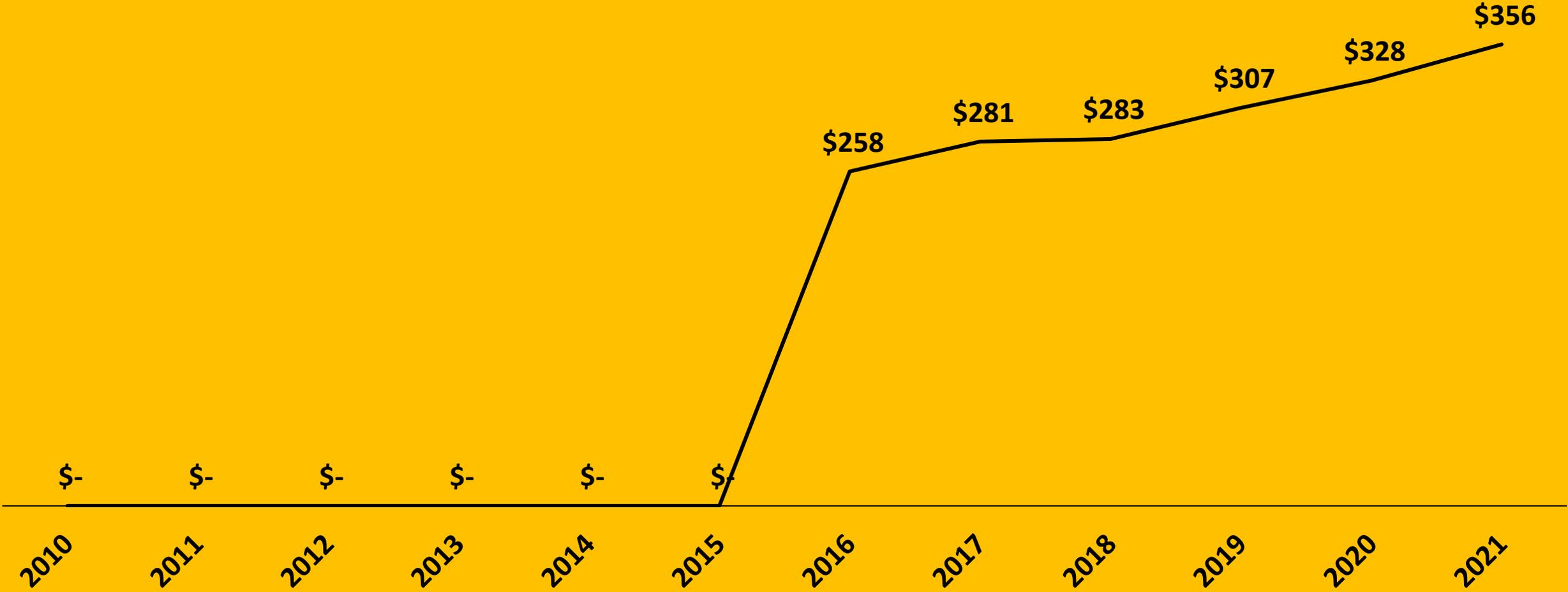
Shares Outstanding



2011-2021
5-year CAGR -3.26%
10-year CAGR -3.16%

2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

Dividends Paid

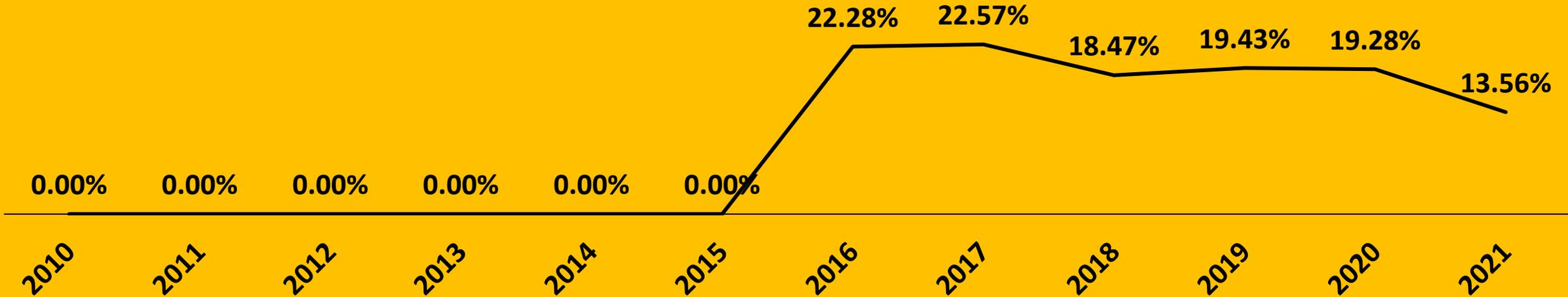


Dividends Per Share



Dividend Payout Ratio

Below 60%



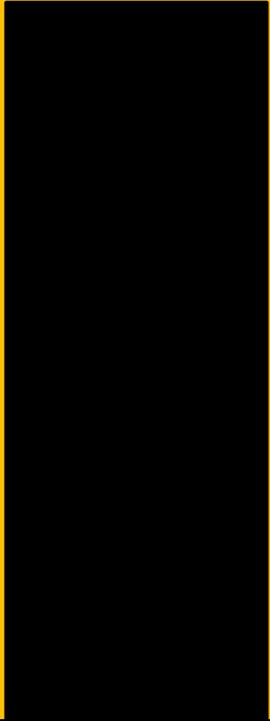
Direct Competitor Analysis

Direct Competitor Analysis

			
Market Cap (\$)	\$51.86B	\$27.39B	\$2.40B
# of Stores	17,266	15,685	1,408

Revenue

\$33.8B



\$25.5B



\$6.2B



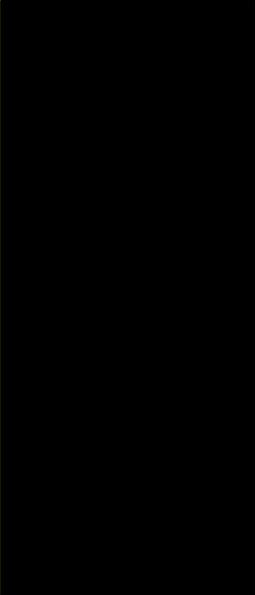
Dollar General

Dollar Tree

Big Lots

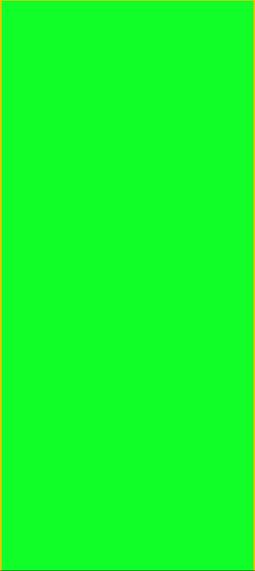
Gross Margin

31.8%



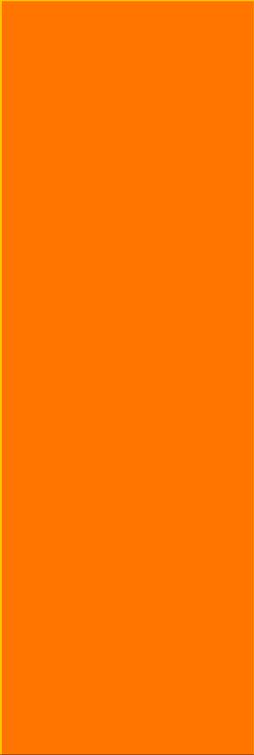
Dollar General

30.5%



Dollar Tree

40.3%



Big Lots

Operating Margin

10.5%



Dollar General

7.4%



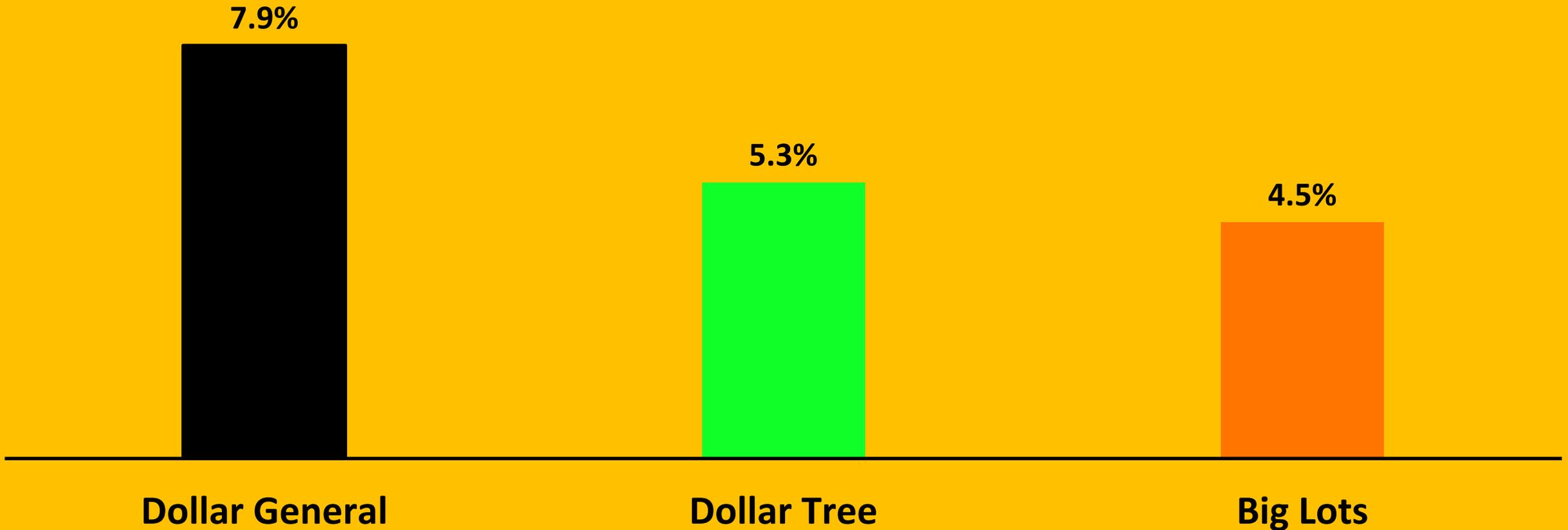
Dollar Tree

6.4%



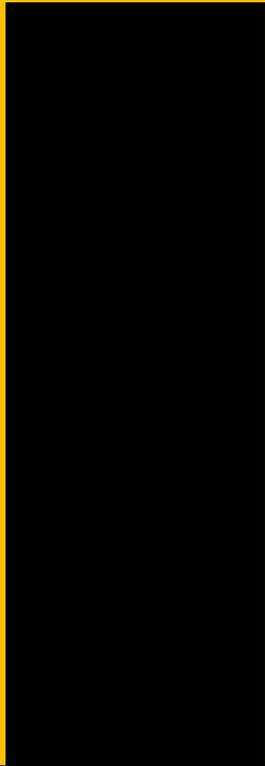
Big Lots

Net Profit Margin



Return on Equity

39.9%



Dollar General

18.4%



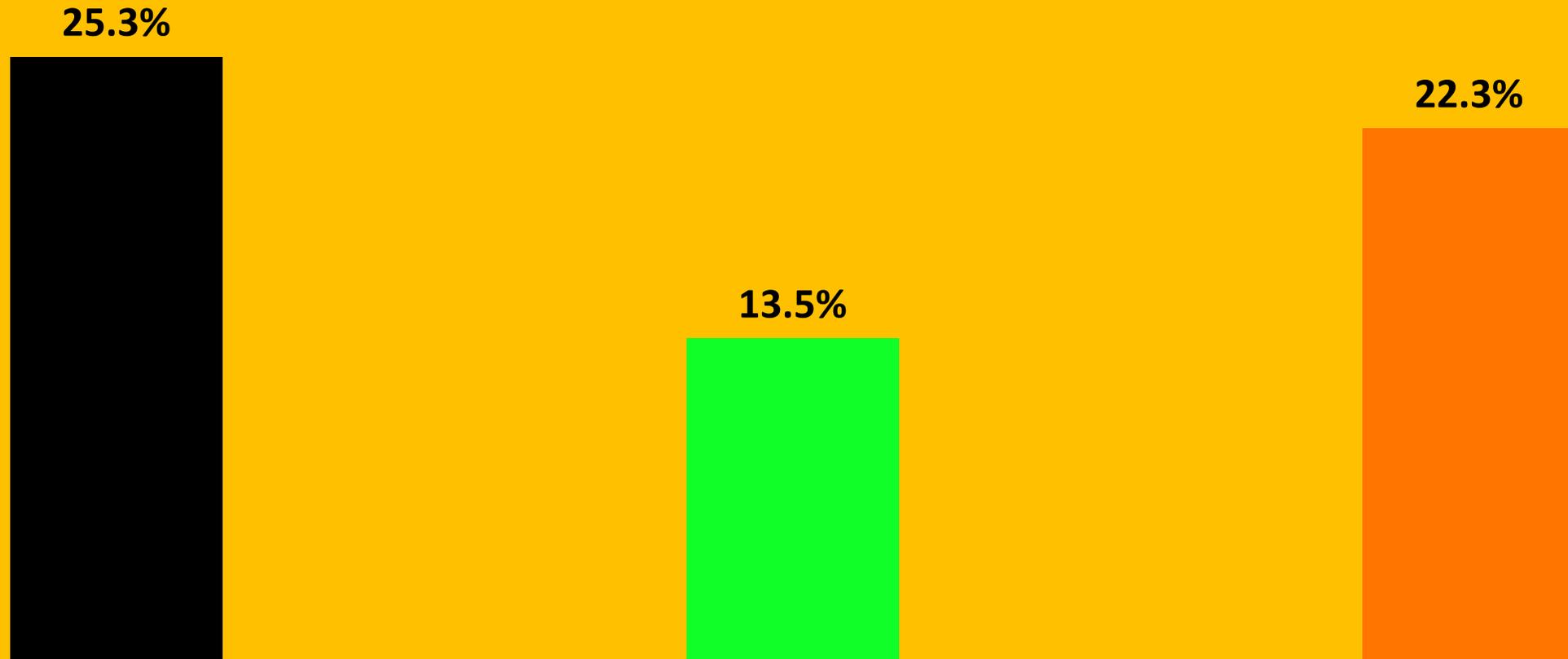
Dollar Tree

22.5%



Big Lots

Return on Capital



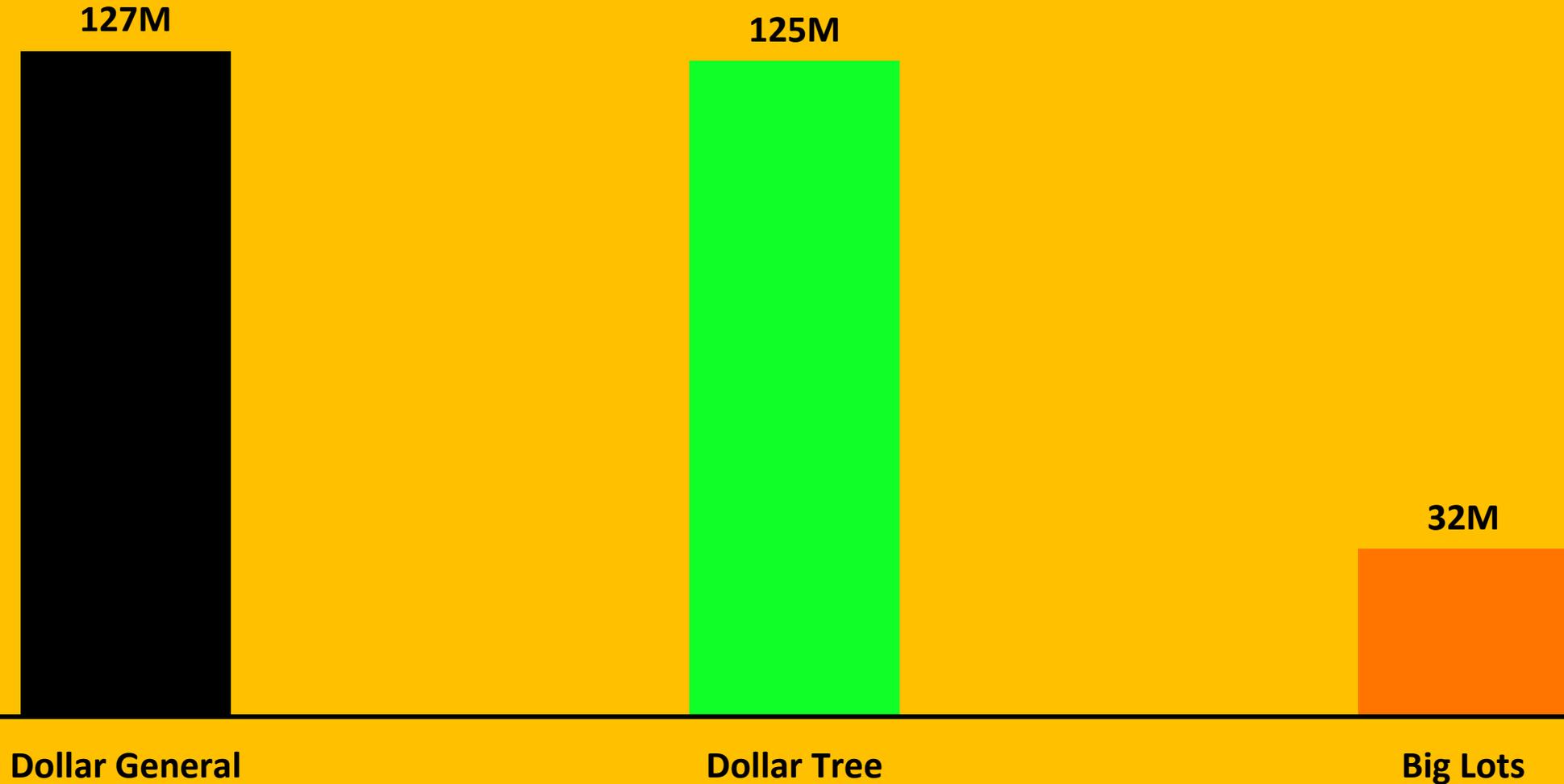
Dollar General

Dollar Tree

Big Lots

Industry Specific Metrics

Selling Square Feet



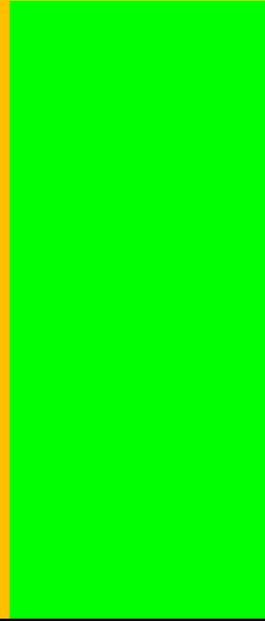
Sales per Square Foot

\$273



Dollar General

\$207



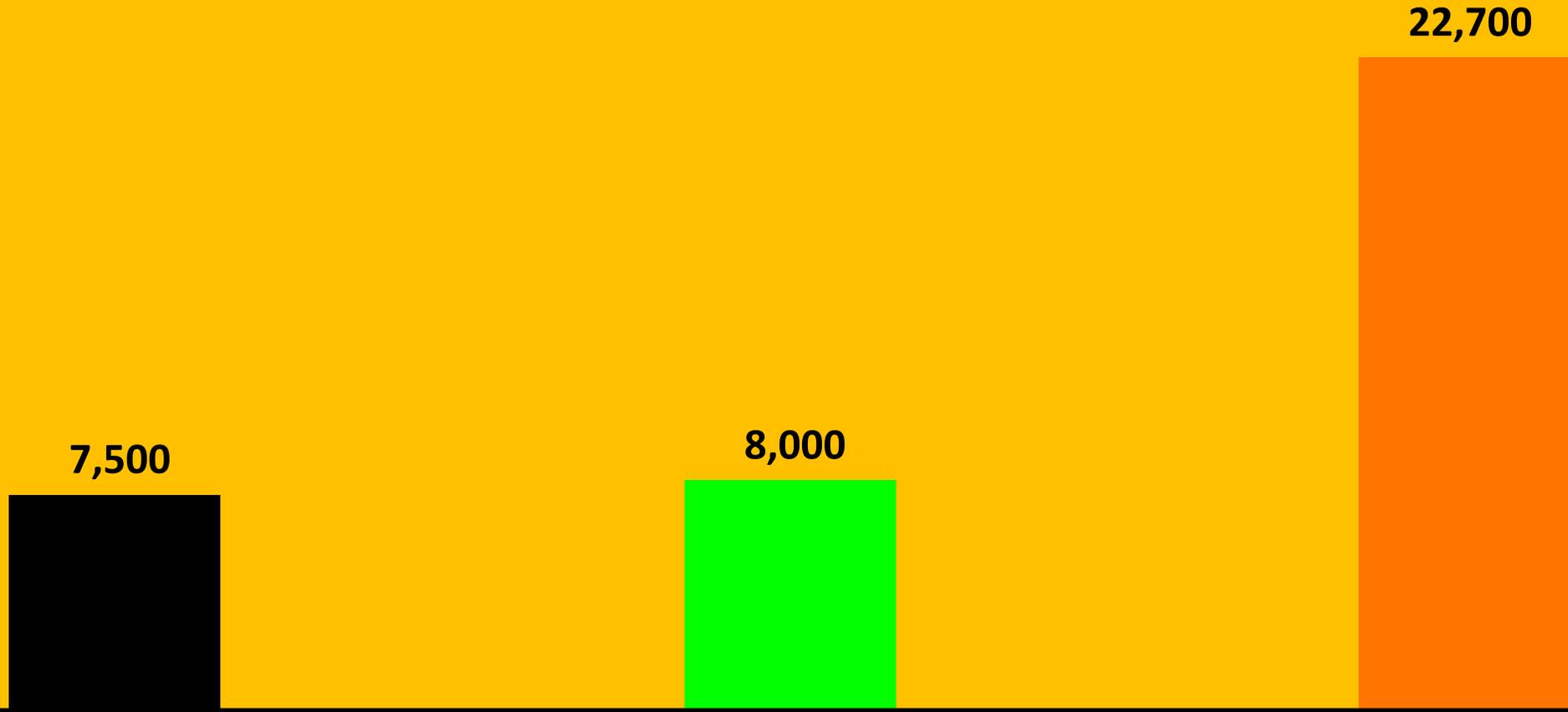
Dollar Tree

\$194



Big Lots

Average Square Footage per Store



Dollar General

Dollar Tree

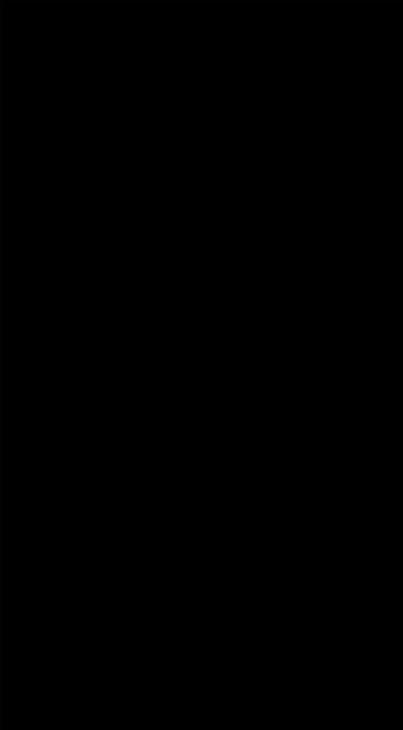
Big Lots

Average Sales per Store



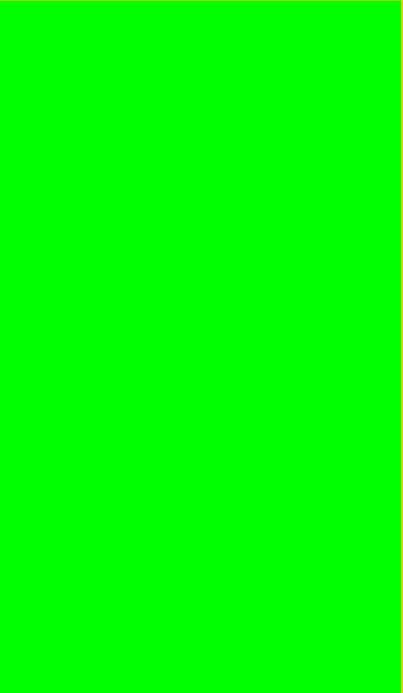
Sales per Employee

\$213,587



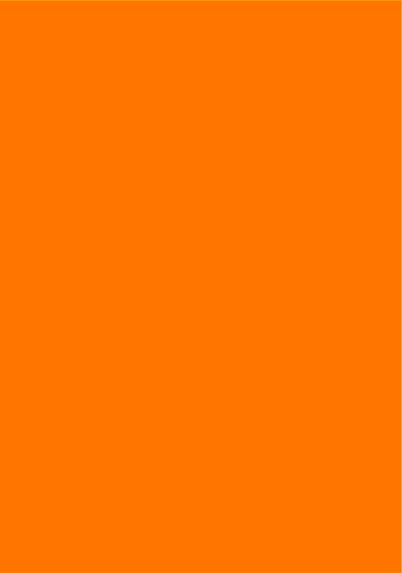
Dollar General

\$202,677



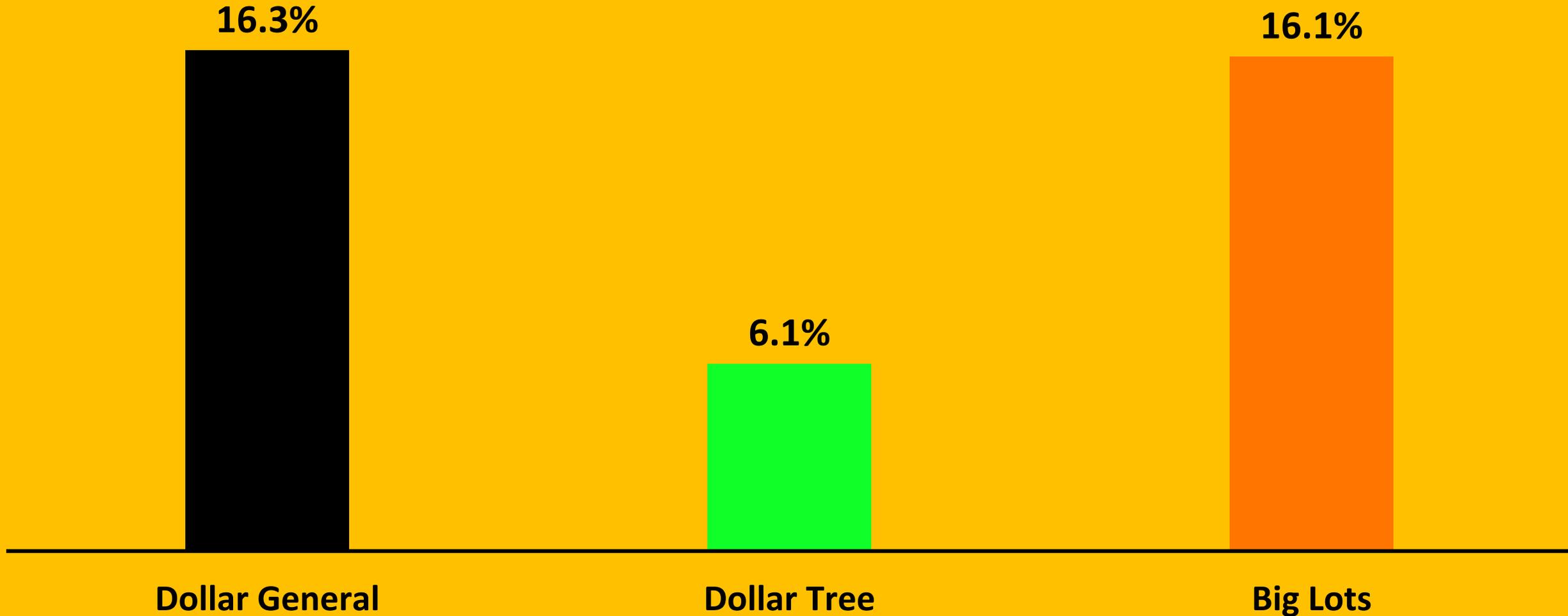
Dollar Tree

\$167,568

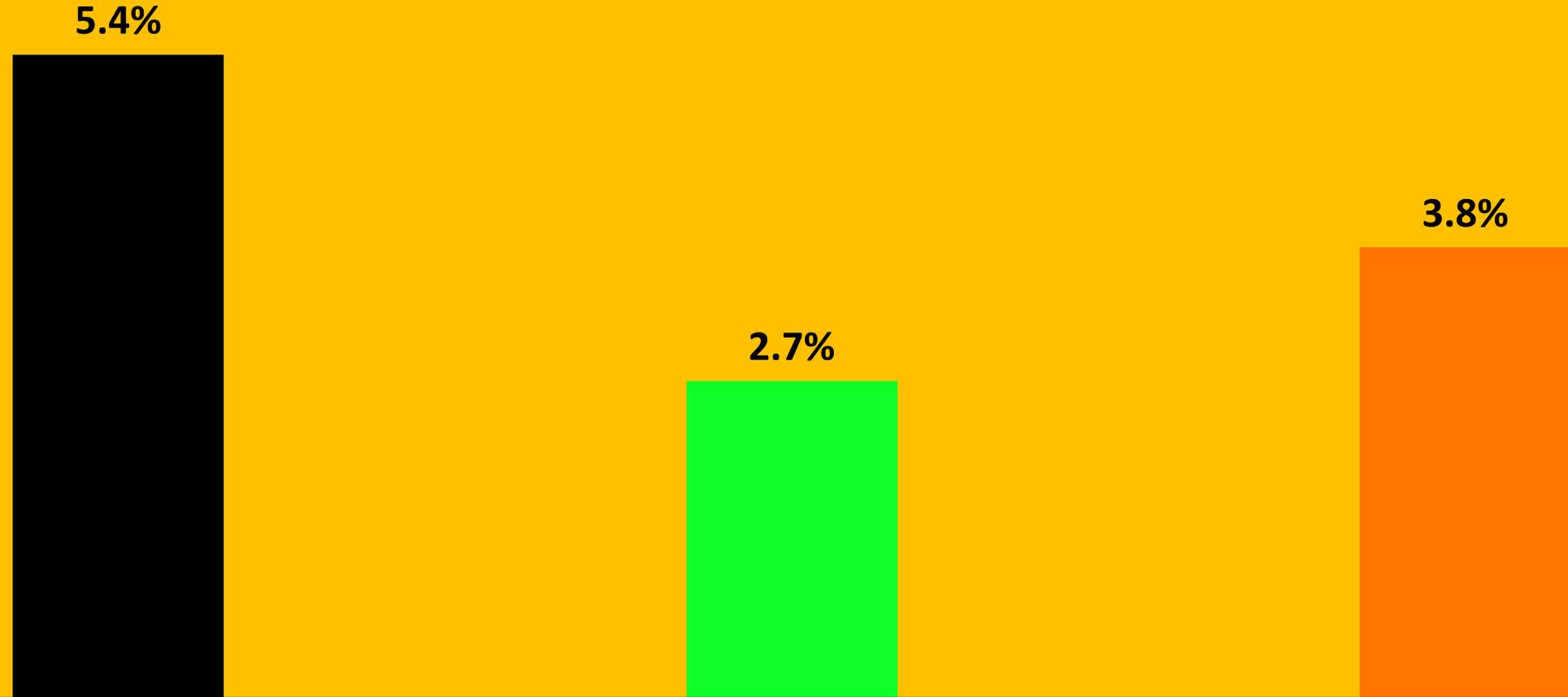


Big Lots

2020 Same Store Sales Growth



5-YR Same Store Sales Growth Avg.



Dollar General

Dollar Tree

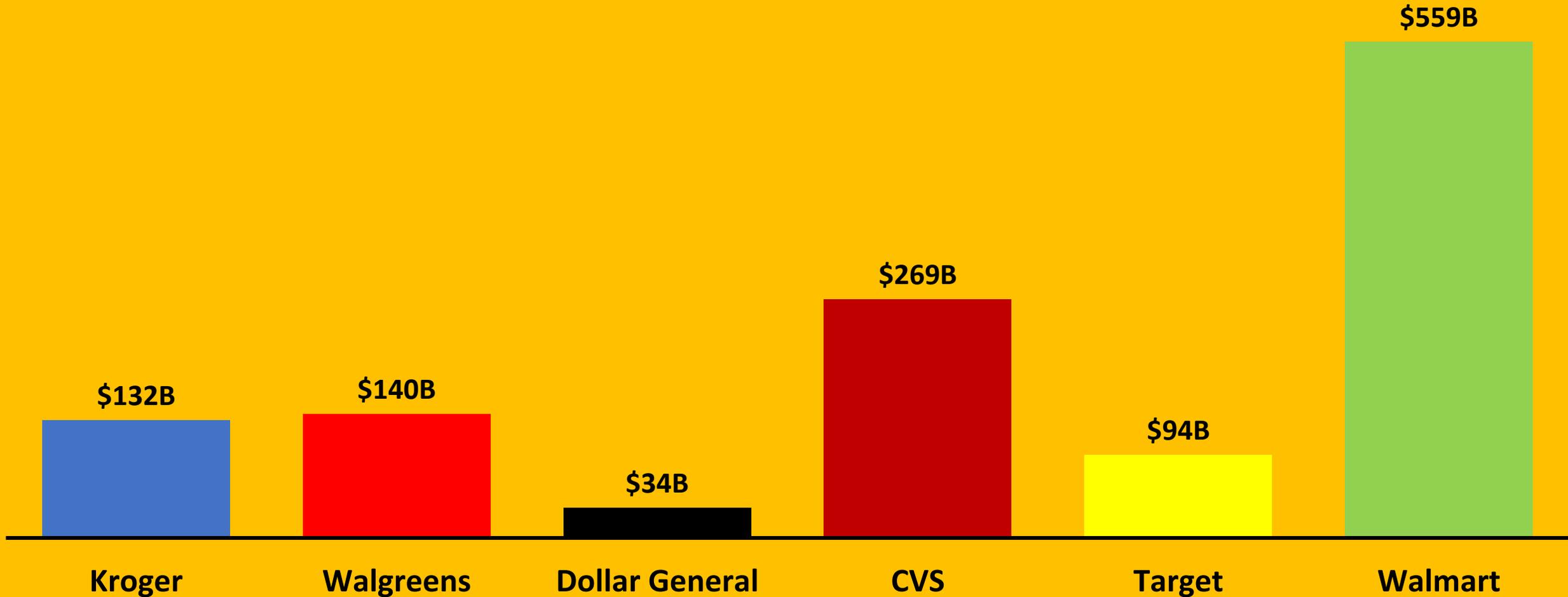
Big Lots

Expanded Competitor Analysis

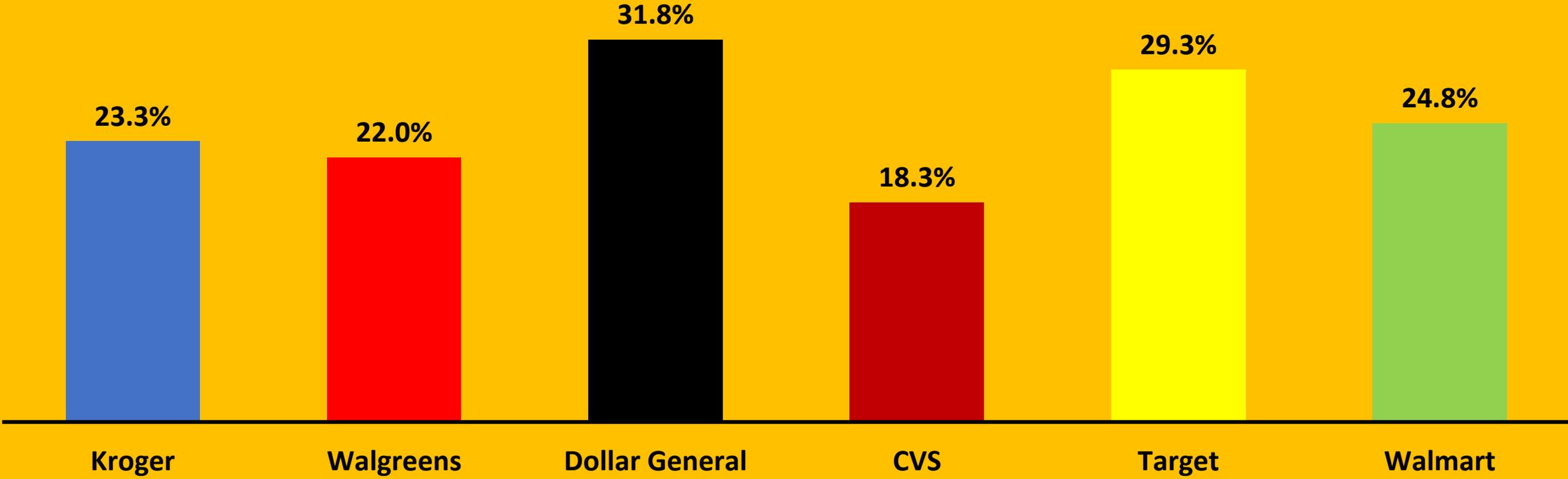
Expanded Competitor Analysis

						
Market Cap	\$51.86B	\$396.11B	\$103.99B	\$27.91B	\$46.07B	\$99.59B
# of Stores	17,266	11,443	1,897	2,742	21,000	9,962

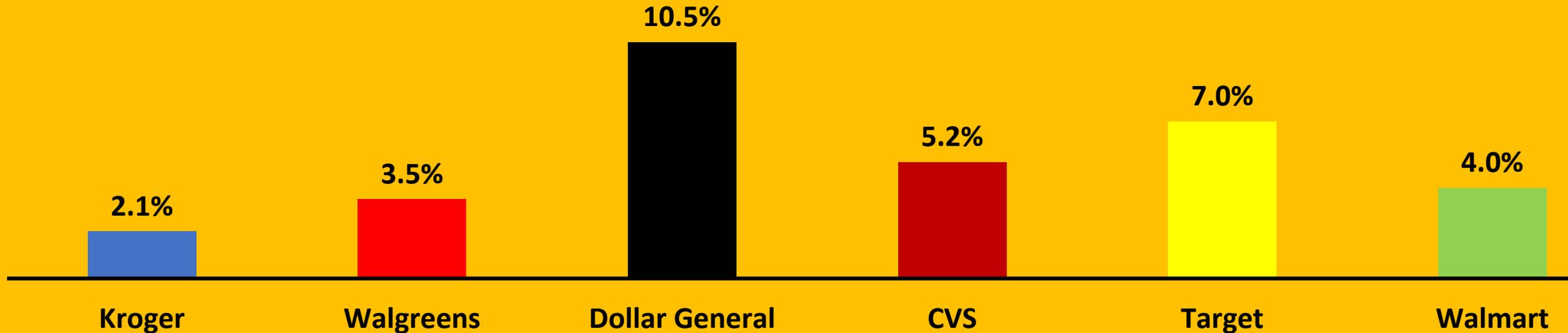
Revenue



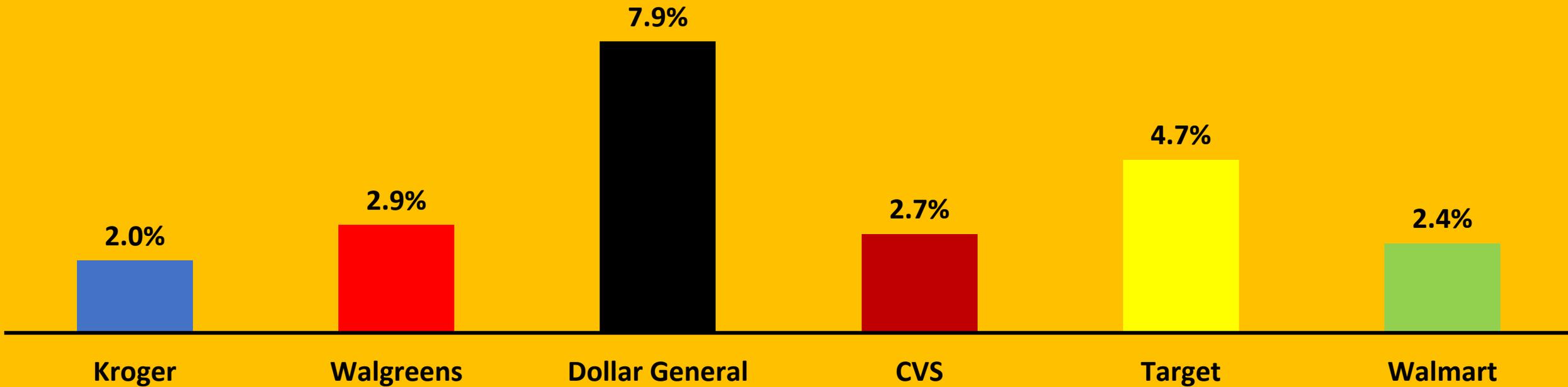
Gross Profit Margin



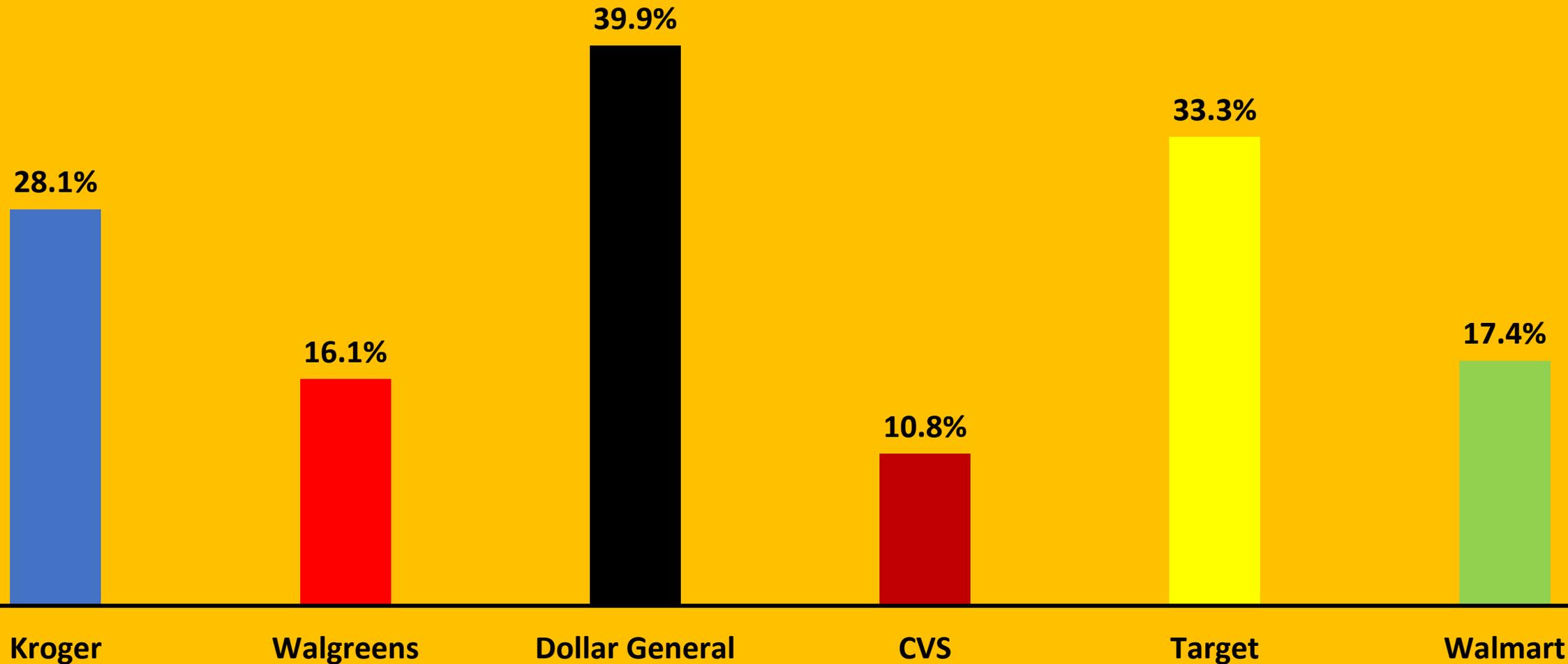
Operating Margin



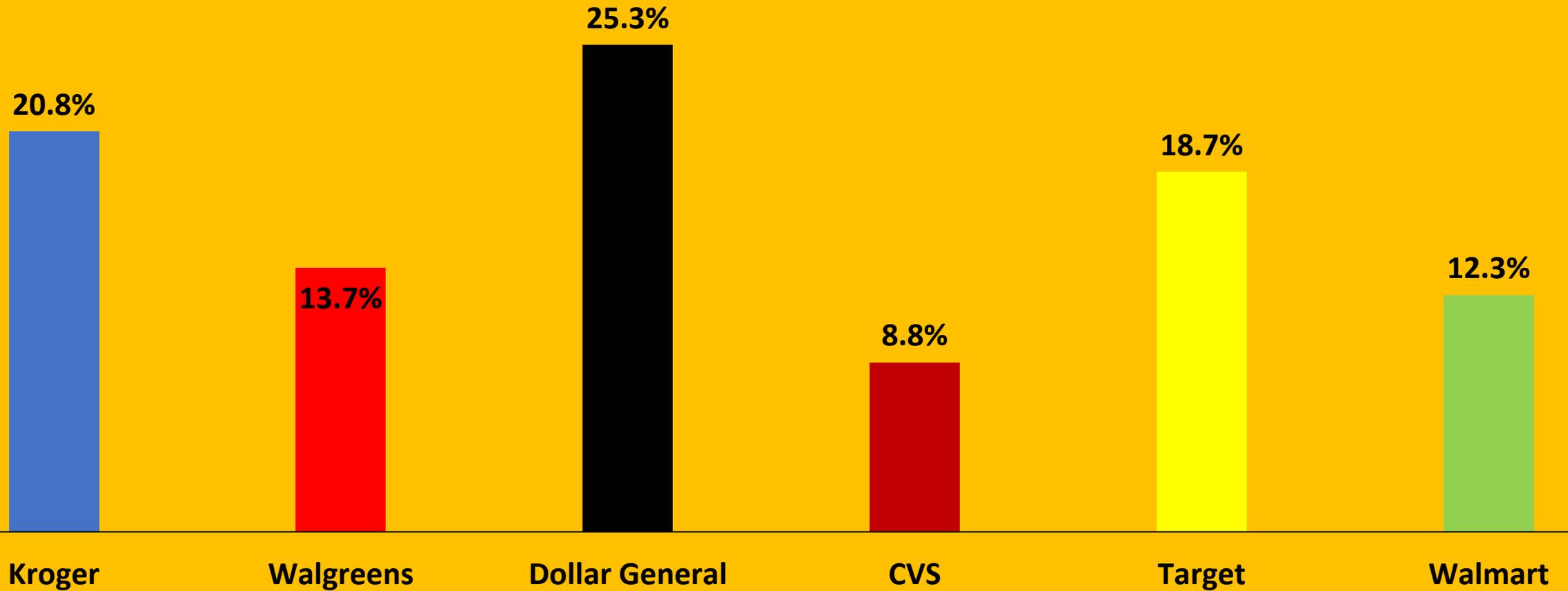
Net Margin



Return on Equity

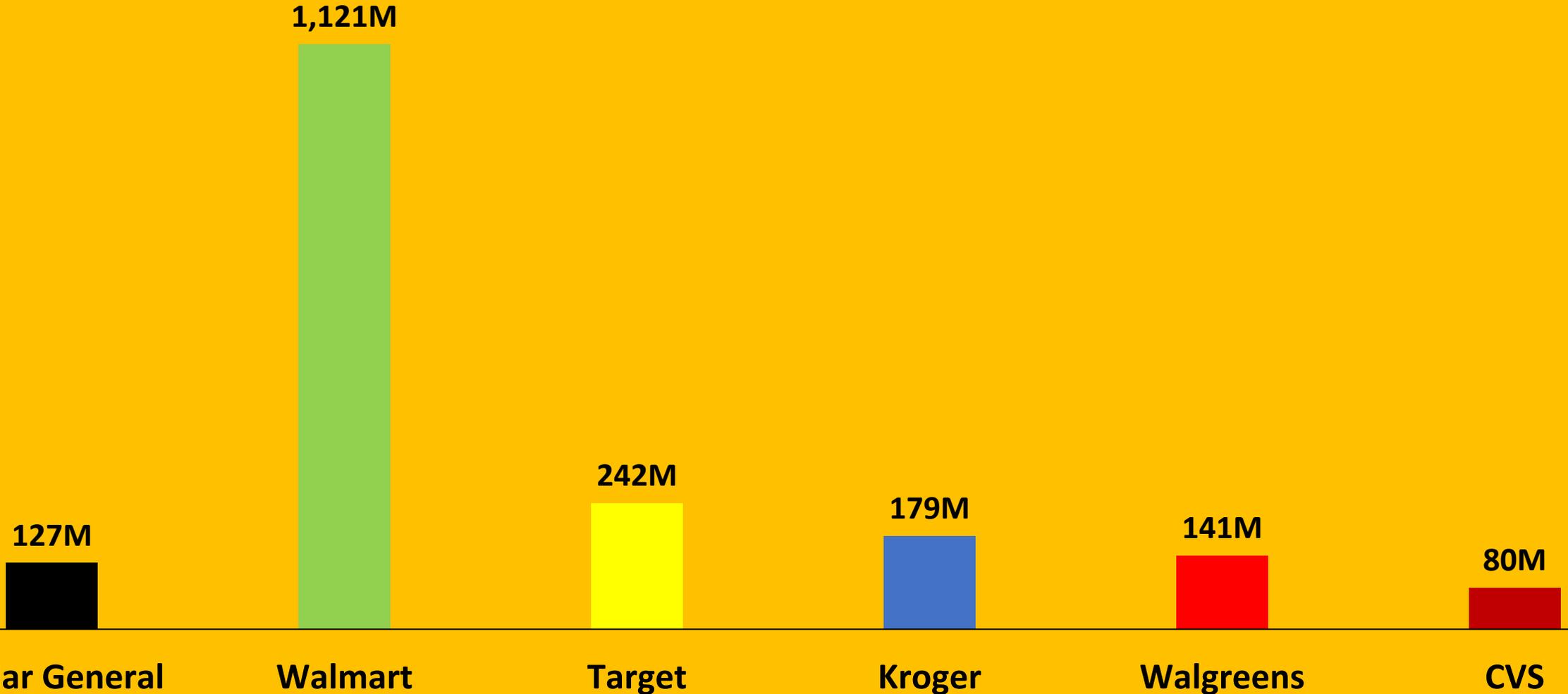


Return on Capital

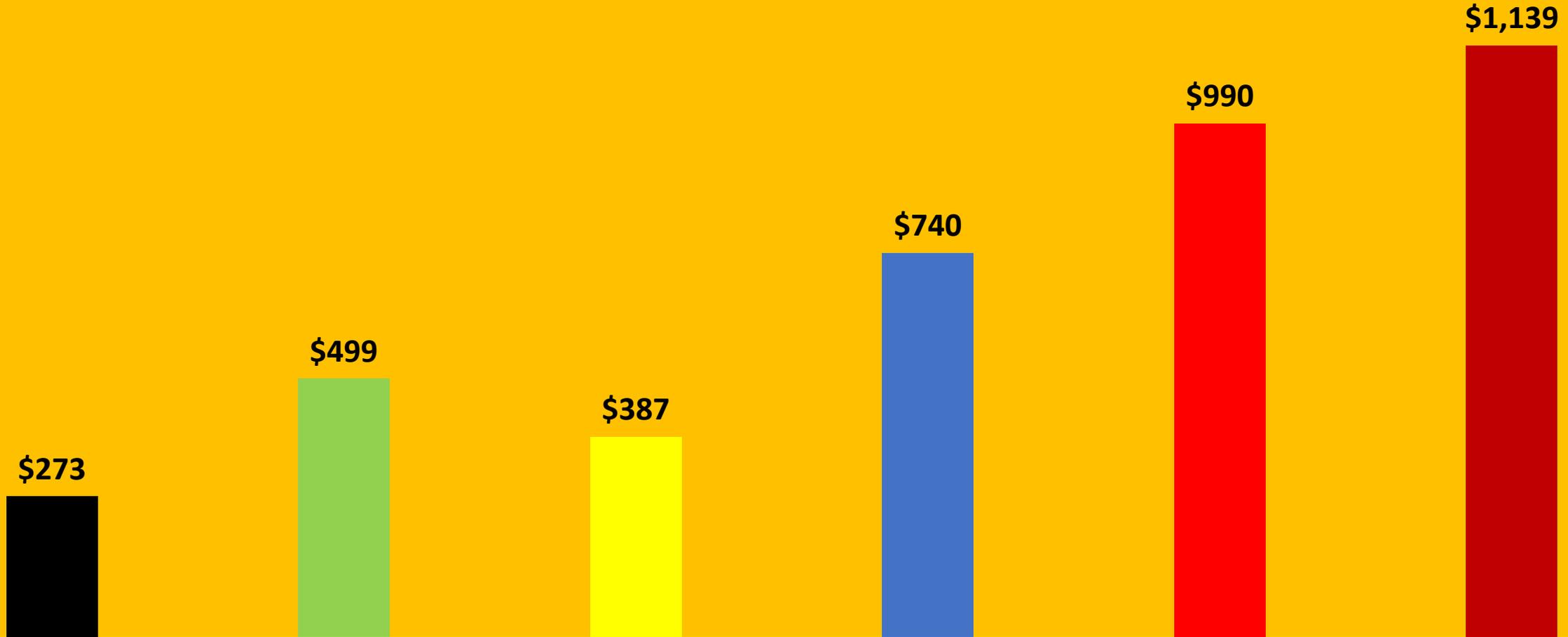


Expanded Competitor Industry Specific Metrics

Selling Square Feet



Sales per Square Foot



Dollar General

Walmart

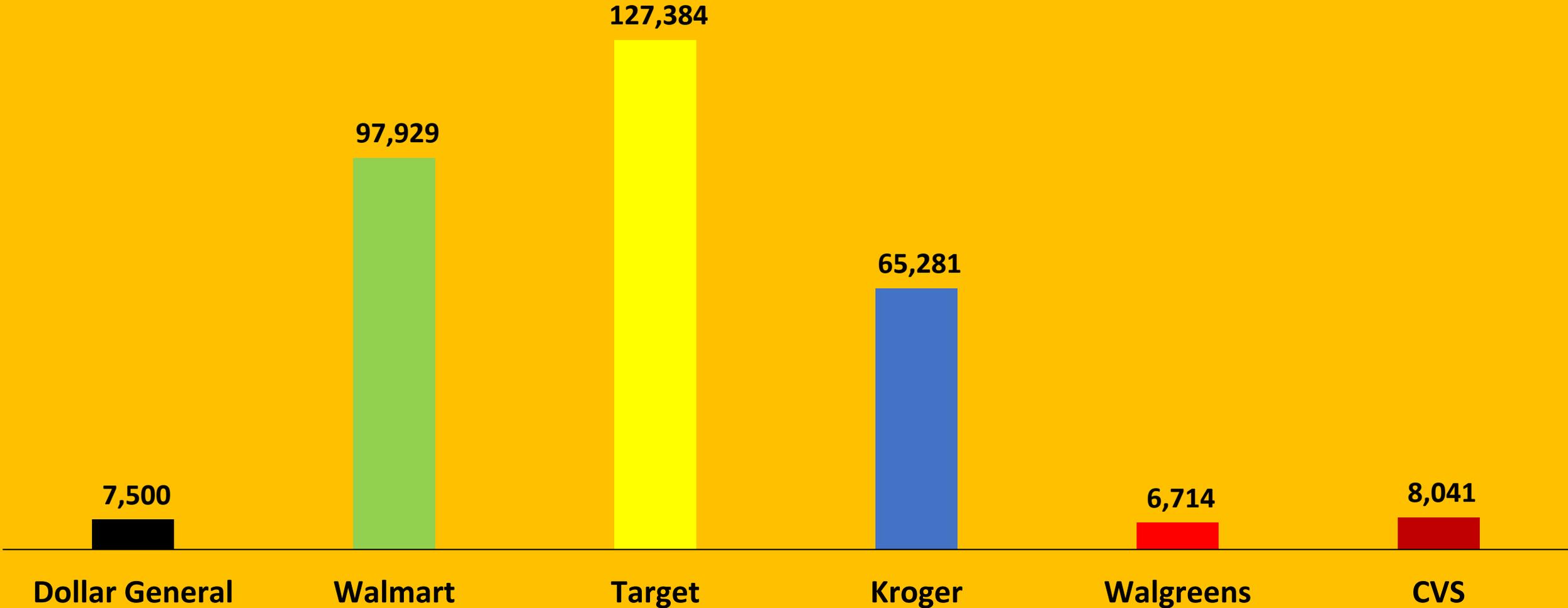
Target

Kroger

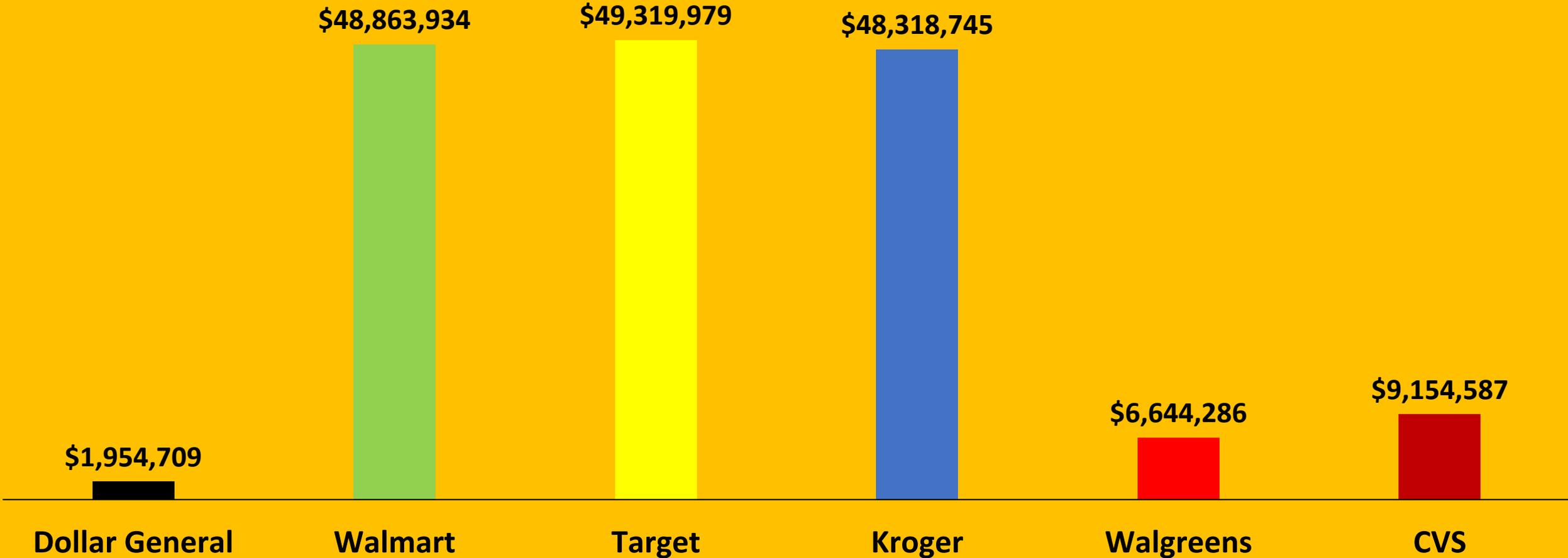
Walgreens

CVS

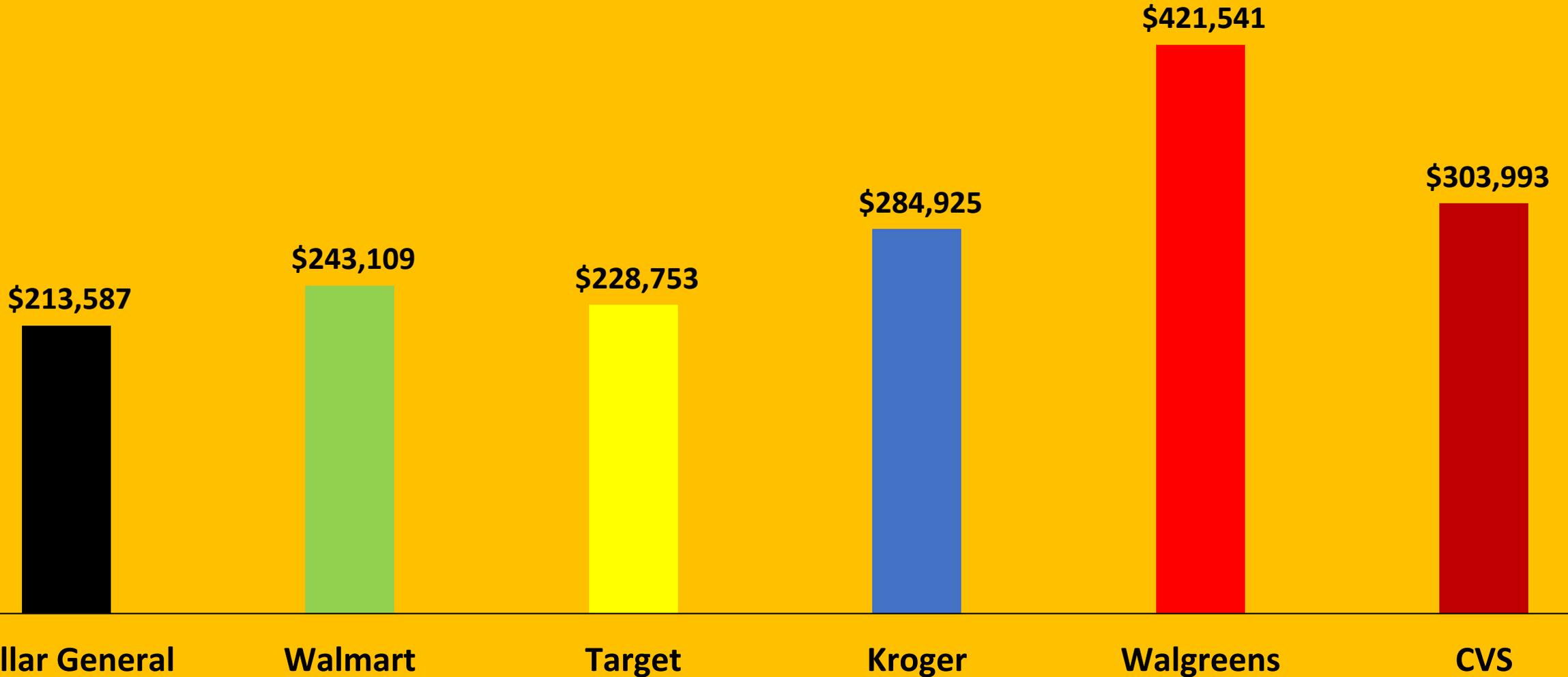
Average Square Footage per Store



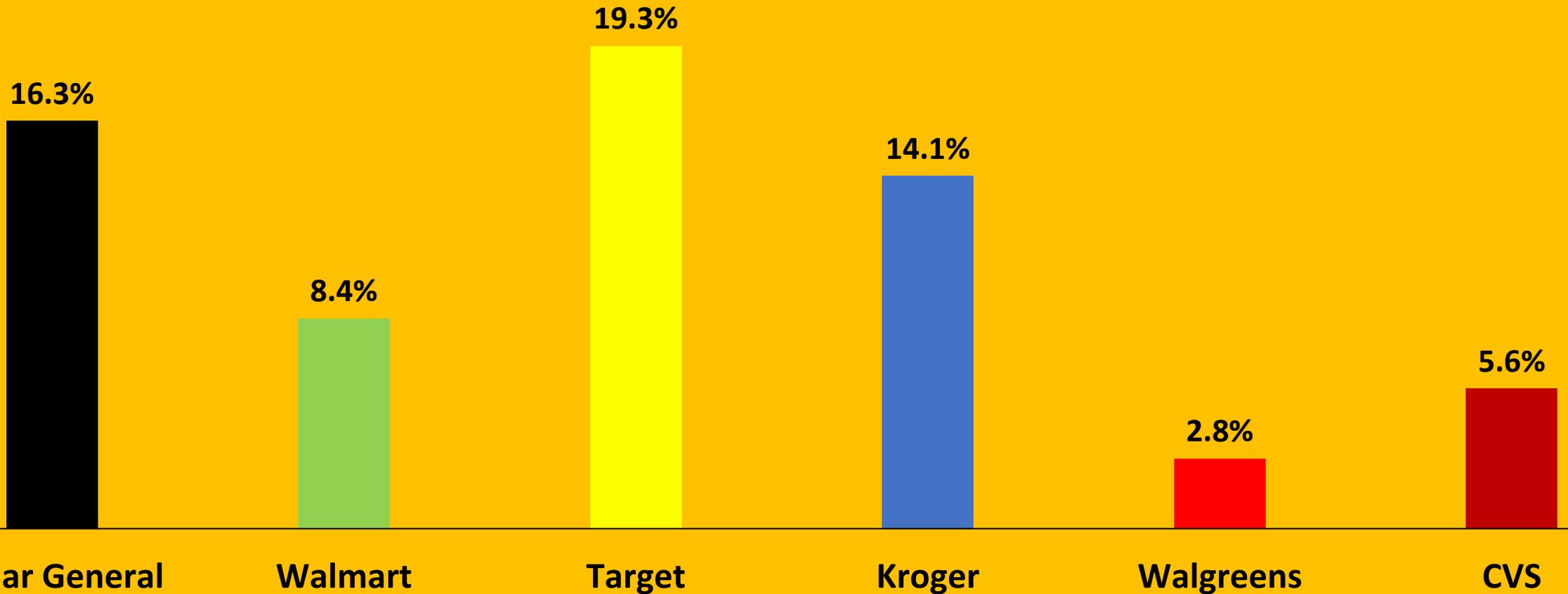
Average Sales per Store



Sales per Employee



2020 Same Store Sales Growth



5-YR Same Store Sales Growth Average

5.4%



2.6%



3.7%



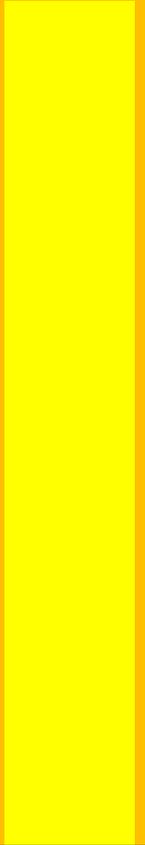
3.9%



5.1%



5.7%



Dollar General

Walgreens

Walmart

Kroger

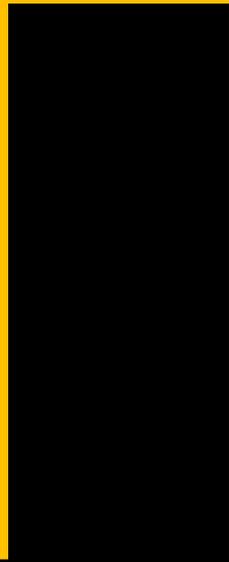
CVS

Target

Intraportfolio Industry Specific Metrics

Revenue

\$33.8B



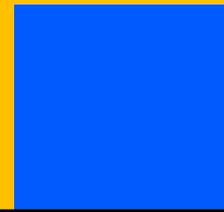
\$10.6B



\$6.2B



\$12.5B



\$12.6B



Dollar General

Tractor Supply

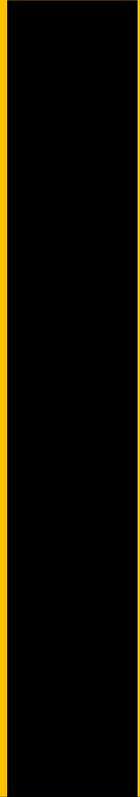
ULTA

Ross

Autozone

Return on Equity

39.90%



Dollar General

41.90%



Tractor Supply

8.80%



ULTA

2.60%

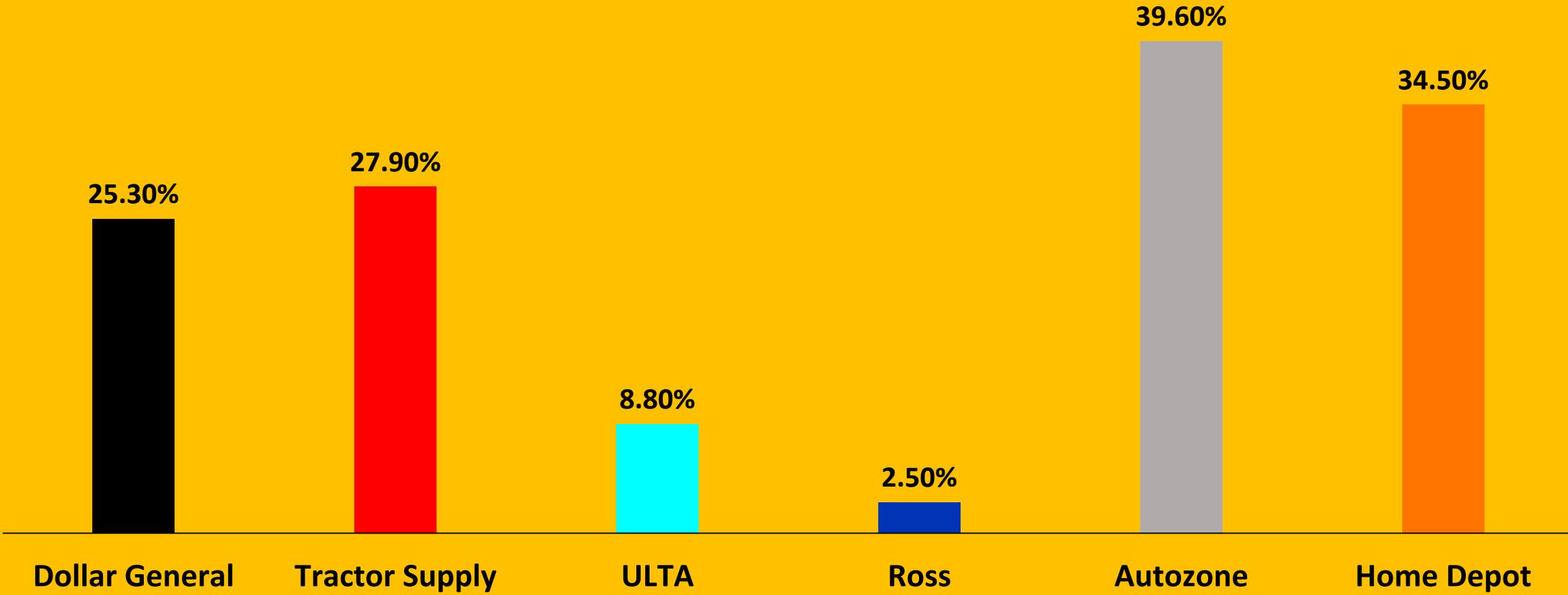


Ross

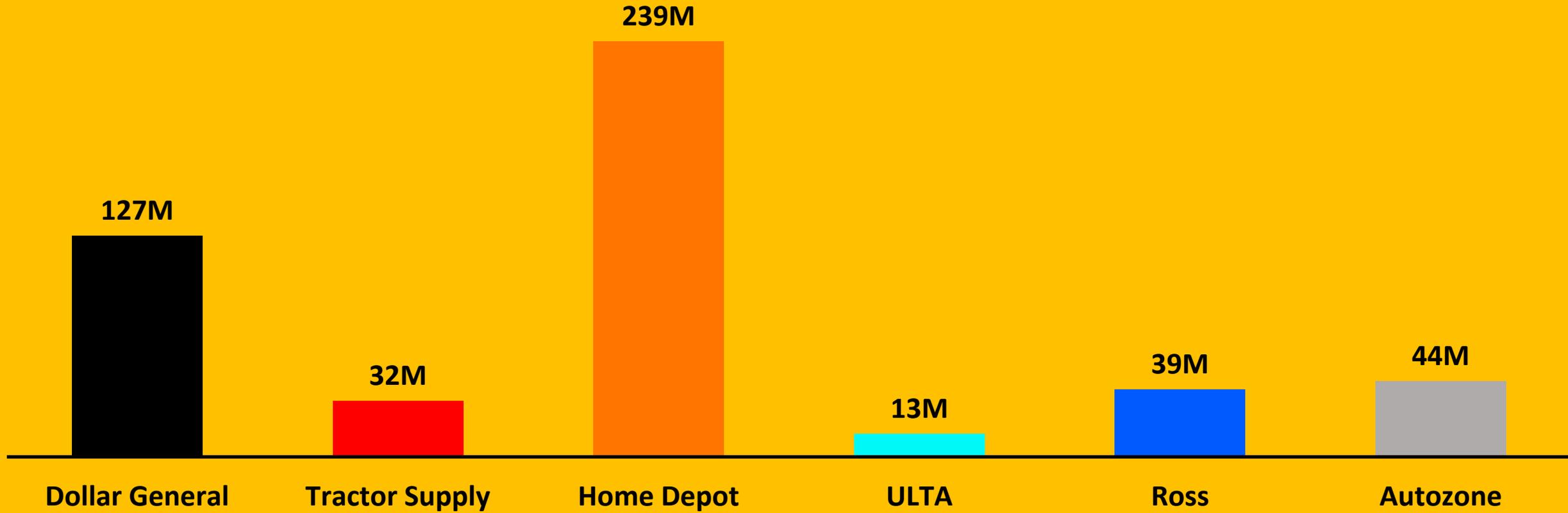
Autozone

Home Depot

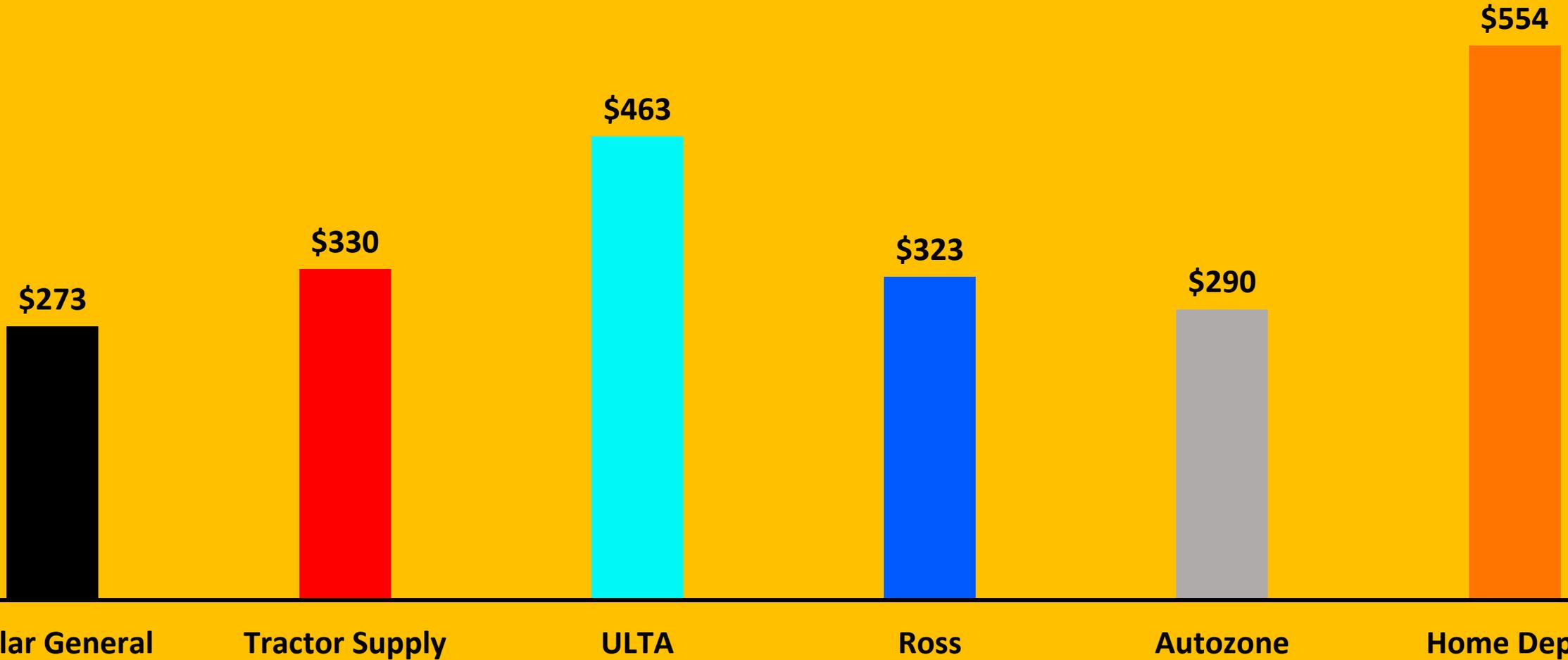
Return on Capital



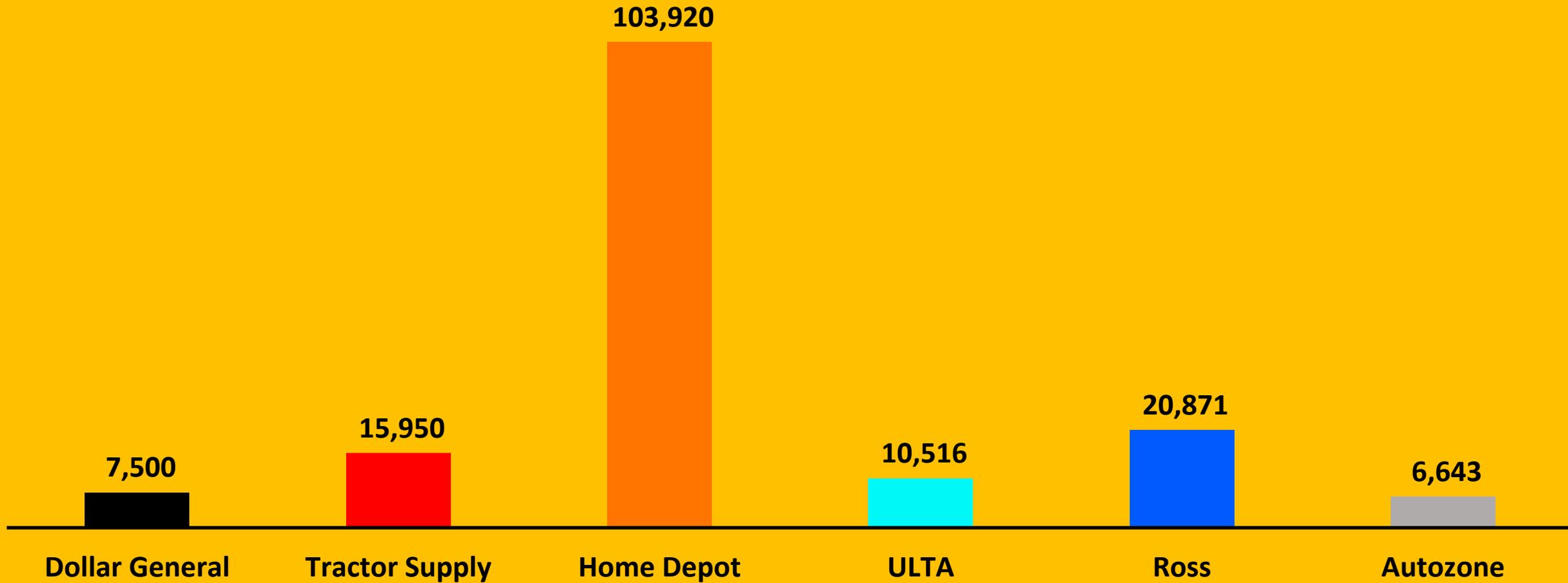
Selling Square Feet



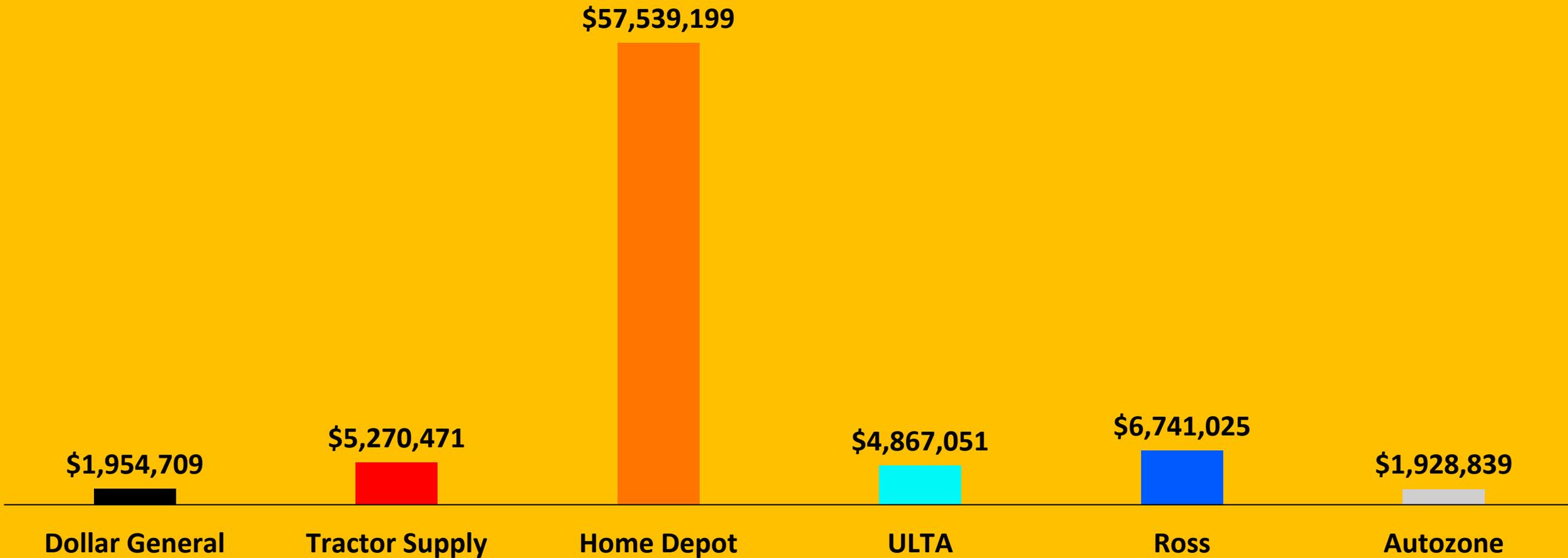
Sales per Square Feet



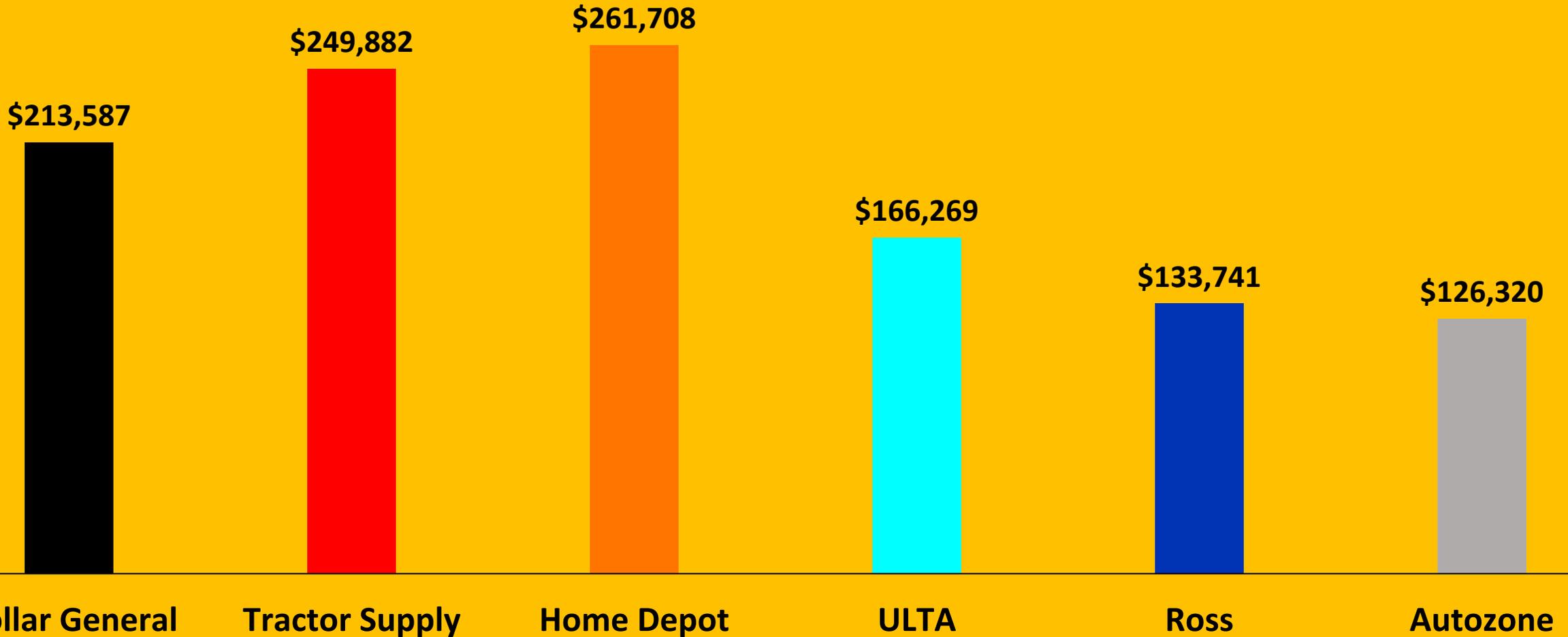
Average Square Footage per Store



Average Sales per Store

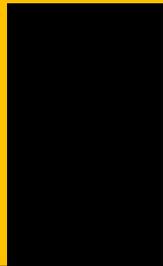


Sales per Employee



2020 Same Store Sales Growth

16.3%



Dollar General

23.1%



Tractor Supply

-17.9%



ULTA

-22.0%



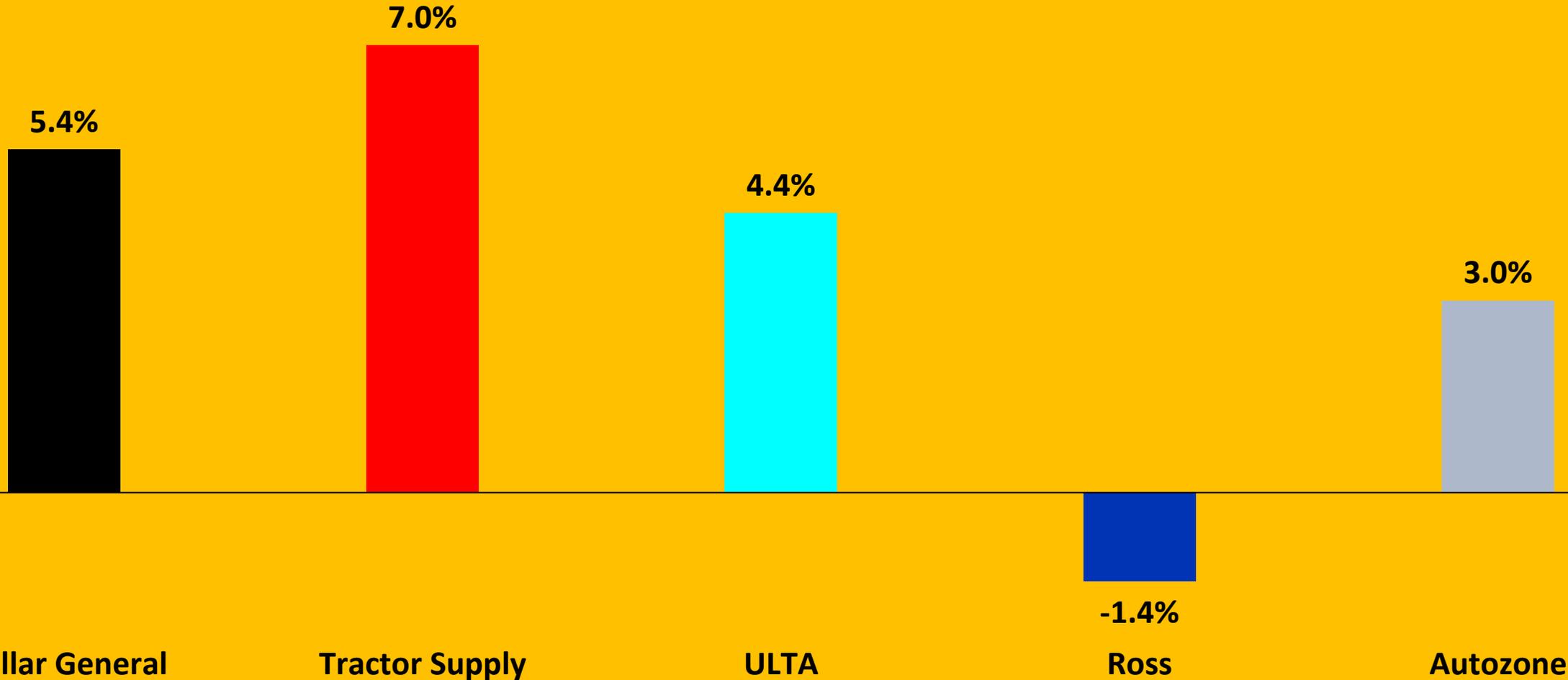
Ross

7.4%



Autozone

5-YR Same Store Sales Growth Average



Growth Opportunities

COVID-19

Strategic Initiatives Included:

- Sales growth 20%
- Profit growth of 50%
- Strategic initiatives
- New store openings
- Remodels
- New concept stores
- Technology
- CapEx grew by 31% to \$1B in 2020
- 2,780 real estate projects



New Store Layouts

- 3 store formats
- Traditional format 7,300 sq-ft
- Dollar General 2nd Format 8,500 sq-ft
- Dollar General Plus 9,500 sq-ft
- New formats have been outperforming their traditional store format
- Additional space will allow for more coolers “DG Fresh”



Dollar General Fresh

- Self-distribution of frozen and refrigerated goods
- To reduce product costs
- Largest contributor to gross margins
- Operating multiple temperature control distribution facilities
- Self-distributed to 16,000 stores
- DG has 10 distribution facilities
- 2 new distribution facilities



Cooler Expansion Program

- Added 62,000 cooler doors across store base
- Expecting to install 65,000 more
- High-capacity coolers into remodeled and new stores
- Creating additional shelf capacity for DG Fresh



pOp Shelf

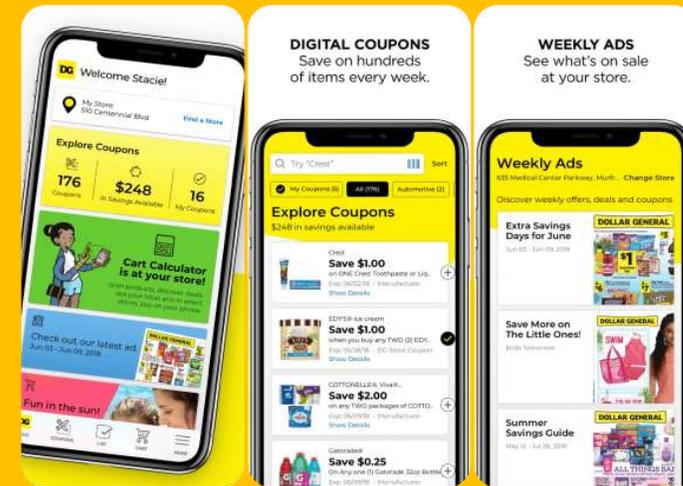
Newest Store Format:

- Seasonal, home décor, health & beauty, home cleaning supplies, and party & entertainment
- To provide fun, affordable, and ***treasure hunt experience***
- 95% items priced at \$5 or less
- 5 independent stores
- Plan to open 50 locations in 2021
- Long-term goal 3,000 in the US
- Target customers of annual household incomes of \$50K-125K



Mobile App and Technologies

- 70% of core shoppers have a smartphone
- Building digital ecosystem
- Accelerated DG Pickup and Buy Online Pick Up
- Cashier less checkout
- Offered in 17,000 DG stores
- Adds to the firm's moat
- Tailored and personalized shopping experience
- Targeted coupons based on usage
- 4M active users



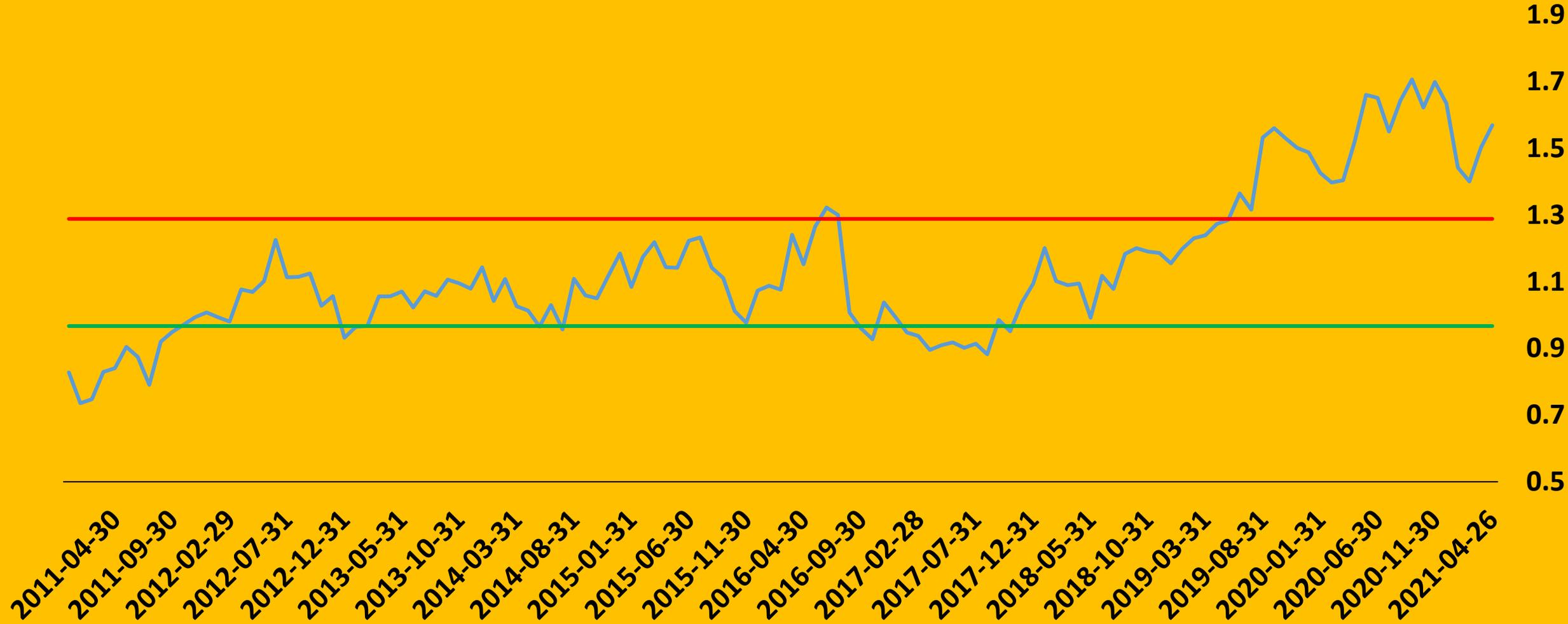
Fiscal 2021 Guidance

- Expected sales in range of (2%)-flat
- Same store sale decline (4%)-(6%)
- First time in 31 years
- Growth of 10%-12% on a two-year basis
- EPS in range \$8.80-\$9.50 decline of (7%)-(17%)
- CAGR of 15%-20% over two-year period
- CapEx to be higher at \$1.05B-\$1.15B
- \$1.8B of share buybacks 3.5% of the company
- 16.7% YOY dividend growth \$0.42

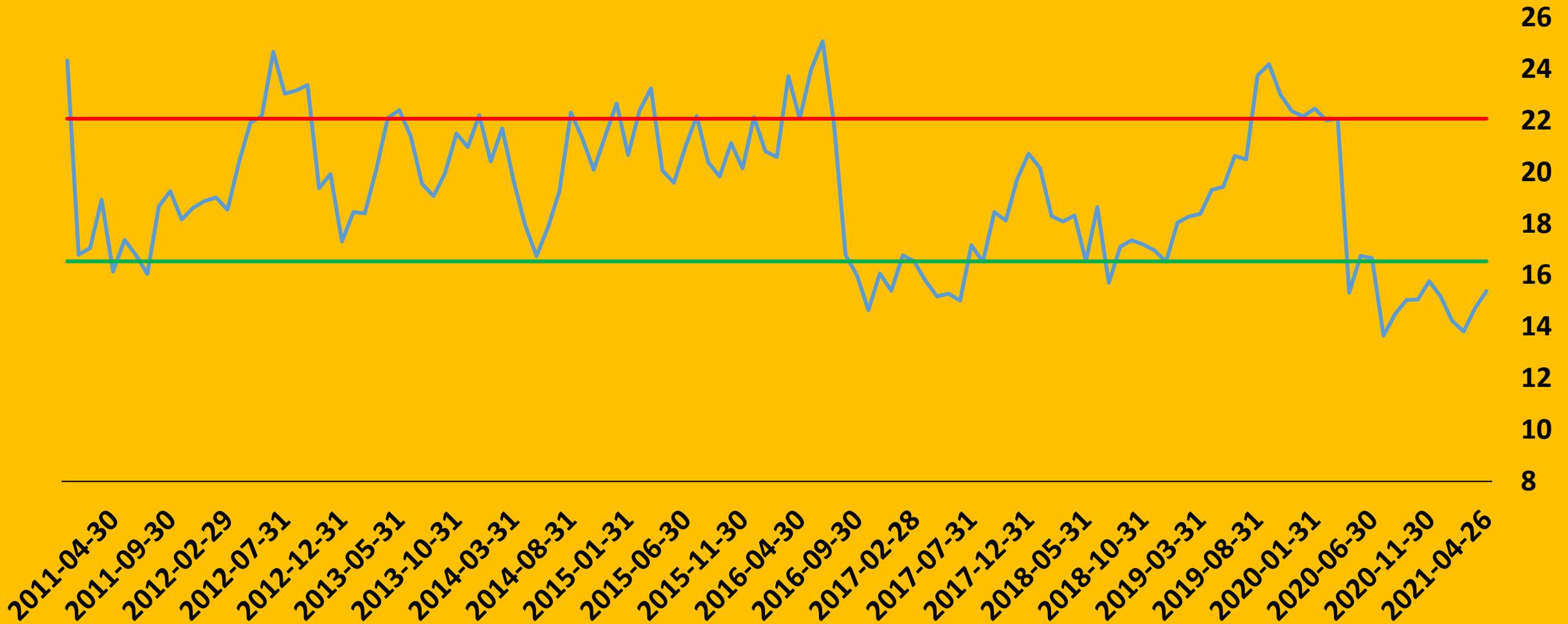


Valuation

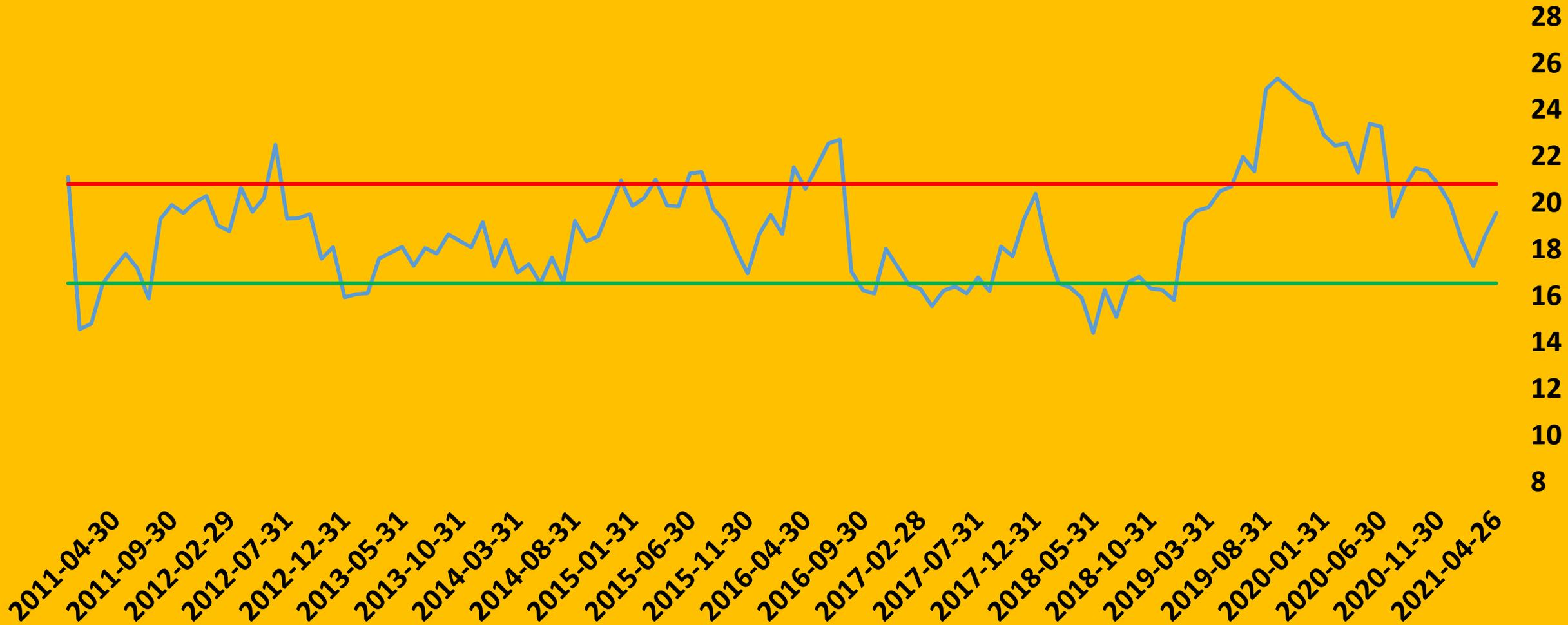
Price to Sales



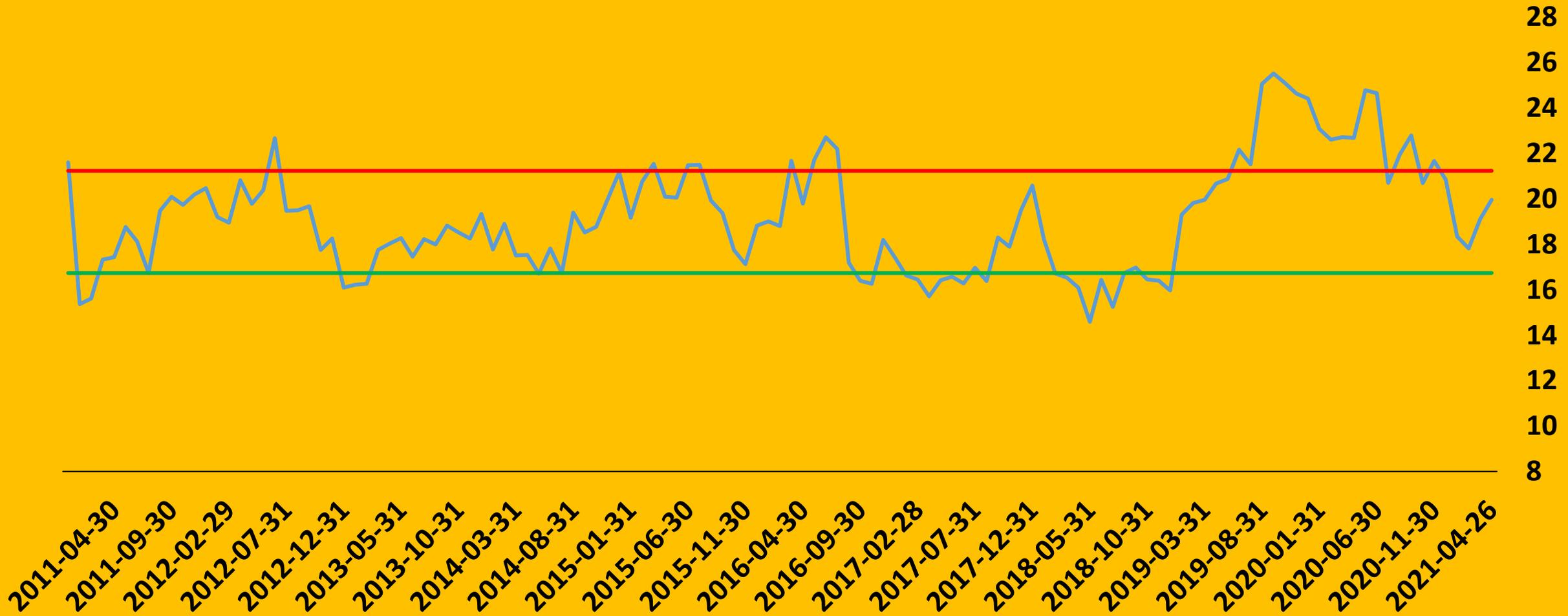
Price to Owner's Earnings



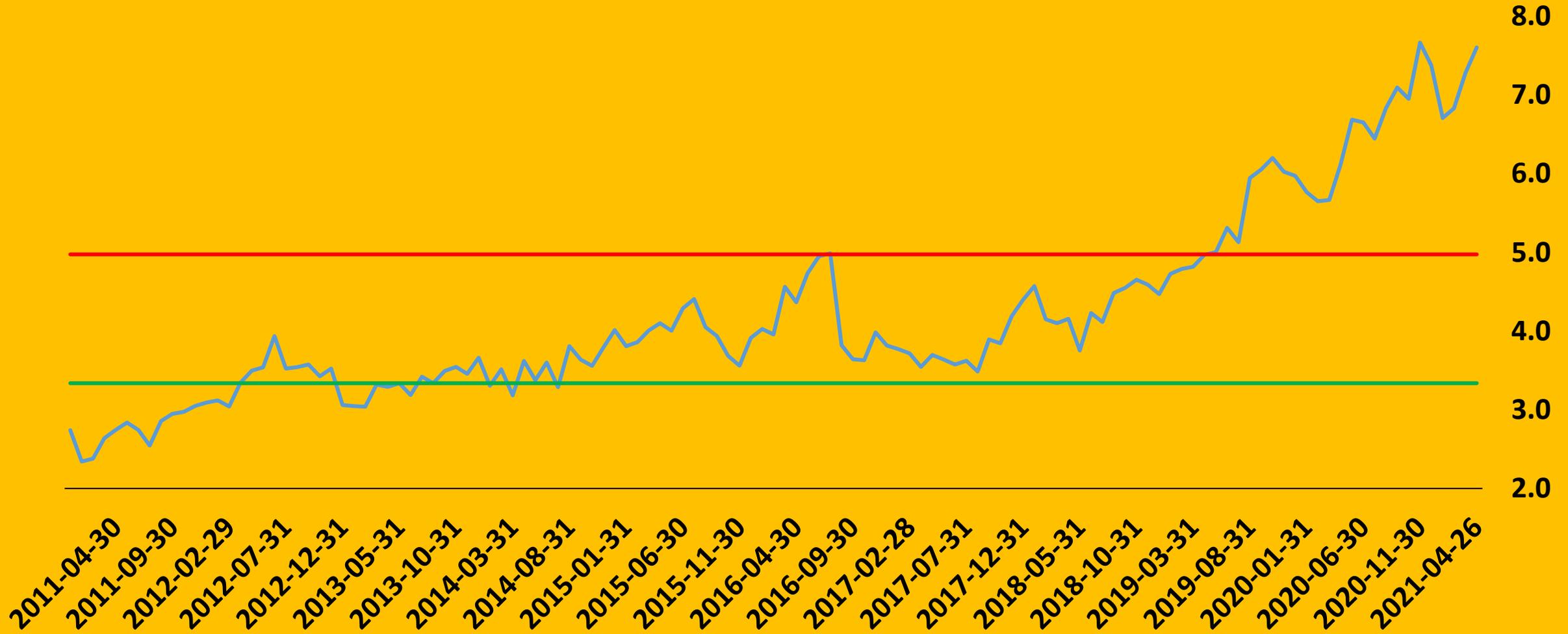
Price to Earnings Less Cash



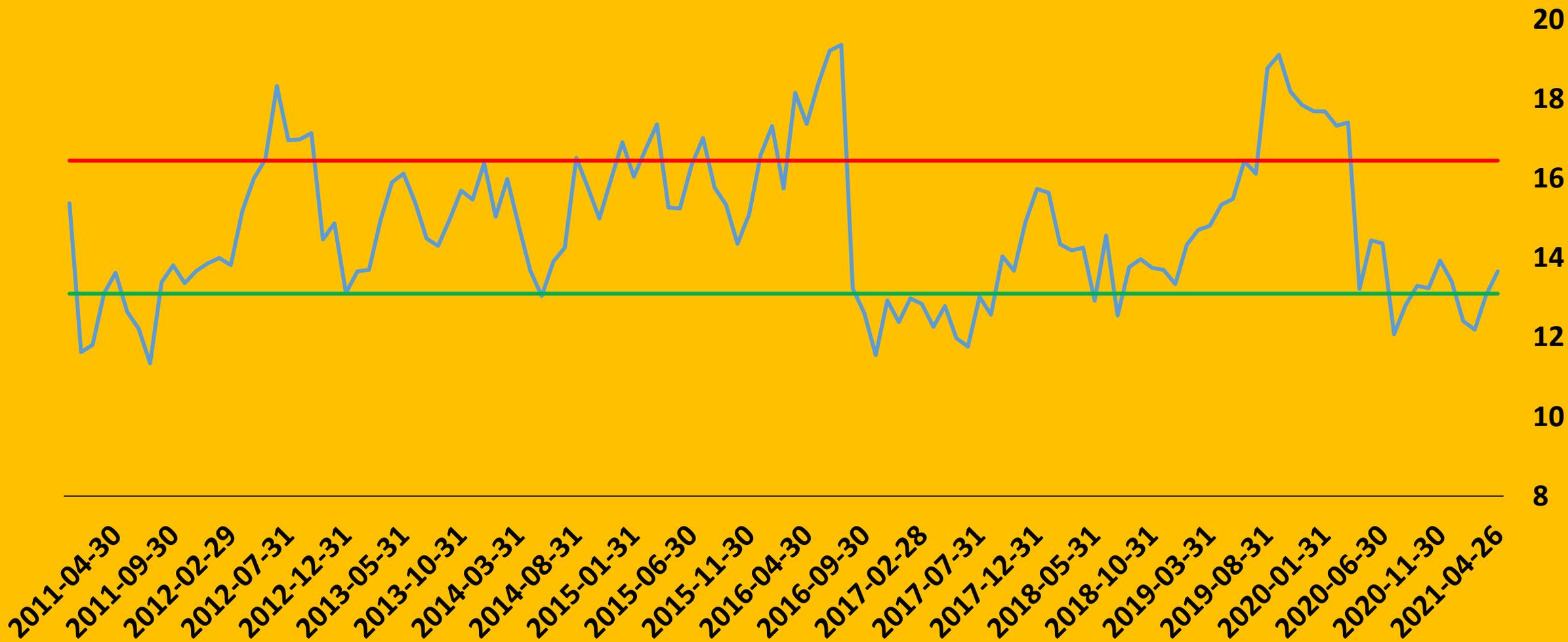
Price to Earnings



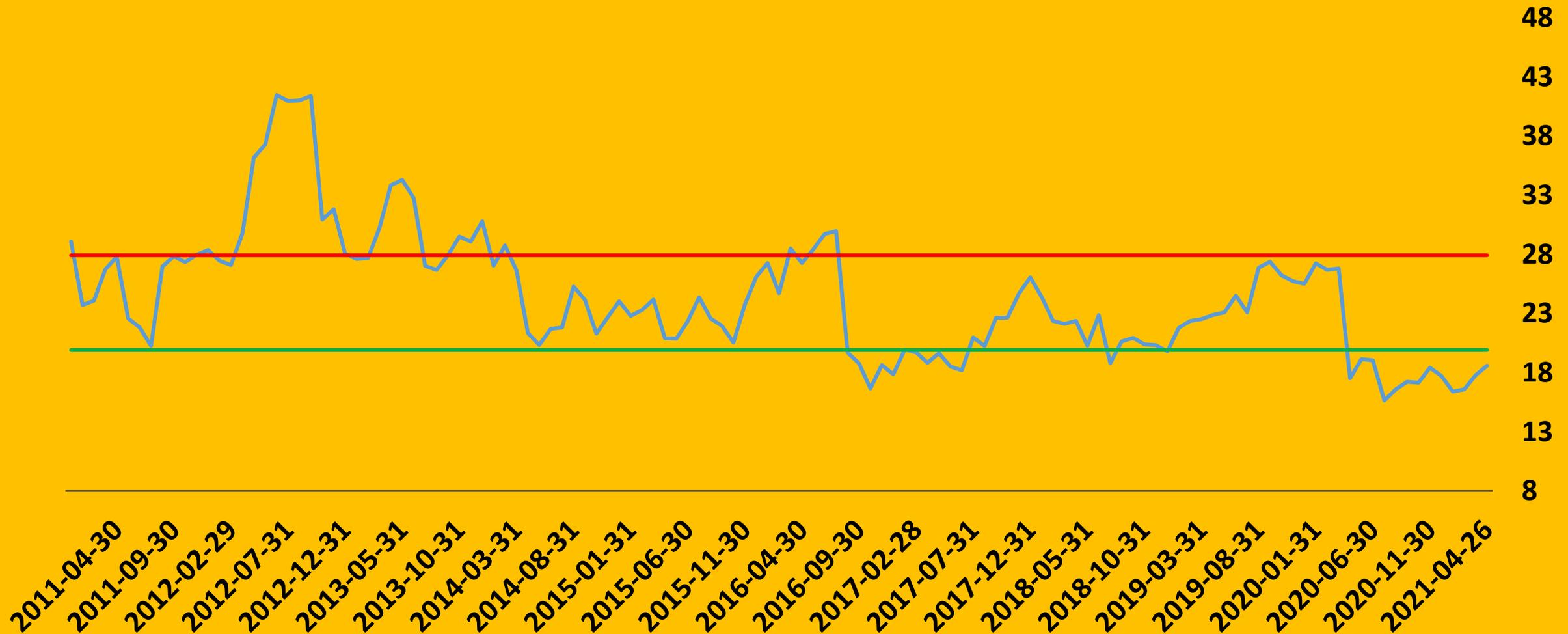
Price to Book



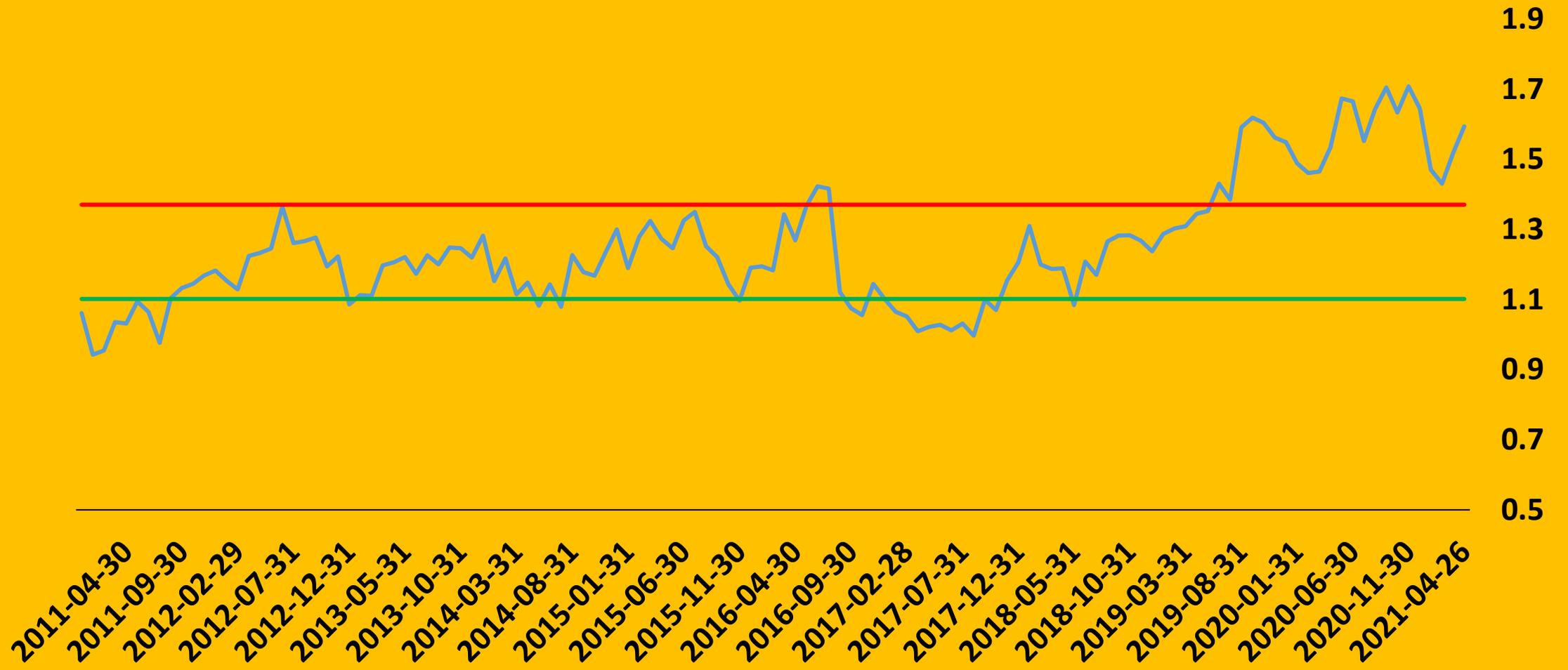
Price to Cashflow



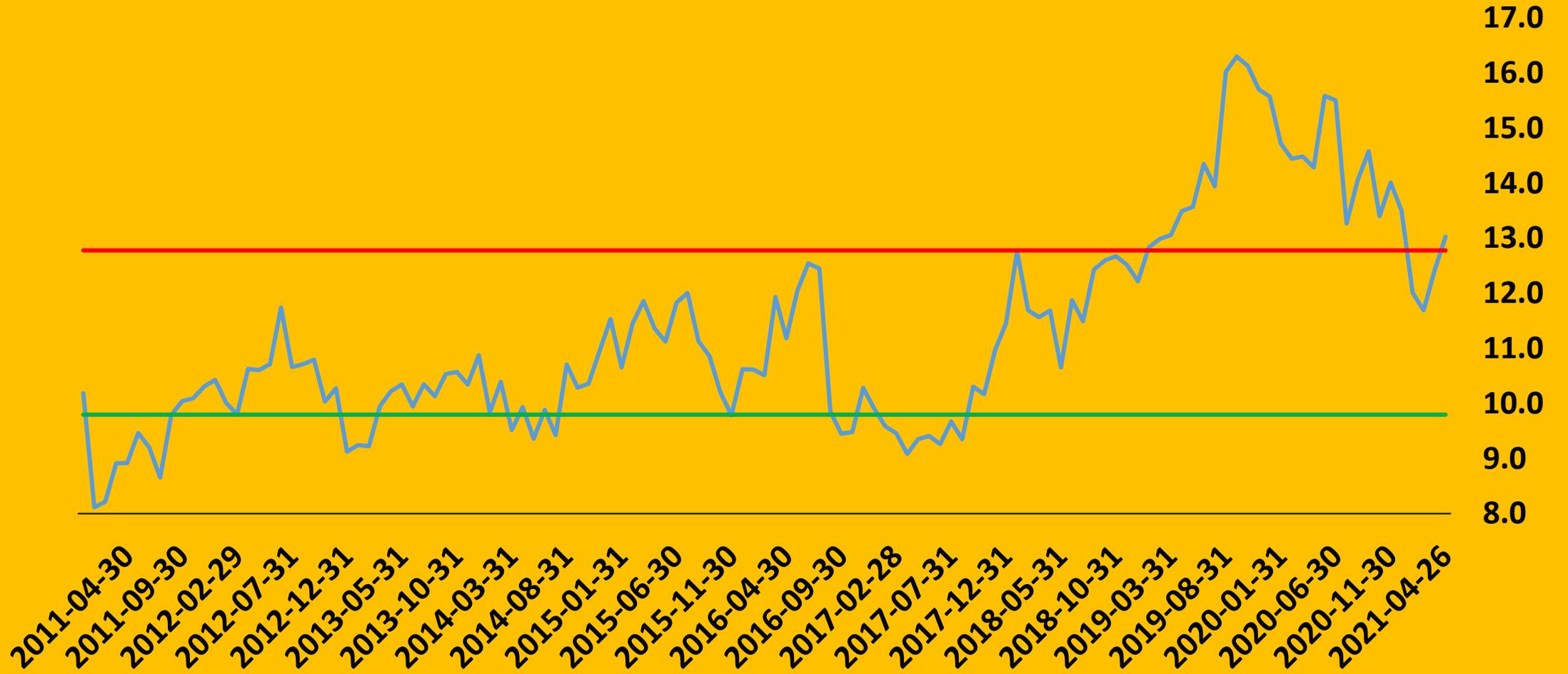
Price to Free Cashflow



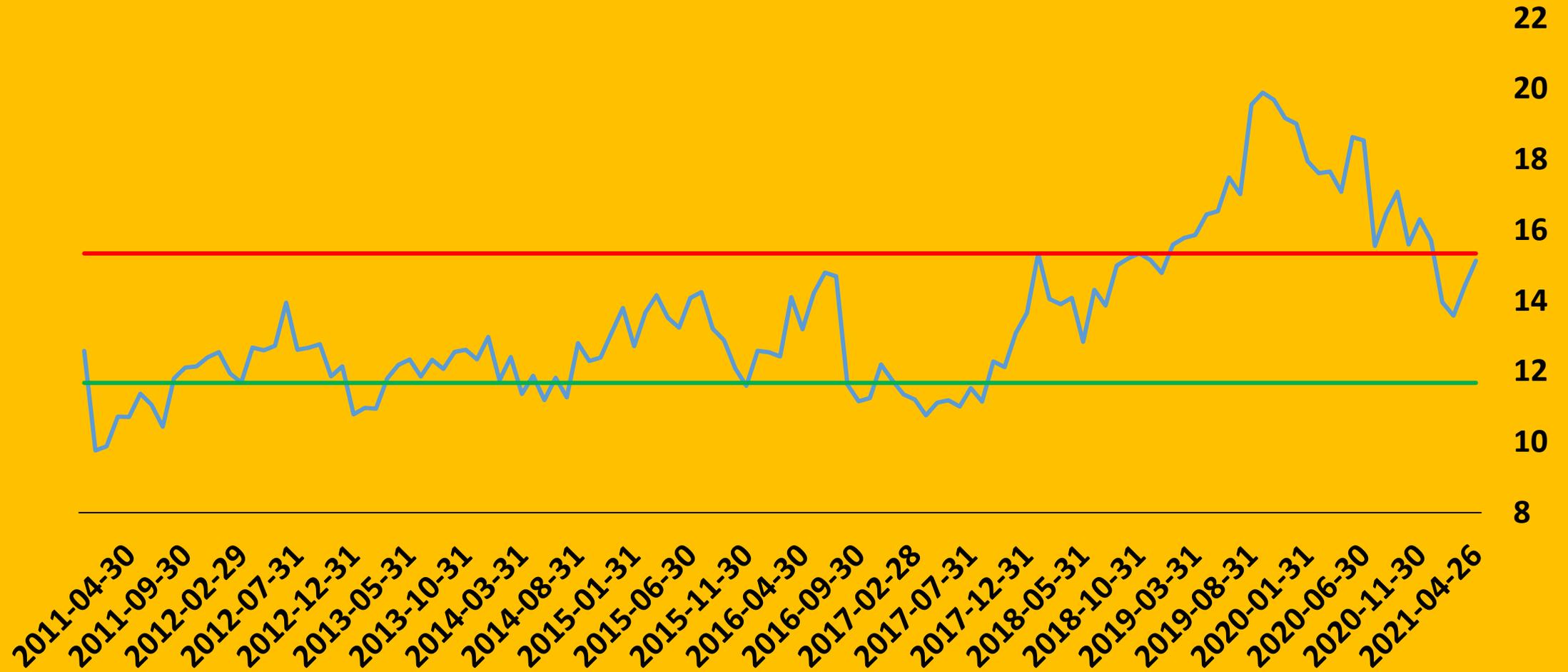
EV to Revenue



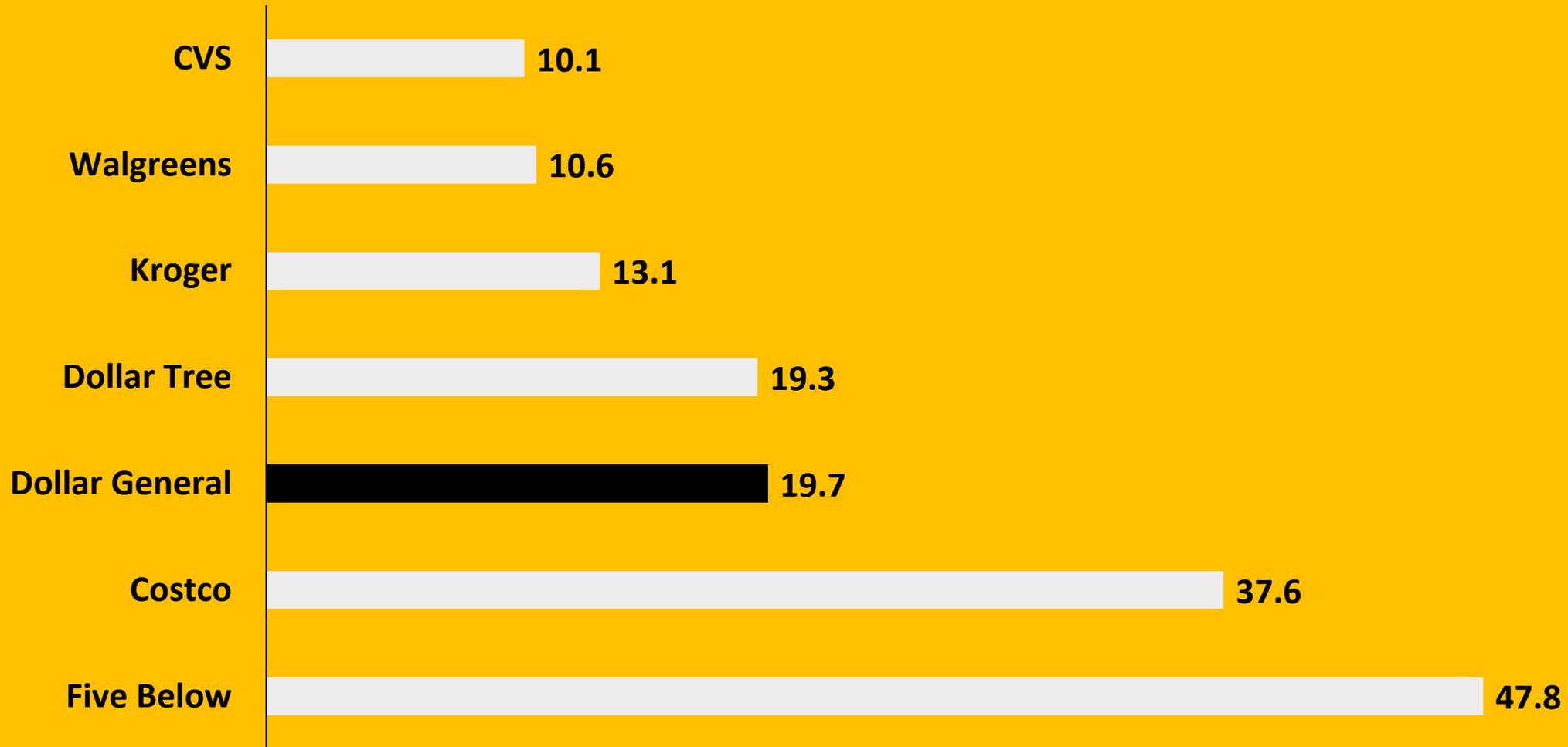
EV to EBITDA



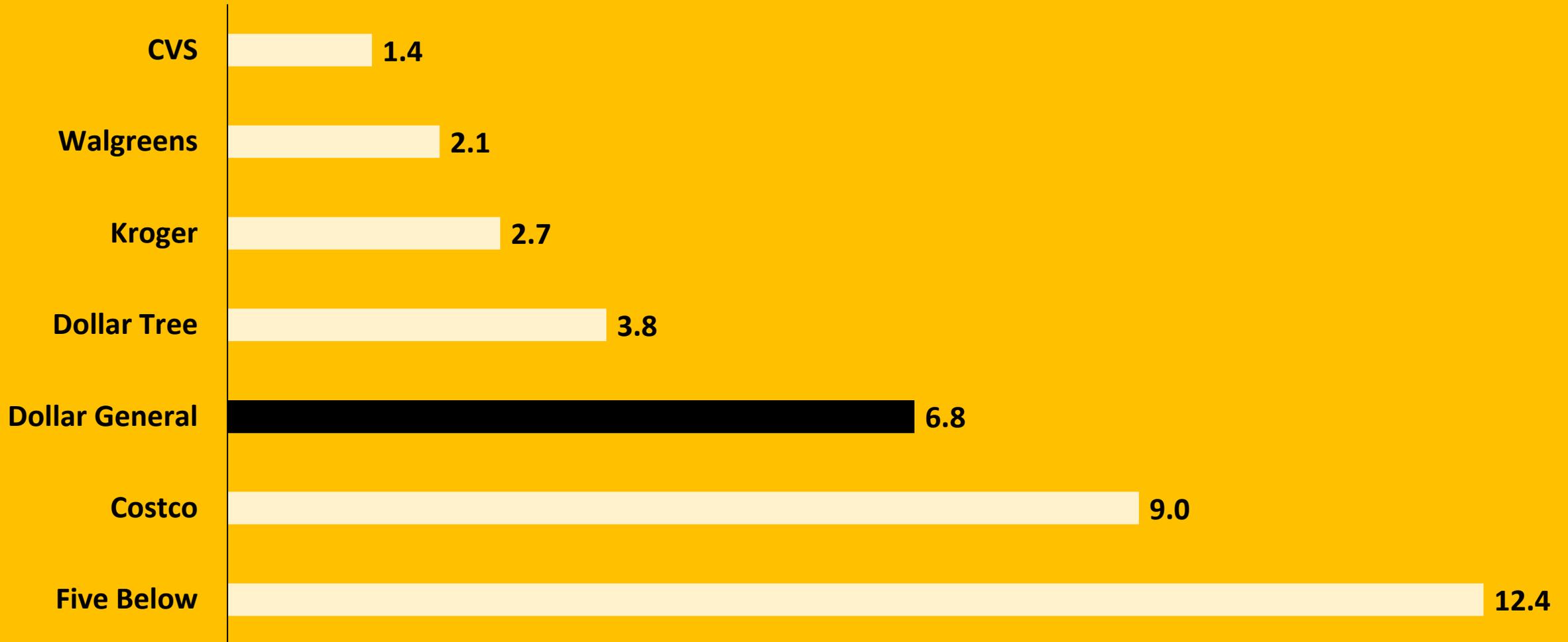
EV to EBIT



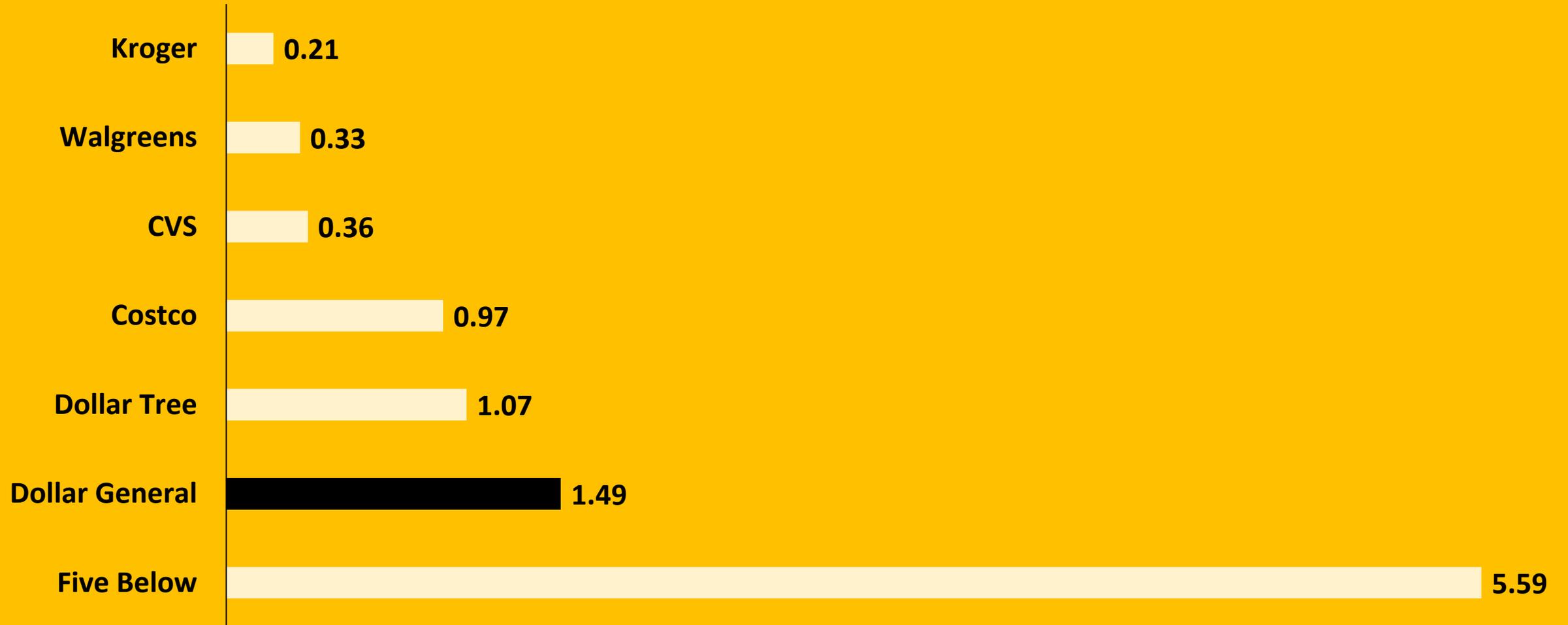
Price to Earnings



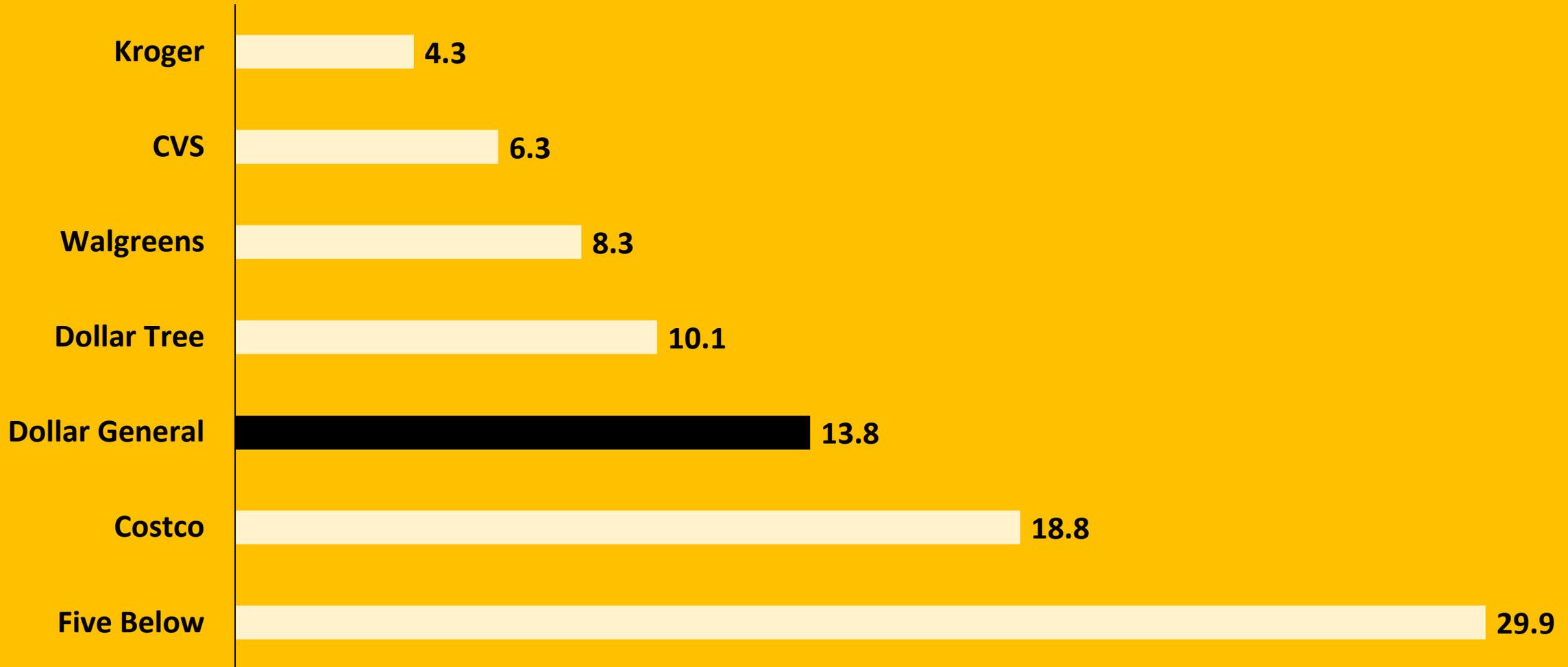
Price to Book



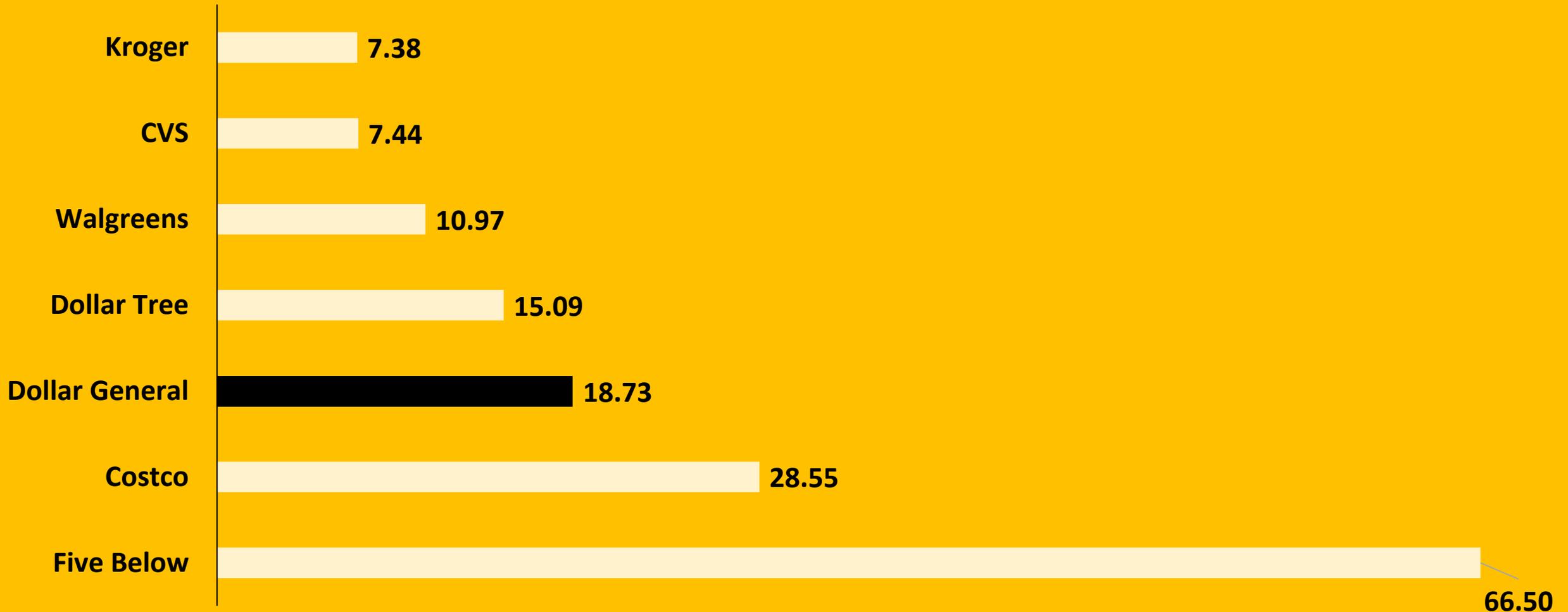
Price to Sales



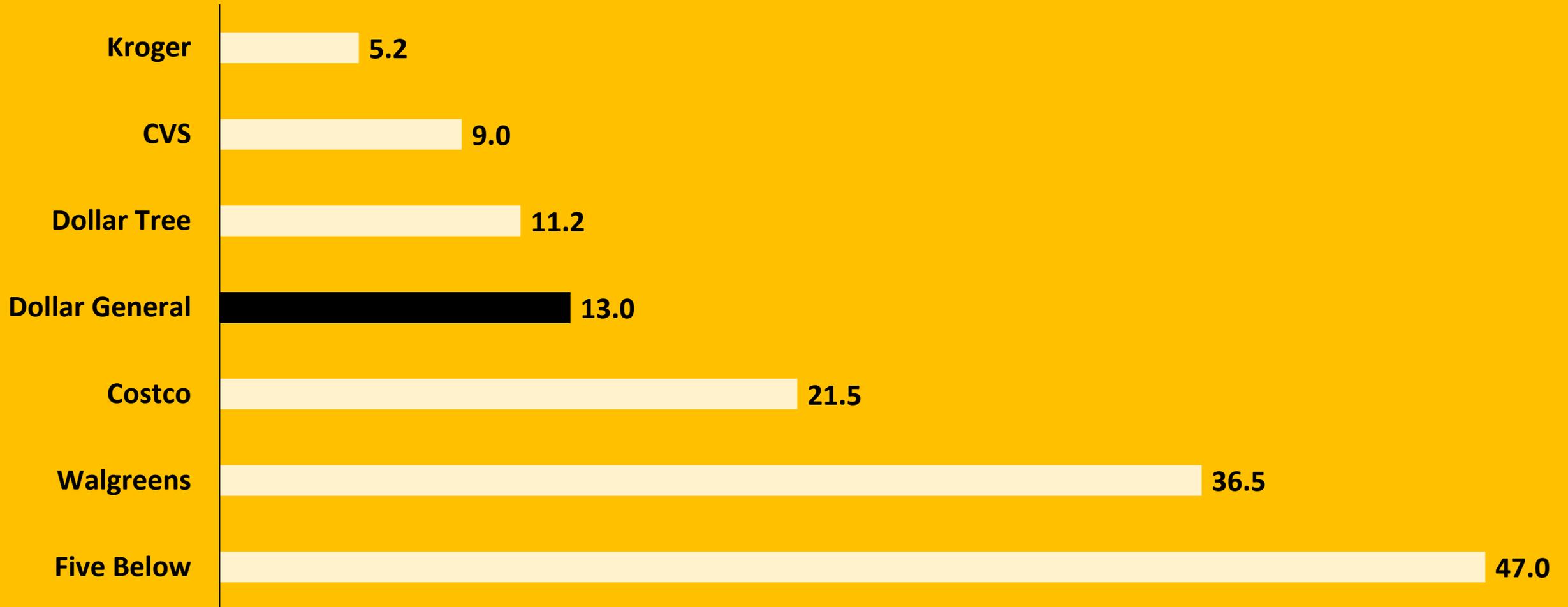
Price to Operating Cash Flow



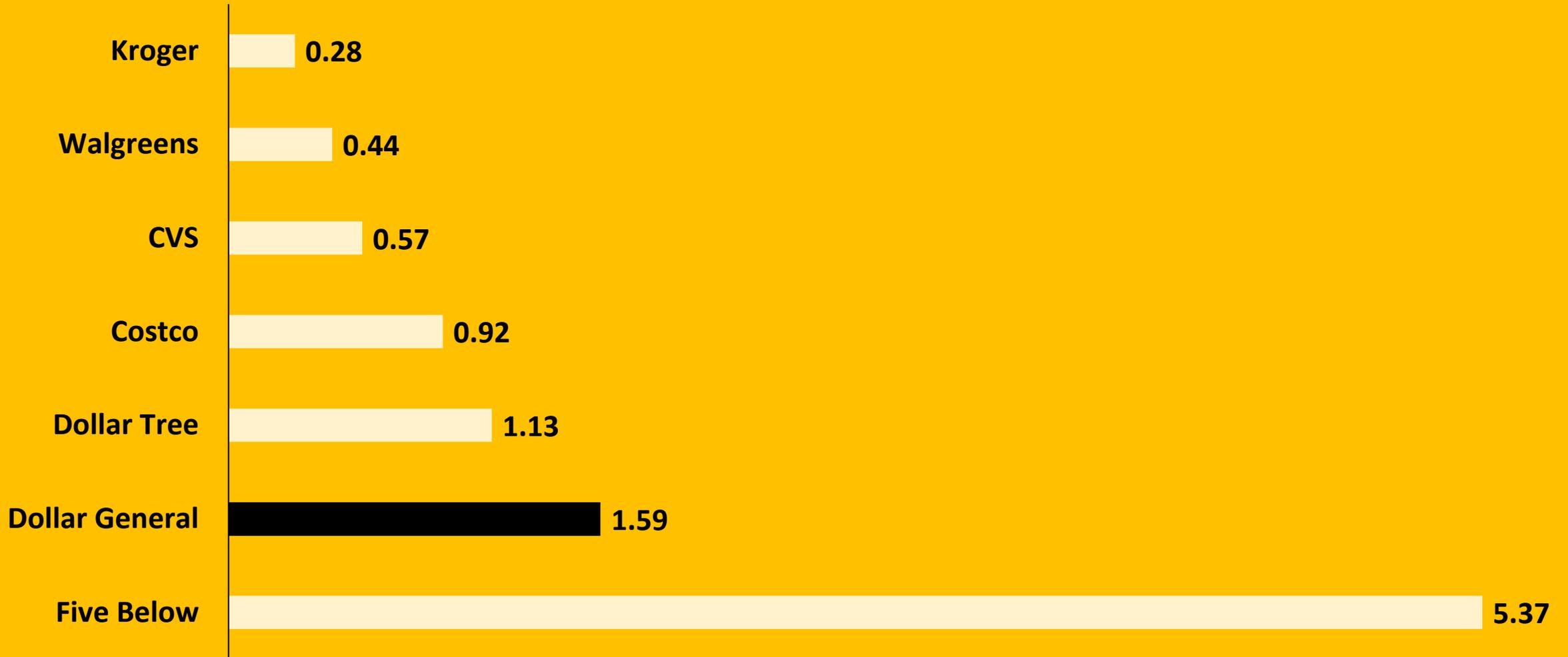
Price to Free Cash Flow



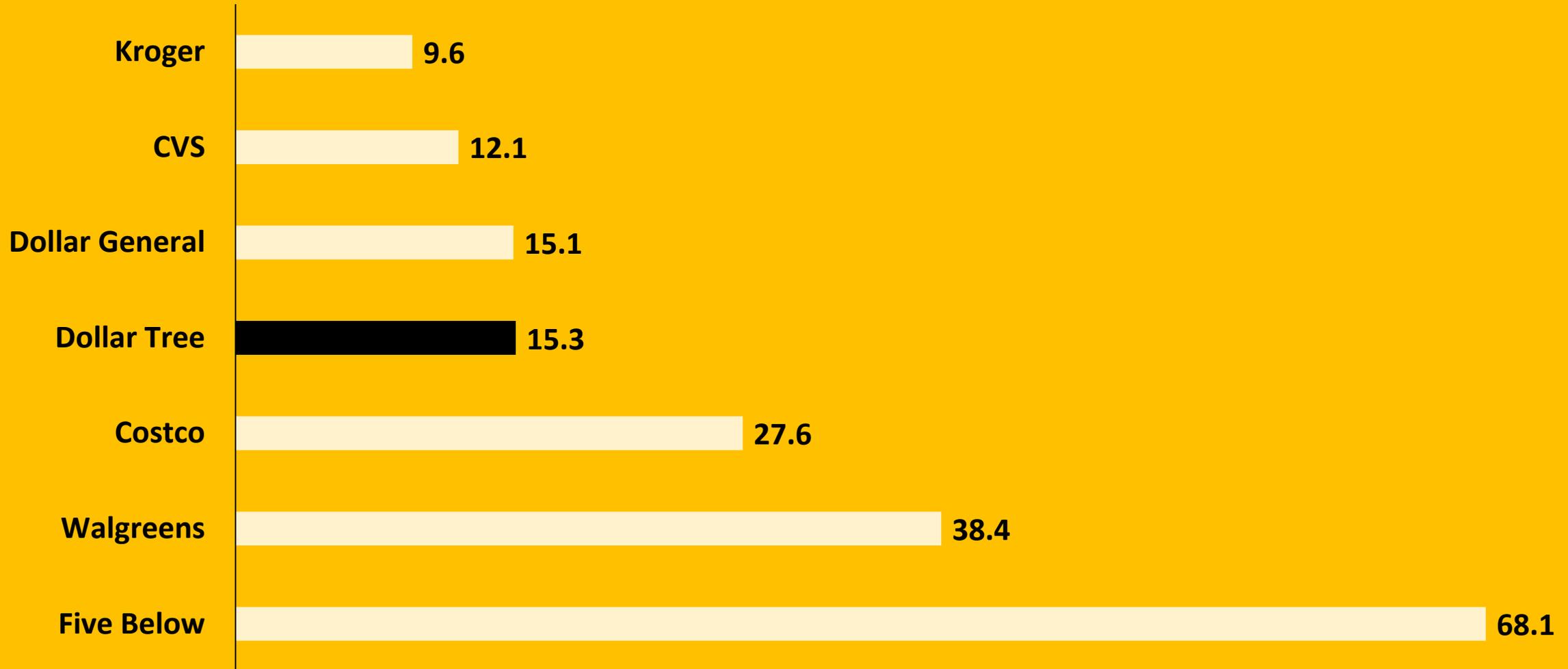
Enterprise Value to EBITA



Enterprise Value to Sales



Enterprise Value to EBIT



DCF – Standard EPS

		Growth Rate		Fair Value		MoS
Bear	→	8%	→	\$151.15	→	-41.12%
Base	→	10.5%	→	\$179.13	→	-19.08%
Bull	→	15%	→	\$243.72	→	12.48%

Stock Price: \$213.31

EPS: \$9.50

Discount Rate: 9.5%

DCF – Free Cash Flow

		Growth Rate		Fair Value		MoS
Bear	→	8%	→	\$182.97	→	-16.58%
Base	→	10.5%	→	\$216.84	→	1.63%
Bull	→	15%	→	\$295.02	→	27.7%

Stock Price: \$213.31

FCF/Share: \$11.50

Discount Rate: 9.5%

Valuation Model (EPS)

Discount Rate: 9.5%

FV

Upside

CAGR

2020(CY)	2021	2022	2023	2024	2025	2026				
							15x	\$210.00	-1.6%	-0.3%
\$10.60	\$9.54	\$10.30	\$11.12	\$12.00	\$12.97	\$14.00	20x	\$280.00	31.3%	4.6%
----	-10%	+8%	+8%	+8%	+8%	+8%	25x	\$350.00	64.1%	8.6%

Valuation Model (EPS)

Discount Rate: 9.5%

FV

Upside

CAGR

2020(CY) 2021 2022 2023 2024 2025 2026

15x

\$235.65

10.5%

1.7%

\$10.60 \$9.54 \$10.54 \$11.65 \$12.87 \$14.22 \$15.71

20x

\$314.20

47.3%

6.7%

---- -10% +10.5% +10.5% +10.5% +10.5% +10.5%

25x

\$392.75

84.1%

10.7%

Valuation Model (EPS)

Discount Rate: 9.5%

FV

Upside

CAGR

2020(CY) 2021 2022 2023 2024 2025 2026

15x

\$287.85

34.9%

5.1%

\$10.60 \$9.54 \$10.97 \$12.62 \$14.51 \$16.69 \$19.19

20x

\$383.80

79.9%

10.3%

---- -10% +15% +15% +15% +15% +15%

25x

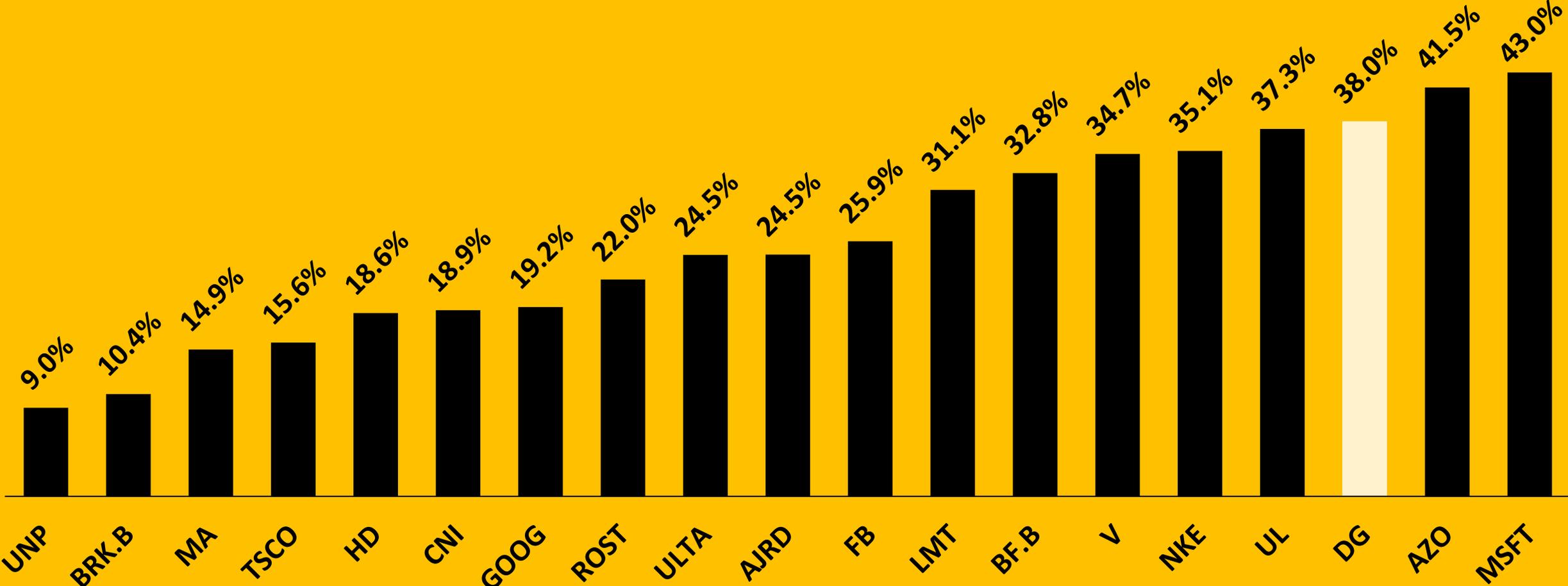
\$479.75

124.9%

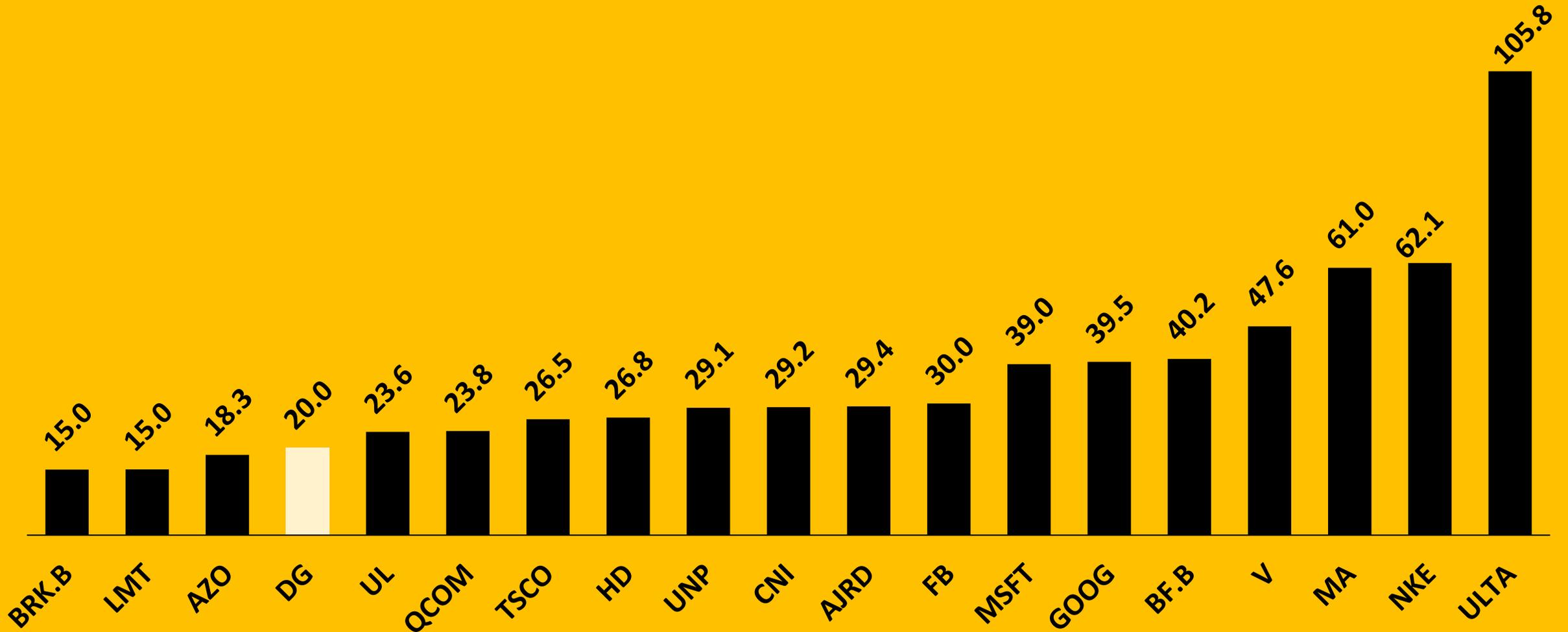
14.5%

Intraportfolio Comps

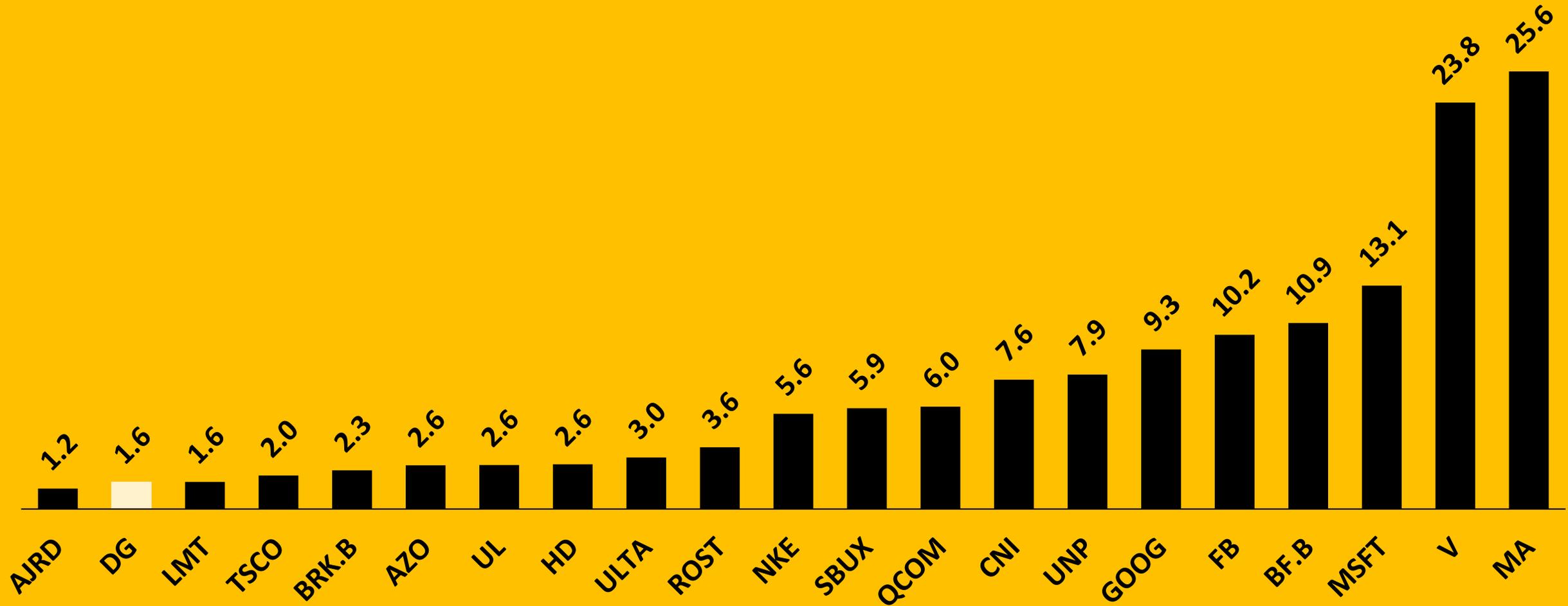
Return on Equity



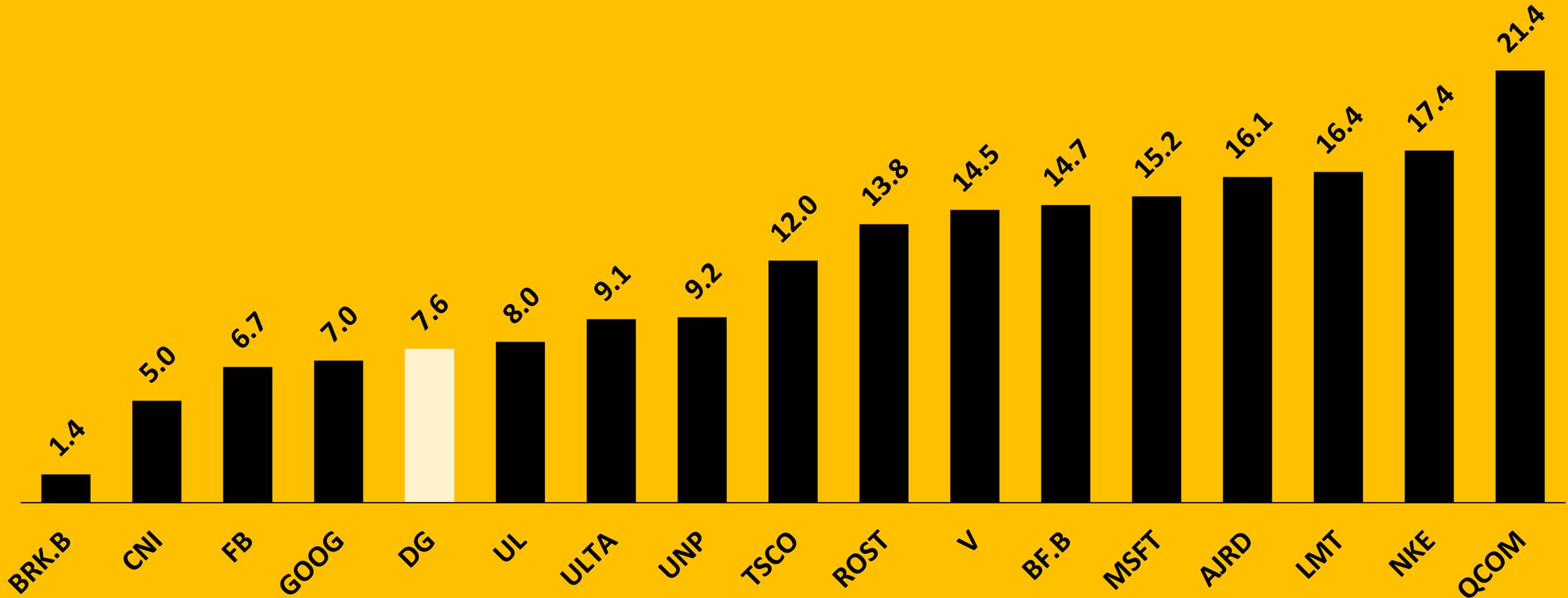
Price to Earnings



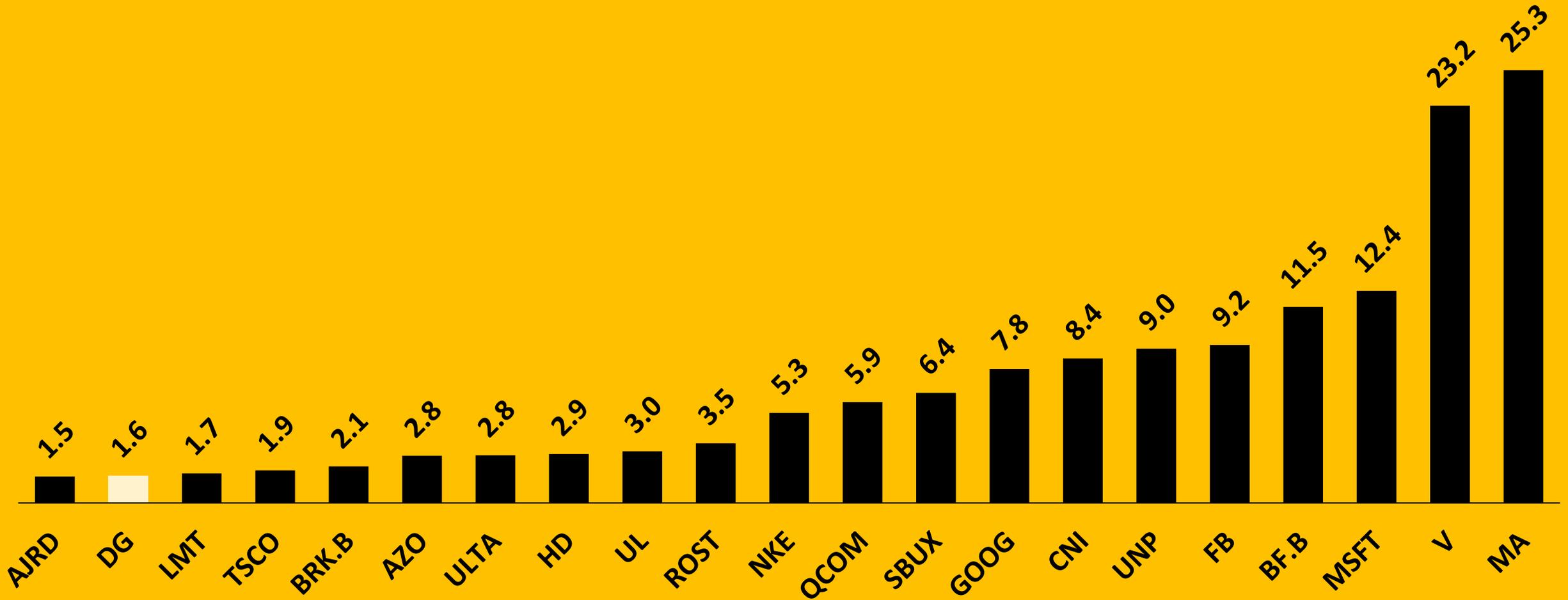
Price to Sales



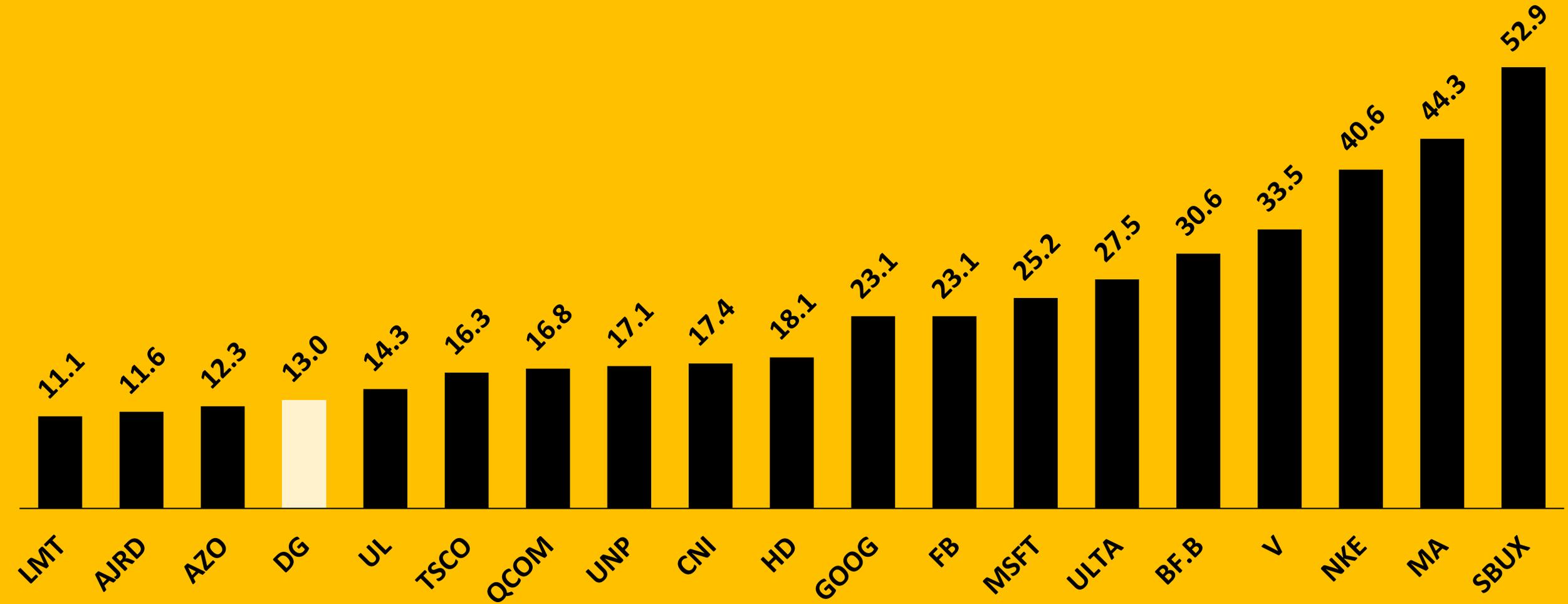
Price to Book



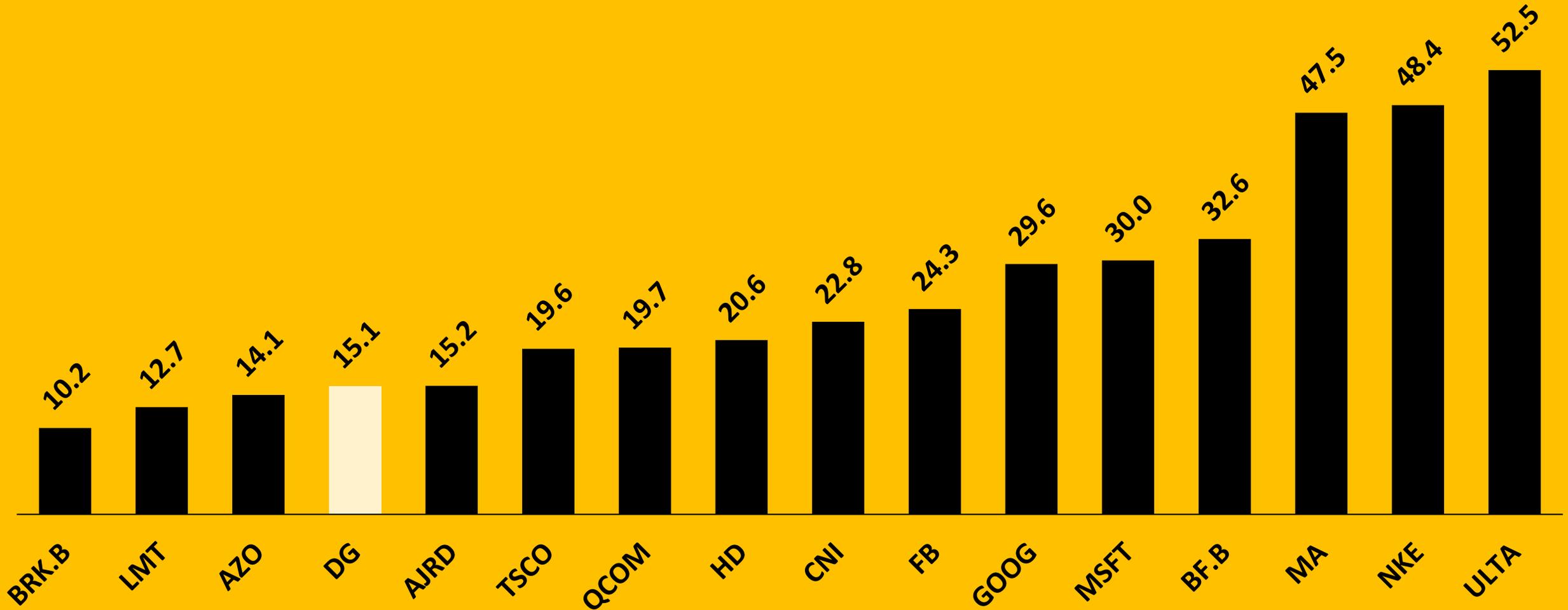
EV to Sales



EV to EBITDA



EV to EBIT



Conclusion

Conclusion

Recap

- Wonderful
- Predictable and consistent
- Wide moat business
- Keeps getting better over time
- Continues to stay innovative in good and bad markets
- Strong growth opportunities

Recommendation

- Buy 200 shares
- Limit order at \$200 per share
- Currently own 223 shares
- 4.5% of portfolio
- Buying 200 would put it at around 9% of the portfolio

The Frugalicious Team



The Frugalicious Team



Esam Hijazi



Luis Green



Brandon Chaney



Rafael Bracho



Diego Garcia



Ethan Sanchez



Appendix

Ownership of Major Investors

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
T. Rowe Price Associates, Inc. ⁽¹⁾	20,481,800	8.6%
The Vanguard Group ⁽²⁾	19,178,414	8.0%
BlackRock, Inc. ⁽³⁾	17,574,737	7.3%