



## Driving Shareholder Value

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John Garratt, EVP and CFO

# Driving Shareholder Value

Strong Track Record of Financial Performance

Compelling Long-Term Growth Model

Investments for Growth

Operating Leverage Opportunities

Shareholder Return Principles



# Strong Track Record of Financial Performance

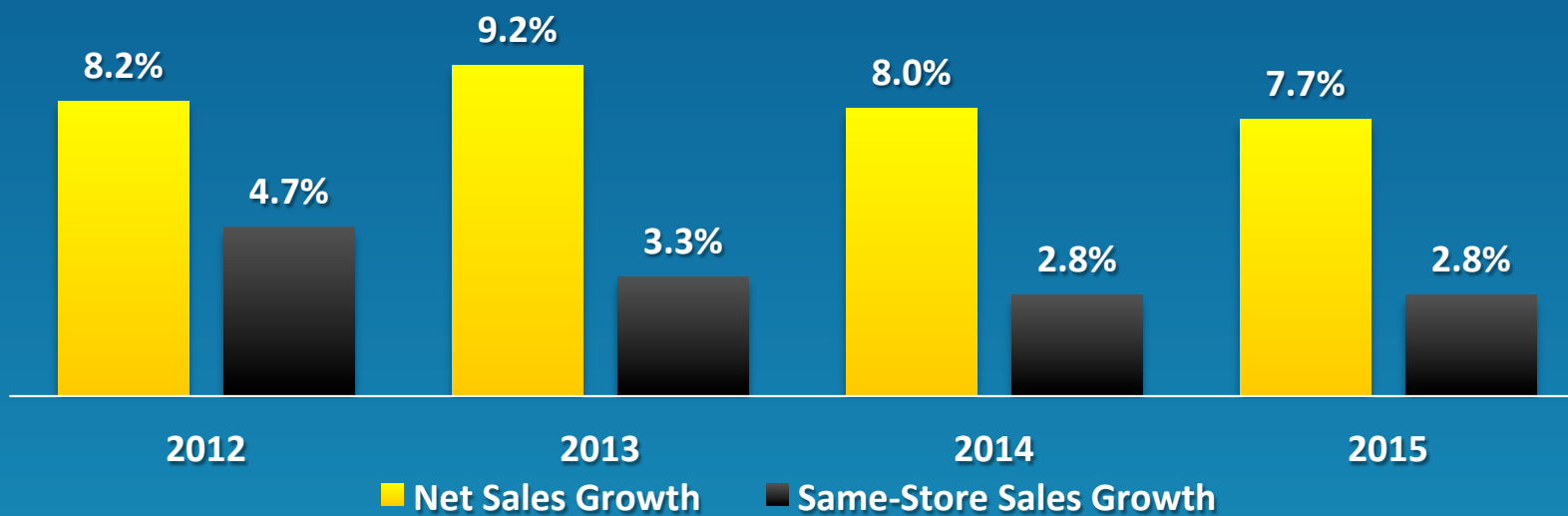
## 2012 to 2015 Highlights

- Total Sales Increase of 27.1%
  - 19% store growth; 20% square footage growth
- Adjusted Operating Profit Increase of 17%
- Adjusted EPS Growth of 36%
- Over \$5.0 Billion in Cumulative Cash from Operations
- Returned \$3.6 Billion to Shareholders through Share Repurchases and Dividends

Note: See Non-GAAP reconciliations for Adjusted Operating Profit and Adjusted EPS

# Strong Track Record of Financial Performance

## Consistent Net Sales and Same-Store Sales Growth



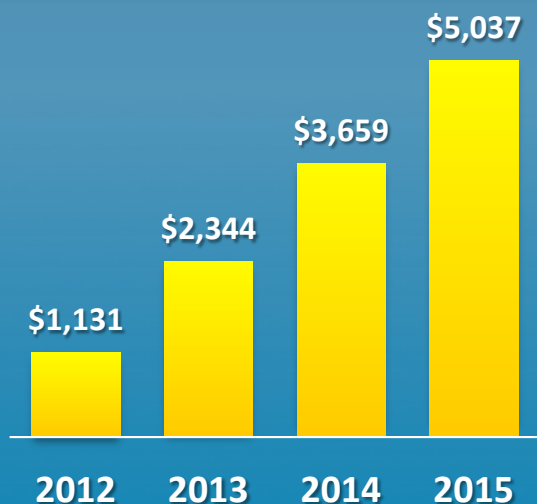
2012 – 2015 DG Net Sales CAGR: 8.3%

# Strong Track Record of Financial Performance

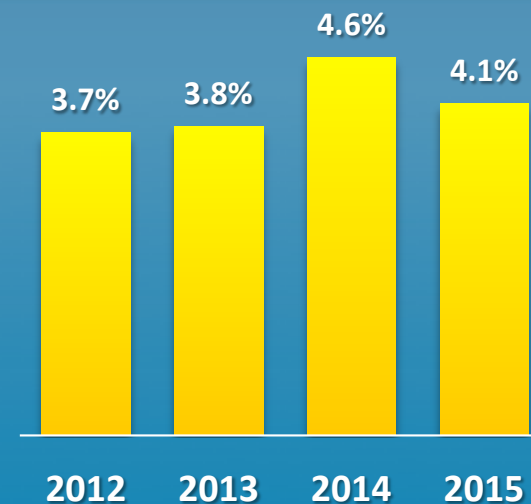
## Cash Flow Principles

- Strong Operating Performance
- Effective Working Capital Management
  - Grow inventory in line with sales, at a maximum
  - Reduce cash conversion cycle

## Cumulative Cash from Operations (\$ in millions)



## Free Cash Flow Yield



**Significant Cash Flow Generation**

Note: See Non-GAAP Reconciliations for Free Cash Flow Yield

# Strong Track Record of Financial Performance

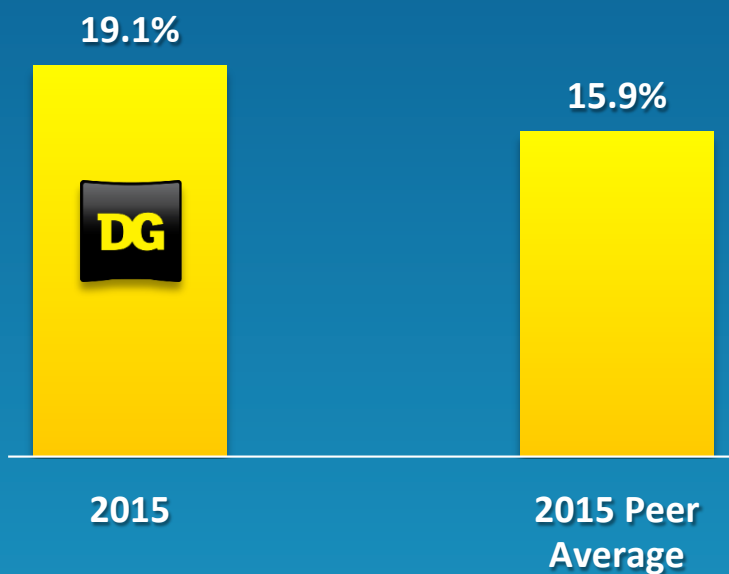
## 2015 Highlights

- **Total Sales Increase of 7.7%**
  - Same-store sales increase of 2.8%
  - 26 consecutive years of same-store sales growth
- **Successfully Balanced Gross Margin and SG&A Performance**
- **Adjusted Operating Profit Growth of 9%**
- **Adjusted EPS Growth of 13% to \$3.96**
- **Nearly \$1.6 Billion Returned to Shareholders through Share Repurchases & Dividends**
- **Credit Agency Rating Upgrades**

Note: See Non-GAAP reconciliations for Adjusted Operating Profit and Adjusted EPS Growth

# Strong Track Record of Financial Performance

## Return on Invested Capital



## Strong ROIC Metrics

- Incremental Store Growth Investments Have Driven 18 - 20% Returns
- Consistently Superior ROIC Relative to Peer Average

Note: See Non-GAAP Reconciliations for information regarding return on invested capital (ROIC)

# Compelling Long-Term Growth Model

## Dollar General Growth Model: Annual Targets

<b>Drive Profitable Sales Growth</b>	<b>6 to 8% Square Footage Growth 2 to 4% Same-Store Sales Growth</b>
<b>Leverage Operating Margin</b>	<b>Gross Margin Expansion SG&amp;A Leverage</b>
<b>Diluted Earnings per Share Growth</b>	<b>Operating Margin Leverage Consistent Share Repurchases</b>
<b>Operating Cash Flow Growth</b>	<b>Net Income Growth Prudent Working Capital Management</b>
<b>Optimize Capital</b>	<b>Capital Expenditures of 2-3% of Sales Growing and Competitive Dividend Share Repurchases with FCF/Debt Capacity</b>

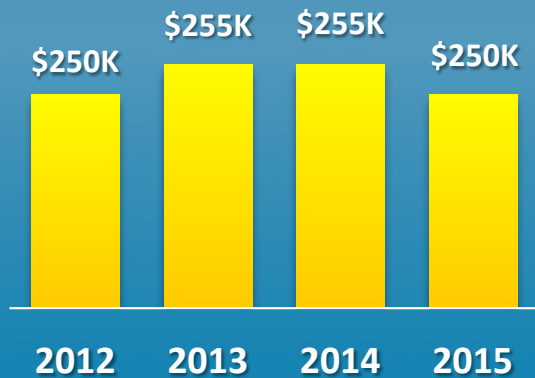
Note: See press release dated March 23, 2016 for Dollar General's complete Long-Term Growth Model



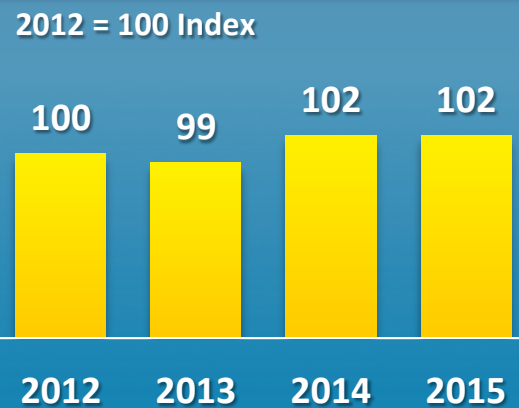
# Investments for Growth

## Compelling New Store Returns

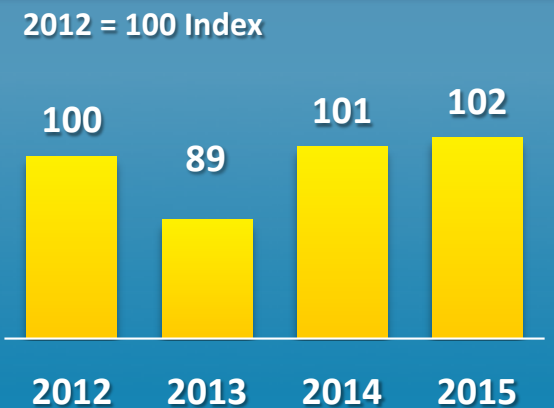
### Average New Store Investment



### New Store Sales



### EBITDA Contribution



**Low Cost to Build,  
Low Cost to Operate**

Note: New store investment represents those costs incurred solely in the year of opening and traditional stores only; New store sales and EBITDA contribution exclude DG Market stores

# Investments for Growth

## Compelling New Store Returns

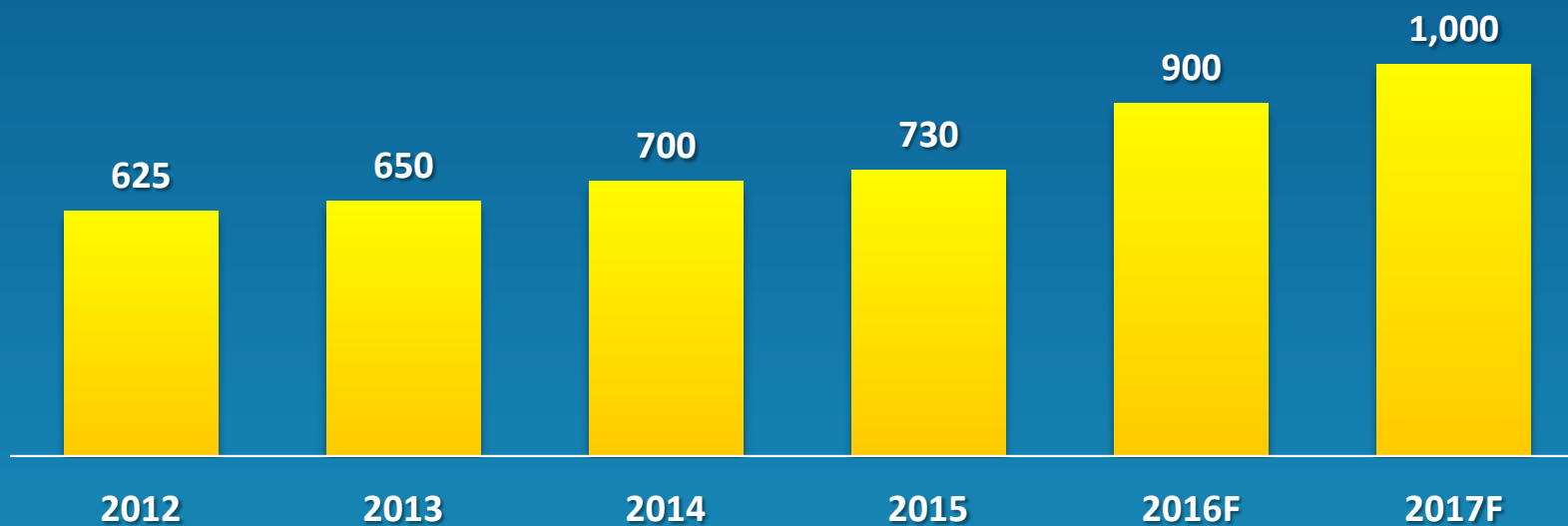


**Low Cost to Build,  
Low Cost to Operate**

Note: New Store IRR and Payback exclude DG Market stores

# Investments for Growth

## New Store Growth



Sq. Footage Growth

7.2%

6.6%

6.3%

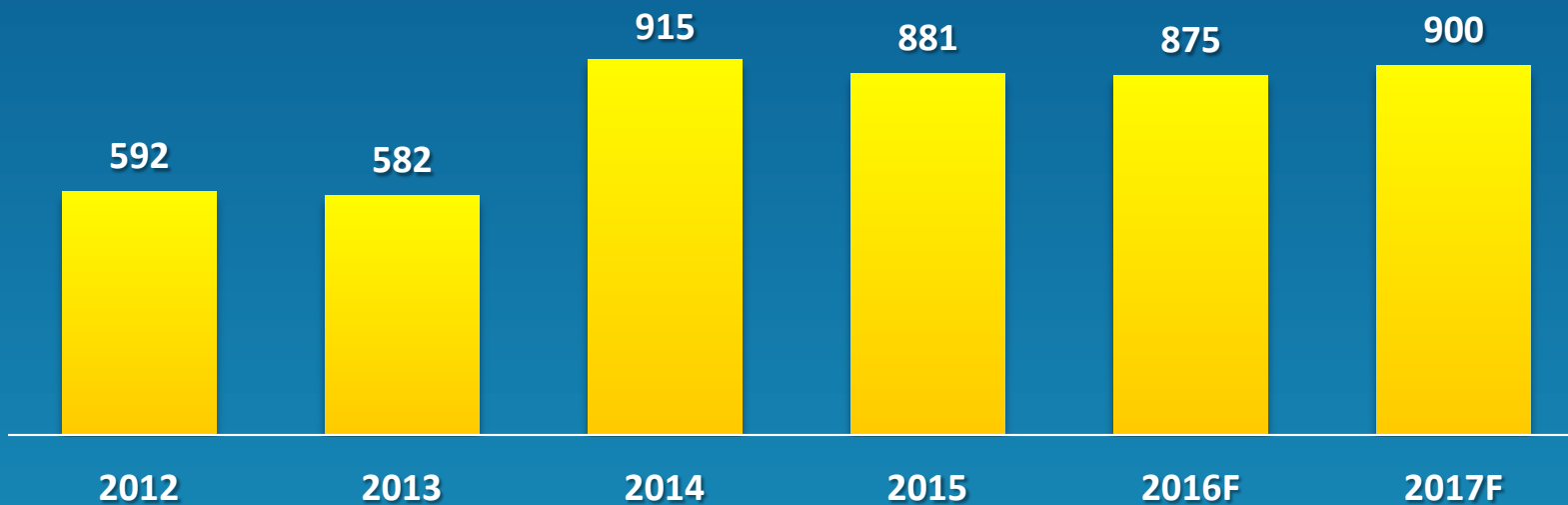
6.0%

~7.0%

~7.5%

# Investments for Growth

**Relocations and Remodels**  
*Goal: Touch All Stores Over a Seven Year Cycle*



Total  
Projects

2012	1,217	2013	1,232	2014	1,615	2015	1,611	2016F	1,775	2017F	1,900
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# Operating Leverage Opportunities

## Enhance Gross Margin

- Leverage Category Management
- Capture Shrink Reduction through Optimization
- Drive Distribution & Transportation Efficiencies
- Increase Global Sourcing Penetration
- Improve Private Brand Penetration and Growth
- Grow Non-Consumable Categories

Ongoing Initiatives across Merchandising,  
Store Operations and Supply Chain

# Operating Leverage Opportunities

## Zero-Based Budgeting

- Leverages Cultural Heritage of a Low-Cost Operator
- Implemented from a Position of Strength for 2016 and Beyond
- Clear and Defined Process for Addressing Spending
  - Does it impact the customer experience?
  - Does it align with our strategic priorities?
  - How does it impact our risk profile?

**Ability to Leverage  
SG&A at  
2.5% to 3.0%  
Same-Store Sales  
Comp Level**

# Operating Leverage Opportunities

## Zero-Based Budgeting

### Targeted Areas of Spend

- Administrative Services
- Advertising Effectiveness
- Salaries
- Services Purchased
- Supplies
- Travel & Training

- Executive Ownership for Each Cost Package
- Benchmarking Spend Levels and Policies
- Bottoms-Up Budgets for 2016 and Beyond
- Two-Prong Incentive Compensation for Cost Package and Budget Owners

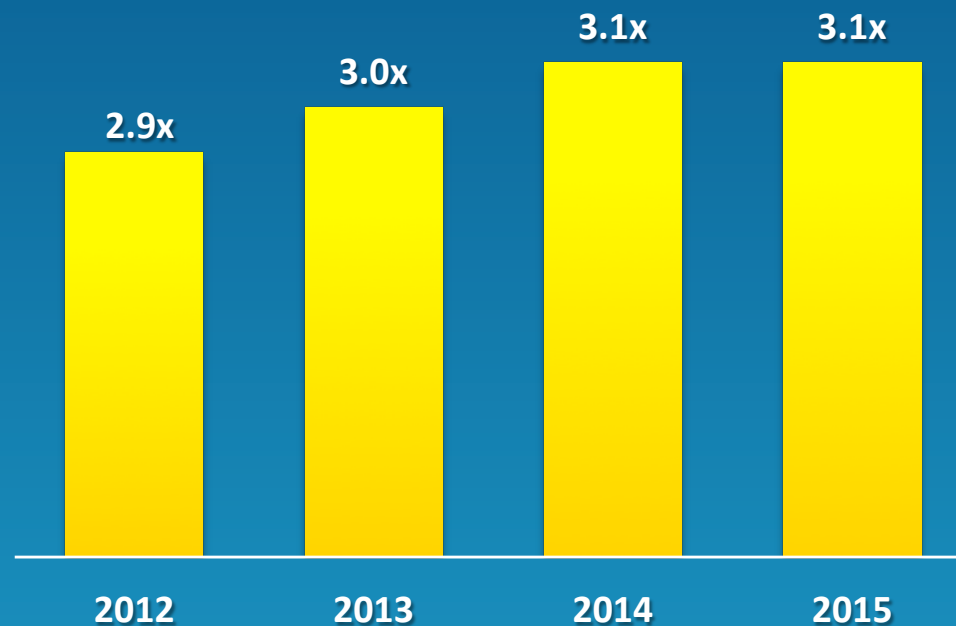
# Shareholder Return Principles

## Efficient Capital Structure

- Investment Grade Credit Ratings (BBB/ Baa3)
- Prudent & Consistent Financial Policy

Low Cost of Capital  
Financial Flexibility  
Ample Liquidity

## Adjusted Debt / Adjusted EBITDAR



Note: See Non-GAAP Reconciliations for information regarding Adjusted Debt / Adjusted EBITDAR



# Shareholder Return Principles

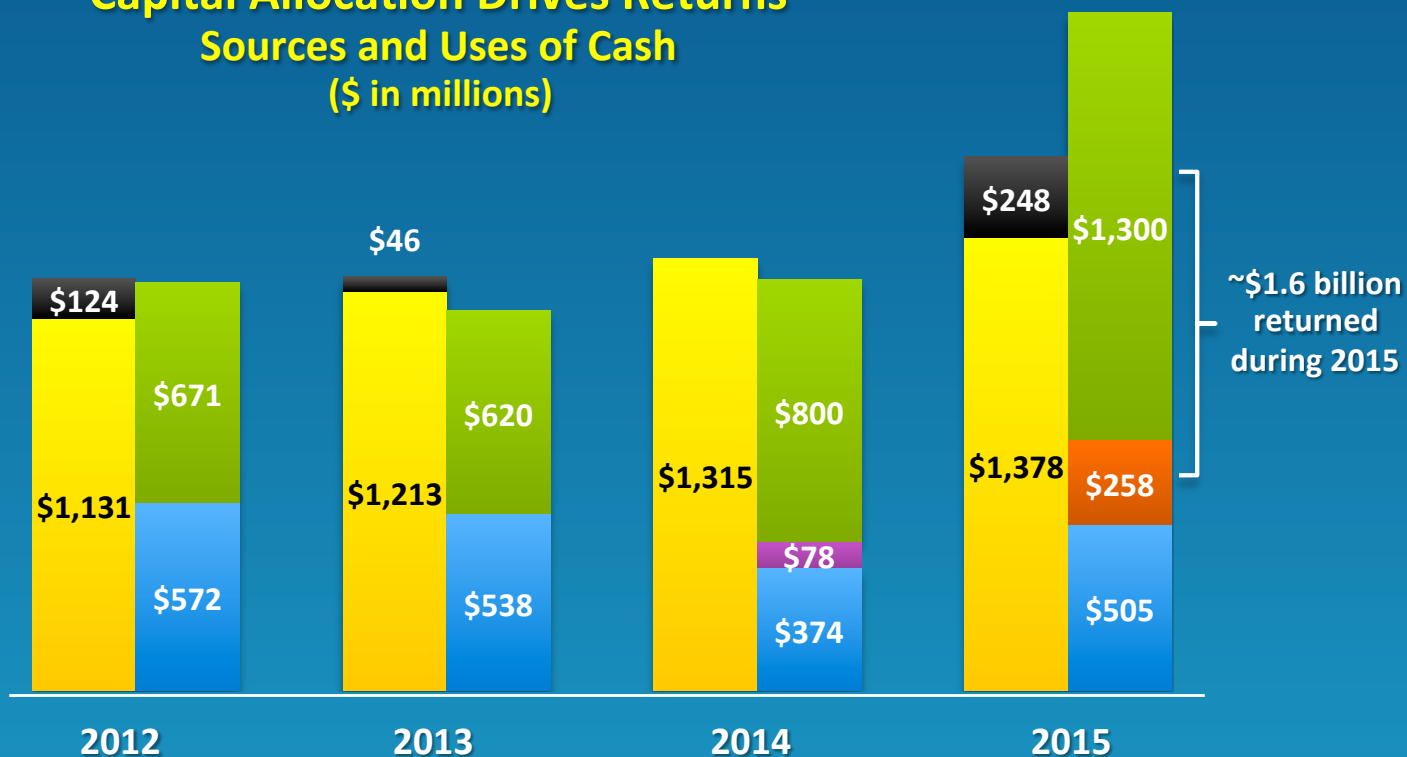
## Capital Allocation Drives Returns Sources and Uses of Cash (\$ in millions)

### SOURCES

- Cash from Operations
- Net Debt Issuance

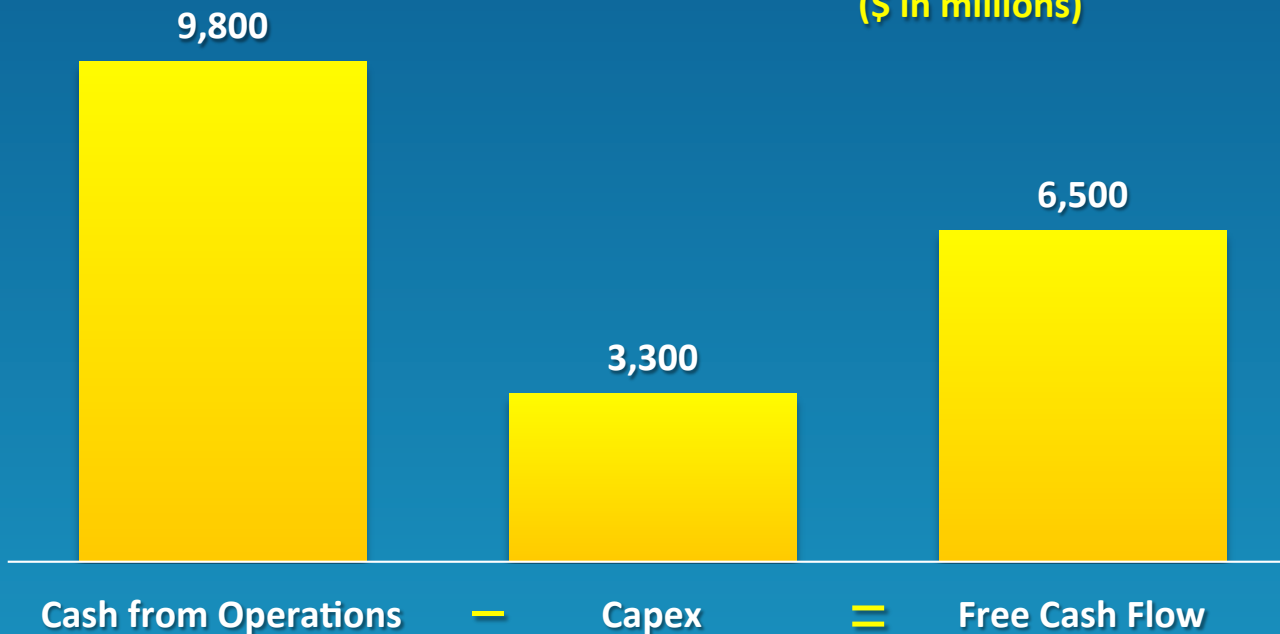
### USES

- CapEx
- Debt Paydown
- Dividends
- Share Repurchases



# Shareholder Return Principles

## Potential Cash Available to Enhance Returns Over Five Years (\$ in millions)



$$\begin{aligned} &\text{Free Cash Flow} \\ &+ \\ &\text{Incremental Debt} \\ &= \\ &\text{Cash Available to} \\ &\text{Enhance Returns} \end{aligned}$$

Note: For illustrative purposes only. See press release dated March 23, 2016 for our financial growth model. Using the midpoints of the ranges contained in the financial growth model for mathematical purposes only, the results of each of these metrics at the end of 2015 would grow to those shown in the graph above by the end of 2020

# Shareholder Return Principles

## Operational Investments

- Drive ROIC with Value Enhancing Projects
  - Capture high-return, low-risk organic growth
- Reinvest in Infrastructure Projects
  - Distribution center build-outs and I.T. systems

## Capital Structure

- Maintain Strong Capital Structure
  - Investment-grade credit ratings
  - Manage to ~3.0x adjusted debt to EBITDAR

## Returning Value to Shareholders

- Growing and Competitive Dividend
- Robust, Consistent Share Repurchases

# Compelling Long-Term Growth Model

## Dollar General Growth Model: Annual Targets

Net Sales	<u>7 to 10% Annual Growth</u> 6 to 8% Square Footage Growth 2 to 4% Same-Store Sales Growth
Operating Profit	7 to 11% Growth
Diluted Earnings per Share	10 to 15% Growth
Cash from Operations	7 to 8% of Sales
Capital Expenditures	2 to 3% of Sales
Annual Shareholder Return <i>(EPS Growth + Dividend Yield)</i>	11 to 17% Growth

**Focused on Driving Consistent, Long-Term Value for Shareholders**

Note: See Forward-Looking Statements for important information related to this growth model

## Key Takeaways

- Proven and Sustainable Track Record of Results
- Compelling New Store Economics and Growth Opportunities
- Significant Runway for Long-Term Profitable Growth
- Levers to Enhance Gross Margin
- Zero-Based Budgeting Implementation from a Position of Strength
- Strong Balance Sheet and Cash Flow to Capture Growth Opportunities and Return Cash to Shareholders

**Consistent 11 to 17% Shareholder Return per Year**  
*(EPS Growth + Dividend Yield)*

**DOLLAR GENERAL<sup>®</sup>**

**Invest**

**FOR  
GROWTH**