

IN THE UNITED STATES DISTRICT COURT  
FOR THE MIDDLE DISTRICT OF TENNESSEE  
NASHVILLE DIVISION

PLAINTIFF, Individually and on Behalf of )  
All Others Similarly Situated, ) Master File No.  
 )  
 ) **CLASS ACTION**  
Plaintiff, )  
 ) **COMPLAINT FOR VIOLATION OF**  
v. ) **THE FEDERAL SECURITIES LAWS**  
 )  
DOLLAR GENERAL CORPORATION, )  
JEFFREY CARL OWEN, JOHN W. ) **DEMAND FOR JURY TRIAL**  
GARRATT, KELLY M. DILTS, )  
 )  
Defendants. )  
 )  
 )  
 )

Plaintiff, individually and on behalf of all other persons similarly situated, by their undersigned attorneys, alleges in this Complaint for violations of the federal securities laws (the “Complaint”) the following based upon knowledge with respect to their own acts, and upon facts obtained through an investigation conducted by his counsel, which included, *inter alia*: (a) review and analysis of relevant filings made by Dollar General Corporation (“Dollar” or the “Company”) with the United States Securities and Exchange Commission (the “SEC”); (b) review and analysis of Dollar’s public documents, conference calls, press releases, and stock chart; (c) review and analysis of securities analysts’ reports and advisories concerning the Company; and (d) information readily obtainable on the internet.

Plaintiff believes that further substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery. Most of the facts supporting the allegations contained herein are known only to the defendants or are exclusively within their control.

### **NATURE OF THE ACTION**

1. This is a federal securities class action on behalf of all investors who purchased or otherwise acquired Dollar’s securities between February 23, 2023 and August 31, 2023, inclusive (the “Class Period”), seeking to recover damages caused by Defendants’ violations of the federal securities laws (the “Class”).

2. Defendants provided investors with material information concerning Dollar’s expected revenue for fiscal year 2023. Defendants’ statements included, among other things, Dollar’s significant progress made to improve supply chain issues, enhancements to the customer experience, strategic initiatives and incremental investment of approximately \$100 million in stores and the execution of more than 800 real estate projects, including new store openings. As

a result, Dollar forecasted net sales growth in the range of approximately 5.5% to 6%, same-store sales growth in the range of 3.0% to 3.5% and diluted EPS growth in the range of approximately 4% to 6%.

3. Defendants provided these overwhelmingly positive statements to investors while, at the same time, disseminating materially false and misleading statements and/or concealing material adverse facts concerning supply chain issues, pricing shifts, and underinvestment in labor. This caused Plaintiff and other shareholders to purchase Dollar's securities at artificially inflated prices.

4. The truth first emerged on June 1, 2023, when Dollar issued a press release announcing they missed 1Q guidance and was lowering full year guidance for fiscal 2023. In pertinent part, Defendants announced fiscal 2023 net sales growth in the range of approximately 3.5% to 5.0%, compared to its previous expectation of 5.5% to 6%, same-store sales to rise between 1% and 2%, compared with its prior outlook of an increase of 3% to 3.5% and lowering earnings per share to range from being flat to an 8% decline year over year attributing it to macroenvironment headwinds to the business.

5. Investors and analysts reacted to Dollar's revelation. The price of Dollar's common stock declined dramatically. From a closing market price of \$164.62 per share on June 2, Dollar's stock price fell to \$157.44 per share on June 5, 2023, a drop of \$7.18 per share.

6. Later on August 31, 2023, Dollar issued a press release announcing lower than expected 2Q results and further lowered its 2023 guidance. The Company announced it expected lower net sales growth in the range of 1.3% to 3.3%, a decline in same-store sales growth of approximately 1.0% to growth of 1.0% and diluted EPS decline in the range of

approximately \$7.10 to \$8.30, or a decline of 34% to 22%. Dollar blamed it on unanticipated softening of sales trends.

7. As a result, investors and analysts reacted immediately to Dollar's revelation. The price of Dollar's common stock declined dramatically. From a closing market price of \$137.73 per share on August 31, Dollar's stock price fell to \$129.55 per share on September 1, 2023, a drop of \$8.18.

### **JURISDICTION AND VENUE**

8. Plaintiff brings this action, on behalf of him/herself and other similarly situated investors, to recover losses sustained in connection with Defendants' fraud.

9. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5).

10. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§1331 and 1337, and Section 27 of the Exchange Act, 15 U.S.C. §78aa.

11. Venue is proper in this District pursuant to §27 of the Exchange Act and 28 U.S.C. §1391(b), as Defendant Dollar is headquartered in this District and a significant portion of its business, actions, and the subsequent damages to Plaintiff and the Class, took place within this District.

12. In connection with the acts, conduct and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mail, interstate telephone communications and the facilities of the national securities exchange.

## **THE PARTIES**

13. Plaintiff purchased Dollar common stock at artificially inflated prices during the Class Period and was damaged upon the revelation of the Defendants' fraud. Plaintiff's certification evidencing his/her transaction(s) in Dollar is attached hereto.

14. Dollar General Corporation is a Tennessee corporation with its principal executive offices located at 100 Mission Ridge, Goodlettsville, TN 37072. During the Class Period, the Company's common stock traded on the NYSE Stock Market (the "NYSE") under the symbol "DG."

15. Defendant Jeffrey Carl Owen ("Owen") was, at all relevant times, the Chief Executive Officer and Director of Dollar.

16. Defendant John W. Garratt ("Garratt") was, at all relevant times, the President and Chief Financial Officer of Dollar.

17. Defendant Kelly M. Dilts ("Dilts") was, at all relevant times, the Executive Vice President and Chief Financial Officer of Dollar.

18. Defendants Owen, Garratt and Dilts are sometimes referred to herein as the "Individual Defendants." Dollar together with the Individual Defendants are referred to herein as the "Defendants."

19. The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Dollar's reports to the SEC, press releases, and presentations to securities analysts, money and portfolio managers, and institutional investors, *i.e.*, the market. Each Individual Defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected.

Because of their positions and access to material non-public information available to them, each of these Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each “group-published” information, the result of the collective actions of the Individual Defendants.

20. Dollar is liable for the acts of the Individual Defendants, and its employees under the doctrine of respondeat superior and common law principles of agency as all the wrongful act complained of herein were carried out within the scope of their employment with authorization.

21. The scienter of the Individual Defendants, and other employees and agents of the Company are similarly imputed to Dollar under respondeat superior and agency principles.

### **SUBSTANTIVE ALLEGATIONS**

#### **A. Company Background**

22. Dollar is a discount retailer, provides various merchandise products in the southern, southwestern, midwestern, and eastern United States.

23. The Company offers consumable products, health and beauty products, including over-the-counter medicines and personal care products. In addition, Dollar offers seasonal products, home products and provides apparel for infants, toddlers, girls, boys, women, and men.

#### **B. The Defendants Materially Misled Investors Concerning Dollar’s Full Year Guidance for 2023**

*February 23, 2023*

24. On February 23, 2023, Dollar issued a press release announcing specific preliminary financial results for the fourth quarter and fiscal year ended February 3, 2023 (“fiscal

2022”). The Company stated that specific plans and expectations for fiscal 2023 would be discussed in more detail on an upcoming earnings call, but that Dollar expected same-store sales growth in the range of 3.0% – 3.5% and diluted earnings per share growth in the range of approximately 4% - 6%.”

March 16, 2023

25. On March 16, 2023, before the market opened, Dollar issued a press release announcing its fourth quarter and fiscal year 2022 results. The press release reiterated and provided financial guidance for full year fiscal 2023, stating in pertinent part:

“Our fourth-quarter sales results were strong, although below our expectations, and we are pleased with continued market share gains in both consumables and non-consumables, as well as continued growth with new and existing customers,” said Jeff Owen, Dollar General’s chief executive officer. “We want to thank our more than 170,000 associates for their commitment to serving our customers, communities, and each other in this challenging economic and operating environment.”

***“We made significant progress advancing our operating priorities and strategic initiatives in fiscal 2022, including executing nearly 3,000 real estate projects, completing the rollout of our non-consumables initiative, nearly tripling our pOpshelf store count, more-than-doubling the size of our private tractor fleet, and opening three new distribution centers. As a result, we believe we are well-positioned to continue serving our customers with our unique combination of value and convenience in the communities we call home.”***

***“Looking ahead, we are excited about our plans for fiscal 2023, which include continued investment in our strategic initiatives and an incremental investment of approximately \$100 million in our stores, primarily in incremental labor hours, as we look to build on our sales momentum and capture additional market share by further enhancing store standards and the in-store experience. Building on the investments we made in 2022, and the substantial progress we have made in our supply chain, we believe this incremental investment will yield strong returns as we continue creating long-term sustainable growth and value for our shareholders.”***

...

***“Our fiscal 2023 full-year outlook reflects our confidence in the business, even in a potentially challenging economic and operating environment,”*** said John Garratt, Dollar General’s president and chief financial officer. “While we anticipate

the first half of fiscal 2023 to be negatively impacted by ongoing sales mix pressures, higher shrink levels, increased damages, and higher interest expense, we are confident in our full-year plans.”

***“Our outlook for the year includes strong sales and operating profit, while also providing for investments intended to drive long-term sustainable growth. We continue to be disciplined in managing expenses and capital, while delivering on our financial priorities to drive profitable same-store sales growth, healthy new-store returns, and long-term shareholder value.”***

(Emphasis added.)

26. On the same day, Defendants held an earnings call that included Defendants Owen and Garratt on behalf of Dollar. During the call, the Individual Defendants provided analysts with detailed information concerning the Company’s ability to deliver on its financial, operational and strategic commitments despite the rapidly changing macroeconomic environment. Defendants Owen and Dilts also announced the Board of Directors approved an increased quarterly dividend payment of \$0.59 per share. Defendants emphasized Dollar’s growth plans for 2023, including strong sales and operating profit in addition to making significant and deliberate investments in the business.

27. During opening remarks, Defendant Owen stated, in part, as follows:

Turning to a few highlights of the 2022 fiscal year. Net sales increased 10.6% to \$37.8 billion and included a benefit of approximately 2 percentage points or \$678 million in sales from the 53rd week. Comp sales for the year increased 4.3%, driven by strong growth in basket size. Although a significant portion of the basket growth was attributable to inflation, we were pleased to see an average basket size at the end of the year of more than five items and nearly \$17.

The team accomplished a great deal in 2022, and we closed the year with significant progress on our strategic initiatives and operating priorities while achieving several key milestones in Q4 and the weeks thereafter.

***We were particularly excited to celebrate the opening of our 19,000 store in Joplin, Missouri in January, as we continue to support our customers with our unique combination of value and convenience in their hometown communities. We also completed the initial rollout of our nonconsumable initiative, or NCI with the offering now in nearly all of our stores across the chain.***

***Finally, we made strong progress in our supply chain, reducing our storage capacity constraints and improving operations during the quarter. More specifically, and as we said we would do, we added significant capacity in Q4, bringing nearly 3 million square feet of distribution capacity online.*** These efforts culminated with the opening of our newest distribution center in Blair, Nebraska during the quarter.

(Emphasis added.)

28. Defendant Garratt highlighted Dollar's fourth quarter and financial outlook for fiscal year 2023 stating, in pertinent part:

***Importantly, we continue to believe the quality of our inventory is in good shape.*** In 2022, the business generated cash flows from operations totaling \$2 billion, a decrease of 31%, which was primarily attributable to higher inventory levels. Total capital expenditures were \$1.6 billion and included our planned investments in new stores, remodels and relocations, distribution, transportation projects and spending related to the strategic initiatives.

During the quarter, we repurchased 4.5 million shares of our common stock for \$1.1 billion and paid a quarterly dividend of \$0.55 per common share outstanding for a total payout of \$121 million. At the end of the year, the remaining share repurchase authorization was \$1.4 billion. Our capital allocation priorities continue to serve us well and remain unchanged. Our first priority is investing in high-return growth opportunities, including new store expansion and our strategic initiatives. We also remain committed to returning significant cash to shareholders through anticipated share repurchases and quarterly dividend payments, all while maintaining our current investment-grade credit rating and managing to a leverage ratio of approximately 3x adjusted debt to EBITDA.

***Moving to our financial outlook for the fiscal 2023 year. We anticipate the challenging economic and operating environment to continue into 2023, but we believe we are well positioned to drive strong growth as we move throughout the year. For 2023, we are reiterating the financial guidance we provided on February 23, 2023, and providing additional financial guidance to include the following expectations.***

***Net sales growth in the range of approximately 5.5% to 6%, including an anticipated negative impact of approximately 2 percentage points due to lapping the 2022 53rd week; same-store sales growth in the range of 3% to 3.5%; and EPS growth in the range of approximately 4% to 6%, including estimated negative impacts of approximately 3 percentage points due to higher interest expense and approximately 4 percentage points due to lapping the 2022 53rd week.***

Our EPS guidance assumes an effective tax rate in the range of approximately 22.5% to 23%. We also expect capital spending to be in the range of \$1.8 billion to \$1.9 billion, which includes the impact of significant inflation in the cost of certain building materials, construction of new distribution centers and continued investment in our strategic initiatives and core business to support and drive future growth.

(Emphasis added.)

29. Defendant Garrat continued to spotlight Dollar's opportunities for the upcoming fiscal year 2023, stating in part:

***Turning now to gross margin for 2023. In addition to the material benefit from lapping the increased supply chain expenses in the second half of 2022, we expect significant benefits from greater distribution center capacity and productivity, lower carrier rates, expansion of our private tractor fleet and other distribution and transportation efficiencies.***

***We also expect to continue realizing benefits from our initiatives, including DG Fresh and NCI.*** Furthermore, we anticipate a significant contribution from our DG Media Network, which Jeff will discuss in more detail in a moment. Partially offsetting some of these expected benefits are the anticipated sales mix pressure and increased inventory shrink and damages I mentioned as well as increased markdowns as we return to rates more in line with the historic norms.

***With regard to SG&A, we expect continued investments in our strategic initiatives as we further their rollouts. However, in aggregate, we continue to expect they will positively contribute to operating profit and margin in 2023, as we expect the benefits to gross margin from our initiatives will more than offset the associated SG&A expense.*** And as Jeff noted, ***we plan to make an incremental investment of approximately \$100 million in our stores, primarily through additional labor hours.*** While this investment will pressure SG&A in 2023, we believe it is the right thing for the business and will drive stronger in-store execution, positioning us well to build on the momentum we have with our customers.

We expect a headwind from inflationary pressures in our business. So we continue to pursue efficiencies and savings through our Save to Serve program, including Fast Track.

In closing, we are grateful for the team's hard work to deliver for our customers in 2022. Looking ahead, we are excited about our growth plans for 2023, including strong sales and operating profit while simultaneously making significant and deliberate investments in the business.

(Emphasis added.)

30. During the question-and-answer segment of the call, Defendant Owen continued the false impression given to investors during his opening remarks. For example, when asked by an analyst as to Dollar's continued investment despite limited growth in the past two quarters, Defendant Owen responded in pertinent part as follows:

<Q: Simeon Ari Gutman – Morgan Stanley - Analyst>...Last couple of quarters, we've had some missteps or things that haven't gone to plan. Not all of that I think is clear to us for the Street. And yet all these growth initiatives are still happening at the same time. So the open-ended question is have you debated or is the debate the balance of sort of the growth against investments that's focusing on the core?

<A: Jeffrey Carl Owen> ... And certainly, we have faced some challenges. But what we do here at Dollar General is we control what we can control, and that has allowed us to emerge even stronger as we move forward. So as I think about our balance between execution and innovation, one of the things I think it's important to remember is we have a long track record of execution, and this team will continue to deliver on that.

And on the innovation front, we don't do things on the side of our desks. And so as we do innovate, one of the things that our team does more than anything is, as you know, capital is not an issue for us. It's all about organizational capacity. And I think the team has done an excellent job of making sure that we've dedicated the resources, the focus and the time to be able to grow this foundation. And it certainly served us very well.

If you think about these challenging times we're in right now, this company is in a much different place. ***And as our customer has gravitated towards more consumables, the investments we've made in our strategic initiatives have allowed us to serve her even better and more profitably.***

***And so as we look forward, we're excited about some of the investments we announced today, which will be on top of the strategic investments we've made previously, which has put us in a very, very enviable position of having a rock-solid foundation strategically and a laser-focused on execution.*** And this team is committed to delivering that as we look forward into '23 and beyond.

(Emphasis added.)

31. Defendant Garratt was also asked about the Company's expected earnings and decrease in payables to inventory over the last few quarters:

<Q: Scot Ciccarelli – Truist Securities, Inc. - Analyst> First, can you just clarify, John, like are you expecting earnings to actually be down in the first half or just lower? And then my main question is, we've seen a pretty significant decrease in payables to inventory over the last couple of quarters. This quarter, for example, inventory was actually up over \$1 billion, payables were actually down year-over-year. Can you just provide any more color on what's happening there? And do you expect that to ramp up to -- kind of the payables inventory to ramp up to historical levels? Or is there some sort of structural change, whether it's mix or capacity changes, et cetera, that is influencing that?

<A: John W. Garratt> ...You really are going to see the growth in the back half of the year. *We're not anticipating a sizable drop in the first half. We're looking at it to be modestly up to flattish.* But -- so then it's really a back-half story in terms of the earnings.

*In terms of the AP to inventory, what we have seen is the driver of that is really higher inventory levels, coupled with the timing of payments...So as we look further, we expect inventory levels to normalize.* As you look at -- in Q4, we saw our inventory per store dropped in half. It went -- it was 14% on a per store basis, which was about half the growth rate we saw in the previous period -- or previous quarter. And again, it reflects the same drivers that's really the product cost inflation and a greater mix of higher-value products, particularly in NCI as we completed the rollout of that.

Important thing to note here is it is seasonal goods -- or it's early receipt of seasonal goods or was there other driver. But it's important to note that these are evergreen-type products, which aren't time-sensitive. *So we feel really good about the quality of the inventory, the ability to move through that and expect this to continue to normalize as we move through the year.*

(Emphasis added.)

May 31, 2023

32. On May 31, 2022, Dollar held their 2023 Annual Meeting of Shareholders Call.

Defendant Owen highlighted Dollar's strategic growth initiatives and key operating priorities stating, in pertinent part, that:

As the largest retailer in the United States by store count and with a number of strategic growth initiatives in progress, we are uniquely positioned to be a force for opportunity for our customers, employees and communities every day. We have a clear vision for the future of Dollar General and how we will move this company forward through a strong combination of execution and innovation. Our execution continues to be driven by our 4 key operating priorities.

***Our first operating priority is driving profitable sales growth. We have a robust portfolio of sales driving and margin-enhancing initiatives, which are providing our customers with even more value and convenience, while driving strong results and strengthening the foundation for future growth.*** In 2022, we completed the rollout of our non-consumables initiative in the vast majority of our stores and nearly tripled our number of pOpshelf stores as well.

...

***Looking ahead, we expect to expand upon these initiatives and other opportunities in 2023,*** including further cooler door expansion, private brand enhancements, distribution and transportation efficiencies and global sourcing efforts.

***Our second operating priority is capturing growth opportunities.*** Our proven high-return, low-risk real estate model has served us well for many years and coupled with our ongoing format innovation continues to be a core strength of our business. Our larger format stores are providing more products for our customers while also driving greater sales productivity, and we are excited about the important role of these formats in our future growth.

***Our digital initiative, including our growing DG Media Network and our third-party partnership to offer same-day delivery in nearly 14,000 stores complements our unique and expansive brick-and-mortar footprint.*** We continue to focus on opportunities to deploy and leverage technology to provide our customers with an even more convenient, frictionless and personalized shopping experience.

***Our third operating priority is enhancing our position as a low-cost operator. We aim to keep our business simple while controlling costs and driving efficiencies throughout the organization.*** During 2022, we expanded self-checkout to a total of more than 11,000 stores as part of our Fast Track initiative, which continues to focus on enhancing convenience for customers while driving efficiencies for our teams. We also significantly expanded our private tractor fleet, which is now one of the largest in the U.S. to a total of more than 1,600 tractors. These efforts continue to provide greater operational control within our supply chain while further optimizing our cost to serve.

Our fourth operating priority is investing in our diverse teams through development, empowerment and inclusion.

...

***In fiscal 2022, we opened 1,039 new stores. We also remodeled 1,795 stores, relocated 127 stores for a total of 2,961 real estate projects. We were operating a total of 31 distribution facilities at the end of fiscal 2022 to support our ongoing growth.***

Moving forward, we continue to expect the majority of our new stores to be in one of our larger square foot formats as we continue to look for ways to not only expand the number of communities we serve, but also the ways in which we are able to

serve them. We have an incredible footprint of stores to serve communities around America, and we are excited about the growth opportunities ahead for us in 2023 and beyond.

(Emphasis added.)

33. The above statements in Paragraphs 24 to 32 were false and/or materially misleading. Defendants created the false impression that they possessed reliable information pertaining to the Company's strategic initiatives and projected growth, explaining they were improving supply chain issues, making enhancements to the customer experience, and investing in labor and multiple real estate projects, which included the opening and expansion of several facilities. In truth, Dollar had been experiencing a surge in inventory due to mismanagement of the Company's supply chain in addition to a decline in sales, specifically against its key competitors. Defendants misled investors by providing the public with materially flawed revenue guidance for fiscal 2023.

34. The truth about Dollar's sales forecasts was material to investors. Revenue is one of the most important metrics relied upon by investors when evaluating a company. Had investors known that Dollar's projections were inaccurate and that Defendants lacked the necessary internal controls over financial reporting to develop accurate projections, investors would have taken different actions with regard to their positions in Dollar stock. The truth about Dollar's projections and forecasting capabilities would have altered the total mix of information concerning Dollar stock available to investors.

C. **Dollar Reveals First Quarter Earnings and Reduces Their Guidance for Fiscal Year 2023**

*June 1, 2023*

35. On June 1, 2023, only one day after the 2023 Annual Meeting of Shareholders Call, Dollar issued a press release announcing their first quarter results and reduction of full year guidance for 2023. The press release stated, in pertinent part, that:

***The macroeconomic environment is more challenging than the Company had previously anticipated, which the Company believes is having a significant impact on customers' spending levels and behaviors.***

The Company remains confident in the business and its long-term growth prospects, but is revising its outlook for fiscal year 2023, provided on March 16, 2023, to reflect these more challenging macroeconomic headwinds, and now expects:

- Net sales growth in the range of approximately 3.5% to 5.0%, compared to its previous expectation of 5.5% to 6%; both of which include an anticipated negative impact of approximately two percentage points due to lapping the fiscal 2022 53rd week
- Same-store sales growth in the range of approximately 1.0% to 2.0%, compared to its previous expectation of 3.0% to 3.5%
- Diluted EPS in the range of an approximate 8% decline to flat, compared to its previous expectation of growth of approximately 4% to 6%, both of which include an anticipated negative impact of approximately four percentage points due to lapping the fiscal 2022 53rd week
  - The updated Diluted EPS guidance includes an anticipated negative impact of approximately four percentage points due to higher interest expense in fiscal 2023, compared to the anticipated negative impact of approximately three percentage points included in the prior EPS guidance.

(Emphasis added.)

36. Investors and analysts reacted immediately to Dollar's revelation. The price of Dollar's common stock declined dramatically. From a closing market price of \$164.62 per share on June 2, Dollar's stock price fell to \$157.44 per share on June 5, 2023, a drop of \$7.18 per share.

37. At the same time, Defendants continued to mislead investors. On June 1, 2023, Dollar hosted an earnings call with the Individual Defendants. During the call, Defendant Dilts blamed the Company's reduced guidance for fiscal 2023 on the macroeconomic environment, stating in pertinent part:

Moving to an update on our financial outlook for the fiscal 2023 year. As Jeff noted, *we're seeing a much more challenging macroeconomic environment than we anticipated, and this is having a significant impact on our customer spending levels and behavior.* We're taking swift and decisive action to adjust to this environment while maintaining our ability to save our customers both time and money. We remain confident in the business and our long-term growth prospects.

(Emphasis added.)

38. During the question-and-answer segment, Defendant Dilts again attributed Dollar's reduced guidance to the macroeconomic environment:

<Q: Matthew Robert Boss- J.P. Morgan Chase & Co.- Analyst> ...And then could you just overall walk through the puts and takes that you've embedded in your gross margin forecast for the second quarter or the back half of the year relative to the expansion that we saw in the first quarter?

<A: Kelly M. Dilts > I'm just stepping back on guidance, just taking a look at it from a high level for the full year. *Our revised guidance is really a function of the macroeconomic environment, and it's putting pressure on 2 things, and that's sales and shrink.* And as Jeff alluded to, we're taking actions to address both as well as actively managing the rest of the P&L, our working capital and our capital investments. We're not going to sacrifice long-term growth as we do that either.

...

<Q: Matthew Robert Boss- J.P. Morgan Chase & Co.- Analyst> ...*how do you feel about your pricing position today? What actions might you take?* And then could you just overall walk through the puts and takes that you've embedded in your gross margin forecast for the second quarter or the back half of the year relative to the expansion that we saw in the first quarter?

<A: Kelly M. Dilts > *Yes, I'll start with the pricing. We feel great about our pricing position. And just like Jeff said, we're investing in a targeted everyday low-price investment.* And in this environment, we feel like it's really important to

do so on those key items that are important to our customer. And what I would say is that is embedded in our gross margin guidance.

(Emphasis added.)

39. During the question-and-answer segment, Defendants Owen and Dilts were specifically asked about Dollar's increase in inventory levels and supply chain challenges:

<Q: Michael Efram Kessler- Morgan Stanley - Analyst> First question, so Dollar General has encountered some supply chain, labor, macro challenges in the midst of changes in management as well. And it does seem like issues are continuing to kind of creep in a bit. As you -- Jeff, as you look backwards over the last 6 to 9 months, can you diagnose maybe what the root -- if there is a root of these issues, if any, of what I just mentioned is intertwined at all?

<A: Jeffrey Carl Owen > *I'd say when I think back on the supply chain, we mentioned in Q3 and Q4, we had challenges.* We said we would get better in Q4 and we did exactly that. *And we also said we'd improve in Q1. And quite frankly, our supply chain improved at a faster rate than even we expected.* And you heard me in my prepared comments talk about we ended that quarter in the best position service level-wise in 2 years.

...  
And also, again, *I go back to the operational improvements. I mean, our supply chain hasn't been this good since 2 years ago. Our store conditions continue to improve. Our customers are seeing it. They're telling us that. And we haven't seen that movement, quite frankly, in quite some time. Our movement from Q4 to Q1 was significant and we're excited about that. We're also excited about how we're seeing the ability to accelerate that in the second quarter because of our supply chain improvements.*

<Q: Rupesh Dhinoj Parikh- Oppenheimer & Co., Inc.- Analyst>  
...Your inventory balance was up, I think, 20% year-over-year. *Just curious how you feel about the health of the inventory position and opportunities you see to improve from here.*

<A: Kelly M. Dilts > Yes. *We continue to feel good about the quality of the inventory. But I will say inventory management remains a focus for us. So inventory growth was relatively consistent with Q4, although we had hoped that it would come in somewhat lower this quarter.* The good news here is what I would say is we made some progress on working down the non-consumable inventory. It was offset, though, by improved consumable in-stock levels. And as Jeff noted, with the supply chain health, that's where we got those in-stock levels from.

(Emphasis added.)

40. During the question-and-answer segment of the June 1, 2023 earnings call, Defendants Dilts was asked about Dollar's pricing positions:

<Q: Matthew Robert Boss- J.P. Morgan Chase & Co.- Analyst> ...how do you feel about your pricing position today? What actions might you take? And then could you just overall walk through the puts and takes that you've embedded in your gross margin forecast for the second quarter or the back half of the year relative to the expansion that we saw in the first quarter?

<A: Kelly M. Dilts > Yes, I'll start with the pricing. ***We feel great about our pricing position. And just like Jeff said, we're investing in a targeted everyday low-price investment.*** And in this environment, we feel like it's really important to do so on those key items that are important to our customer. And what I would say is that is embedded in our gross margin guidance.

(Emphasis added.)

41. Wells Fargo, who had been following Dollar, downgraded the Company's stock and/or lowered their price targets in response to Dollar's disclosures. The analyst stated "the Q1 update suggests DG is suffering more than just the macro" and pointed out that Dollar's "recent management changes, reported supply chain issues, and rumblings about slipping store standards relate to underinvestment against the rising cost of growth for this model." Further, Wells Fargo "was not convinced the company is making enough investment in areas like labor which raises questions around EBIT margin bottom, and suggests '24 is probably a below algo yet..." thereby lowering its price target.

42. Piper Sandler similarly lowered its price target for Dollar stock. In its report, Piper acknowledged that "DG has now missed 3 quarters in a row. While DG highlights well-known macro headwinds (lower tax refunds and SNAP), we cannot explain why DG is seeing a more material impact (and lack of trade-down) versus other retailers serving lower-income customers (e.g. WMT and DLTR)."

43. The aforementioned press release and statements made by the Individual Defendants were fraudulent and in direct contrast to statements they made during the March 16, 2023 earnings call. On that call, Defendants touted that the Company's multiple investments in real estate, labor hours, pricing position, customer experience, in addition to improvements made to their supply chain would deliver strong growth in fiscal year 2023. Defendants failed to reveal excessive levels of inventory and improper pricing investments led to significant loss of market share to competitors who also serve lower-income customers.

**D. Dollar Reveals Second Quarter Earnings and Further Reduces Their Guidance for Fiscal Year 2023**

*August 31, 2023*

44. Subsequently, on August 31, 2023, Dollar issued a press release announcing their second quarter results and a further reduction of 2023 full year guidance. The press release stated, in pertinent part, that:

*The Company is taking certain actions to accelerate the pace of its inventory reduction efforts and making additional investments in targeted areas, such as retail labor, to further elevate the in-store experience and better serve its customers. Overall, the Company expects an incremental operating profit headwind of up to \$170 million in the second half of 2023 from these strategic actions and investments.*

*To reflect these strategic actions and investments, as well as softer sales trends and an increase in expected inventory shrink for the second half of 2023, the Company is revising its outlook for fiscal year 2023, provided on June 1, 2023.*

The Company now expects:

- Net sales growth in the range of 1.3% to 3.3%, compared to its previous expectation of 3.5% to 5.0%; both of which include an anticipated negative impact of approximately two percentage points due to lapping the fiscal 2022 53<sup>rd</sup> week.
- Same-store sales growth in the range of a decline of approximately 1.0% to growth of 1.0%, compared to its previous expectation of growth in the range of 1.0% to 2.0%.

- Diluted EPS in the range of approximately \$7.10 to \$8.30, or a decline of 34% to 22%, compared to its previous year-over-year change expectation of an approximate 8% decline to flat growth.

(Emphasis added.)

45. On the same day, Dollar hosted an earnings call with Individual Defendants Owen and Dilts present. During the call, the Individual Defendants discussed the reasoning for the further reduced guidance for fiscal year 2023, stating in pertinent part:

*First, we are strategically accelerating the rightsizing of our inventory position by expanding promotional markdowns, primarily in our non-consumable products. While we expect this to result in an operating profit headwind of approximately \$95 million in the back half of the year, we believe it will drive traffic and also more quickly reduce excess inventory.* We believe this rightsizing supports our operating priority of enhancing our position as a low-cost operator and that it will accelerate improvement in a number of areas, including store and supply chain efficiencies as well as shrink, damages and cash flow.

*Next, we are increasing our planned investment in incremental retail labor from approximately \$100 million this year to approximately \$150 million.* We like the returns we have seen on this investment to date and believe that this additional investment will support acceleration of our progress and allow us to continue driving in-store improvements through the back half of the year and to begin next year in an even stronger position.

*Finally, with our strong and growing store base of nearly 20,000 [indiscernible], we also plan to invest up to \$25 million in other areas such as an improved inventory demand forecasting tool to better support our stores and distribution centers while lowering our cost to serve.* Collectively, we believe these investments and actions will further strengthen our position and more quickly restore the strong execution that allows us to deliver on our unique value and convenience proposition for our customers.

(Emphasis added.)

46. During the question-and-answer segment of the call, the Individual Defendants were asked about the Company's increase in labor investment:

<Q: Michael Lasser – UBS Investment Bank- Analyst> So you've taken your labor investment for this year from \$100 million to \$150 million. The perception is that, that is not enough and it will take more than that to resume the type of performance that the market has been accustomed to from Dollar General. How -- what evidence

would you provide to refute the skepticism that this \$150 million is not the right amount, it's going to be much more than that?

<A: Jeffrey Carl Owen> On the labor front, I'll start with that. ***We feel really good about the labor investments that we've made. I think you got to keep in mind at Dollar General, we've invested in wages and have a strong foundation for quite some time.*** And really at store level, what's important is stability in the supply chain. And when you have stability in the supply chain, that leads to stability inside the store. And so now that we're seeing our supply chain which, quite frankly, we've had some significant challenges over the last couple of years stabilizing, we're seeing that show up in more stability inside the store...

And we believe now by making the smart team, which is now going to be permanent with this new investment, ***when you combine that with the other investments we just announced, which is reducing inventory certainly through the markdowns we discussed and also investing in technology to further pull more inventory out of the system, when we have optimized inventory, a stable supply chain, that equals stability inside the store.***

(Emphasis added.)

47. As a result, investors and analysts reacted immediately to Dollar's revelation. The price of Dollar's common stock declined dramatically. From a closing market price of \$137.73 per share on August 31, Dollar's stock price fell to \$129.55 per share on September 1, 2023, a drop of \$8.18.

48. Analysts following Dollar downgraded the Company's stock and/or lowered their price targets in response to Dollar's disclosures. For example, Deutsche Bank lowered its price target for Dollar's stock stating "we think the company was slow to invest in the past and experienced workforce attrition." Further, "DG's issues are self-inflicted. The retailer under-invested in its supply chain and labor, allowing store execution to deteriorate, and employee attrition to increase. Ultimately, we think it was working on too many initiatives at the same time."

49. Wells Fargo also lowered its price target for Dollar stock. In its report, Wells Fargo stated “continued concerns on labor and store growth, competition, and the ultimate earnings recovery keep us sidelined.”

50. The analyst reports discussing Dollar’s revenue shortfall and missed projections prove that investors placed importance on Dollar’s prior revenue and sales estimates. The frequent, in-depth discussion of Dollar’s guidance confirms that Defendants’ statements during the Class Period were material.

**E. Loss Causation and Economic Loss**

51. During the Class Period, as detailed herein, Dollar and the Defendants made materially false and misleading statements and engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of Dollar’s common stock and operated as a fraud or deceit on Class Period purchasers of Dollar’s common stock by materially misleading the investing public. Later, when Dollar and Defendants’ prior misrepresentations and fraudulent conduct became apparent to the market, the price of Dollar’s common stock materially declined, as the prior artificial inflation came out of the price over time. As a result of their purchases of Dollar’s common stock during the Class Period, Plaintiff and other members of the Class suffered economic loss, *i.e.*, damages under federal securities laws.

52. Dollar’s stock price fell in response to corrective events on June 1, 2023 and August 31, 2023, as alleged *supra*. On both dates, Defendants disclosed information that was directly related to their prior misrepresentations and material omissions concerning Dollar’s forecasting processes and 2023 full-year financial guidance.

53. Specifically, on June 1, 2023, Dollar revised guidance for net sales growth in the range of approximately 3.5% to 5.0%, compared to its previous expectation of 5.5% to 6%.

Further on August 31, 2023, Dollar again revised guidance for net sales growth in the range of 1.3% to 3.3%, compared to its previous expectation of 3.5% to 5.0%.

**F. Presumption of Reliance; Fraud-On-The-Market**

54. At all relevant times, the market for Dollar's common stock was an efficient market for the following reasons, among others:

(a) Dollar's common stock met the requirements for listing and was listed and actively traded on the NYSE during the Class Period, a highly efficient and automated market;

(b) Dollar communicated with public investors via established market communication mechanisms, including disseminations of press releases on the national circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services;

(c) Dollar was followed by several securities analysts employed by major brokerage firms who wrote reports that were distributed to the sales force and certain customers of their respective brokerage firms during the Class Period. Each of these reports was publicly available and entered the public marketplace; and

(d) Unexpected material news about Dollar was reflected in and incorporated into the Company's stock price during the Class Period.

55. As a result of the foregoing, the market for Dollar's common stock promptly digested current information regarding the Company from all publicly available sources and reflected such information in Dollar's stock price. Under these circumstances, all purchasers of Dollar's common stock during the Class Period suffered similar injury through their purchase of Dollar's common stock at artificially inflated prices, and a presumption of reliance applies.

56. Alternatively, reliance need not be proven in this action because the action involves omissions and deficient disclosures. Positive proof of reliance is not a prerequisite to recovery pursuant to ruling of the United States Supreme Court in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972). All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered the omitted information important in deciding whether to buy or sell the subject security.

**G. No Safe Harbor; Inapplicability of Bespeaks Caution Doctrine**

57. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the material misrepresentations and omissions alleged in this Complaint. As alleged above, Defendants' liability stems from the fact that they provided investors with revenue projections while at the same time failing to maintain adequate forecasting processes. Defendants provided the public with forecasts that failed to account for this decline in sales and/or adequately disclose the fact that the Company at the current time did not have adequate forecasting processes.

58. To the extent certain of the statements alleged to be misleading or inaccurate may be characterized as forward looking, they were not identified as "forward-looking statements" when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.

59. Defendants are also liable for any false or misleading "forward-looking statements" pleaded because, at the time each "forward-looking statement" was made, the speaker knew the "forward-looking statement" was false or misleading and the "forward-looking statement" was authorized and/or approved by an executive officer of Dollar who knew that the

“forward-looking statement” was false. Alternatively, none of the historic or present-tense statements made by Defendants were assumptions underlying or relating to any plan, projection, or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by the defendants expressly related to or stated to be dependent on those historic or present-tense statements when made.

### **CLASS ACTION ALLEGATIONS**

60. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Dollar’s common stock during the Class Period (the “Class”); and were damaged upon the revelation of the alleged corrective disclosure. Excluded from the Class are defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

61. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Dollar’s common stock were actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Dollar or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions. As of August 24, 2023, there were 219 million shares of the Company’s common stock outstanding. Upon information and belief, these shares are held by thousands, if

not millions, of individuals located throughout the country and possibly the world. Joinder would be highly impracticable.

62. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

63. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

64. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- (a) whether the federal securities laws were violated by Defendants' acts as alleged herein;
- (b) whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Dollar;
- (c) whether the Individual Defendants caused Dollar to issue false and misleading financial statements during the Class Period;
- (d) whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- (e) whether the prices of Dollar's common stock during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and

(f) whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

65. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

### **COUNT I**

#### ***Against All Defendants for Violations of Section 10(b) and Rule 10b-5 Promulgated Thereunder***

66. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

67. This Count is asserted against defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

68. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon. Plaintiff and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Dollar

common stock; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire Dollar's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

69. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to influence the market for Dollar's securities. Such reports, filings, releases and statements were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company.

70. By virtue of their positions at the Company, Defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, Defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to Defendants. Said acts and omissions of defendants were committed willfully or with reckless disregard for the truth. In addition, each defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

71. Information showing that Defendants acted knowingly or with reckless disregard for the truth is peculiarly within defendants' knowledge and control. As the senior managers and/or directors of the Company, the Individual Defendants had knowledge of the details of Dollar's internal affairs.

72. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of the Company. As officers and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to Dollar's businesses, operations, future financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of Dollar's common stock was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning the Company which were concealed by Defendants, Plaintiff and the other members of the Class purchased or otherwise acquired Dollar's common stock at artificially inflated prices and relied upon the price of the common stock, the integrity of the market for the common stock and/or upon statements disseminated by Defendants, and were damaged thereby.

73. During the Class Period, Dollar's common stock was traded on an active and efficient market. Plaintiff and the other members of the Class, relying on the materially false and misleading statements described herein, which the defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares of Dollar's common stock at prices artificially inflated by defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the truth, they would not have purchased or otherwise acquired said common stock, or would not have purchased or otherwise acquired them at the inflated prices that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value of Dollar's common stock was substantially lower than the prices paid by Plaintiff and the other members of the Class. The market price of Dollar's common stock

declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

74. By reason of the conduct alleged herein, Defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

75. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases, acquisitions and sales of the Company's common stock during the Class Period, upon the disclosure that the Company had been disseminating misrepresented financial statements to the investing public.

## **COUNT II**

### ***Against the Individual Defendants for Violations of Section 20(a) of the Exchange Act***

76. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

77. During the Class Period, the Individual Defendants participated in the operation and management of the Company, and conducted and participated, directly and indirectly, in the conduct of the Company's business affairs. Because of their senior positions, they knew the adverse non-public information about Dollar's misstatements.

78. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information, and to correct promptly any public statements issued by Dollar which had become materially false or misleading.

79. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and

public filings which Dollar disseminated in the marketplace during the Class Period concerning the misrepresentations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Dollar to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were “controlling persons” of the Company within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Dollar’s common stock.

80. Each of the Individual Defendants, therefore, acted as a controlling person of the Company. By reason of their senior management positions and/or being directors of the Company, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Dollar to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of the Company and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

81. By reason of the above conduct, the Individual Defendants and/or Dollar are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by the Company.

### **PRAYER FOR RELIEF**

**WHEREFORE**, Plaintiff demand judgment against defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representatives;

B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;

C. Awarding Plaintiff and the other members of the Class pre-judgment and post-judgment interest, as well as their reasonable attorneys’ fees, expert fees and other costs; and

D. Awarding such other and further relief as this Court may deem just and proper.

**DEMAND FOR TRIAL BY JURY**

Plaintiff hereby demands a trial by jury.