Risk Factors Comparison 2024-03-25 to 2023-03-24 Form: 10-K

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Investment in our Company involves risks. You should carefully consider the risks described below and the other information in this report and other filings that we make from time to time with the SEC, including our consolidated financial statements and accompanying notes. Any of the following risks could materially and adversely affect our business, financial condition, results of operations or liquidity. These risks are not the only risks we face. Our business, financial condition, results of operations or liquidity could also be adversely affected by additional factors that apply to all companies generally or by risks not currently known to us or that we currently view to be immaterial. We can provide no assurance and make no representation that our risk mitigation efforts, although we believe they are reasonable, will be successful. Business, Strategic and Competitive Risks Economic factors may reduce our customers' spending, impair our ability to execute our strategies and initiatives, and increase our costs and expenses, which could result in materially decreased sales and / or profitability. Many of our customers have fixed or low incomes and limited discretionary spending dollars. Any factor that could adversely affect their disposable income could decrease our customers' spending or cause them to shift their spending to our lower margin product choices, which could result in materially decreased sales and / or profitability. Factors that could reduce **, and in many cases have reduced,** our customers' disposable income include but are not limited to high unemployment or underemployment levels or decline in real wages; inflation; pandemics (such as the COVID- 19 pandemic); higher fuel, energy, healthcare ~~and~~ **,** housing **and product** costs; higher interest rates, consumer debt levels, and tax rates; lack of available credit; tax law changes that negatively affect credits and refunds; and decreases in, or elimination of, government assistance programs or subsidies such as unemployment ~~,~~ **and** food / nutrition assistance programs, **student loan repayment forgiveness** and economic stimulus payments. Many of the economic factors listed above, as well as commodity rates; transportation, lease and insurance costs; wage rates (including the heightened possibility of increased federal ~~,~~ **and further increased** state and / or local minimum wage rates); foreign exchange rate fluctuations; measures that create barriers to or increase the costs of international trade (including increased import duties or tariffs); changes in applicable laws and regulations (including tax laws related to the corporate tax rate); and other economic factors, also could impair our ability to successfully execute our strategies and initiatives, as well as increase our cost of goods sold and selling, general and administrative expenses (including real estate costs), and may have other adverse consequences that we are unable to fully anticipate or control, all of which may materially decrease our sales or profitability. Inflation in the United States rose significantly in 2022, primarily believed to be the result of the economic impacts from the COVID- 19 pandemic, **and although it moderated in 2023, it remains elevated in certain areas,** including **food** ~~the global supply chain disruptions, strong economic recovery and associated widespread demand for goods, and government stimulus packages, among other factors~~ . **If food (and in particular** ~~While we believe the growth rate of inflation is beginning to moderate~~ , ~~if~~ **" food at home ")** inflation continues to increase, we may not be able to adjust prices sufficiently to offset the effect without negatively impacting customer demand or our gross margin. Additionally, to the extent that these inflationary pressures result in a recessionary environment, we may experience material adverse effects on our business, results of operations and cash flows. **For more information, see the " Executive Overview " section of Management' s Discussion and Analysis of Financial Condition and Results of Operations, included in Part II, Item 7 of this report.** Our plans depend significantly on strategies, initiatives and investments designed to increase sales and profitability and improve the efficiencies, costs and effectiveness of our operations, and failure to achieve or sustain these plans could materially affect our results of operations. We have short- term and long- term strategies, initiatives and investments (such as those relating to merchandising, real estate and new store development, international expansion, store formats and concepts, digital, marketing, ~~health services,~~ shrink, damages, sourcing, private brand, inventory management, supply chain, private fleet, store operations, expense reduction, and technology) in various stages of testing, evaluation, and implementation, which are designed to continue to improve our results of operations and financial condition. The effectiveness of these initiatives is inherently uncertain, even when tested successfully, and is dependent on consistency of training and execution, workforce stability, ease of execution and scalability **, customer adoption** , and the absence of offsetting factors that can influence results adversely. The number and diverse geographic locations of our stores and distribution centers and our decentralized field management also contribute to the challenging nature of these factors. Other risk factors described herein also could negatively affect general implementation. Failure to achieve successful or cost- effective implementation of our initiatives could materially and adversely affect our business, results of operations and financial condition. The success of our merchandising initiatives, particularly ~~our~~ **those related to** non- consumable ~~initiatives~~ **products** (including our ~~new~~ pOpshelf concept) and efforts to increase sales of higher margin products within the consumables category, further depends in part upon our ability to **accurately** predict the products that our customers will demand and to **accurately** identify and timely respond to evolving trends in consumer preferences and demographic mixes in our markets. If we are unable to select and timely obtain products that are attractive to customers and at costs that allow us to sell them at an acceptable profit, or to effectively market such products, it could result in materially decreased sales and profitability. Despite these initiatives, **our** ~~since the first quarter of 2022, we have experienced a~~ sales mix ~~trend reversion~~ **continued to shift** from non- consumables ~~to~~ **toward** consumables ~~exceeding pre~~ **in 2023, and our consumables sales as a percentage of total sales is currently at historical highs. Additionally, factors negatively affecting our customers' disposable income can have (and we believe recently have had) a larger negative impact on non** - ~~pandemic levels~~ **consumables sales results than consumables sales results and on our pOpshelf concept** . The success of our **self** ~~Fast Track initiative, which is designed to enhance our in~~ - **checkout option in our** ~~store~~ **stores** ~~labor productivity, on- shelf availability and customer convenience, further~~ depends in part on successful acquisition, implementation and maintenance of the necessary hardware and new point of sale software, continued customer interest in and adoption of self- checkout ~~,~~ **and** our ability to gain cost efficiencies and control shrink levels from **self- checkout. To address shrink challenges presented by self- checkout as well as to enhance** the ~~initiative,~~ **overall customer** and ~~vendor cooperation~~ **employee experience in our stores, we are revising our self- checkout strategy, including limiting self- checkout to transactions of five items or fewer, converting all or some self- checkout registers in approximately 9, 000 stores to assisted checkout options, and removing self- checkout from approximately 300 stores** . The success of DG Media Network, which is our platform for connecting brand partners with our customers to drive even greater value for each, further depends on our ability to successfully gather target customer audiences that deliver consistent, predictable and beneficial returns on advertising spending ~~so as~~ to generate interest and demand from our brand partners, as well as to properly handle and secure all sensitive customer data. We face intense competition that could limit our growth opportunities and materially and adversely affect our results of operations and financial condition. The retail business is highly competitive with respect to price, customers, store location, merchandise quality, product assortment and presentation, service offerings, product sourcing and supply chain capacity, in- stock consistency, customer service, ease of shopping experience **(including but not limited to various modes of shopping, including online alternatives)** , promotional activity, employees, and market share. We compete with discount stores and many other retailers, including mass merchandise, warehouse club, grocery, drug, convenience, variety, online retailers, and certain specialty stores. To maintain our competitive position, we may be required to lower prices, either temporarily or permanently, and may have limited ability to increase prices in response to increased costs, resulting in lower margins and reduced profitability. Certain of our competitors have greater financial, distribution, marketing and other resources, and may be able to secure better arrangements with suppliers, than we. Competition is intense, and is expected to continue to be so, with certain competitors reducing their store locations while others enter or increase their presence in our geographic and product markets (including through the expansion of availability of delivery services) and expand availability of mobile, web- based and other digital technologies to facilitate a more convenient and competitive online and in- store shopping experience. ~~If~~ **We currently do not offer online shopping to a significant degree and have seen a greater willingness of our customers to adopt online shopping. In addition, if** our competitors or others were to enter our industry in a significant way, including through alliances or other business combinations, it could significantly alter the competitive dynamics of the retail marketplace and result in competitors with greatly improved competitive positions, which could materially affect our financial performance. Our ability to effectively compete will depend substantially upon our continued ability to develop and execute compelling and cost- effective strategies and initiatives. If we fail to anticipate or respond ~~effectively~~ **12effectively** to competitive pressures ~~and~~ **,** industry changes **and customer preferences and shopping habits** , it could materially affect our results of operations and financial condition. ~~12Operational~~ -- **Operational** RisksIf we cannot timely and cost- effectively execute our real estate projects and meet our financial expectations, or if we do not anticipate or successfully address the challenges imposed by our expansion, including into new countries or domestic markets, states, or urban or suburban areas, it could materially impede our planned future growth and our profitability. Delays in or failure to complete a significant portion of our real estate projects, or failure to meet our financial expectations for these projects, could materially and adversely affect our growth and our profitability. Our ability to timely open, relocate and remodel profitable stores and expand into additional market areas is a key component of our planned future growth and may depend in part on: the availability of suitable store locations and capital funding; the absence of entitlement process, permitting or occupancy delays, including zoning restrictions and moratoria on small box discount retail development such as those passed by certain local governments in areas where we operate or seek to operate; supply chain volatility resulting in delivery delays, and in some cases, lack of availability of store equipment, building materials, and store merchandise for resale; the ability to negotiate acceptable lease and development terms (for example, real estate development requirements and cost of building materials and labor), to cost- effectively hire and train qualified new personnel, especially store managers, and to identify and accurately assess sufficient customer demand; and general economic conditions. While we continued to experience certain of these factors at heightened levels in ~~2022~~ **2023** , to date, they have not materially impaired our ability to complete our planned real estate projects or growth, and thus, have not had a material adverse effect on our financial performance. However, if the levels which we have experienced escalate **or remain elevated** for an extended period of time, we expect that they could have a material adverse effect on our ability to complete our future planned real estate projects or growth, and in turn, a material adverse effect on our financial performance. **Both inflation and higher interest rates have significantly increased new store opening costs and occupancy costs, which have negatively impacted our projected new store returns and influenced our 2024 new store growth plans.** We also may not anticipate or successfully address all of the challenges imposed by the expansion of our operations (including our ~~new~~ pOpshelf store concept), including into new countries or domestic markets, states or urban or suburban areas where we have limited or no meaningful experience or brand recognition. Those areas may have different regulatory environments, competitive and market conditions, consumer tastes and discretionary spending patterns than our existing markets, as well as higher cost of entry and operating costs. These factors may cause our new stores to be less profitable than stores in our existing markets, which could slow future growth in these areas. In addition, many new stores will be located in areas where we have existing stores, which inadvertently may temporarily or permanently divert a larger than anticipated number of customers and sales from our existing stores, thereby adversely affecting our overall financial performance. Inventory shrinkage and damages may negatively affect our results of operations and financial condition. We experience significant inventory shrinkage and damages. Although some level of inventory shrinkage and damages is an unavoidable cost of doing business, higher rates of inventory shrinkage and damages or increased security **measures** or other costs to combat inventory theft could adversely affect our results of operations and financial condition. During ~~2022~~ **2023** , our inventory shrink ~~levels returned to pre- COVID- 19 levels,~~ and ~~higher~~ damages ~~also~~ **results remained significantly elevated and materially** impacted our results. There can be no assurance that we will be successful in our efforts to contain or reduce inventory shrinkage and damages. Our cash flows from operations, profitability and financial condition may be negatively affected if we are not successful in managing our inventory balances. Our inventory balance represented approximately ~~53~~ **49** % of our total assets exclusive of goodwill, operating lease assets, and other intangible assets as of February ~~3~~ **2** , ~~2023~~ **2024** . Efficient inventory management is a key component of our business success and profitability. We must maintain sufficient inventory levels and an appropriate product ~~mix~~ **13mix** to meet our customers' demands without allowing those levels to increase such that the costs to store and hold the goods unduly impacts our financial results ~~or~~ **,** increases the risk of inventory shrinkage or damages **or impacts store standards** . If we do not accurately predict customer trends, spending levels, or price sensitivity, we may have to take unanticipated markdowns to dispose of the excess inventory, which also can adversely affect our financial results. **Our pOpshelf concept is particularly susceptible to this risk as it is reliant upon accurate customer trend prediction and the level of customers' disposable income. During 2023, we experienced materially elevated inventory levels, as well as lower in- stock levels on certain items, which had a significant impact on our financial performance, but were able to significantly reduce our inventory levels by 2023 year- end.** We continue to focus on ways to reduce these risks **and ensure the right products are on the shelves for our customers** , but we cannot make assurances that we will be successful in our inventory ~~13management~~ -- **management** . If we are not successful in managing our inventory balances, our cash flows from operations and financial condition may be negatively affected. Failure to maintain the security of our business, customer, employee or vendor information or to comply with privacy laws could expose us to litigation, government enforcement actions and costly response measures, and could materially harm our reputation and affect our business and financial performance. In connection with sales, we transmit confidential credit and debit card information which is encrypted using point- to- point encryption. We also have access to, collect or maintain certain private or confidential information regarding our customers, employees and their dependents, ~~and~~ vendors **and** ~~, as well as our~~ business. Some of this information is stored electronically in connection with our e- commerce and mobile applications, some of which may leverage third- party service providers. Additionally, we may share information with and depend upon select vendors to assist us in conducting our business. While we have implemented procedures and technology intended to protect such information and require appropriate controls of our vendors, external attackers could compromise such controls and result in unauthorized disclosure of such information, as attacks are becoming increasingly sophisticated, may include attacks on our third- party business partners, and do not always or immediately produce detectable indicators of compromise. Moreover, inadvertent or malicious internal personnel actions could result in a defeat of security measures and a compromise of our or our third- party vendors' information systems. Furthermore, if a vendor is the victim of a cyberattack, including a ransomware attack, such attack could have a corresponding material effect on our ability to do business with that vendor or to receive information that may be required to timely prepare our financial statements. Due to the political tensions involving China ~~and~~ **,** the conflict between Russia and Ukraine **and the conflict in the Middle East** , there is an increased likelihood that escalation of tensions could result in cyberattacks that could directly or indirectly impact our operations. Like other retailers, we and our vendors have experienced threats to, and incidents involving, data and systems, including by perpetrators of attempted random or targeted malicious attacks; computer malware, ransomware, bots, or other destructive or disruptive **hardware and / or** software; and attempts to misappropriate our **and our customers'** information and cause system failures and disruptions, although to date none have been material to our business. If attackers obtain customer, employee or vendor passwords through unrelated third- party breaches, and if impacted customers, employees, or vendors do not employ good online security practices (e. g., use the same password across different sites or do not use **available** multifactor authentication **options**), these passwords could be used to gain access to their information or accounts with us in certain situations. Because we accept debit and credit cards for payment, we are subject to industry data protection standards and protocols, such as the Payment Card Industry Data Security Standards, issued by the Payment Card Industry Security Standards Council. Nonetheless, we **or our applicable payment processing partner (s),** may be vulnerable to, and unable to detect and appropriately respond to, cardholder data security breaches and data loss, including successful attacks on applications, systems, or networks. A significant security breach of any kind experienced by us or one of our vendors, which could be undetected for a period of time, or a significant failure by us or one of our vendors to comply with applicable privacy and information security laws, regulations and standards could expose us to risks of data loss, litigation, government enforcement actions, fines or penalties, credit card brand assessments, negative publicity and reputational harm, business disruption and costly response measures (e. g., providing notification to, and credit monitoring services for, affected individuals, as well as further upgrades to our security measures; procuring a replacement vendor if one of our current vendors is unable to fulfill its obligations to us due to a cyberattack or incident) which may not be covered by or may exceed the coverage limits of our insurance policies, and could ~~materially~~ **14materially** disrupt our operations. Any resulting negative publicity could significantly harm our reputation which could cause us to lose market share **because** ~~as a result~~ of customers discontinuing the use of our e- commerce and mobile applications or debit or credit cards in our stores or not shopping in our stores altogether and could materially and adversely affect our business and financial performance. ~~14Material~~ -- **Material** damage or interruptions to our information systems as a result of external factors, staffing shortages or challenges in maintaining or updating our existing technology or developing or implementing new technology could materially and adversely affect our business and results of operations. We depend on a variety of information technology systems, including systems owned and managed by third- party vendors, for the efficient functioning of our business, including, without limitation, transaction processing and the management of our employees, facilities, logistics, inventories, stores and customer- facing digital applications and **Additionally,such systems are** subject to damage or interruption from power surges and outages,facility damage,physical theft,computer and telecommunications failures,inadequate or ineffective redundancy,malicious code (including malware,ransomware,or similar),successful attacks (e.g.,account compromise;phishing;denial of service;and application,network or system vulnerability exploitation),software upgrade failures or code defects,natural disasters and human error.Due to the political tensions involving China ~~,~~ **and** the conflict between Russia and Ukraine ~~and the conflict in the Middle East~~ ,there is an increased likelihood that escalation of tensions could result in cyberattacks that could either directly or indirectly impact our operations.Design defects,damage to,or interruption to these systems may require a significant investment to repair or replace,disrupt our operations and affect our ability to meet business and reporting requirements,result in the loss or corruption of critical data,and harm our reputation,all of which could materially and adversely affect our business or results of **operations.** operations. Our technology initiatives may not deliver desired results or may do so on a delayed schedule. Additionally, such systems are subject to...... our business or results of operations. We ~~also~~ rely heavily on our information technology staff ~~. Failure to meet these staffing needs may negatively affect our ability~~ to fulfill our technology initiatives while continuing to provide maintenance on existing systems ~~. We rely~~ **, as well as** on third parties to maintain and periodically upgrade many of these systems so that they can continue to support our business. ~~We~~ **Further, we** license the software programs supporting many of our systems from independent software developers. The inability or failure of these vendors, developers or us to continue to maintain and upgrade these systems and software programs **or efficiently implement and integrate new systems** could disrupt or reduce the efficiency of our operations or retain vulnerability exploitation risk if we were unable to convert to alternate systems in an efficient and timely manner and could expose us to greater risk of a successful attack. In addition, costs and delays **for any reason** associated with the implementation of new or upgraded systems and technology, including the migration of applications to the cloud **, modernizing of legacy systems** or our current implementation of our new point of sale system, or with maintenance or adequate support of existing systems also could disrupt or reduce the efficiency of our operations, fail to operate as designed, result in the potential loss or corruption of data or information **or lost sales** , ~~disrupt operation~~ **cause business interruptions** , inhibit our ability to innovate, and affect our ability to meet business and reporting requirements and adversely affect our profitability. A significant disruption to our distribution network, the capacity of our distribution centers or the timely receipt of inventory could adversely affect sales or increase our transportation costs, which would decrease our profitability. We rely on our distribution and transportation network to provide goods to our stores timely and cost- effectively. Using various transportation modes, including ocean, rail, and truck, we and our vendors move goods from vendor locations to our distribution centers and our stores **, and we also lease additional temporary warehouse space as necessary to support our distribution needs** . Any disruption, unanticipated or unusual expense or operational failure related to this process **(including** ~~could negatively impact sales and profits. In 2022~~ , ~~we experienced~~ **without limitation, inventory receipt and delivery delays;** ~~increased~~ **increases in** fuel costs; ~~inventory receipt and delivery delays~~ **increases in transportation costs, including increased import freight costs, carrier or driver wages (as a result of driver shortages or otherwise)** ; earlier than expected receipt of seasonal inventory leading to capacity constraints ~~that were~~ **which can be** exacerbated by unexpected delays in acquiring additional temporary warehouse space sufficient for our inventory needs; ~~and increases~~ **a decrease** in transportation ~~costs (including increased import freight costs and carrier and driver wages) as a result of~~ capacity ~~rightsizing,~~ **for overseas shipments or** port **closures;** ~~congestion, and~~ labor shortages **;** ~~. These challenges resulted in materially higher than anticipated supply chain costs in 2022, including detention fees incurred for~~ - **or work** ~~delays in returning shipping containers, higher temporary storage~~ **stoppages or slowdowns) could negatively** ~~and transportation costs and labor, which in turn, had a material adverse~~ impact **sales** ~~on our business, results of operations,~~ and **profits** ~~financial condition~~ . Labor shortages or work stoppages or slowdowns in the transportation industry or disruptions to the national and ~~international~~ **15international** transportation infrastructure that necessitate our securing alternative labor or shipping suppliers could also increase our costs or otherwise negatively affect our business. We maintain a network of distribution facilities and are moving forward with plans to build or lease new facilities (including temperature- controlled distribution centers) to support our growth objectives and strategic initiatives. Delays in opening such facilities could adversely affect our financial performance by slowing store ~~15growth (including accelerated pOpshelf store~~ growth ~~plans)~~ or the rollout / development of certain strategic initiatives, which may in turn reduce revenue growth and / or profitability, or by increasing transportation and product costs. In addition, distribution- related construction or expansion projects entail risks that could cause delays and cost overruns, such as: availability of temperature- controlled distribution centers and refrigerated transportation equipment; shortages of materials or skilled labor; work stoppages; unforeseen construction, scheduling, engineering, environmental or geological problems; weather interference; fires or other casualty losses; and unanticipated cost increases. For these reasons, the completion date and ultimate cost of these projects could differ significantly from initial expectations, and we cannot guarantee that any project will be completed on time or within established budgets. Risks associated with or faced by our suppliers could adversely affect our financial performance. We source our merchandise from a wide variety of domestic and international suppliers, and we depend on them to supply merchandise in a timely and efficient manner and in the large volumes that we may require. In ~~2022~~ **2023** , our two largest suppliers accounted for approximately 10 % and 8 % respectively, of our purchases. If one or more of our current sources of supply became unavailable, we believe we generally would be able to obtain alternative sources, but it could increase our merchandise costs and supply chain lead time and expenses, result in a temporary reduction in store inventory levels, and reduce the selection and quality of our merchandise. An inability to obtain alternative sources could materially decrease our sales. Additionally, if a supplier fails to deliver on its commitments, we could experience merchandise out- of- stocks that could lead to lost sales and reputational harm. Further, failure of suppliers to meet our compliance protocols could prolong our procurement lead time, resulting in lost sales and adverse margin impact. We directly imported approximately ~~9~~ **4** % of our purchases (measured at cost) in ~~2022~~ **2023** , but many of our domestic vendors directly import their products or components of their products. Changes to the prices and flow of these goods often are for reasons beyond our control, such as political or civil unrest, acts of war, disruptive global political events (for example, political tensions involving China ~~and~~ **,** the ~~current~~ conflict between Russia and Ukraine **and the conflict in the Middle East**), currency fluctuations, disruptions in maritime lanes, port labor disputes, economic conditions and instability in countries in which foreign suppliers are located, the financial instability of suppliers, suppliers' failure to meet our terms and conditions or our standards, issues with our suppliers' labor practices or labor problems they may experience (such as strikes, stoppages or slowdowns, which could also increase labor costs during and following the disruption), the availability and cost of raw materials, pandemic outbreaks, merchandise quality or safety issues, transport availability and cost, increases in wage rates and taxes, transport security, inflation, and other factors relating to suppliers and the countries in which they are located or from which they import. Such changes could adversely affect our operations and profitability. While we are working to diversify our sources of imported goods to include Southeast Asia, India, South America and Mexico, a substantial amount of our imported merchandise comes from China, and thus, a change in the Chinese leadership, the effects of pandemic outbreaks, economic and market conditions, internal economic stimulus actions, or currency or other policies, as well as trade and other relations between China and the United States and increases in costs of labor, could negatively impact our merchandise costs. In addition, the United States' foreign trade policies, duties **(which increased on certain products imported from China and Southeast Asian countries in 2023)** , tariffs and other impositions on imported goods, trade sanctions imposed on certain countries (particularly China) and entities, import limitations on certain types of goods or of goods containing certain materials from other countries and other factors relating to foreign trade and port labor agreements are beyond our control. These and other factors affecting our suppliers and our access to products could adversely affect our business and financial performance. If we increase our product imports from foreign vendors, the risks associated with these imports also will increase, and we may be exposed to additional or different risks as we increase imports of goods produced in countries other than China. 16Natural disasters and unusual or extreme weather conditions (whether or not caused by climate change), pandemic outbreaks or other health crises, political or civil unrest, acts of war, violence or terrorism, and disruptive global political events could disrupt business and result in lower sales and / or profitability and otherwise adversely affect our financial performance. The occurrence of one or more natural disasters, such as hurricanes, fires, floods, tornadoes and earthquakes, unusual or extreme weather conditions, pandemic outbreaks or other health crises (for example, the COVID- 19 pandemic), political or civil unrest, acts of war, violence or terrorism (including within our stores, distribution centers or other Company property), or disruptive global political events (for example, the political tensions involving China ~~and~~ **,** the ~~current~~ conflict between Russia and Ukraine **and the conflict in the Middle East**) or similar disruptions could adversely affect our ~~reputation,~~ business ~~and~~ **,** financial performance **and reputation** . If any of these events result in the closure, or a limitation on operating hours, of one or more of our distribution centers, a significant number of stores, our sourcing offices, our corporate headquarters or data center or impact one or more of our key suppliers, our operations and financial performance could be materially and adversely affected through an inability or reduced ability to make deliveries, process payroll or provide other support functions to our stores and through lost sales. These events also could affect consumer shopping patterns or prevent customers from reaching our stores, which could lead to lost sales and higher markdowns, or result in increases in fuel or other energy prices, fuel shortage (s), new store or distribution center opening delays, the temporary lack of an adequate work force in a market, the temporary or long- term disruption of product availability in our stores, the temporary or long- term inability to obtain or access technology needed to effectively run our business, disruption of our utility services or information systems, and damage to our reputation. ~~For example, in 2022, Winter Storm Elliott had a significant impact on our fourth quarter results because of lost sales, increased damages and increased markdowns.~~ These events may also increase the costs of insurance if they result in significant loss of property or other insurable damage **or loss** by us or in the market more generally. Furthermore, the long- term impacts of global climate change present the possibility of both physical risks (such as extreme weather conditions or rising sea levels) and transition risks (such as regulatory or technology changes), which may be widespread and unpredictable. Over time, these changes, as well as regulatory efforts related thereto, could affect, for example, the availability and cost of products, commodities and energy (including utilities), which in turn may impact our ability to procure goods and services required for the operation of our businesses at the quantities and levels **and at the costs** we require. In addition, our operations and facilities may be located in areas impacted by the physical risks of climate change, and we face the risk of losses incurred as a result of physical damage to stores, distribution centers, or our corporate offices, as well as loss or spoilage of inventory and business interruption caused by such events. We also use natural gas, diesel fuel ~~and~~ **,** gasoline and electricity in our operations, all of which could face increased regulation relating to climate change or other environmental concerns. Regulations limiting greenhouse gas emissions and energy inputs may also increase in coming years, which may increase our costs associated with compliance and merchandise **purchases** . These events and their impacts could otherwise disrupt and adversely affect our operations and could materially adversely affect our financial performance. Product liability, product recall or other product safety or labeling claims could adversely affect our business, reputation and financial performance. We depend on our vendors to ensure that the products we buy from them comply with applicable product safety and labeling laws and regulations and to inform us of all applicable restrictions on the sale of such products. Nonetheless, product liability, personal injury or other claims may be asserted against us relating to alleged product contamination, tampering, expiration, mislabeling, recall and other safety or labeling issues, including those relating to products that we may self- distribute through our DG Fresh initiative. We seek but may not be successful in obtaining contractual indemnification and insurance coverage for product- related claims and issues from our vendors. If we do not have adequate contractual indemnification or insurance available, or our vendors ~~fails~~ - **fail** to adhere to their obligations to us, such claims could materially and adversely affect our business, financial condition and results of operations. Our ability to obtain indemnification from foreign vendors may be hindered by our ability to obtain jurisdiction over them to enforce contractual obligations. Even with adequate insurance and indemnification, such claims could significantly harm our reputation ~~17and~~ -- **and** consumer confidence in our products **,** and we could incur significant litigation expenses, which also could ~~materially~~ **17materially** affect our results of operations even if a product liability claim is unsuccessful or not fully pursued **, as well as lost sales during the period of time between recall and backfilling the recalled product** . Our current insurance program may expose us to unexpected costs and negatively affect our financial performance. Our insurance coverage reflects deductibles, self- insured retentions, limits of liability and similar provisions that we believe are prudent based on our operations. However, there are types of losses we may incur but against which we cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of war, certain crimes (including employee crime), certain wage and hour and other employment- related claims and litigation, actions based on certain consumer protection laws, and some natural and other disasters **(including, without limitation, fires and floods)** or similar events. If we incur material uninsured losses, our financial performance could ~~suffer~~ **be negatively impacted** . Certain material events have resulted, and may result again in the future, in sizable losses for the insurance industry and adversely affect the availability of adequate insurance coverage or result in excessive premium increases. To offset negative insurance market trends, we may elect to self- insure, accept higher deductibles or reduce the amount of coverage. In addition, we self- insure a significant portion of expected losses under our workers' compensation, ~~automobile~~ **auto** liability, general liability (including claims made against certain of our landlords), property loss, and group health insurance programs. Significant changes in actuarial assumptions and management estimates underlying our recorded liabilities for these losses, including any expected increases in medical and indemnity costs, could result in materially different expenses than expected under these programs, which could materially and adversely affect our results of operations and financial condition. Although we maintain property insurance to cover insurable losses resulting from, for example, fires and storms, at our store support center and distribution centers, we are effectively self- insured for other property losses. If we experience a greater number of these self- insured losses than we anticipate, our financial performance could be adversely affected. Failure to attract, develop and retain qualified employees while controlling labor costs, as well as other labor issues, including employee safety issues, could adversely affect our financial performance. Our future growth and performance, positive customer experience and legal and regulatory compliance depends on our ability to attract, develop, retain and motivate qualified employees while operating in an industry **that has historically been** challenged by ~~historically~~ high rates of employee turnover. Our ability to meet our labor needs, while controlling our labor costs, is subject to many external factors, including competition for and availability of qualified personnel, unemployment levels, wage rates and salary levels (including the heightened possibility of increased federal ~~,~~ **and further increased** state and / or local minimum wage rates / salary levels), health and other insurance costs, changes in employment and labor laws or other workplace regulations (including those relating to employee benefit programs such as health insurance and paid leave programs), employee activism, employee safety issues, employee expectations and productivity, and our reputation and relevance within the labor market. If we are unable to attract, develop and retain adequate numbers of qualified employees, our operations, customer service levels, legal and regulatory compliance, and support functions could suffer. In addition, to the extent a significant portion of our employee base unionizes, or attempts to unionize, our labor and other ~~related~~ costs could increase, and it is possible that federal agencies may adopt or impose regulatory or other changes to existing law that could facilitate union organizing **or otherwise restrict employer actions. Further, anticipated regulatory changes relating to the overtime exemptions under the Fair Labor Standards Act (in particular, the executive / managerial exemption) could result in increased labor costs to our business and negatively affect our operating results if changes to our business operations are required** . Our ability to pass along labor and other related costs to our customers is constrained by our everyday low **-** price model, and we may not be able to offset such increased costs elsewhere in our business. Our success depends on our executive officers and other key personnel. If we lose key personnel or are unable to hire additional qualified personnel, our business may be harmed. Our future success depends to a significant degree on the skills, experience and efforts of our executive officers and other key personnel. The unexpected loss of the services of any of such persons could adversely affect our operations. **In addition,** ~~There can be no assurance that~~ our executive succession planning, retention ~~or~~ **and** hiring efforts ~~will be~~ **, and ability to** ~~successful~~ **successfully execute management transitions within our senior leadership are critical to our business success** . ~~Competition~~ **18Competition** for skilled and experienced management personnel is intense, and a failure to attract and retain new qualified personnel or our inability to enforce non- compete agreements that we have in place with our management personnel could adversely affect our operations. ~~18Our~~ -- **Our** private brands may not be successful in improving our gross profit rate at our expected levels and may increase certain of the risks we face. The sale of private brand items is an important component of our sales growth and gross profit rate enhancement plans. Broad market acceptance of our private brands depends on many factors, including pricing, quality, customer perception, and timely development and introduction of new products. We cannot give assurance that we will achieve or maintain our expected level of private brand sales. The sale and expansion of these offerings also subjects us to or increases certain risks, such as: product liability claims and product recalls; disruptions in raw material and finished product supply and distribution chains; inability to successfully protect our proprietary rights; claims related to the proprietary rights of third parties; supplier labor and human rights issues, and other risks generally encountered by entities that source, sell and market exclusive branded offerings for retail. Failure to appropriately address these risks could materially and adversely affect our private brand initiatives, reputation, results of operations and financial condition. Because our business is somewhat seasonal,...... higher than anticipated damages and markdowns. Failure to protect our reputation could adversely affect our business. Our success depends in part on the protection of the reputation of Dollar General and the products and services we sell, including our private brands. Failure to comply or accusation of failure to comply, even if unfounded, with ethical, social, product, labor, data privacy, consumer protection, safety, environmental and other applicable standards could jeopardize our reputation and potentially lead to various adverse consumer, shareholder or non- governmental organization (NGO) actions, **workforce unrest or walkouts,** litigation and governmental investigations and / or require a costly response. In addition, **our responses to crises and** our position or perceived lack of position on certain issues (e. g., public policy, social, or environmental issues), and any perceived lack of transparency about such matters, could harm our reputation and potentially lead to adverse consumer, shareholder or NGO actions, including negative public statements. Similar incidents or factors involving vendors **, partners** and other third parties with whom we conduct business also may affect our reputation. **Media reports and** ~~Public~~ **public** comments **made by anyone, including without limitation current and former employees and customers,** on **any media platform (including, without limitation,** social media **or news media)** , whether or not they are accurate, have the potential to ~~quickly~~ influence **, and in some instances, have influenced, certain** negative perceptions of Dollar General ~~or~~ **and there can be no assurance that we will be able to prevent such reports** ~~our~~ - **or comments in the future** ~~goods and services,~~

~~including our private brands~~ . Any failure, or perceived failure, to meet any of our published ESG- related aspirations or goals, which ~~is~~ often **may be** outside of our control, could adversely affect public perception of our business, employee morale or customer or shareholder support. Negative reputational incidents could adversely affect our business through **declines in customer loyalty,** lost sales, loss of new store and development opportunities, or employee retention and recruiting difficulties. Because our business is somewhat seasonal,adverse events during the fourth quarter could materially affect our financial statements as a whole.Primarily because of sales of Christmas- related merchandise,our most profitable sales mix generally occurs in the fourth quarter.In anticipation of this holiday,we purchase substantial amounts of seasonal inventory,and if sales fall below seasonal norms or our expectations **,** it could result in unanticipated markdowns.Adverse events,such as deteriorating **or challenging** economic conditions,high unemployment rates,high gas or energy prices,transportation disruptions,or unusual or unanticipated adverse weather could result in lower- than- planned sales during the Christmas selling season,which in turn could reduce our profitability and otherwise adversely affect our financial performance and operating results. ~~For example, Regulatory~~ **19Regulatory** , Legal, Compliance and Accounting RisksA significant change in governmental regulations and requirements could materially increase our cost of doing business, and noncompliance with governmental **laws or** regulations could materially and adversely affect our financial performance. We routinely incur significant costs in complying with numerous and frequently changing laws and regulations. The complexity of this regulatory environment and related compliance costs continue to increase due to additional legal and regulatory requirements, our expanding operations, and increased regulatory scrutiny and enforcement efforts. New or revised laws, regulations, orders, policies and related interpretations and enforcement practices, particularly those dealing with the sale of products, including without limitation, product and food safety, ~~19marketing~~ -- **marketing** , labeling or pricing; information security and privacy; labor and employment; employee wages **, salary levels** and benefits; health and safety; **real property; public accommodations;** imports and customs **; transportation; intellectual property** ; taxes; bribery **and anti- corruption** ; climate change; and environmental compliance, may significantly increase our expenses or require extensive system and operating changes that could materially increase our cost of doing business. In 2023, we ~~plan to invest~~ **invested** approximately $ ~~100~~ **150** million ~~, which we believe to be material,~~ in ~~our stores~~ **retail labor** , primarily **through** ~~in the form of~~ labor **hours** , to **further** enhance **our** store standards, **including on- shelf availability, and** our compliance efforts ~~and~~ **as well as** the **customer and** employee ~~and customer~~ experience **in our stores. Further, anticipated regulatory changes relating to the overtime exemptions under the Fair Labor Standards Act (in particular, the executive / managerial exemption) could result in increased labor costs to our business and negatively affect our operating results if changes to our business operations are required** . Violations of applicable laws and regulations or untimely or incomplete execution of a required product recall can result in significant penalties (including loss of licenses, eligibility to accept certain government benefits such as SNAP or significant fines), class action or other litigation, governmental investigation or action and reputational damage. Additionally, changes in tax laws (including those related to the federal, state or foreign corporate tax rate), the interpretation of existing laws, or our failure to sustain our reporting positions on examination could adversely affect our overall effective tax rate ~~, or in the case of the recently enacted stock buyback excise tax, our cash flows~~ . Furthermore, significant and / or rapid increases to federal ~~,~~ **and further increases to** state and / or local minimum wage rates / salary levels could adversely affect our earnings if we are not able to otherwise offset these increased labor costs elsewhere in our business. Moreover, the adoption of new environmental laws and regulations in connection with climate change and the transition to a low carbon economy, including any federal or state laws enacted to regulate greenhouse gas emissions **or require public disclosures related thereto (including the recently adopted SEC rules requiring certain disclosures relating to climate change)** , could significantly increase our operating or merchandise costs or reduce the demand for our products. These laws and regulations may include, but are not limited to, requirements relating to hazardous waste materials, recycling **and recycled / recyclable product content** , single- use plastics, extended producer responsibility, use of refrigerants, carbon pricing or carbon taxes, product energy efficiency standards and product labeling. If carbon pricing requirements or carbon taxes are adopted, there is a significant risk that the cost of merchandise from our suppliers will increase and adversely affect our business and results of operations. Legal proceedings may adversely affect our reputation, business, results of operations and financial condition. Our business is subject to the risk of litigation or other legal proceedings by employees, consumers, suppliers, competitors, shareholders **, unions** , government agencies and others through private actions, class actions, multi- district litigation, arbitrations, derivative actions, administrative proceedings, regulatory actions or other litigation. For example, we are involved in certain legal proceedings as discussed in Note 7 to the consolidated financial statements. The outcome of legal proceedings, particularly class action or multi- district litigation or mass arbitrations and regulatory actions, can be difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss may remain unknown for lengthy periods. In addition, certain of these matters, if decided adversely to us or settled by us **and not covered by insurance** , may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operations are required, and sometimes these developments are unanticipated. Legal proceedings in general, and class actions, derivative actions, **mass arbitrations,** multi- district litigation, and governmental investigations and actions in particular, can be expensive and disruptive, and adverse ~~publicity could harm our reputation, regardless of the validity of the allegations. As a result, legal proceedings may adversely affect our business, results of operations and financial condition. See also Note 7 to the consolidated financial statements. New accounting guidance or changes in the interpretation or application of existing accounting guidance could adversely affect our financial performance. The implementation of new accounting standards could require certain systems, internal process and controls and other changes that could increase our operating costs and result in changes to our financial statements. U. S. generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business involve many subjective assumptions, estimates and judgments by our management. Changes in these rules or their interpretation or in underlying~~

~~management assumptions, estimates or judgments could significantly change our reported or expected financial performance. The outcome of such changes could include litigation or regulatory actions which could adversely affect our financial condition and results of operations.~~