

SEARS HOLDINGS CORP
Form 10-Q
September 13, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED AUGUST 4, 2018

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 000-51217, 001-36693
SEARS HOLDINGS CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE 20-1920798
(State of Incorporation) (I.R.S. Employer Identification No.)

3333 BEVERLY ROAD, HOFFMAN ESTATES, ILLINOIS 60179
(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (847) 286-2500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of September 7, 2018, the registrant had 108,992,750 common shares, \$0.01 par value, outstanding.

SEARS HOLDINGS CORPORATION
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 13 and 26 Weeks Ended August 4, 2018 and July 29, 2017

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SEARS HOLDINGS CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

millions, except per share data	13 Weeks Ended		26 Weeks Ended	
	August 4,	July 29,	August 4,	July 29,
	2018	2017	2018	2017
REVENUES				
Merchandise sales	\$2,428	\$3,414	\$4,640	\$6,743
Services and other ⁽¹⁾⁽²⁾	754	864	1,433	1,734
Total revenues	3,182	4,278	6,073	8,477
COSTS AND EXPENSES				
Cost of sales, buying and occupancy - merchandise sales ⁽³⁾	2,055	2,815	3,954	5,594
Cost of sales and occupancy - services and other ⁽¹⁾	425	491	812	980
Total cost of sales, buying and occupancy	2,480	3,306	4,766	6,574
Selling and administrative	864	1,123	1,770	2,344
Depreciation and amortization	66	83	133	170
Impairment charges	77	5	91	20
Gain on sales of assets	(103)	(380)	(268)	(1,121)
Total costs and expenses	3,384	4,137	6,492	7,987
Operating income (loss)	(202)	141	(419)	490
Interest expense	(188)	(123)	(354)	(251)
Interest and investment income (loss)	2	(12)	3	(14)
Other loss	(139)	(246)	(172)	(292)
Loss before income taxes	(527)	(240)	(942)	(67)
Income tax (expense) benefit	19	(10)	10	62
NET LOSS ATTRIBUTABLE TO HOLDINGS' SHAREHOLDERS	\$(508)	\$(250)	\$(932)	\$(5)
NET LOSS PER COMMON SHARE ATTRIBUTABLE TO HOLDINGS' SHAREHOLDERS				
Basic loss per share	\$(4.68)	\$(2.33)	\$(8.61)	\$(0.05)
Diluted loss per share	\$(4.68)	\$(2.33)	\$(8.61)	\$(0.05)
Basic weighted average common shares outstanding	108.5	107.3	108.3	107.2
Diluted weighted average common shares outstanding	108.5	107.3	108.3	107.2

Includes merchandise sales to Sears Hometown and Outlet Stores, Inc. ("SHO") of \$197 million and \$257 million for the 13 weeks ended August 4, 2018 and July 29, 2017, respectively, and \$381 million and \$511 million for the 26 weeks ended August 4, 2018 and July 29, 2017, respectively. Pursuant to the terms of the separation, merchandise is sold to SHO at cost.

⁽²⁾ Includes revenue from Lands' End, Inc. ("Lands' End") for retail services and rent for Lands' End Shops at owned Sears locations, participation in the Shop Your Way[®] program and corporate shared services of \$7 million and \$12 million for the 13 weeks ended August 4, 2018 and July 29, 2017, respectively, and \$16 million and \$24 million for the 26 weeks ended August 4, 2018 and July 29, 2017, respectively.

⁽³⁾ Includes rent expense (consisting of straight-line rent expense offset by amortization of a deferred gain on sale-leaseback) of \$13 million and \$19 million for the 13 weeks ended August 4, 2018 and July 29, 2017, respectively, and \$27 million and \$38 million for the 26 weeks ended August 4, 2018 and July 29, 2017, respectively, pursuant to the master lease with Seritage Growth Properties ("Seritage"). Also includes installment expenses of \$9 million and \$12 million for the 13 weeks ended August 4, 2018 and July 29, 2017, respectively, and \$18 million and \$24 million for the 26 weeks ended August 4, 2018 and July 29, 2017, respectively.

See accompanying notes.

SEARS HOLDINGS CORPORATION

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	13 Weeks Ended		26 Weeks Ended	
millions	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Net loss	\$(508)	\$(250)		