

SEARS HOLDINGS CORP
Form 10-Q
November 16, 2012

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 OCTOBER 27, 2012

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

Commission file number 000-51217
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, 60179
ILLINOIS (Zip Code)
(Address of principal executive offices)

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 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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 November 9, 2012, the registrant had 106,425,638 common shares, \$0.01 par value, outstanding.

SEARS HOLDINGS CORPORATION
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 13 and 39 Weeks Ended October 27, 2012 and October 29, 2011

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Condensed Consolidated Statements of Operations
(Unaudited)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

millions, except per share data	13 Weeks Ended		39 Weeks Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
REVENUES				
Merchandise sales and services	\$8,857	\$9,405	\$27,594	\$29,083
COSTS AND EXPENSES				
Cost of sales, buying and occupancy	6,604	7,011	20,243	21,544
Selling and administrative	2,496	2,635	7,378	7,743
Depreciation and amortization	211	210	625	641
Gain on sales of assets	(26)	) (4	) (436	) (35)
Total costs and expenses	9,285	9,852	27,810	29,893
Operating loss	(428)	) (447	) (216	) (810)
Interest expense	(68)	) (70	) (199	) (216)
Interest and investment income	7	6	28	31
Other income (loss)	2	6	3	(2)
Loss from continuing operations before income taxes	(487)	) (505	) (384	) (997)
Income tax (expense) benefit	(11)	) 91	(53)	) 264
Loss from continuing operations	(498)	) (414	) (437	) (733)
Loss from discontinued operations, net of tax	—	(11)	) —	(10)
Net loss	(498)	) (425	) (437	) (743)
(Income) loss attributable to noncontrolling interests	—	4	(4)	) 6
NET LOSS ATTRIBUTABLE TO HOLDINGS' SHAREHOLDERS	\$(498)	) \$(421)	) \$(441)	) \$(737)
Amounts attributable to Holdings' shareholders:				
Loss from continuing operations, net of tax	\$(498)	) \$(410)	) \$(441)	) \$(727)
Loss from discontinued operations, net of tax	—	(11)	) —	(10)
Net loss	\$(498)	) \$(421)	) \$(441)	) \$(737)
NET LOSS PER COMMON SHARE ATTRIBUTABLE TO HOLDINGS' SHAREHOLDERS				
Basic:				
Continuing operations	\$(4.70)	) \$(3.85)	) \$(4.16)	) \$(6.80)
Discontinued operations	—	(0.10)	) —	(0.09)
	\$(4.70)	) \$(3.95)	) \$(4.16)	) \$(6.89)
Diluted:				
Continuing operations	\$(4.70)	) \$(3.85)	) \$(4.16)	) \$(6.80)
Discontinued operations	—	(0.10)	) —	(0.09)
	\$(4.70)	) \$(3.95)	) \$(4.16)	) \$(6.89)
Basic weighted average common shares outstanding	105.9	106.5	105.9	107.0
Diluted weighted average common shares outstanding	105.9	106.5	105.9	107.0
See accompanying notes.				

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SEARS HOLDINGS CORPORATION

Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)

millions	13 Weeks Ended		39 Weeks Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Net loss	\$ (498	) \$ (425	) \$ (437	) \$ (743
Other comprehensive income				
Pension and postretirement adjustments, net of tax	46	11	138	74
Deferred gain on derivatives, net of tax	—	14	5	8
Currency translation adjustments, net of tax	4	(24	) 4	(47
Total other comprehensive income	50	1	147	35
Comprehensive loss	(448	) (424	) (290	) (708
Comprehensive (income) loss attributable to noncontrolling interests	—	4	(5	) 7
Comprehensive loss attributable to Holdings' shareholders	\$ (448) \$ (420) \$ (295) \$ (701
See accompanying notes.				

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Condensed Consolidated Balance Sheets

millions	(Unaudited) October 27, 2012	October 29, 2011	January 28, 2012
ASSETS			
Current assets			
Cash and cash equivalents	\$622	\$591	\$747
Restricted cash	11	8	7
Accounts receivable	665	653	695
Merchandise inventories	9,567	10,941	8,407
Prepaid expenses and other current assets	413	617	388
Current assets of discontinued operations	—	226	—
Total current assets	11,278	13,036	10,244
Property and equipment, net	6,174	6,796	6,577
Goodwill	674	1,392	841
Trade names and other intangible assets	2,894	2,950	2,937
Other assets	782	1,056	782
Non-current assets of discontinued operations	—	376	—
TOTAL ASSETS	\$21,802	\$25,606	\$21,381
LIABILITIES			
Current liabilities			
Short-term borrowings	\$1,890	\$2,002	\$1,175
Current portion of long-term debt and capitalized lease obligations	154	157	230
Merchandise payables	3,851	4,471	2,912
Other current liabilities	2,818	2,927	2,892
Unearned revenues	940	948	964
Other taxes	516	502	523
Short-term deferred tax liabilities	506	214	516
Current liabilities of discontinued operations	—	148	—
Total current liabilities	10,675	11,369	9,212
Long-term debt and capitalized lease obligations	1,960	2,073	2,088
Pension and postretirement benefits	2,260	1,859	2,738
Other long-term liabilities	2,137	2,227	2,186
Long-term deferred tax liabilities	869	—	816
Non-current liabilities of discontinued operations	—	362	—
Total Liabilities	17,901	17,890	17,040
Commitments and contingencies			
EQUITY			
Total Equity	3,901	7,716	4,341
TOTAL LIABILITIES AND EQUITY	\$21,802	\$25,606	\$21,381
See accompanying notes.			

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SEARS HOLDINGS CORPORATION
 Condensed Consolidated Statements of Cash Flows
 (Unaudited)

millions	39 Weeks Ended	
	October 27, 2012	October 29, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(437	) \$(743
Loss from discontinued operations, net of tax	—	10
Loss from continuing operations	(437	) (733