

SEARS HOLDINGS CORP  
Form 10-Q  
November 17, 2011

**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 29, 2011**  
**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**  
(State of Incorporation)

**20-1920798**  
(I.R.S. Employer Identification No.)

**3333 BEVERLY ROAD, HOFFMAN ESTATES, ILLINOIS**  
(Address of principal executive offices)

**60179**  
(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 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.

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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 11, 2011, the registrant had 106,880,076 common shares, \$0.01 par value, outstanding.

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SEARS HOLDINGS CORPORATION

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## SEARS HOLDINGS CORPORATION

## Condensed Consolidated Statements of Operations

(Unaudited)

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

<i>millions, except per share data</i>	13 Weeks Ended		39 Weeks Ended	
	October 29, 2011	October 30, 2010	October 29, 2011	October 30, 2010
<b>REVENUES</b>				
Merchandise sales and services	\$ 9,565	\$ 9,678	\$ 29,603	\$ 30,182
<b>COSTS AND EXPENSES</b>				
Cost of sales, buying and occupancy	7,118	7,121	21,890	21,972
Selling and administrative	2,676	2,630	7,879	7,791
Depreciation and amortization	219	219	664	661
(Gain) loss on sales of assets	11		(20)	(53)
Total costs and expenses	10,024	9,970	30,413	30,371
Operating loss	(459)	(292)	(810)	(189)
Interest expense	(75)	(77)	(232)	(213)
Interest and investment income	6	7	31	28
Other income (loss)	5		(3)	(9)
Loss before income taxes	(523)	(362)	(1,014)	(383)
Income tax benefit	98	147	271	151
Net loss	(425)	(215)	(743)	(232)
(Income) loss attributable to noncontrolling interests	4	(3)	6	(9)
<b>NET LOSS ATTRIBUTABLE TO HOLDINGS SHAREHOLDERS</b>	<b>\$ (421)</b>	<b>\$ (218)</b>	<b>\$ (737)</b>	<b>\$ (241)</b>
<b>LOSS PER COMMON SHARE ATTRIBUTABLE TO HOLDINGS SHAREHOLDERS</b>				
Basic and diluted loss per share	\$ (3.95)	\$ (1.98)	\$ (6.89)	\$ (2.15)
Basic and diluted weighted average common shares outstanding	106.5	109.9	107.0	112.3
See accompanying notes.				

## SEARS HOLDINGS CORPORATION

## Condensed Consolidated Balance Sheets

<i>millions</i>	(Unaudited)		
	October 29, 2011	October 30, 2010	January 29, 2011
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 624	\$ 790	\$ 1,375
Restricted cash	8	16	15
Accounts receivable	656	688	683
Merchandise inventories	11,102	11,226	9,123
Prepaid expenses and other current assets	533	378	312
Deferred income taxes	96	25	27
<b>Total current assets</b>	<b>13,019</b>	<b>13,123</b>	<b>11,535</b>
Property and equipment, net	7,028	7,448	7,365
Goodwill	1,392	1,392	1,392
Trade names and other intangible assets	3,090	3,156	3,139
Other assets	992	926	837
<b>TOTAL ASSETS</b>	<b>\$ 25,521</b>	<b>\$ 26,045</b>	<b>\$ 24,268</b>
<b>LIABILITIES</b>			
Current liabilities			
Short-term borrowings	\$ 2,002	\$ 968	\$ 360
Current portion of long-term debt and capitalized lease obligations	204	499	509
Merchandise payables	4,528	4,616	3,101
Accrued expenses and other current liabilities	3,154	3,092	3,115
Unearned revenues	949	983	976
Other taxes	515	524	557
<b>Total current liabilities</b>	<b>11,352</b>	<b>10,682</b>	<b>8,618</b>
Long-term debt and capitalized lease obligations	2,346	2,570	2,663
Pension and post-retirement benefits	1,859	2,055	2,151
Other long-term liabilities	2,248	2,360	2,222
<b>Total Liabilities</b>	<b>17,805</b>	<b>17,667</b>	<b>15,654</b>
<b>EQUITY</b>			
<b>Total Equity</b>	<b>7,716</b>	<b>8,378</b>	<b>8,614</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 25,521</b>	<b>\$ 26,045</b>	<b>\$ 24,268</b>

See accompanying notes.

## SEARS HOLDINGS CORPORATION

## Condensed Consolidated Statements of Cash Flows

(Unaudited)

<i>millions</i>	39 Weeks Ended	
	October 29, 2011	October 30, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (743)	\$ (232)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	664	661
Gain on sales of assets	(20)	(53)
Pension and post-retirement plan contributions	(323)	(253)
Settlement of Canadian dollar hedges	(23)	24
Change in operating assets and liabilities (net of acquisitions and dispositions):		
Merchandise inventories	(1,970)	(2,481)
Merchandise payables	1,422	1,256
Deferred income taxes	(134)	(53)
Income and other taxes	(285)	(136)
Mark-to-market adjustments and settlements on Sears Canada U.S. dollar option contracts	2	4
Other operating assets	2	(69)
Other operating liabilities	117	160
Net cash used in operating activities	(1,291)	(1,172)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of property and investments	66	16
Net (increase) decrease in investments and restricted cash	7	(1)
Purchases of property and equipment	(326)	(311)
Net cash used in investing activities	(253)	(296)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from debt issuances	51	1,333
Repayments of long-term debt	(673)	(468)
Increase in short-term borrowings, primarily 90 days or less	1,642	643
Debt issuance costs	(35)	(30)
Purchase of Sears Canada shares	(32)	(560)
Sears Canada dividend paid to minority shareholders		(69)
Purchase of treasury stock	(163)	