

SEARS HOLDINGS CORP
Form 10-Q
December 08, 2016

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, 2016

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
(State of Incorporation)

20-1920798
(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, 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 (Do not check if a smaller reporting company) ☐ 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 December 5, 2016, the registrant had 107,033,252 common shares, \$0.01 par value, outstanding.

SEARS HOLDINGS CORPORATION
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SEARS HOLDINGS CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2016		October 31, 2015	
millions, except per share data				
REVENUES				
Merchandise sales and services ⁽¹⁾⁽²⁾	\$5,029	\$ 5,750	\$16,086	\$ 17,843
COSTS AND EXPENSES				
Cost of sales, buying and occupancy ⁽¹⁾⁽³⁾	4,067	4,488	12,687	13,628
Selling and administrative	1,543	1,630	4,530	5,005
Depreciation and amortization	91	94	278	330
Impairment charges	3	17	18	71
Gain on sales of assets	(51)	(97)	(166)	(730)
Total costs and expenses	5,653	6,132	17,347	18,304
Operating loss	(624)	(382)	(1,261)	(461)
Interest expense	(105)	(74)	(289)	(249)
Interest and investment income (loss)	(8)	17	(25)	(27)
Loss before income taxes	(737)	(439)	(1,575)	(737)
Income tax (expense) benefit	(11)	(14)	(39)	189
Net loss	(748)	(453)	(1,614)	(548)
Income attributable to noncontrolling interests	—	(1)	—	(1)
NET LOSS ATTRIBUTABLE TO HOLDINGS' SHAREHOLDERS	\$ (748)	\$ (454)	\$ (1,614)	\$ (549)
NET LOSS PER COMMON SHARE ATTRIBUTABLE TO HOLDINGS' SHAREHOLDERS				
Basic loss per share	\$ (6.99)	\$ (4.26)	\$ (15.10)	\$ (5.15)
Diluted loss per share	\$ (6.99)	\$ (4.26)	\$ (15.10)	\$ (5.15)
Basic weighted average common shares outstanding	107.0	106.6	106.9	106.5
Diluted weighted average common shares outstanding	107.0	106.6	106.9	106.5

Includes merchandise sales to Sears Hometown and Outlet Stores, Inc. ("SHO") of \$271 million and \$315 million for the 13 weeks ended October 29, 2016 and October 31, 2015, respectively, and \$847 million and \$1.0 billion for the 39 weeks ended October 29, 2016 and October 31, 2015, 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 \$15 million and \$14 million for the 13 weeks ended October 29, 2016 and October 31, 2015, respectively, and \$38 million and \$45 million for the 39 weeks ended October 29, 2016 and October 31, 2015, respectively.

⁽³⁾ Includes rent expense (consisting of straight-line rent expense offset by amortization of a deferred gain on sale-leaseback) of \$22 million and \$22 million for the 13 weeks ended October 29, 2016 and October 31, 2015, respectively, and \$64 million and \$27 million for the 39 weeks ended October 29, 2016 and October 31, 2015, respectively, pursuant to the master lease with Seritage Growth Properties ("Seritage"). Also includes installment expenses of \$17 million and \$17 million for the 13 weeks ended October 29, 2016 and October 31, 2015, respectively, and \$51 million and \$22 million for the 39 weeks ended October 29, 2016 and October 31, 2015, respectively.

See accompanying notes.

SEARS HOLDINGS CORPORATION

Condensed Consolidated Statements of Comprehensive Loss

(Unaudited)

	13 Weeks Ended		39 Weeks Ended	
millions	October 2016	October 31, 2015	October 2016	October 31, 2015
Net loss	\$(748)	\$ (453)	\$(1,614)	\$ (548)
Other comprehensive income				
Pension and postretirement adjustments, net of tax	64	65	192	196
Total other comprehensive income	64	65		