

## Sears to close more stores as holiday sales slump

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Sears Holdings Corp sales kept falling at the peak of the holiday season, and the retailer said it will close up to 120 stores in its Kmart and namesake chains to focus on stronger stores, sending its shares down more than 19 percent.

Sears also said it tapped its credit facility, with \$483 million of borrowings outstanding as of December 23, compared to zero a year earlier, and said it expected smaller fourth-quarter earnings this year.



Photo: Corbis

The company's shares were down \$8.80 at \$37.05.

Sales at Sears Holdings, whose chairman and top shareholder is hedge fund manager Edward Lampert, have fallen every year since it was formed through the merger of Sears and Kmart in 2005.

So far this holiday season, the drop has continued.

Same-store sales at Kmart were down 4.4 percent in the current quarter through Christmas Day, and down 6 percent at Sears' U.S. stores. Companywide, they were down 5.2 percent, the company said on Tuesday.

Analysts said the store closings were a long time coming.

"It's about time," said independent analyst Brian Sozzi, noting that he expects additional store closings. "They've neglected this business for so long."

Sears said that typically, it would keep "marginally performing" stores open to give them time to improve, but "we no longer believe that to be the appropriate action in this environment."

The store closings follow its announcement last quarter it would shutter 10 stores. Kmart and Sears have a combined 2,177 U.S. big box locations and another 500 in Canada.

A list of which stores closing will be available at [www.searsmedia.com](http://www.searsmedia.com).

Wall Street analysts have long faulted Sears for not investing enough to make its stores appealing. Sears is "ineffectively asking customers to pay for a poorer shopping experience" than other chains, Credit Suisse analyst

"effectively asking customers to pay for a poorer shopping environment" than other chains, Credit Suisse analyst Gary Balter said in a note to clients.

Balter was also surprised that Sears would borrow money during the holidays, which are typically a peak cash flow period.

Sears blamed poor consumer electronics sales in a tough economic environment "especially for big-ticket items" for more than half of the decline in its namesake chain's domestic same-store sales.

It even reported lower layaway sales, which are offered at Kmart and designed to allow lower income shoppers to pay for items in installments. The main culprit there is Wal-Mart Stores Inc which this holiday season brought back its layaway program after five years, Sozzi said.

Sears Holdings said the lower sales and margin pressure would lead to adjusted fourth-quarter earnings before interest, debt and amortization of less than half of the year-ago quarter's \$933 million figure.

Last month, Sears reported a much wider than expected quarterly loss as higher markdowns and pricing pressures in appliances squeezed margins.

The retailer, home to brands including Craftsman tools and Kenmore appliances, expects to earn \$140 million to \$170 million by selling of inventory in affected stores and selling or subleasing store space.

Sears also expects to record a non-cash charge of \$1.6 billion to \$1.8 billion in the fourth quarter related to a valuation allowance on certain deferred tax assets.

(Reporting by Phil Wahba in New York, additional reporting by Supantha Mukherjee in Bangalore; Editing by Anil D'Silva, Roshni Menon, Dave Zimmerman)