

Q4 2017 IN REVIEW

OPERATIONAL PERFORMANCE

The first positive Adjusted EBITDA quarterly result since 2014

\$2M



\$182M*
Net Income



SG&A EXPENSE REDUCTION

\$451M**



TAKING DECISIVE AND STRATEGIC ACTION

FOCUS ON OUR BEST CATEGORIES



The grand opening of our newest Sears Appliances & Mattresses stores in Camp Hill, Pennsylvania, and Honolulu, Hawaii

INCREASING FINANCIAL FLEXIBILITY



Raised \$250 million† in new financing, with ability to raise up to \$300 million and secured an additional \$100 million incremental real estate loan‡

STRENGTHENED THE BALANCE SHEET



Launched private exchange offers to enhance liquidity and strengthen balance sheet

OPERATIONAL HIGHLIGHTS

DieHard

Launched Assortment of DieHard Products on Amazon.com

Kenmore

Kenmore via Amazon now reaches 85% of the US population



Launched Member Centers in 30+ stores and added new Member Service Leads in stores across our key markets



Continue to fuel the recovery in Houston, Puerto Rico & Virgin Islands, with Red Cross partnership and children's holiday toy drive serving millions of members

ACCELERATION TOWARD A MEMBER-CENTRIC ECOSYSTEM

Kmart Pharmacy ranked #1 in customer service for second year in a row



Delivered 60 million personal incentives and rewards



3 million Appliance and Mattress consultations



Expanding Buy Online / Pick-up In Store, local pick-up and local delivery



Q4 2017 Key Takeaways

- 1 Significant progress in our efforts to return to profitability with \$246 million improvement in Adjusted EBITDA in FY 2017
- 2 We will realize an incremental \$200 million in annualized cost reductions in 2018 unrelated to store closures
- 3 Strengthening our balance sheet through decisive liquidity actions
- 4 Accelerating our transformation to a member-centric provider of services and products, with material growth in our Shop Your Way platform and B2B offerings
- 5 Our leadership team and associates are fully committed to returning Sears Holdings to profitable growth

* Included a non-cash tax benefit of approximately \$470 million related to tax reform.

** Adjusted for significant items in both Q4 2017 and 2016.

† Raised \$210 million during the fourth quarter of 2017 and an additional \$40 million subsequent to quarter-end.

‡ Secured subsequent to quarter-end.