Transformation Update & Financial Results

SEARS HOLDINGS

Q4 2017 Earnings

March 14, 2018

Cautionary Statement

Regarding Forward-Looking Information

This presentation contains forward-looking statements under the federal securities laws, including statements about our transformation through our integrated retail strategy, the opportunities, some of which are quantified, presented by a framework for profit, our plans to redeploy and reconfigure our assets, our liquidity and ability to exercise financial flexibility as we meet our obligations, the commencement of the private exchange offers and possible strategic transactions. Forward-looking statements, including these, are based on the current beliefs and expectations of our management and are subject to significant risks, assumptions and uncertainties that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, the framework for profit is not intended to provide guidance or predict results; instead, it is intended to provide dimensional context for the potential opportunities for increasing profitability if we are successful in achieving the potential results outlined, which is subject to significant assumptions, uncertainties and risks, including those identified in the presentation relating to maintaining, reversing or otherwise improving or achieving certain performance metrics, including member penetration, level of member engagement and retention rates. There can be no assurance that any of these efforts will be successful. The following additional factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: our ability to offer merchandise and services that our customers want, including our proprietary brand products; our ability to successfully implement our integrated retail strategy to transform our business; our ability to successfully manage our inventory levels; initiatives to improve our liquidity through inventory management and other actions; our substantial level of indebtedness and related debt service obligations and restrictions imposed by covenants in our debt agreements; competitive conditions in the retail and related services industries; worldwide economic conditions and business uncertainty, including the availability of consumer and commercial credit, changes in consumer confidence and spending, the impact of changing fuel prices, and changes in vendor relationships; vendors' lack of willingness to provide acceptable payment terms or otherwise restricting financing to purchase inventory or services; possible limits on our access to our domestic credit facility, which is subject to a borrowing base limitation and a springing fixed charge coverage ratio covenant, capital markets and other financing sources; our ability to successfully achieve our plans to generate liquidity through potential transactions or otherwise; our extensive reliance on computer systems, including legacy systems, to implement our integrated retail strategy, process transactions, summarize results, maintain customer, member, associate and Company data, and otherwise manage our business, which may be subject to disruptions or security breaches; the impact of seasonal buying patterns, including seasonal fluctuations due to weather conditions, which are difficult to forecast with certainty; our dependence on sources outside the United States for significant amounts of our merchandise; our reliance on third parties to provide us with services in connection with the administration of certain aspects of our business and the transfer of significant internal historical knowledge to such parties; impairment charges for goodwill and intangible assets or fixed-asset impairment for long-lived assets; our ability to attract, motivate and retain key executives and other associates; our ability to protect or preserve the image of our brands; the outcome of pending and/or future legal proceedings; and the timing and amount of required pension plan funding. Additionally, detailed descriptions of risk, uncertainties and factors relating to Sears Holdings are discussed in our most recent Annual Report on Form 10-K and other filings with the Securities and Exchange Commission. While we believe that our forecasts and assumptions are reasonable, we caution that actual results may differ materially. We intend the forward-looking statements to speak only as of the time made and do not undertake to update or revise them as more information becomes available, except as required by law.

Non-GAAP Financial Measures

In addition to our net income (loss) attributable to Sears Holdings' shareholders determined in accordance with Generally Accepted Accounting Principles ("GAAP"), for purposes of evaluating operating performance, we use Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"). Adjusted EBITDA is computed as net income (loss) attributable to Sears Holdings Corporation appearing on the Condensed Consolidated Statements of Operations excluding income tax benefit, interest expense, interest and investment income (loss), depreciation and amortization and gain on sales of assets. In addition, it is adjusted to exclude certain significant items as set forth below. Our management uses Adjusted EBITDA to evaluate the operating performance of our businesses, as well as executive compensation metrics, for comparable periods. Adjusted EBITDA should not be used by investors or other third parties as the sole basis for formulating investment decisions as it excludes a number of important cash and non-cash recurring items.

While Adjusted EBITDA is a non-GAAP financial measurement, management believes that it is an important indicator of ongoing operating performance, and useful to investors, because:

- Adjusted EBITDA excludes the effects of financings and investing activities by eliminating the effects of interest and depreciation costs;
- Management considers gains/(losses) on the sale of assets to result from investing decisions rather than ongoing operations; and
- Other significant items, while periodically affecting our results, may vary significantly from period to period and have a disproportionate effect in a given period, which affects comparability of results, including impairment charges related to fixed assets, closed store and severance charges, pension expense, amortization of the deferred Seritage gain, expenses associated with natural disasters, transaction costs associated with strategic initiatives, items associated with legal matters and other expenses. We have adjusted our results for these items to make our statements more comparable and therefore more useful to investors as the items are not representative of our ongoing operations and reflect past investment decisions.

See the appendix for reconciliations of the differences between the non-GAAP financial measures used in this presentation with the most comparable financial measures calculated in accordance with GAAP.

Q4 & FY 2017 Highlights

Financial Results

$ in millions	Q4 2017	Q4 2016	FY 2017	FY 2016
Total Revenues	$4,376	$6,052	$16,702	$22,138
Comp Store Sales	(15.6)%	(10.3)%	(13.5)%	(7.4)%
Gross Margin	$924	$1,287	$3,527	$4,686
Gross Margin Rate	21.1%	21.3%	21.1%	21.2%
SG&A Expenses	$1,156	$1,579	$5,131	$6,109
Net Income (Loss)	$182	$(607)	$(383)	$(2,221)
Adjusted EBITDA[(1)]	***$2***	***$(61)***	***$(562)***	***$(808)***

Operational Highlights

Launched Assortment Of DieHard Products On Amazon.com, Building On Kenmore Success

Expanded Our Category-Focused And Small Concept Retail Footprint

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

(1) Adjusted EBITDA is shown inclusive of additional rent expense of $40 million and $47 million in Q4 2017 and Q4 2016, respectively, and $169 million and $197 million in fiscal 2017 and fiscal 2016, respectively. From the inception of Seritage to date, we have received recapture notices on 55 properties, and also exercised our right to terminate the lease on 56 properties.

Key Strategic Priorities

1. Make progress executing our strategic transformation
2. Improve our financial performance and enhance our liquidity position
3. Unlock the value of our many brands and businesses
4. Continue expanding Shop Your Way through new partnerships and innovative ways to engage and reward our members
5. Offer our members a uniquely tailored, integrated retail experience

Financial Progress on Our Transformation

Taking Decisive, Strategic Action To Accelerate Our Transformation

Improved Financial Performance	Increased Financial Flexibility and Enhanced Overall Liquidity		Strengthened the Balance Sheet
Actioning incremental $200 million in annualized cost reductions in 2018 unrelated to store closures	**Raised $250 million[(1)] in new financing,** with ability to raise up to $300 million total **Secured an additional $100 million** incremental real estate loan[(2)]	**Executed $440 million financing** secured by 138 properties to fund pension plan and release properties from ring-fence arrangement with the PBGC[(3)]	**Launched private exchange offers** to enhance liquidity and strengthen balance sheet

Additional Levers To Drive Profitability

- We continue to pursue the most promising opportunities in our enterprise, including our Shop Your Way network and our Sears Home Services business
- We are evaluating strategic options across our portfolio to unlock value from our assets and businesses

(1) Raised $210 million during the fourth quarter of 2017 and an additional $40 million subsequent to quarter-end.
(2) Secured subsequent to quarter-end.
(3) Executed subsequent to quarter-end.

Operational Progress on Our Transformation

Acceleration Toward A Member-Centric Ecosystem Of Services And Products

Rewarding Member Engagement	Personally Serving Millions of Members		Offering Increased Convenience
Delivered **60 million personal incentives and rewards** to our members	Kmart Pharmacy ranked **#1 in customer service for second year in a row**	Provided expert guidance on over **3 million Appliance and Mattress consultations** across 650+ stores	Expanding our reach nationwide while providing **unparalleled convenience** through Buy Online/Pick-up In Store, local pick-up and local delivery

2017 Shop Your Way Member Highlights

- Members earned over **$800 million in SYW Points** from shopping and engaging with our Partners
- Saved over **8 million minutes** and **$31 million in shipping** with our **time-saving & convenience programs**
- Collected and distributed over **$12 million to local communities and charities** to support disaster relief efforts

Operational Progress on Our Transformation

Expanding Our Integrated Retail Offering

Scaling Our SYW 5-3-2-1 Proposition	Growing the Partner Ecosystem	Expanding Our Member Services	Expanding New Growth Initiatives
Extended Sears MasterCard's **industry-leading 5-3-2-1 promotion** into 2018 and expanded usage across gas, dining and grocery	Our members **engaged more with our Partners** – including Uber and Time Inc./Synapse – **by a factor of 10 times**	Launched **Member Centers in 30+ stores** and added new **Member Service Leads** in stores across our key markets	**Kenmore via Amazon** now reaches 85% of the US population Launched **DieHard products on Amazon** for the brand's 50-year anniversary

Sharpening Our Focus On Serving Our Members

- We are focused on innovative new ways to serve our members as we transform into a truly member-centric provider of services and products
- At the same time, we continue to integrate our Shop Your Way and traditional in-store shopping experiences – offering unmatched savings and convenience to our members

Q4 Financial Position and Liquid Assets

Substantial Liquidity and Financial Flexibility

- Approximately $353 million in cash, availability on credit facility, and availability under the short-term borrowing basket as of the end of Q4 2017.

Amounts in millions	Q4 2017	Proforma Q4 2017 (3)	Q4 2016
Cash and cash equivalents	$182	$182	$286
Net availability on Credit Facility (1)	69	69	165
Availability under Short-Term Borrowing Basket (2)	102	352	250
Total Liquid Availability	**$353**	**$603**	**$701**

- Total long-term debt, including current portion of long-term debt and capital lease obligations, was approximately $3.2 billion at February 3, 2018.

(1) Reflects effect of springing fixed charge coverage ratio covenant and borrowing base level.
(2) The short-term borrowing basket provides the ability to borrow with maturities inside of the ABL Maturity of July 2020. The short-term borrowing basket can be paid down and re-borrowed as desired. Availability on the short-term borrowing basket for Q4 2017 is stated less $253 million of real estate loans outstanding, $145 million of incremental real estate loans outstanding and $500 million of Line of Credit loans outstanding under the Second Lien Credit Agreement.
(3) Availability under Short-Term Borrowing Basket was amended subsequent to Q4 2017, increasing availability by $250 million, resulting in pro-forma liquid availability of $603 million.

Key Takeaways

1. Significant progress in our efforts to return to profitability with $246 million improvement in Adjusted EBITDA in FY 2017

2. Driving action against 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

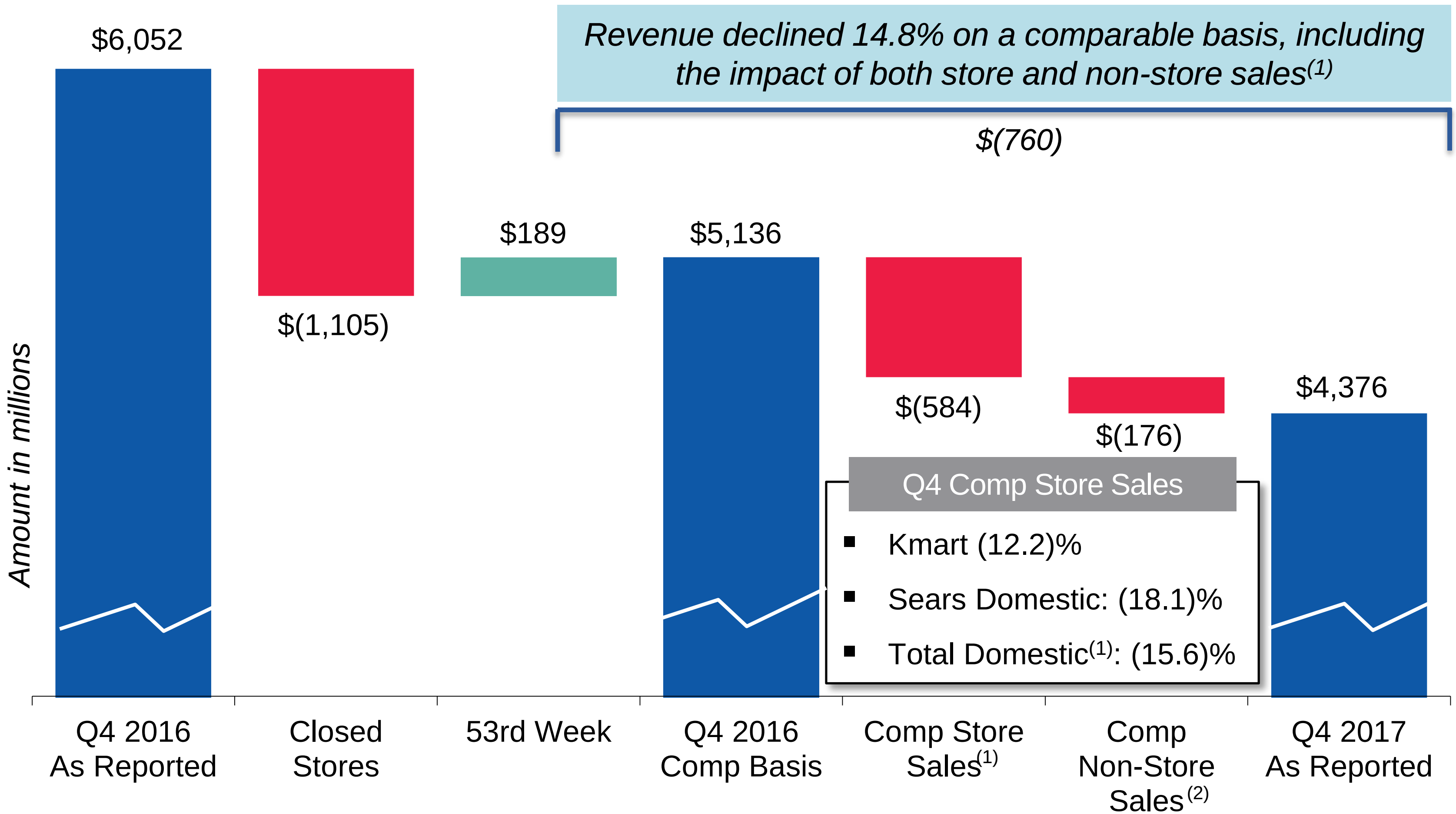





Appendix

Q4 2017

Revenue Changes

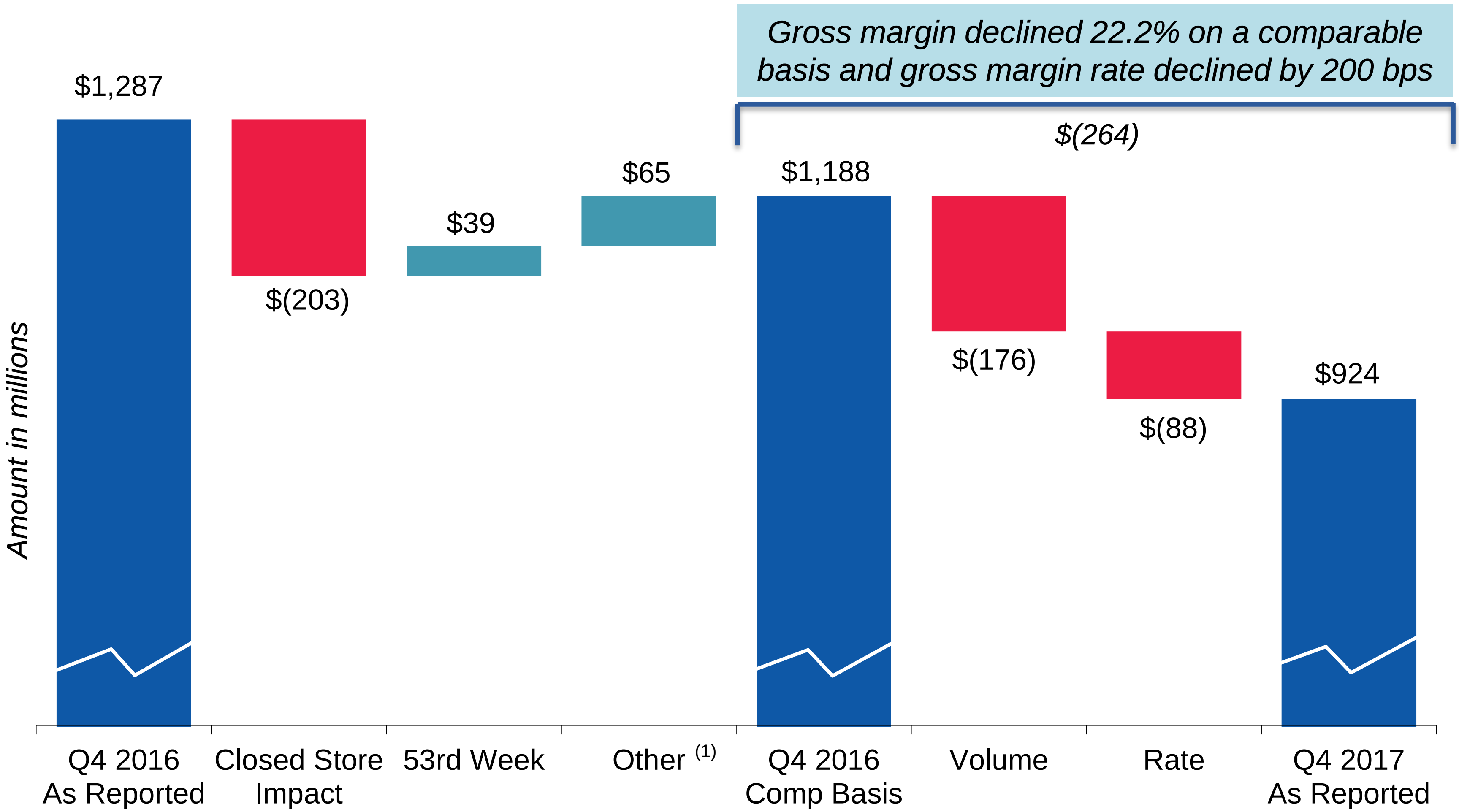


(1) Comparable store sales amounts include sales for all stores operating for a period of at least 12 full months (including remodeled and expanded stores, but excluding store relocations and stores that have undergone format changes), as well as sales from sears.com and kmart.com shipped directly to customers and have been adjusted for the change in the unshipped sales reserves recorded at the end of each reporting period.

(2) Comp Non-Store Sales represents revenue from ongoing business operations not directly associated with a store, as well as revenue from our ongoing relationships with Sears Hometown and Outlet Stores, Inc. and Lands' End. Note, the majority of the Comp Non-Store Sales decline is attributed to reduced revenue from Sears Hometown and Outlet Stores, Inc.

Q4 2017

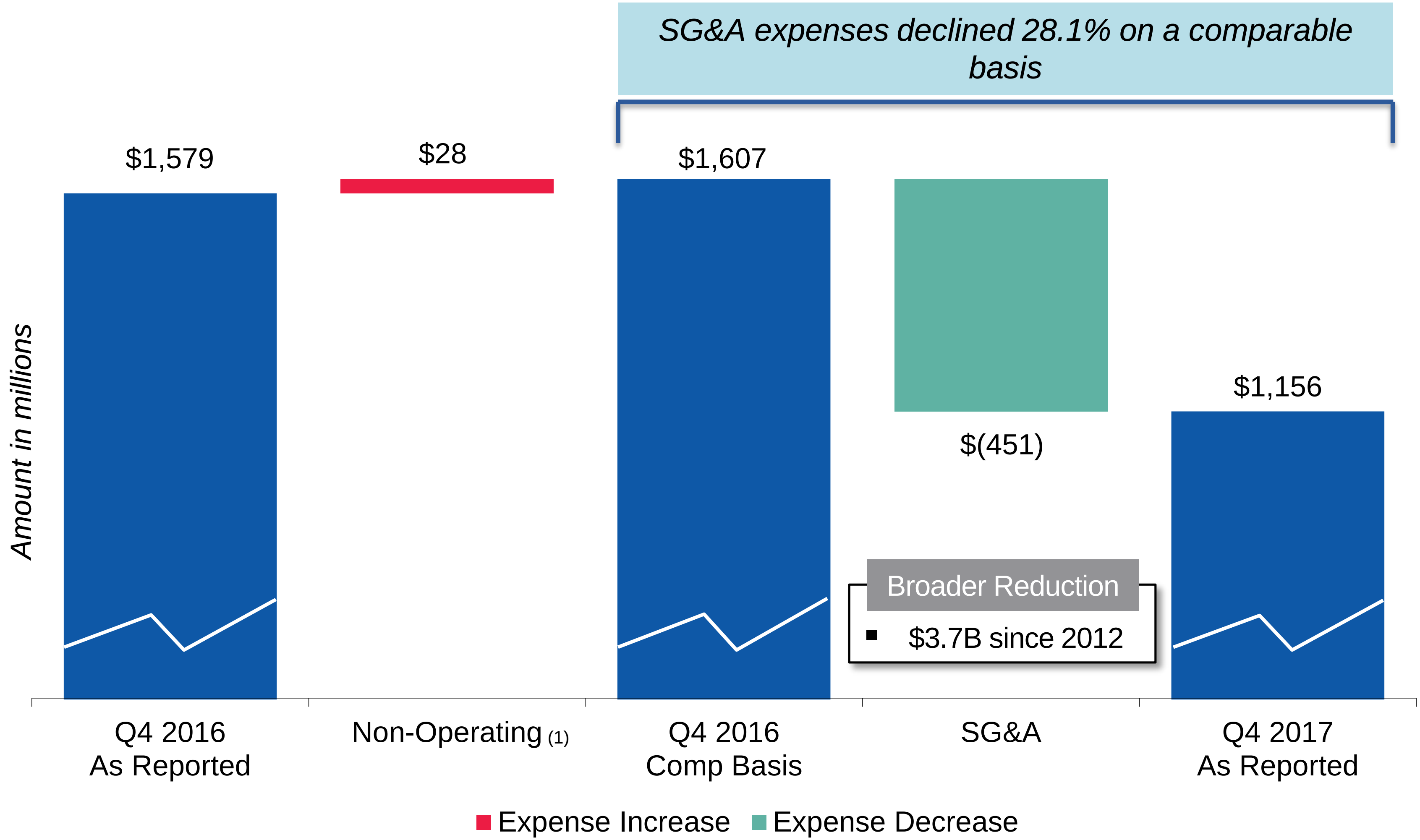
Gross Margin Changes



(1) Primarily consists of non-cash reserves, additional Seritage/JV rent expense of $40 million and $47 million, respectively in Q4 2017 and Q4 2016, and amortization of deferred Seritage gain.

Q4 2017

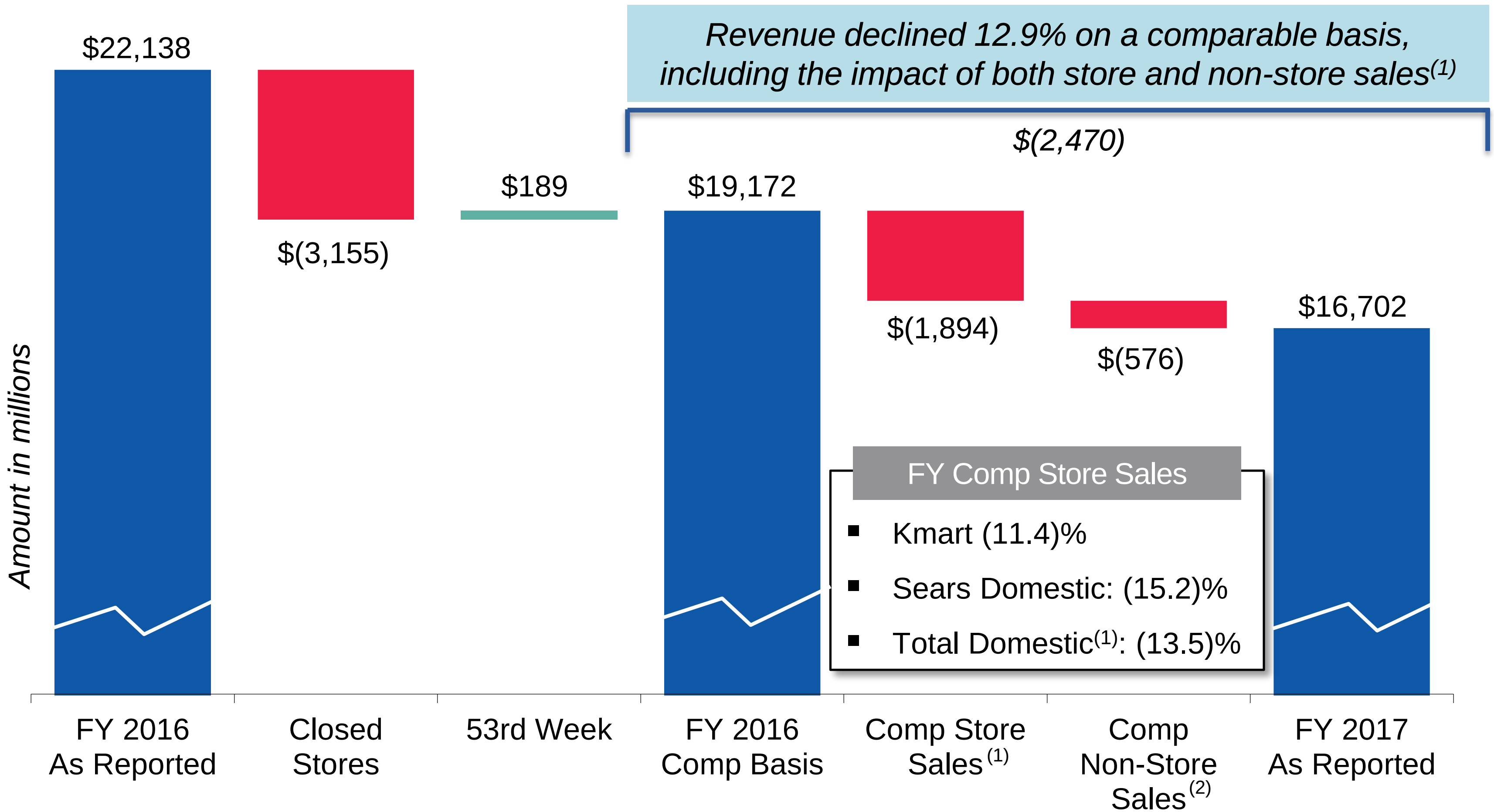
Expense Changes



(1) Consists of closed store reserves, pension expense, expenses associated with natural disasters, transaction costs and legal items.

FY 2017

Revenue Changes



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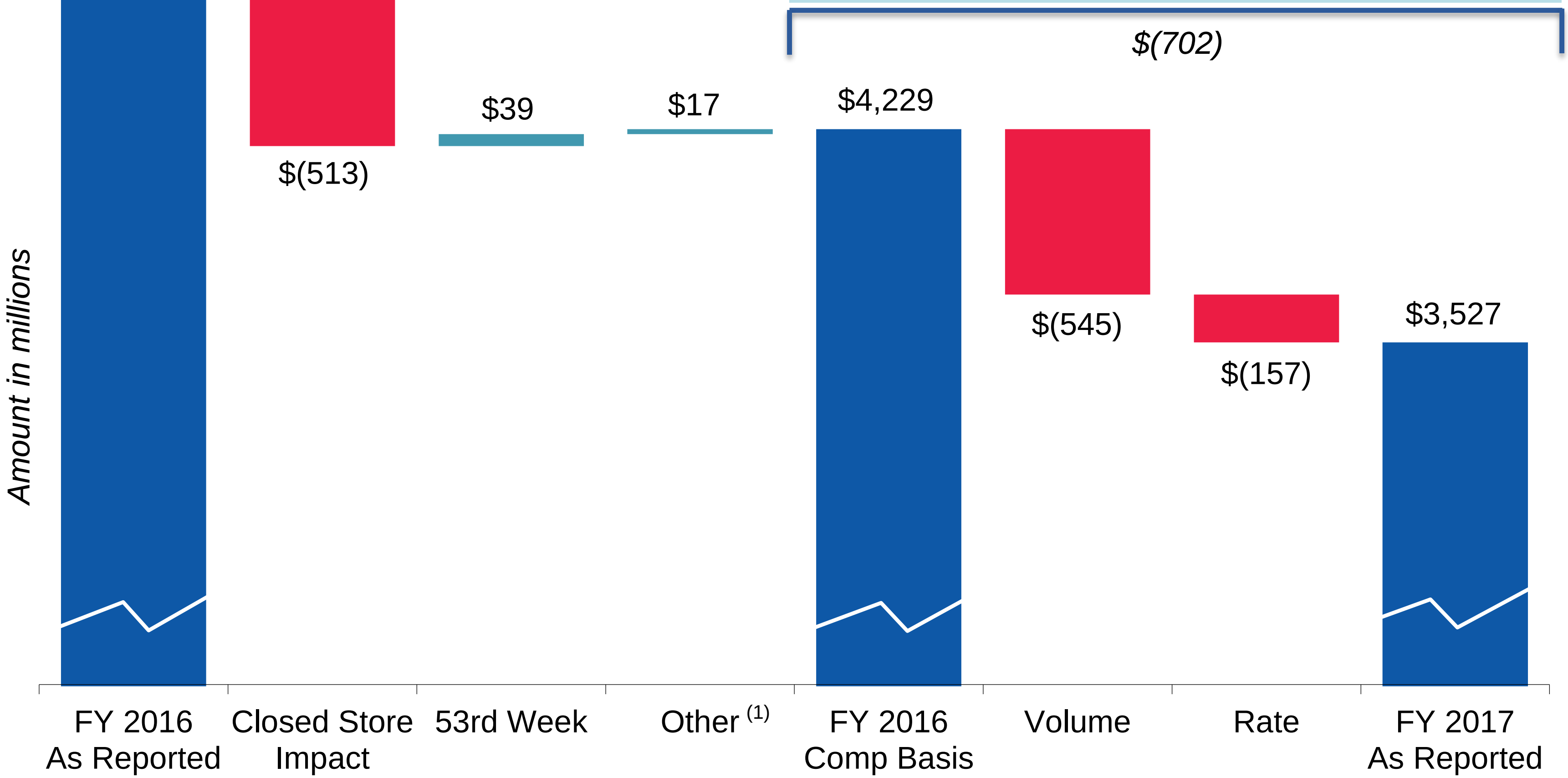
FY 2017

Gross Margin Changes

Gross margin declined 16.6% on a comparable basis and gross margin rate declined by 100 bps



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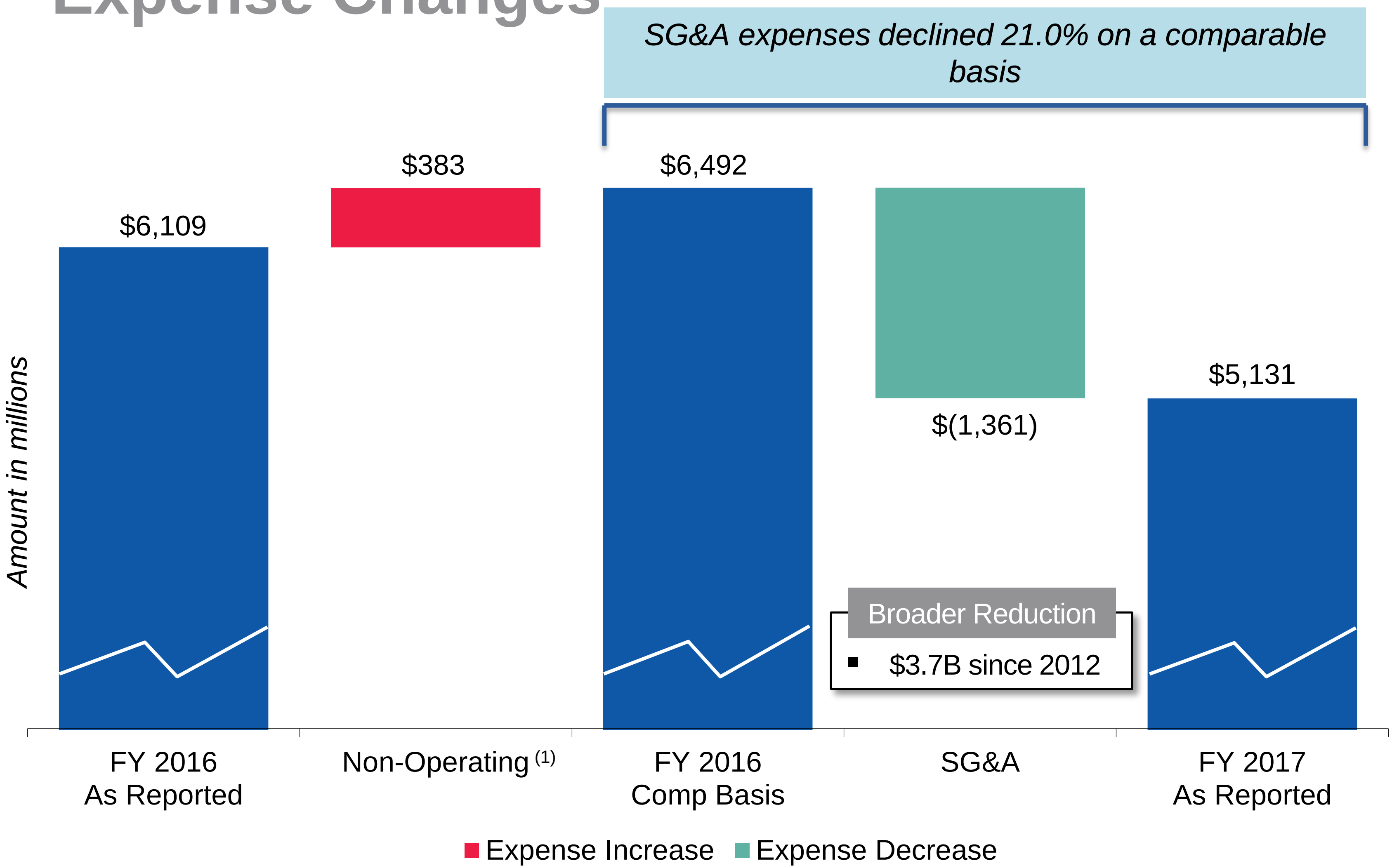
FY 2017

Expense Changes



(1) Consists of closed store reserves, pension expense, expenses associated with natural disasters, transaction costs, legal items and other expenses.

Consolidated Results

Q4 2017

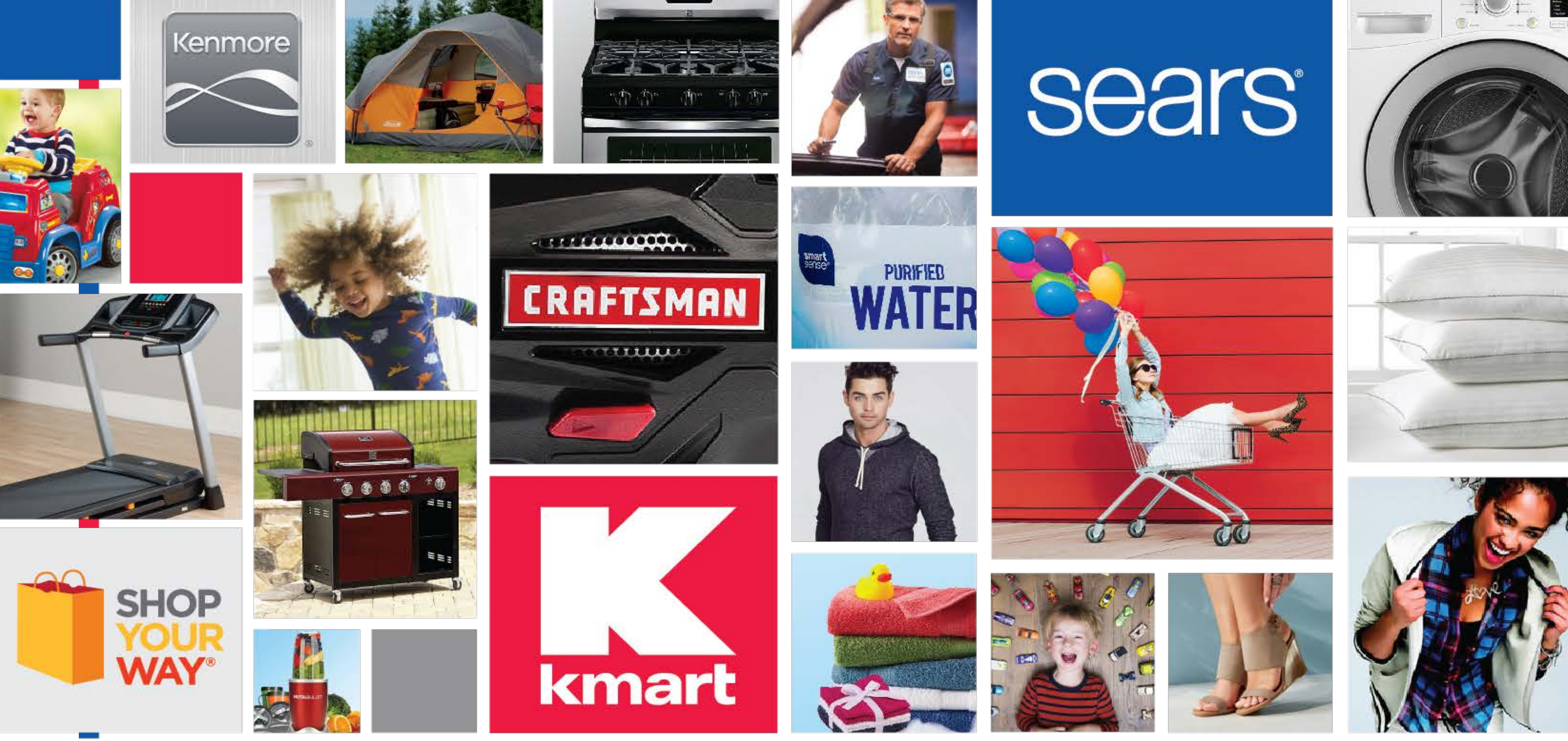
millions, except per share data	Fourth Quarter 2017	Fourth Quarter 2016	Full Year 2017	Full Year 2016
REVENUES	$ 4,376	$ 6,052	$ 16,702	$ 22,138
NET INCOME (LOSS) ATTRIBUTABLE TO HOLDINGS' SHAREHOLDERS	$ 182	$ (607)	$ (383)	$ (2,221)
NET INCOME (LOSS) PER DILUTED SHARE ATTRIBUTABLE TO HOLDINGS' SHAREHOLDERS	$ 1.69	$ (5.67)	$ (3.57)	$ (20.78)
ADJUSTED EBITDA	$ 2	$ (61)	$ (562)	$ (808)

Reconciliation of Adjusted EBITDA to GAAP

Q4 2017

	Fourth Quarter		Full Year	
millions	2017	2016	2017	2016
Net income (loss) attributable to Holdings per statement of operations	$ 182	$ (607)	$ (383)	$ (2,221)
Income tax benefit	(539)	(213)	(598)	(174)
Interest expense	152	115	539	404
Interest and investment loss	(2)	1	12	26
Other income	-	(13)	-	(13)
Operating loss	(207)	(717)	(430)	(1,978)
Depreciation and amortization	73	97	332	375
Gain on sales of assets	(211)	(81)	(1,648)	(247)
Impairment charges	113	409	142	427
Before excluded items	(232)	(292)	(1,604)	(1,423)
Closed store reserve and severance	143	202	462	384
Pension expense	117	72	656	288
Other (1)	(7)	(21)	2	31
Amortization of deferred Seritage gain	(19)	(22)	(78)	(88)
Adjusted EBITDA	$ 2	$ (61)	$ (562)	$ (808)

(1) The 14- and 53-week periods ended February 3, 2018 consisted of items associated with legal matters, expenses associated with natural disasters and transaction costs associated with strategic initiatives. The 13- and 52-week periods ended January 28, 2017 consisted of expenses associated with legal matters, transaction costs associated with strategic initiatives and other expenses.



SEARS HOLDINGS