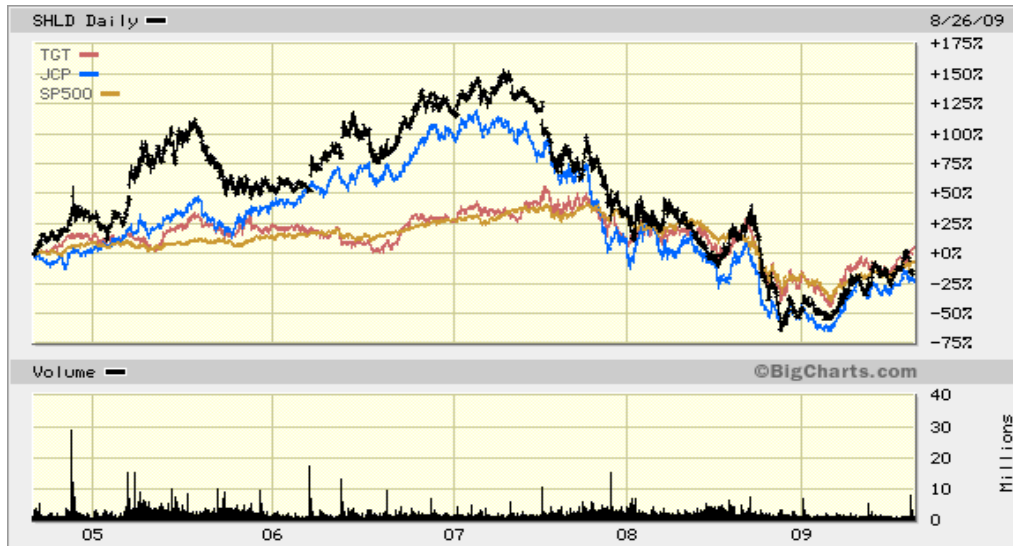


Sears Holdings Corporation (SHLD) 8/26/09

SHLD operates as a retail store that sells a very broad line of products, and also operates Kmart stores. SHLD stores number around 3000 in total and operate in the US and Canada. Sears and Kmart stores offer products including; clothes, appliances, electronics, tools, fitness, automotive, kitchenware, luggage, and toys. Headquartered in Hoffman Estates, Illinois, SHLD was founded in 1899.

Current Price	\$65.27
52 Week High	\$108.75
52 Week Low	\$26.80
One Yr Target	\$47.00
Market Cap (in billions)	\$7.77
P/E (Trailing)	38.39
P/E(1 Yr Forward)	43.73
P/E/G	4.36
ROA	-0.01%
ROE	-0.25%
EPS	\$1.70
Beta	1.52
Annualized Dividend	n/a
Dividend Yield	n/a
Analyst Consensus	3.70



Annual EPS

2005	\$6.17	
2006	\$9.58	55.27%
2007	\$5.70	-40.50%
2008	\$0.42	-92.63%
2009E	\$1.70	304.81%

Annual Revenue (in millions)

2005	\$49,455.00	
2006	\$53,016.00	7.20%
2007	\$50,703.00	-4.36%
2008	\$46,770.00	-7.76%

Annual Net Income (in millions)

2005	\$857.00	
2006	\$1,492.00	74.10%
2007	\$826.00	-44.64%
2008	\$53.00	-93.58%

Required Rate of Return

13.49%

Dividend Growth Model

Present Value of 2013 Price	n/a
Holding Period Return (5 years)	n/a

Expected Annualized Return Model

Present Value of 2013 Price	\$43.44
Holding Period Return (5 years)	-8.94%

Residual Income Model

Intrinsic Stock Price	\$231.52
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Analysis

Positives

Greatly undervalued according to the RI valuation model
EPS is expected to greatly increase for the coming year

Negatives

High P/E ratio and Beta > 1 make the stock expensive and risky
Company has had several years of falling Revenues and Net Incomes
Overvalued according to the EAR model

Financial Statements

Good Balance Sheet but has been declining in quality over several years
Income Statement is bleak with decreasing Revenue, Net Income, and EPS over several years
Volatile changes in Cash Flows, and mostly in the negative for the past several years

Industry Analysis

Average size for a company in the industry
Higher P/E ratio and lower dividend yields than most competitors
ROE is average for the industry

Summary

SHLD is an interesting stock. The financial ratios are less than flattering and lead to believe the price is quite expensive. The company has had trouble for several years in turning Revenue and Net Income, even before the economic downturn. It doesn't pay dividends and the EAR model says it is overvalued, but the RI model says it is greatly undervalued. SHLD should see some increases in stock price due to an economic recovery, but overall it earns a **hold** rating.