

Which is healthier from a cash flow standpoint, Sears or Wal-Mart?

Sears Holding Corporation ([SHLD](#)) announced in April 2016 that it would be closing 68 Kmart and 10 Sears stores during the second half of 2016. The stores it is closing have not been profitable for Sears and it is looking to improve profitability with the closures.

Similarly, Wal-Mart Stores, Inc., ([WMT](#)) announced in January 2016, that it would be closing 269 stores worldwide. Again, this move is an effort to increase profitability for Wal-Mart.

Sears' fiscal year-end is the Saturday closest to January 31. Below are its statement of cash flows for the most recent three years.

Sears Holding Corporation Statements of Cash Flows <i>(in millions)</i>			
	Year Ended		
	Jan 30, 2016	Jan 31, 2015	Feb 1, 2014
Operating activities:			
Net income (loss)	(1,128)	(1,810)	(1,116)
Adjustments to convert to cash basis	(1,039)	423	7
Net cash from operations	(2,167)	(1,387)	(1,109)
Investing activities:			
Sales of property and investments	2,730	424	995
Purchases of PP&E	(211)	(270)	(329)
Other investing activities	-	173	(2)
Net cash used in investing	2,519	327	664
Financing activities:			
Proceeds from issuance of debt	-	1,025	994
Repayments of debt	(1,405)	(80)	(83)
Other increases (decreases) in debt	1,091	(1,117)	238
Dividends paid for Sears Canada	(50)	(27)	(14)
Other financing activities	-	484	(233)
Net cash provided(used) by financing	(364)	285	902
Effect of exchange rates	-	(3)	(38)
Net change in cash	(12)	(778)	419
Cash, beginning of year	250	1,028	609
Cash, end of year	238	250	1,028

Wal-Mart's fiscal year-end is January 31. Below are its statements of cash flows for the most recent three years.

Wal-Mart Stores, Inc. Statements of Cash Flows <i>(in millions)</i>			
	Fiscal Years Ended		
	Jan 31, 2016	Jan 31, 2015	Jan 31, 2014
Operating activities:			
Net income (loss)	15,080	17,099	16,695
Adjustments to convert to cash basis	12,309	11,465	6,562
Net cash from operations	27,389	28,564	23,257
Investing activities:			
Purchases of PP&E	(11,477)	(12,174)	(13,115)
Proceeds from disposal of PP&E	635	570	727
Proceeds from disposal of some ops	246	671	-
Other investing activities	(79)	(192)	(138)
Net cash used in investing	(10,675)	(11,125)	(12,526)
Financing activities:			
Net change in borrowings	1,235	(6,288)	911
Proceeds from issuance of debt	39	5,174	7,072
Repayments of long-term debt	(4,432)	(3,904)	(4,968)
Dividends paid	(6,294)	(6,185)	(6,139)
Purchase of company stock	(4,112)	(1,015)	(6,683)
Other financing activities	(2,558)	(2,853)	(982)
Net cash provided(used) by financing	(16,122)	(15,071)	(10,789)
Effect of exchange rates	(1,022)	(514)	(442)
Net change in cash	(430)	1,854	(500)
Cash, beginning of year	9,135	7,281	7,781
Cash, end of year	8,705	9,135	7,281

Questions

1. Using its statements of cash flows, answer the following questions about Sears:
 - a. Is Sears generating cash from its operations?
 - b. Describe what investing activities Sears has been involved in over the past three years. Are investing activities an overall source or use of funds for Sears?
 - c. What financing activities has Sears been undertaking in the past three years? Has it been paying dividends to its common stockholders? (Note: Sears Canada is a holding that does not represent Sears common stockholders.)
 - d. How will the closure of the Kmart and Sears stores impact the 2016 statement of cash flows?
2. Using its statements of cash flows, answer the following questions about Wal-Mart:
 - a. Is Wal-Mart generating cash from its operations?
 - b. Describe what investing activities Wal-Mart has been involved in over the past three years. Are investing activities an overall source or use of funds for Wal-Mart?
 - c. What financing activities has Wal-Mart been undertaking in the past three years? Has it been paying dividends to its common stockholders?
 - d. How will the closure of the Wal-Mart stores impact the 2016 statement of cash flows?
3. Judging from the statements of cash flows, which company, Sears or Wal-Mart, is healthier?
4. Why do you think Sears and Wal-Mart would have fiscal year-ends around January 31 rather than using a calendar year-end of December 31?