

Business



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TUESDAY, MARCH 29, 2005



Jim Cole / Associated Press

Kenmore refrigerators are wheeled into a Kmart in Nashua, N.H., which will become a Sears Essentials store. Retail analysts cheered the merger and predicted the newly issued stock would rise to \$160 a share.

Heralded merger fails to lift Kmart-Sears stock

■ Investors take wait-and-see stance on Day 1 of trading; price stays flat.

By Tenisha Mercer
The Detroit News

So much for the amazing stock run.

Dashing investors' hopes for huge returns on the first day of trading, stock in the newly merged Kmart and Sears opened Monday at \$131.05, surged to \$138 but fell flat to close at \$131.50 — a move that analysts say could signal Wall Street's apprehension that the retail pairing will work.

"This is not some go-go stock or one of those hot, biogenetic companies" said Kenneth Dalto, a Farmington

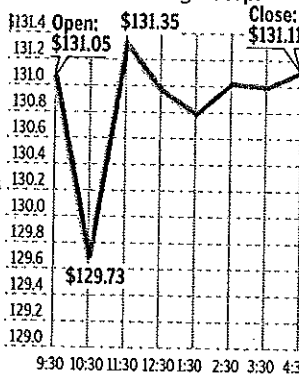
Hills retail consultant. "This is two old, tired retailers slugging it out and they need Geritol. How profitable and how successful they will be is still an open question. It's still a wait-and-see."

The decline in Sears Holdings Corp. shares came amid growing speculation that the \$12.3 billion merger will be more valuable for its real estate than for its retail operations.

Buoyed by Kmart Chairman Edward Lampert's golden touch — Kmart's profits and stock price soared under his leadership — retail analysts like Gary Balter cheered the deal, predicting the newly issued stock would rise to \$160 a share. The Sears-Kmart merger created the third-largest retailer in the country with \$55 billion in

Taking stock

Hourly closing prices for the new Sears Holdings Corp.



Source: Bloomberg

The Detroit News

revenue and 3,800 stores.

Now, Wall Street is taking a deeper, critical look.

Citing its merger with Kmart, Standard & Poor's on Monday cut the long-term corporate credit rating on

Sears to junk status, to "BB-plus" from "BBB," its highest junk rating. It also gave a "BB-plus" senior unsecured credit rating to Sears Holdings.

Also, Fitch Ratings cut its unsecured rating of Sears two notches to "BB" from "BB-minus" — the rating agency's lowest investment grade rating.

It also issued a "BB" rating to Sears Holdings. Junk ratings can increase a company's borrowing costs.

Sears Holdings shareholder George Polous says he's confident Lampert's leadership will make investors huge amounts of money.

"Everything he invests in makes money," said Polous, 55, of Chicago.

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FOR

■ Granholm
 40,000 jobs
 created in
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By Louis Agu
The Detroit News

Feeling the heat of Michigan's high jobless rate, Gov. Jennifer Granholm announced Monday that she's found a formula to create up to 40,000 jobs throughout the three years.

The jobs in architecture, engineering and related projects aimed at downtown Detroit's 2006 Super Bowl.

The governor will act as a shoemaker for a state that's lost thousands of jobs, paying manufac

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The Detroit two awards in American Business Writers' with a Business content excellence in business during 2004

"Danger Over the role vehicle plays in rollover suit in deaths as efforts by autom tougher federal's honored in the s