

KMART CORP. NYSE-KM

RECENT PRICE **16** P/E RATIO **15.5** (Trailing: 22.2) RELATIVE P/E RATIO **0.96** DIV'D YLD **Nil** VALUE LINE

TIMELINESS 2 Lowered 10/30/98	High: 24.2	19.9	22.4	18.6	24.8	28.1	25.6	21.9	16.3	14.3	15.3	20.9	Target Price Range		
SAFETY 4 Lowered 11/24/95	Low: 10.8	14.5	16.3	11.7	12.8	20.9	19.5	12.6	5.9	5.8	10.1	10.5	2001	2002	2003
TECHNICAL 3 Lowered 1/15/99													50		
BETA 1.00 (1.00 = Market)	<p>LEGENDS --- 7.5 x "Cash Flow" p sh Relative Price Strength 3-for-2 split 6/87 2-for-1 split 6/92 Options: Yes Shaded area indicates recession</p>												40		
2001-03 PROJECTIONS													32		
Price	Gain	Ann'l Total												24	
High 30	(+90%)	17%												20	
Low 20	(+25%)	6%												16	
Insider Decisions													12		
M A M J J A S O N													10		
to Buy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Options	2	2	1	1	0	1	0	0	0	0	0	0	0	0	0
to Sell	2	2	1	1	0	1	0	0	0	0	0	0	0	0	0
Institutional Decisions													8		
10/1998 20/1998 30/1998													6		
to Buy	156	142	171												4
to Sell	113	131	117												3
Hlds(000)	336421	363051	356647												
Percent 24.0															
shares 16.0															
traded 8.0															

1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	© VALUE LINE PUB, INC. 01-03	
44.91	49.24	56.25	59.31	58.89	62.96	68.45	73.95	80.24	85.69	92.71	83.50	74.18	70.69	64.55	65.84	68.15	74.70	Sales per sh (A)	95.25
1.37	2.00	2.14	2.20	2.34	2.69	3.11	3.02	3.13	3.39	3.80	2.81	1.71	.49	1.81	1.86	2.35	2.60	"Cash Flow" per sh	3.35
.69	1.27	1.28	1.21	1.42	1.70	2.00	1.86	1.89	2.02	2.06	1.15	.23	d1.08	.48	.51	.95	1.20	Earnings per sh (B)	1.80
.33	.36	.41	.47	.50	.58	.66	.82	.86	.88	.91	.96	.96	.36	--	--	--	Nil	Div'ds Decl'd per sh (C)	Nil
6.97	7.78	8.62	8.66	9.74	10.83	12.56	12.45	13.47	14.63	15.71	12.10	12.86	10.85	10.46	11.12	11.95	13.10	Book Value per sh	18.00
373.48	377.73	375.05	378.01	404.37	407.03	398.86	399.38	399.70	403.53	406.88	409.08	458.67	486.51	487.00	488.81	494.00	495.00	Common Shs Outst'g (D)	495.00
9.9	8.8	8.4	9.6	11.3	11.2	8.7	10.1	8.2	10.6	11.9	19.7	71.0	--	21.3	24.6	17.0	17.0	Avg Ann'l P/E Ratio	14.0
1.09	.74	.78	.78	.77	.75	.72	.76	.61	.68	.72	1.16	4.66	--	1.33	1.42	.90	.90	Relative P/E Ratio	1.00
4.9%	3.2%	3.8%	4.0%	3.1%	3.1%	3.8%	4.4%	5.6%	4.1%	3.7%	4.2%	5.9%	3.0%	--	--	--	--	Avg Ann'l Div'd Yield	Nil

CAPITAL STRUCTURE as of 10/28/98
 Total Debt \$3487 mill. Due in 5 Yrs \$653 mill.
 LT Debt \$3427 mill. LT Interest \$320.0 mill.
 Incl. \$114 mill. capitalized leases.
 (Total interest coverage: 2.2x)

(34% of Cap'l)
Leases, Uncapitalized Annual rentals \$528 mill.
Pfd Stock \$983 mill. **Pfd Div'd** \$77.5 mill.
 20 mill. shs. co-obligated pfd. shrs. of subd'y.
 (which holds co. debentures). Liq. value, \$50 per sh; div'd \$3.875/sh. Each sh. conv. into 3.333 KM com. shrs.
Common Stock 493,232,408 shs. (56% of Cap'l) as of 8/26/98
MARKET CAP: \$7.9 billion (Large Cap)

27301	29533	32070	34580	37724	34156	34025	34389	31437	32183	33674	36980	47150
28.7%	27.9%	27.0%	26.6%	26.3%	27.0%	23.6%	23.6%	24.5%	23.9%	24.3%	24.4%	24.3%
6.0%	5.4%	5.2%	5.4%	5.7%	4.6%	3.1%	1.7%	4.5%	4.8%	5.5%	5.6%	5.5%
4082	4259	4180	4413	4792	4111	2461	2477	2261	2136	2161	2175	2250
803.0	745.0	756.0	859.0	941.0	534.0	114.0	d490.0	262.0	298.0	545	670	975
35.5%	35.5%	34.0%	34.0%	34.0%	33.1%	73.0%	--	20.6%	28.7%	34.0%	34.0%	34.0%
2.9%	2.5%	2.4%	2.5%	2.5%	1.6%	3%	NMF	8%	9%	1.6%	1.8%	2.1%
3654.0	3685.0	3519.0	4682.0	5014.0	4123.0	3561.0	5558.0	4131.0	4202.0	5200	5600	8600
2946.0	3029.0	3299.0	3925.0	4935.0	3947.0	3788.0	5564.0	3599.0	2904.0	3500	3500	3500
5009.0	4972.0	5384.0	6891.0	7536.0	6093.0	6032.0	5280.0	6072.0	6415.0	6885	7475	9890
11.9%	11.3%	10.6%	8.8%	9.1%	7.0%	2.6%	NMF	4.8%	5.1%	7.0%	8.0%	9.0%
16.0%	15.0%	14.0%	12.5%	12.5%	8.8%	1.9%	NMF	4.3%	4.6%	8.0%	9.0%	10.0%
10.9%	8.7%	7.7%	8.2%	7.7%	1.4%	NMF	NMF	4.5%	4.6%	8.0%	9.0%	10.0%
32%	42%	45%	44%	48%	87%	NMF	NMF	13%	16%	14%	12%	8%

BUSINESS: Kmart Corporation is one of the world's largest mass merchandise retailers. Co. operates *Kmart* general merchandise stores and *Builders Square* home improvement centers. Typical *Kmart* store has 40,000-120,000 sq. ft.; modernized units have 85,000-120,000 sq. ft. & *Super Kmart Centers* have 135,000-190,000 sq. ft. Sold its interests in Borders Group (books), Sports Authority (sporting goods), and OfficeMax (office products) specialty retail operations in fiscal 1995. Owns 49% of Meldisco (footwear depts. in *Kmart* stores). Sold PACE Membership Warehouse clubs '94. Has 260,000 employees; 90,000 shrlhlds. C.E.O.: Floyd Hall, Inc.: Mich. Add.: 3100 West Big Beaver Rd., Troy, Mich. 48084. Tel.: 248-643-1000. Internet: www.kmart.com

CURRENT POSITION	1996	1997	10/28/98
(SMILL.)			
Cash Assets	406.0	498.0	350.0
Receivables	--	--	--
Inventory (LIFO)	6354.0	6367.0	8060.0
Other	973.0	611.0	844.0
Current Assets	7733.0	7476.0	9254.0
Accts Payable	2009.0	1923.0	3019.0
Debt Due	156.0	78.0	60.0
Other	1437.0	1273.0	1482.0
Current Liab.	3602.0	3274.0	4561.0

ANNUAL RATES	Past	Past	Est'd '95-'97
of change (per sh)	10 Yrs.	5 Yrs.	'01-'03
Sales	1.0%	-5.0%	6.0%
"Cash Flow"	-5.5%	-16.5%	16.0%
Earnings	--	--	NMF
Dividends	--	--	NMF
Book Value	1.0%	-6.0%	9.0%

Fiscal Year Begins	QUARTERLY SALES (\$ mill.) ^(A)				Full Fiscal Year
	Apr.Per	Jul.Per	Oct.Per	Jan.Per	
1995	7443	8440	7975	10531	34389
1996	6975	7566	7212	9684	31437
1997	7263	7846	7315	9759	32183
1998	7515	8116	7642	10401	33674
1999	8270	8930	8500	11280	36980

Fiscal Year Begins	EARNINGS PER SHARE ^{(A)(B)}				Full Fiscal Year
	Apr.Per	Jul.Per	Oct.Per	Jan.Per	
1995	d.06	.05	d.26	d.81	d1.08
1996	d.08	.05	.02	.49	.48
1997	.03	.06	.04	.38	.51
1998	.10	.16	.08	.61	.95
1999	.14	.20	.15	.71	1.20

Cal-endar	QUARTERLY DIVIDENDS PAID ^(C)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
1995	.24	.12	.12	.12	.60
1996	--	--	--	--	--
1997	--	--	--	--	--
1998	--	--	--	--	--
1999	--	--	--	--	--

Kmart's apparel business has had some lackluster tallies in recent months ... There have been some stretches of cold weather lately in some parts of the country. But this has occurred too sporadically to stimulate sales of seasonal apparel. ... **but in this area, we find it more interesting to focus on what is not happening.** In 1997, the company experienced big problems in its women's apparel division. That winter was also a warm one, but back then, the bigger problem, from KM's vantage point, was poor merchandising. The company's buyers aimed too much toward the lower end of the traditional target 25-44 year age group. This led to a big internal shakeup with a new merchandising team being brought in. Last year was the first real test for the new group and from what we are able to see, it was a successful year from that standpoint. Unfavorable climate hurts apparel retailers in general. But at least now, holders of this timely stock can take comfort in the fact that KM is no worse off than its peers. And of course, if we see a return to normal climactic conditions in 1999, KM will no longer be

restrained by internal problems and should bolt ahead, together with its peers. **Are Kmart's days as a stand-alone company numbered?** The merchant is currently rolling out its new Big Kmart format. A prominent feature of these stores is the attention given to pantry departments, which offer everyday necessities that lure customers who eventually shop in other departments. But pantry itself is a low margined business. To some extent, that will always be true, given the nature of the supermarket industry (which depends on more frequent inventory turnover, rather than high markups). But even within this context, KM would still like to get the best margins that it can. Toward this end, management has acknowledged that it is considering some sort of business combination that would lead to enhanced purchasing power and/or distribution efficiencies.

Marc H. Gerstein February 19, 1999

CASH POSITION	5-Year Av'g	10/28/98
Current Assets to Current Liabilities:	209%	203%
Cash & Equiv's to Current Liabilities:	15%	8%
Working Capital to Sales:	13%	14%

(A) Fiscal year ends last Wednesday in January. (B) Primary earnings thru '96, diluted thereafter. Excludes nonrecurring gains (losses): '85, (64c); '86, 3c; '89, (\$1.05); '93, (\$3.30); '95, 29c; '95, (14c); '96 late-Apr. (C) Div'd suspended 1Q 1996. (D) In millions, adjusted for stock splits. Company's Financial Strength C++ Stock's Price Stability 25 Price Growth Persistence 15 Earnings Predictability 5