SIGNET JEWELERS LTD
Form 8-K
March 30, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): 30 March 2011

SIGNET JEWELERS LIMITED
(Exact name of registrant as specified in its charter)

Commission File Number: 1-32349

Bermuda (State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

Clarendon House
2 Church Street
Hamilton
HM11
Bermuda
(Address of principal executive offices, including zip code)

441 296 5872
(Registrant’s telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item No. 2.02 - Final Results

Signet Jewelers Ltd (NYSE and LSE: SIG)	Embargoed until 7.30 a.m. (EDT)
Results for the 13 and 52 weeks ended January 29, 2011	March 30, 2011

Signet Reports Strong Fiscal 2011 Results
Diluted EPS Up 26.8%, Including Cost of Retiring Outstanding Debt
Adjusted Diluted EPS Climbs 45.4% to $2.66

HAMILTON, Bermuda, March 30, 2011 - Signet Jewelers Ltd ("Signet") (NYSE and LSE: SIG), the world's largest specialty retail jeweler, today announced its results for the 13 weeks ("fourth quarter") and for the 52 weeks ("Fiscal 2011") ended January 29, 2011.

	Fiscal 2011
· Same store sales	up 6.7%
· Income before income taxes	$300.4 million, up 30.3%
· Adjusted income before income taxes excluding non-recurring item1	$347.9 million, up 50.9%
· Diluted earnings per share	$2.32, up 26.8%
· Adjusted diluted earnings per share excluding non-recurring item2	$2.66, up 45.4%
· Free cash flow3 excluding non-recurring item1	$315.8 million

Mike Barnes, Chief Executive Officer, commented: "Fiscal 2011 was an outstanding year for Signet with same store sales up 6.7%, adjusted income before tax increasing 50.9% and free cash flow of $315.8 million before the Make Whole Payment. I would like to thank all members of the Signet team for their contribution to this great performance.

We believe that Signet is well positioned to gain profitable market share and improve operating margins as a result of our competitive strengths in the bridal category, the further development of brands that differentiate us from our competitors, our long term focus on best in class customer service, and traffic generating marketing campaigns that leverage our leading share of voice. These strengths are increasingly setting us apart in the retail marketplace.

We have had an encouraging start to Fiscal 2012, with same store sales in the first seven weeks up by 8.5%, compared with 6.6% for the comparable period last year. The US division increased by 11.4%, against 8.2% last year, and the UK division was down by 4.6%, compared to a decrease of 0.1% last year."

1. The non-recurring item is a $47.5 million Make Whole payment arising from prepayment of private placement notes on November 26, 2010, after tax cost $29.5 million (the "Make Whole Payment"); non-GAAP measure, see Note 6. This may also be referred to as "Adjusted income before tax."
2. Diluted earnings per share excluding Make Whole Payment; non-GAAP measure see Note 6.

3. Net cash provided by operating activities less cash flow used in investing activities; non-GAAP measure, see Note 6.

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Signet operated 1,857 specialty retail jewelry stores at January 29, 2011, these included 1,317 stores in the US, where its store brands include "Kay Jewelers", "Jared The Galleria Of Jewelry" and a number of regional names. At the same date, Signet also operated 540 stores in the UK, where its store brands are "H.Samuel", "Ernest Jones" and "Leslie Davis". Further information on Signet is available at www.signetjewelers.com. See also www.kay.com, www.jared.com, www.hsamuel.co.uk and www.ernestjones.co.uk.

Conference Call
There will be a conference call today at 8.30 a.m. Eastern Time (1.30 p.m. BST and 5.30 a.m. Pacific Time) and a simultaneous audio webcast and slide presentation available at www.signetjewelers.com. The slides are available to be downloaded from the website ahead of the conference call. To help ensure the conference call begins in a timely manner, all participants should dial in 5 to 10 minutes prior to the scheduled start time. The call details are:

US dial-in:	+1 (212) 444 0895	Access code: 2553140
European dial-in:	+44 (0)20 7138 0844	Access code: 2553140

A replay of the conference call and a transcript of the call will be posted on Signet's website as soon as is practical after the call has ended and will be available for one year.

This release contains statements which are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, based upon management's beliefs and expectations as well as on assumptions made by and data currently available to management, appear in a number of places throughout this release and include statements regarding, among other things, Signet's results of operation, financial condition, liquidity, prospects, growth, strategies and the industry in which Signet operates. The use of the words "expects," "intends," "anticipates," "estimates," "predicts," "believes," "should," "potential," "may," "forecast," "objective," "plan," or "target," and other similar expressions are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including but not limited to general economic conditions, the merchandising, pricing and inventory policies followed by Signet, the reputation of Signet and its brands, the level of competition in the jewelry sector, the cost and availability of diamonds, gold and other precious metals, regulations relating to consumer credit, seasonality of Signet's business, financial market risks, deterioration in consumers' financial condition, exchange rate fluctuations, changes in consumer attitudes regarding jewelry, management of social, ethical and environmental risks, inadequacy in and disruptions to internal controls and systems, changes in assumptions used in making accounting estimates relating to items such as extended service plans and pensions, and risks relating to Signet being a Bermuda corporation.

For a discussion of these and other risks and uncertainties which could cause actual results to differ materially, see the "Risk Factors" section of Signet's Fiscal 2010 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on March 30, 2010. Actual results may differ materially from those anticipated in such forward-looking statements. Signet undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

FISCAL 2011 OVERVIEW

The strong results for Fiscal 2011 were led by a same store sales increase of 6.7% (52 weeks to January 30, 2010 ("Fiscal 2010"): decrease of 0.4%), total sales were up by 5.0% to $3,437.4 million (Fiscal 2010: $3,273.6 million) and operating margin improving by 270 basis points to 10.8% (Fiscal 2010: 8.1%). As a result, income before income taxes and diluted earnings per share rose to $300.4 million (Fiscal 2010: $230.5 million) and $2.32 (Fiscal 2010: $1.83), up by 30.3% and 26.8% respectively. Excluding the Make Whole Payment, income before income taxes and diluted earnings per share rose to $347.9 million and $2.66, up by 50.9% and 45.4% respectively, non-GAAP measures, see Note 6.

Free cash flow at $315.8 million excluding the Make Whole Payment; non-GAAP measure, see Note 6 (Fiscal 2010: $471.9 million), was substantially higher than the original objective for the year of $150 million to $200 million. Signet took advantage of its strong balance sheet and financial flexibility to prepay all outstanding Private Placement Notes (the "Notes"), significantly reducing future interest expense and eliminating restrictive covenants, including limitations on shareholder distributions and capital expenditure. As a result, a Make Whole Payment of $47.5 million was incurred. At January 29, 2011, Signet had no long term debt (January 30, 2010: $280 million) and cash and cash equivalents of $302.1 million (January 30, 2010: $316.2 million).

RESULTS OF OPERATIONS

Fiscal 2011

Sales and operating income

In Fiscal 2011, Signet's same store sales increased by 6.7%, compared to a decline of 0.4% in Fiscal 2010. Total sales rose by 5.0% to $3,437.4 million (Fiscal 2010: $3,273.6 million). The breakdown of the sales performance is set out in Table 1 below.

Table 1	Fiscal 2011		
	US	UK	Signet
Sales, million	$2,744.2	$693.2	$3,437.4
% of total	79.8%	20.2%	100.0%
Change in sales	US	UK	Signet
	%	%	%
Same store sales	8.9	(1.4)	6.7
Change in store space	(0.9)	(1.6)	(1.1)
Total change in sales at constant exchange rates1,2	8.0	(3.0)	5.6
Exchange translation	-	(2.5)	(0.6)
Change in sales as reported	8.0	(5.5)	5.0

1. The average US dollar to pound sterling exchange rate in Fiscal 2011 was $1.55 (Fiscal 2010: $1.59).
2. Non-GAAP measure, see Note 6.

In Fiscal 2011, Signet's gross margin was $1,242.9 million (Fiscal 2010: $1,065.6 million), an increase of 16.6%. The gross margin rate increased by 360 basis points to 36.2% (Fiscal 2010: 32.6%). The gross merchandise margin improved by 80 basis points, driven by price increases, lower diamond costs, less discounting, and favorable mix changes, which more than offset the impact of higher gold costs and the weakness of the pound sterling against the US dollar. The net bad debt to total US sales ratio improved compared to Fiscal 2010 and leverage on store occupancy costs, particularly in the US, also benefited gross margin.

Selling, general and administrative expenses for Fiscal 2011 were $980.4 million (Fiscal 2010: $916.5 million), up by 7.0%. The increase primarily reflected higher incentive payments, the non-recurrence of the Fiscal 2010 benefit due to the change in US vacation entitlement policy, management transition costs and higher advertising expenditure.

In Fiscal 2011, other operating income was $110.0 million (Fiscal 2010: $115.4 million), down by 4.7%. This reflected the impact of the amendments to the Truth in Lending Act that were implemented during the year and were largely offset by a higher level of outstanding customer finance balances and an increase in rate of interest charged.

In Fiscal 2011, net operating income increased by 40.8% to $372.5 million (Fiscal 2010: $264.5 million, after a $13.4 million non-recurring, favorable impact from a change in US vacation entitlement policy). Operating margin was 10.8% (Fiscal 2010: 8.1%). The net direct adverse impact on operating income from the amendments to the Truth in Lending Act was estimated by management to be $11.9 million.

Interest income and expense

In Fiscal 2011, interest income was $0.7 million (Fiscal 2010: $0.8 million). Interest expense was $72.8 million (Fiscal 2010: $34.8 million), the majority of which related to the $47.5 million Make Whole Payment incurred as a result of prepaying the Notes in full during the fourth quarter. The Notes incurred a blended fixed rate of interest of 8.11%.

Income before income taxes

For Fiscal 2011, income before income taxes was up 30.3% to $300.4 million (Fiscal 2010: $230.5 million), and income before income taxes excluding the Make Whole Payment was up 50.9% to $347.9 million (Fiscal 2010: $230.5 million); non-GAAP measure, see Note 6.

Income taxes

The charge to income taxes for Fiscal 2011 was $100.0 million (Fiscal 2010: $73.4 million), an effective tax rate of 33.3% (Fiscal 2010: 31.8%), the increase reflecting a higher proportion of profits earned in the US where the tax rate is higher, offset by the benefit from intra-group financing arrangements and the favorable resolution of certain prior year tax issues.

Net income

Net income for Fiscal 2011 was up 27.6% to $200.4 million (Fiscal 2010: $157.1 million), and net income excluding the Make Whole Payment was up 46.3% to $229.9 million; non-GAAP measure, see Note 6.

Earnings per share

For Fiscal 2011, basic and diluted earnings per share were $2.34 and $2.32 (Fiscal 2010: $1.84 and $1.83) an increase of 27.2% and 26.8% respectively. Excluding the Make Whole Payment, basic and diluted earnings per share were $2.68 and $2.66, up 45.7% and 45.4% respectively; non-GAAP measures, see Note 6.

Fourth Quarter Fiscal 2011

Sales and operating income

In the fourth quarter same store sales were up 8.1%, compared to an increase of 5.1% in the fourth quarter of Fiscal 2010, and total sales rose by 6.2% to $1,270.5 million (13 weeks to January 30, 2010: $1,196.8 million). The breakdown of the sales performance is set out in Table 2 below.

Table 2	Fourth Quarter		
	US	UK	Signet
Sales, million	$1,007.0	$263.5	$1,270.5
% of total	79.3%	20.7%	100.0%

Change in sales	US	UK	Signet
	%	%	%
Same store sales	11.4	(2.9)	8.1
Change in store space	(1.2)	(1.6)	(1.3)
Total change in sales at constant exchange rates1	10.2	(4.5)	6.8
Exchange translation	-	(2.3)	(0.6)
Change in sales as reported	10.2	(6.8)	6.2

1. Non-GAAP measure, see Note 6.

In the fourth quarter, gross margin was $518.5 million (13 weeks to January 30, 2010: $431.4 million), an increase of 20.2%. Gross margin rate increased by 480 basis points to 40.8% (13 weeks to January 30, 2010: 36.0%). Gross merchandise margin increased by 80 basis points. Selling, general and administrative expenses were $336.7 million (13 weeks to January 30, 2010: $282.6 million). Other operating income in the fourth quarter was $28.7 million (13 weeks to January 30, 2010: $28.4 million), and the net direct adverse impact of the amendments to the Truth in Lending Act was estimated to be $2.1 million. Fourth quarter net operating income increased by 18.8% to $210.5 million (13 weeks to January 30, 2010: $177.2 million), and the operating margin was 16.6% (13 weeks to January 30, 2010: 14.8%).

Interest income and expense
Interest income was $0.1 million for the fourth quarter (13 weeks to January 30, 2010: $0.1 million) and interest expense was $51.0 million (13 weeks to January 30, 2010: $7.6 million).

Income before income taxes
For the fourth quarter, income before income taxes was down 6.0% to $159.6 million (13 weeks to January 30, 2010: $169.7 million), income before income taxes excluding the Make Whole Payment was up 22.0% to $207.1 million; non-GAAP measure, see Note 6.

Income taxes
The charge to income taxes in the fourth quarter was $54.2 million (13 weeks to January 30, 2010: $54.2 million), an effective tax rate of 34.0% (13 weeks to January 30, 2010: 31.9%).

Net income
For the fourth quarter, net income was down 8.7% to $105.4 million (13 weeks to January 30, 2010: $115.5 million), and net income excluding the Make Whole Payment was up 16.8% to $134.9 million; non-GAAP measure, see Note 6.

Earnings per share
In the fourth quarter, basic and diluted earnings per share were $1.23 and $1.21 (13 weeks to January 30, 2010: $1.35 and $1.34), down 8.9% and 9.7% respectively. Excluding the Make Whole Payment, basic and diluted earnings per share were $1.57 and $1.55, up 16.3% and 15.7% respectively; non-GAAP measures, see Note 6.

CAPITAL EXPENDITURE AND FREE CASH FLOW

In Fiscal 2011, capital expenditure was $57.5 million (Fiscal 2010: $43.6 million). The US division's capital expenditure was $44.5 million (Fiscal 2010: $31.1 million), and the UK division's was $13.0 million (Fiscal 2010: $12.5 million).

In Fiscal 2011, positive free cash flow, excluding the Make Whole Payment, was $315.8 million (Fiscal 2010: $471.9 million); non-GAAP measure, see Note 6.
At January 29, 2011, Signet had no long term debt (January 30, 2010: $280.0 million). On March 9, 2010, Signet made a prepayment at par of $50.9 million of the Notes. On November 26, 2010, Signet exercised its right to prepay in full the remaining $229.1 million of outstanding Notes. This resulted in a reduction in interest expense of $101.7 million over the remaining term of the Notes. The prepayment required the payment of all accrued interest up to the Prepayment Date plus a premium, the Make Whole Payment, which amounted to $47.5 million. At January 29, 2011, Signet had cash and cash equivalents of $302.1 million (January 30, 2010: $316.2 million).

OPERATING REVIEW
US division (79.8% of annual sales)

Fiscal 2011
In Fiscal 2011, the US division's sales were up by 8.0% to $2,744.2 million (Fiscal 2010: $2,540.4 million) and same store sales rose by 8.9% compared to a rise of 0.2% in Fiscal 2010. See Table 3 below for analysis of sales growth.

Table 3			Change from previous year		
Fiscal 2011	Sales	Average unit selling price1	Total sales	Same store sales	Average unit selling price1
Kay	$1,592.9m	$330	6.4%	7.0%	7.6%
Jared	$848.3m	$763	18.1%	15.7%	7.0%
Regional brands	$303.0m	$342	(6.8)%	1.9%	4.0%
US division	$2,744.2m	$389	8.0%	8.9%	8.0%

1. Excludes the charm bracelet category, a product with an average unit selling price considerably lower, and a multiple purchase and frequency of purchase much greater, than products historically sold by the division.

In Fiscal 2011, the US division's net operating income increased by 52.7% to $342.7 million (Fiscal 2010: $224.5 million, after a $13.4 million non-recurring, favorable impact from a change in US vacation entitlement policy). The net direct adverse impact from amendments to the Truth in Lending Act is estimated by management to be $11.9 million in Fiscal 2011. The operating margin in Fiscal 2011 was up by 370 basis points to 12.5% (Fiscal 2010: 8.8%), reflecting higher sales per store resulting in leverage of store occupancy costs, an increased gross merchandise margin and a lower net bad debt to total US sales ratio, which more than offset the adverse impact of the amendments to the Truth in Lending Act, the absence of the non-recurring benefit in Fiscal 2010 from the change in vacation entitlement policy, higher incentive pay and increased advertising expenditure.

In Fiscal 2011, both the bridal category and branded differentiated and exclusive products increased their share of the US division's sales. In the bridal category, the convergence of superior customer service, supply chain expertise and the ability to offer in-house customer finance resulted in an outstanding customer experience, giving the US division a significant competitive sales advantage. Within the bridal category, Neil Lane BridalTM and the Tolkowsky® Diamond were tested successfully. Branded differentiated and exclusive merchandise, such as The Leo Diamond®, Open Hearts by Jane Seymour®, Love's EmbraceTM, Le Vian® and Charmed Memories®, increased their participation by about 300 basis points to 22% of the US division's merchandise sales. In addition, Jared also benefited from a recovery in spending among US households with above average incomes, and the continued expansion of the Pandora® range. The US division's market share of the specialty jewelry market increased by 30 basis points to 9.3%.

In Fiscal 2011, average unit selling price for the US division, excluding the charm bracelet category, rose by 8.0%, reflecting changes in the store brand sales mix, customers trading up the US division's pricing structure, merchandising initiatives, and selective price increases made during Fiscal 2011. Including the charm bracelet category, the average unit selling price decreased, but was more than compensated for by the volume of units sold, which increased significantly.

In Fiscal 2011, the US division's gross merchandise margin was up by 120 basis points compared to Fiscal 2010 and benefited from selective price increases implemented in the first and third quarters of Fiscal 2011, lower average diamond inventory costs, and reduced price discounting, which more than offset a higher cost of gold.

In-house customer finance participation in the US division was 54.2% (Fiscal 2010: 53.9%) and the net bad debt to total US sales ratio was 4.2% (Fiscal 2010: 5.6%). Management believes this reduction reflected the quality of credit authorization and collection procedures, and a more stable rate of unemployment. The average monthly collection rate was 12.6% (Fiscal 2010: 12.5%). Net US customer in-house finance receivables at January 29, 2011 were $927.7 million (January 30, 2010: $849.3 million).

Selling, general and administrative expenses were tightly controlled in Fiscal 2011, but variable expenses rose due to the level of sales and operating income growth achieved. Also in Fiscal 2011, gross advertising expenditure increased by 5.6% to $161.5 million (Fiscal 2010: $153.0 million), a marketing to sales ratio of 5.9% (Fiscal 2010: 6.0%). The higher level of gross advertising expenditure mainly reflected fourth quarter activity, with both an increased level of television advertising impressions and media cost inflation. Television adverting impressions in the fourth quarter of Fiscal 2011 were up 5% for Kay and 10% for Jared.

Stores opened and closed in Fiscal 2011 and in the fourth quarter and are set out in Table 4 below.

Table 4	Kay mall1	Kay off-mall	Regional brands	Jared2	Total	Annual net space change
January 30, 2010	794	129	260	178	1,361	(1)%
Opened	1	1	-	2	4	
Closed	(11)	(3)	(9)	-	(23)	
October 30, 2010	784	127	251	180	1,342	
Opened	1	1	-	-	2	
Closed	(5)	-	(22)	-	(27)	
January 29, 2011	780	128	229	180	1,317	(2)%