SIGNET JEWELERS LTD
Form 8-K
May 26, 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): 26 May 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 - Results for the 13 weeks ended April 30, 2011

SIGNET REPORTS 47.5% INCREASE IN EPS FOR FIRST QUARTER
DRIVEN BY A 10.2% RISE IN SAME STORE SALES

HAMILTON, Bermuda, May 26, 2011 - Signet Jewelers Limited ("Signet") (NYSE and LSE: SIG), the world's largest specialty retail jeweler, today announced its results for the 13 weeks ended April 30, 2011 ("Q1 Fiscal 2012[1]").

Highlights

- Same store sales: up 10.2%
- Total sales: $887.3 million, up 10.2%
- Income before income taxes: $117.8 million, up $43.7 million or 59.0%
- Basic and diluted earnings per share: both $0.87, up 47.5% and 50.0% respectively
- New $400 million revolving credit facility entered into on May 24, 2011

Mike Barnes, Chief Executive Officer, commented: "We are very pleased with our strong start to the year, leading to record results for the first quarter. Our performance was led by our US division, with the UK division continuing to operate well in a challenging economy. We believe we continued profitable market share gains due to favorable reception to our product offerings as a result of superior quality and craftsmanship, attentive customer service and memorable marketing campaigns. I would like to thank all at Signet that contributed to this great performance.

The strong sales momentum has continued into the start of the second quarter, and our focus remains on enhancing our sustainable competitive advantages, improving our execution and maintaining financial flexibility. We remain well positioned to continue to increase sales productivity and achieve our financial objectives for this year."

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 0412	Access code: 2298064
European dial-in:	+44 (0)20 7806 1953	Access code: 2298064

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.

1. Fiscal 2011 is the year ended January 29, 2011 and Fiscal 2012 is the year ending January 28, 2012.

FIRST QUARTER FISCAL 2012 OVERVIEW

The strong results for Q1 Fiscal 2012 were led by a same store sales increase of 10.2% (Q1 Fiscal 2011: 5.8%), total sales were up by 10.2% to $887.3 million (Q1 Fiscal 2011: $805.4 million) and operating margin improved by 310 basis points to 13.4% (Q1 Fiscal 2011: 10.3%). As a result, income before income taxes and diluted earnings per share rose to $117.8 million (Q1 Fiscal 2011: $74.1 million) and $0.87 (Q1 Fiscal 2011: $0.58), up by 59.0% and 50.0% respectively.

Free cash flow was $92.4 million (Q1 Fiscal 2011: $177.9 million); non-GAAP measure, see Note 3. At April 30, 2011, Signet had no long term debt (May 1, 2010: $229.1 million) and cash and cash equivalents of $394.1 million (May 1, 2010: $447.1 million).

NEW REVOLVING CREDIT FACILITY

On May 24, 2011, Signet entered into a $400 million senior unsecured multi-currency five year revolving credit facility agreement that will be used for working capital requirements and general corporate purposes. The new credit agreement provides improved credit terms, lower fees and applicable interest rate margins and provides an enhanced financial structure until 2016.

The new facility replaces an existing $300 million facility entered into in June 2008, which was due to expire in June 2013. Unamortized facility fees of $1.3 million associated with the prior credit agreement will be written off in the quarter ending July 30, 2011.

RESULTS OF OPERATIONS

Sales and operating income

In Q1 Fiscal 2012, Signet's same store sales were up 10.2%, compared to a rise of 5.8% in Q1 Fiscal 2011. Total sales rose by 10.2% to $887.3 million (Q1 Fiscal 2011: $805.4 million). The breakdown of the sales performance is set out in Table 1 below.

Table 1	Q1 Fiscal 2012		
	US	UK	Signet
Sales, million	$738.0	$149.3	$887.3
% of total	83.2%	16.8%	100.0%

	US	UK	Signet
	%	%	%
Change in same store sales	12.5	0.2	10.2
Change in store space	(1.1)	(1.5)	(1.2)
Total change in sales at constant exchange rates1,2	11.4	(1.3)	9.0
Exchange translation impact1	-	5.8	1.2
Change in sales as reported	11.4	4.5	10.2

1. The average US dollar to pound sterling exchange rate in Q1 Fiscal 2012 was $1.62 (Q1 Fiscal 2011: $1.53).
2. Non-GAAP measure, see Note 3.

In Q1 Fiscal 2012, Signet's gross margin was $349.7 million (Q1 Fiscal 2011: $293.6 million), up by $56.1 million or 19.1%. The gross margin rate increased by 290 basis points to 39.4% (Q1 Fiscal 2011: 36.5%), with the gross merchandise margin up by 50 basis points. The US division's gross merchandise margin was up by 70 basis points compared to Q1 Fiscal 2011, benefiting from selective price increases and reduced discounting, which more than offset higher commodity costs. The UK division's gross merchandise margin declined by 30 basis points, with the impact of an increase in the cost of commodities, a higher value added tax rate, and currency hedging benefits in Q1 Fiscal 2011 that were not repeated, being largely offset by a number of price increases.

Gross margin also benefited from an improved net bad debt to total US sales ratio compared to Q1 Fiscal 2011 and leverage on store occupancy costs in the US division. The net bad debt to total US sales ratio was 1.6% (Q1 Fiscal 2011: 2.6%). In-house customer finance participation in the US division was 53.8% (Q1 Fiscal 2011: 51.9%).

Selling, general and administrative expenses for Q1 Fiscal 2012 were $263.8 million (Q1 Fiscal 2011: $238.5 million), up by 10.6%. The US division's expenses were well controlled and increases primarily reflected additional advertising expenses, performance based bonus accruals and targeted increases in other employee-related costs. In the UK division, selling, general and administrative expenses were also tightly controlled at constant exchange rates, but increased in US dollars due to movements in exchange rates. Unallocated costs, principally central costs, which include corporate and general administrative functions, were $7.3 million (Q1 fiscal 2011: $4.2 million), primarily reflecting changes in executive management structure.

In Q1 Fiscal 2012, other operating income increased by $5.1 million to $32.8 million (Q1 Fiscal 2011: $27.7 million), up by 18.4%. This reflected a higher level of outstanding receivable balances.

In Q1 Fiscal 2012, net operating income increased by $35.9 million to $118.7 million (Q1 Fiscal 2011: $82.8 million), up 43.4%. The US division's net operating income increased by $37.8 million to $126.2 million (Q1 Fiscal 2011: $88.4 million), up 42.8%, while the net operating loss of the UK division decreased by $1.2 million to $0.2 million (Q1 Fiscal 2011: $1.4 million loss).

Operating margin increased by 3.1% to 13.4% (Q1 Fiscal 2011: 10.3%). The US division's operating margin was up by 380 basis points to 17.1% (Q1 Fiscal 2011: 13.3%) and that of the UK division improved by 90 basis points to (0.1)% (Q1 Fiscal 2011: (1.0)%).

Interest expense, net
In Q1 Fiscal 2012, interest income was $0.6 million (Q1 Fiscal 2011: $0.1 million). Interest expense was $1.5 million (Q1 Fiscal 2011: $8.8 million), the decrease reflected the prepayment during Fiscal 2011 of $280.0 million of private placement notes that incurred a blended fixed rate of interest of 8.11%.

Income before income taxes
For Q1 Fiscal 2012, income before income taxes increased by $43.7 million to $117.8 million (Q1 Fiscal 2011: $74.1 million), up 59.0%.

Income taxes
Income tax expenses in Q1 Fiscal 2012 were $42.4 million (Q1 Fiscal 2011: $23.8 million), an effective tax rate of 36.0% (Q1 Fiscal 2011: 32.1%). The increase in the effective tax rate was due to a greater proportion of US income taxed at higher rates and the favorable resolution of non-recurring prior year tax issues in Q1 Fiscal 2011.

Net income
Net income for Q1 Fiscal 2012 increased by $25.1 million to $75.4 million (Q1 Fiscal 2011: $50.3 million), up 49.9%.

Earnings per share
For Q1 Fiscal 2012, basic and diluted earnings per share were both $0.87 (Q1 Fiscal 2011: $0.59 and $0.58), an increase of 47.5% and 50.0% respectively.

DIVISIONAL REVIEW

US division (about 80% of annual sales)
In Q1 Fiscal 2012, the US division's sales were up by 11.4% to $738.0 million (Q1 Fiscal 2011: $662.5 million) and same store sales increased by 12.5% compared to a rise of 7.3% in Q1 Fiscal 2011. See Table 2 below for further analysis of sales.

Table 2			Change from previous year		
Q1 Fiscal 2012	Sales	Average unit selling price1	Total sales	Same store sales	Average unit selling price1
Kay	$435.4m	$360	13.4%	13.9%	11.8%
Jared	$227.8m	$798	12.7%	11.8%	7.7%
Regional brands	$74.8m	$385	(2.1)%	6.5%	13.7%
US division	$738.0m	$426	11.4%	12.5%	12.1%

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.

Stores opened and closed in Q1 Fiscal 2012 are set out in Table 3 below.

Table 3	Kay mall1	Kay off-mall	Regional brands	Jared2	Total	Annual net space change
January 29, 2011	780	128	229	180	1,317	(2)%
Opened	1	1	-	-	2	
Closed	(2)	-	(3)	-	(5)	
April 30, 2011	779	129	226	180	1,314	
Openings, planned	8	11	-	4	23	
Closures, planned	(5)	(7)	(18)	-	(30)	
January 28, 2012	782	133	208	184	1,307	0%

1. Includes stores in downtown locations.
2. A Jared store is equivalent in size to about four mall stores.

UK division (about 20% of annual sales)
In Q1 Fiscal 2012, the UK division's sales were up by 4.5% to $149.3 million (Q1 Fiscal 2011: $142.9 million), down 1.3% at constant exchange rates; non-GAAP measure, see Note 3. Same store sales increased by 0.2%, compared to a decline of 0.2% in Q1 Fiscal 2011. See Table 4 below for further analysis of sales.

Table 4			Change from previous year			
Q1 Fiscal 2012	Sales	Average unit selling price1,2	Total sales	Sales at constant exchange rates3,4	Same store sales	Average Unit Selling price2

H.Samuel	$79.5m	£61	6.7%	0.7%	2.7%	8.9%
Ernest Jones5	$69.8m	£279	2.1%	(3.5)%	(2.4)%	10.3%
UK division	$149.3m	£97	4.5%	(1.3)%	0.2%	9.0%

1. The average unit selling price2 for H.Samuel was $99, for Ernest Jones was $452 and for the UK division was $157.
2. 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 product historically sold by the division.
3. Non-GAAP measure, see Note 3.
4. The exchange translation impact on the total sales of H.Samuel was 6.0%, and for Ernest Jones was 5.6%.
5. Includes stores selling under the Leslie Davis nameplate.

Stores opened and closed in Q1 Fiscal 2012, together with planned changes for the balance of Fiscal 2012 are set out below.

Table 5	H.Samuel	Ernest Jones1	Total	Annual net space change
January 29, 2011	338	202	540	(2)%
Opened	-	-	-	
Closed	(1)	(1)	(2)	
April 30, 2011	337	201	538	
Openings, planned	1	2	3	
Closures, planned	(12)	(7)	(19)	
January 28, 2012	326	196	522	(3)%

1. Includes stores selling under the Leslie Davis nameplate.

Enquiries:	Mike Barnes, Chief Executive Officer, Signet Jewelers	+1 441 296 5872
	Ron Ristau, Chief Financial Officer, Signet Jewelers	+1 441 296 5872
Press:	Alecia Pulman, ICR, Inc	+1 203 682 8224
	Jonathan Glass, Brunswick	+44 (0)20 7404 5959

Signet operated 1,852 specialty retail jewelry stores at April 30, 2011, these included 1,314 stores in the US, where its store concepts include "Kay Jewelers", "Jared The Galleria Of Jewelry" and a number of regional names. At the same date, Signet also operated 538 stores in the UK, where its store concepts 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.

Investor Relations Program Details

Piper Jaffray Consumer Conference, New York
Signet will be taking part in the Piper Jaffray Consumer Conference in New York on Wednesday, June 8, 2011. Present will be M