

SIGNET JEWELERS LTD
Form 10-K
March 22, 2012
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended January 28, 2012

Commission file number 1-32349

SIGNET JEWELERS LIMITED

(Exact name of Registrant as specified in its charter)

Bermuda
(State or other jurisdiction of incorporation)

Clarendon House
2 Church Street
Hamilton HM11

Not Applicable
(I.R.S. Employer Identification No.)

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Bermuda

(441) 296 5872

(Address and telephone number including area code of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Shares of \$0.18 each	The New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate web site, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of regulation S-K is not contained herein, and will not be contained to the best of Registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of voting common shares held by non-affiliates of the Registrant (based upon the closing sales price quoted on the New York Stock Exchange) as of July 31, 2011 was \$ 3,709,491,748.

Number of common shares outstanding on March 15, 2012: 87,182,055

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant will incorporate by reference information required in response to Part III, Items 10-14, in its definitive proxy statement for its annual meeting of shareholders, to be filed with the Securities and Exchange Commission within 120 days of January 28, 2012.

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REFERENCES

Unless the context otherwise requires, references to Signet, refer to Signet Jewelers Limited (and before September 11, 2008 to Signet Group plc) and its consolidated subsidiaries. References to the Company are to Signet Jewelers Limited. References to Predecessor Company are to Signet Group plc prior to the reorganization that was effected on September 11, 2008, and financial and other results and statistics for Fiscal 2008 and prior periods relate to Signet prior to such reorganization.

PRESENTATION OF FINANCIAL INFORMATION

All references to dollars, US dollars, \$, cents and c are to the lawful currency of the United States of America. Signet prepares its financial statements in US dollars. All references to pounds, pounds sterling, sterling, £, pence, and p are to the lawful currency of the United Kingdom.

Percentages in tables have been rounded and accordingly may not add up to 100%. Certain financial data may have been rounded. As a result of such rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

Throughout this Annual Report on Form 10-K, financial data has been prepared in accordance with accounting principles generally accepted in the United States (GAAP). However, Signet gives certain additional non-GAAP measures in order to provide increased insight into the underlying or relative performance of the business. An explanation of each non-GAAP measure used can be found in Item 6.

Fiscal Year

Signet's fiscal year ends on the Saturday nearest to January 31. As used herein, Fiscal 2014, Fiscal 2013, Fiscal 2012, Fiscal 2011, Fiscal 2010 and Fiscal 2009 refer to the 52 week period ending February 1, 2014, the 53 week period ending February 2, 2013, and the 52 week periods ending January 28, 2012, January 29, 2011, January 30, 2010 and January 31, 2009, respectively. As used herein, Fiscal 2007 refers to the 53 week period ending February 3, 2007, Fiscal 2008, and Fiscal 2006 refer to the 52 week periods ending February 2, 2008 and January 28, 2006, respectively.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 Annual Report on Form 10-K 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, 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, security breaches and other disruptions to Signet's information technology infrastructure and databases, 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 risks and other risks and uncertainties which could cause actual results to differ materially from those expressed in any forward looking statement, see Item 1A and elsewhere in this Annual Report on Form 10-K. Signet undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

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FISCAL 2012 ANNUAL REPORT ON FORM 10-K

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PART I

**ITEM 1. BUSINESS
OVERVIEW**

Signet is the largest specialty retail jeweler by sales in the US and UK, and also has stores in the Republic of Ireland and Channel Islands. Signet is incorporated in Bermuda and its address and telephone number are shown on the cover of this document. Its corporate website is www.signetjewelers.com, from where documents that the Company is obliged to file or furnish with the US Securities and Exchange Commission (SEC) may be viewed or downloaded free of charge.

On September 11, 2008, Signet Group plc became a wholly-owned subsidiary of Signet Jewelers Limited, a new company incorporated in Bermuda under the Companies Act 1981 of Bermuda, following the completion of a scheme of arrangement approved by the High Court of Justice in England and Wales under the UK Companies Act 2006. Shareholders of Signet Group plc became shareholders of Signet Jewelers Limited, owning 100% of that company. Signet Jewelers Limited is governed by the laws of Bermuda.

Effective January 31, 2010, Signet became a foreign issuer subject to the rules and regulations of the US Securities Exchange Act of 1934 (Exchange Act) applicable to domestic US issuers. Prior to this date, Signet was a foreign private issuer and filed with the SEC its annual report on Form 20-F.

Signet s US division operated 1,318 stores in all 50 states at January 28, 2012. Its stores trade nationally in malls and off-mall locations as Kay Jewelers (Kay), and regionally under a number of well-established mall-based brands. Destination superstores trade nationwide as Jared The Galleria Of Jewelry (Jared). Based on publicly available data, Signet s US division was the largest specialty jeweler in the US in calendar 2011 with sales approximately twice those of the next biggest such retailer.

The UK division s stores trade as H.Samuel, Ernest Jones, and Leslie Davis, and are situated in prime High Street locations (main shopping thoroughfares with high pedestrian traffic) or major shopping malls. The UK division operated 535 stores at January 28, 2012, including 14 stores in the Republic of Ireland and three in the Channel Islands. Based on publicly filed accounts, Signet s UK division was the largest specialty retailer of fine jewelry in the UK with sales in calendar 2010 almost twice those of the next biggest such retailer.

Operating principles

Management s goal is to build long-term value by focusing on providing a superior in-store customer experience and merchandise selection, in high quality real estate locations. Effective advertising supported by an above-industry-average marketing expense to sales ratio is designed to attract customers into Signet s stores. In addition, the operating principles that help management achieve these goals are:

excellence in execution;

testing before investing;

continuous improvement; and

disciplined investment.

Operational execution

The expression of romance and appreciation, for example through bridal jewelry and gift giving, remain very important human needs, as is self reward. Satisfying those needs is central to driving sales. As a result, the training of sales associates to better understand the customer s requirements, communicate the value of the merchandise selected and close the sale, remains a high priority. Management also increases the

attraction of

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Signet's store brands to customers through the use of branded differentiated and exclusive merchandise, while offering a compelling value proposition in more basic ranges. Signet accomplishes this by utilizing its supply chain and merchandising expertise, scale and balance sheet strength. In addition, management intends to leverage national television advertising, digital media and customer relationship marketing, which it believes are the most effective and cost efficient forms of marketing available, to grow its leading share of relevant marketing messages (share of voice).

STRATEGY AND FINANCIAL OBJECTIVES

Fiscal 2012 was an outstanding year for Signet, with sales up 9.1% and net operating income up 36.2%. Our mission is to further enhance Signet's position as the market leader in both the US and the UK specialty retail jewelry markets by offering a unique customer experience and driving customer loyalty.

Our strategic imperatives are to:

Develop and train our team members to consistently enhance the retail experience of our customers.

Grow and develop new and existing brands and categories to delight customers.

Drive competitive strengths and infrastructure to enable growth.

Optimize the capital structure to manage risk and make investments to drive long-term shareholder value.

Increase market share and maximize sustainable profit levels.

In setting the financial objectives for Fiscal 2013, consideration was given to the current operating environment, with the developments in the US and UK economies continuing to be divergent. The US economy is showing signs of strengthening and in Fiscal 2012, there was growth in the jewelry market. Signet plans to capitalize on our US market leading position and continue to make strategic investments for the future. In the UK market, Signet expects to continue our leadership performance. The UK economic environment is not projected to show any short-term improvement, however, Signet plans to make investments to support and grow the business. Both the US and UK economies could be adversely impacted by developments in the eurozone.

Signet's goal in Fiscal 2013 is to deliver record results building on our recent performance, while making strategic investments necessary for future growth.

In Fiscal 2013, management's financial objectives for the business are to:

Increase sales and gain profitable market share.

Achieve a gross margin rate broadly similar to Fiscal 2012, by offsetting commodity cost increases through improved store productivity and pricing.

Increase advertising expenditure and support new initiatives, while at a minimum maintaining the selling, general and administrative expense to sales ratio.

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Invest \$145 million to \$165 million of capital in new stores and enhancing infrastructure to drive future growth. Management anticipates that the gross margin ratio will benefit from improved store productivity and price increases, which are expected to primarily offset the impact of changes in commodity costs, in particular the cost of diamonds and gold. Signet expects to invest \$5 million to \$7 million in Fiscal 2013 to drive future supply chain capabilities. Signet expects to leverage store occupancy expenses and maintain a strong performance in our credit portfolio.

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In selling, general and administrative expenses, management plans: to increase advertising to drive additional sales and continue to build customer equity in our store concepts and merchandise brands; to support new initiatives, particularly in digital media and customer finance decision analysis; while tightly managing other support expenses and flexing store expenses, as appropriate, with sales.

In Fiscal 2013, capital investment of \$145 million to \$165 million will be directed to projects that are intended to build competitive strengths and drive sales growth. Signet plans to increase the number of store openings in the US to 45 (Fiscal 2012: 25) and remodel and/or relocate 110 stores across both divisions (Fiscal 2012: 85 stores). The level of store investment in Fiscal 2013 is planned to be \$95 million to \$105 million (Fiscal 2012: \$62.0 million). In addition, it is planned to invest \$40 million to \$45 million (Fiscal 2012: \$28.0 million) in information systems, supporting sales-enhancing technology, both in-store and in the digital environment, and to enhance its information technology operating infrastructure.

The Board believes that long-term shareholder value can be enhanced by using the cash resources, beyond those necessary to meet the investment needs of the business and to maintain the competitive strength of the balance sheet, to return additional value to shareholders. Reflecting the Board's confidence in the strength of the business, the ability to fund the planned investment in growth initiatives, and its commitment to building long-term shareholder value, the Board commenced paying a quarterly dividend in the third quarter of Fiscal 2012 of \$0.10 per share, which has been increased for the first quarter of Fiscal 2013 to \$0.12 per share. The Board also authorized a \$300 million share repurchase program that commenced on January 16, 2012.

MEDIUM TERM OUTLOOK

The strategy continues to be to build profitable market share for each of Signet's leading store brands by focusing on best in class customer service, great marketing campaigns that build on the store brand's leading share of voice, further development of branded products that differentiate our stores from our competitors, and, in the US, the provision of proprietary customer finance programs particularly tailored to the needs of a jewelry customer.

Management believes that Signet's operating divisions have the opportunity to take advantage of their competitive positions to grow sales and increase store productivity. Sales growth allows the business to strengthen relationships with suppliers, facilitates the ability to develop further branded differentiated and exclusive merchandise, improves the efficiency of its supply chain, supports marketing expense and improves operating margins. Management also believes that Signet's strong balance sheet, financial flexibility and superior operating margins allow us to take advantage of investment opportunities, including space growth and strategic developments that meet management's demanding return criteria.

BACKGROUND

Business segment

Signet's results derive from one business segment—the retailing of jewelry, watches and associated services. The business is managed as two geographical operating divisions: the US division (approximately 80% of sales) and the UK division (approximately 20% of sales). Both divisions are managed by executive committees, which report through divisional Chief Executives to Signet's Chief Executive Officer, who reports to the Board of Directors of Signet (the Board). Each divisional executive committee is responsible for operating decisions within parameters established by the Board.

Detailed financial information about both divisions is found in Note 2 of Item 8.

Trademarks and trade names

Signet is not dependent on any material patents or licenses in either the US or the UK. However, it does have several well-established trademarks and trade names which are significant in maintaining its reputation and competitive position in the jewelry retailing industry. These registered trademarks and trade names include the

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following in Signet's US operations: Kay Jewelers; Jared The Galleria Of Jewelry; JB Robinson Jewelers; Marks & Morgan Jewelers; Belden Jewelers; Shaw's Jewelers; Osterman Jewelers; Weisfield Jewelers; LeRoy's Jewelers; Rogers Jewelers; Goodman Jewelers; Friedlander's Jewelers; Every kiss begins with Kay; the Leo Diamond; Peerless Diamond; Hearts Desire; Perfect Partner; and Charmed Memories.

Trademarks and trade names include the following in Signet's UK operations: H.Samuel; Ernest Jones; Leslie Davis; Forever Diamonds; and Perfect Partner.

The value of Signet's trademarks and trade names are material, but in accordance with US GAAP, are not reflected on its balance sheet. Their value is maintained and increased by Signet's expenditure on training of its sales associates, marketing and store investment.

Seasonality

Signet's sales are seasonal, with the first and second quarters each normally accounting for slightly more than 20% of annual sales, the third quarter a little under 20% and the fourth quarter for about 40% of sales, with December being by far the most important month of the year. Sales made in November and December are known as the Holiday Season. Due to sales leverage, Signet's operating income is even more seasonal, with nearly all of the UK division's, and about 40% to 50% of the US division's operating income normally occurring in the fourth quarter. Selling, general and administrative costs are spread more evenly over the fiscal year.

Employees

In Fiscal 2012, the average number of full-time equivalent persons employed was 16,555 (US: 13,224; UK: 3,331). Signet usually employs a limited number of temporary employees during its fourth quarter. None of Signet's employees in the UK and less than 1% of Signet's employees in the US are covered by collective bargaining agreements. Signet considers its relationship with its employees to be excellent.

	Fiscal 2012	Year ended Fiscal 2011	Fiscal 2010
Average number of employees ⁽¹⁾			
US	13,224	12,803	12,596
UK	3,331	3,426	3,724
Total	16,555	16,229	16,320

(1) Full-time equivalent.

US DIVISION**US market**

Calendar 2010 estimates are used by Signet to understand the size and structure of the US jewelry market as the provisional estimates for calendar 2011 available at the time of filing have historically been subject to frequent and sometimes large revisions.

Total US jewelry sales, including watches and fashion jewelry, are estimated by the US Bureau of Economic Analysis (BEA) to have been \$61.5 billion in calendar 2010 in their February 2012 data release. The US jewelry market has grown at a compound annual growth rate of 4.4% over the last 25 years to calendar 2010. While Signet's major competitors are other specialty jewelers, Signet also faces competition from other retailers that sell jewelry including department stores, discount stores, apparel outlets and internet retailers. Management believes that the jewelry category competes with other sectors, such as electronics, clothing and furniture, as well as travel and restaurants for consumers discretionary spending, particularly with regard to gift giving, but less so with regard to bridal (engagement, wedding and anniversary) jewelry.

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In calendar 2010, the US jewelry market grew by an estimated 5.7% (source: BEA, February 2012). The specialty jewelry sector is estimated to have grown by 3.8% to \$26.7 billion in calendar 2010 (source: US Census Bureau, February 2012). The specialty sector saw a decrease in market share to 43.4% in calendar 2010 from 44.2% in calendar 2009. The Bureau of Labor Statistics estimated that, in calendar 2010, there were 22,750 jewelry stores in the US (2009: 23,770), a reduction of 4.3% over the prior year.

The US division's share of the specialty jewelry market was 10.3% in calendar 2010 (calendar 2009: 9.9%), based on the estimate by the US Census Bureau of specialty jewelry store sales.

US Competitive Strengths

Customer experience and human resources

The customer experience, in particular, the ability of the sales associate to explain the merchandise and its value, is essential to most jewelry purchases

Centrally prepared training materials are used by all stores to help ensure a consistently high level of customer service.

All store managers are required to be certified diamontologists, so as to provide expert knowledge to customers.

The US division employs almost 5,000 certified diamontologists.

Measurable daily store standards provide sales associates with clear performance targets.

Each store receives a monthly customer experience report helping to identify opportunities to improve customer service.

Expansion of sales-enhancing technology, both in-store and in the digital environment.

Merchandising

Offering the customer greater value and selection

Leading supply chain capability among middle market specialty jewelers provides better value to the customer.

Development of branded differentiated and exclusive merchandise creates a unique shopping destination.

In Fiscal 2012, approximately 26% of merchandise sales were accounted for by branded differentiated and exclusive ranges.

Each store is merchandised on an individual basis so as to provide appropriate selection.

Highly responsive demand-driven merchandise systems enable rapid response to changes in customer behavior.

24 hour re-supply capability means items wanted by customers are more likely to be available in inventory.

Marketing

Leading brands in middle market sector

Largest marketing budget in specialty jewelry sector, based on publicly available data, allowing more television advertising impressions than competitors, driving brand awareness and purchase intent.

Kay and Jared are able to achieve marketing leverage through national television advertising.

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Ability to drive customer awareness of branded merchandise by advertising on national television as part of the Kay and Jared marketing programs.

A proprietary confidential marketing database of nearly 25 million names provides significant opportunities for customer relationship marketing.

Real estate

Well designed stores in primary locations with high visibility and traffic flows

Strict real estate criteria consistently applied over time has resulted in a high-quality store base.

Well tested formats and locations reduce the risk of investing in new stores.

The division's high store productivity and financial strength make Signet an attractive tenant for landlords.

Customer finance

Ability to facilitate customer transactions

About 56% of sales utilize financing provided by Signet.

Dedicated, proprietary credit underwriting standards more accurately reflect Signet's customer than those used by a typical third-party scorecard.

Focused on facilitating the sale of jewelry.

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Location of Kay, Jared and Regional brand stores by state January 28, 2012:

	Kay	Regional brand	Jared	Total
Alabama	22	4		26
Alaska	2	1		3
Arizona	15	2	7	24
Arkansas	8			8
California	68	5	10	83
Colorado	13	3	6	22
Connecticut	11	5	1	17
Delaware	3		1	4
Florida	66	14	18	98
Georgia	36	6	7	49
Hawaii	4			4
Idaho	4		1	5
Illinois	35	10	10	55
Indiana	20	8	4	32
Iowa	13	1	1	15
Kansas	5	2	2	9
Kentucky	16	7	2	25
Louisiana	13	1	2	16
Maine	5	1	1	7
Maryland	24	13	6	43
Massachusetts	23	9	2	34
Michigan	30	14	6	50
Minnesota	14	5	4	23
Mississippi	7			7
Missouri	14	3	4	21
Montana	3			3
Nebraska	3			3
Nevada	6	1	3	10
New Hampshire	6	4	3	13
New Jersey	21		5	26
New Mexico	5		1	6
New York	47	8	4	59
North Carolina	35	1	7	43
North Dakota	4			4
Ohio	52	34	13	99
Oklahoma	7		1	8
Oregon	14	2	3	19
Pennsylvania	58	11	6	75
Rhode Island	2			2
South Carolina	18	3	1	22
South Dakota	2			2
Tennessee	23	5	7	35
Texas	59		18	77
Utah	5		2	7
Vermont	2			2
Virginia	34	11	8	53
Washington	18	9	3	30
West Virginia	9	6		15
Wisconsin	14	6	3	23
Wyoming	2			2

Total	920	215	183	1,318
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	Fiscal 2012	Fiscal 2011	Fiscal 2010
Total opened during the year	25	6	16
Kay	22 ⁽¹⁾	4	8 ⁽²⁾
Jared	3	2	7
Regional brands			1
Total closed during the year	(24)	(50)	(56)
Kay	(10)	(19)	(11)
Jared			
Regional brands	(14) ⁽¹⁾	(31)	(45) ⁽²⁾
Total open at the end of the year	1,318	1,317	1,361
Kay	920	908	923
Jared	183	180	178
Regional brands	215	229	260
Average sales per store in thousands ⁽³⁾	\$ 2,250	\$ 2,028	\$ 1,802
Kay	\$ 1,899	\$ 1,713	\$ 1,570
Jared	\$ 5,157	\$ 4,638	\$ 4,029
Regional brands	\$ 1,288	\$ 1,238	\$ 1,155
Increase/(decrease) in net new store space	1%	(2)%	(1)%

(1) Includes two regional stores rebranded as Kay in Fiscal 2012.

(2) Includes two regional stores rebranded as Kay in Fiscal 2010.

(3) Based only upon stores operated for the full fiscal year.

Sales data by brand

Fiscal 2012	Sales (millions)	Change on previous year	
		Total sales	Same store sales
Kay	\$ 1,786.8	12.2%	11.8%
Jared	\$ 956.8	12.8%	12.1%
Regional brands	\$ 290.5	(4.1)%	4.1%
US	\$ 3,034.1	10.6%	11.1%

Kay Jewelers

Kay accounted for 48% of Signet's sales in Fiscal 2012 (Fiscal 2011: 46%) and operated 920 stores in 50 states as of January 28, 2012 (January 29, 2011: 908 stores). Since 2004, Kay has been the largest specialty retail jewelry store brand in the US, based on sales, and has subsequently increased its leadership position. Kay targets households with an income of between \$35,000 and \$100,000. Details of Kay's performance over the last five years are given below:

	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008
Sales (million)	\$1,786.8	\$ 1,592.9	\$ 1,497.2	\$ 1,430.7	\$ 1,476.9

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Sales per store (million)	\$ 1.899	\$ 1.713	\$ 1.570	\$ 1.525	\$ 1.695
Stores at year end	920	908	923	926	894

Kay stores typically occupy about 1,600 square feet and have around 1,300 square feet of selling space. Historically they were located in enclosed regional malls. Since 2002, new formats have been developed for

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locations outside of traditional malls, because management believes these alternative locations present an opportunity to reach new customers who are aware of the brand but have no convenient access to a store, or for customers who prefer not to shop in an enclosed mall. Such stores further leverage the strong Kay brand, marketing support and the central overhead.

Recent net openings and current composition are shown below:

	Stores at January 28, 2012	Fiscal 2012	Net (closures)/openings			
			Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008
Mall	766	1 ⁽¹⁾	(11)	(2) ⁽¹⁾	7 ⁽¹⁾	16
Off-mall and outlet	154	11	(4)	(1)	25	46
Total	920	12	(15)	(3)	32	62

(1) Includes two regional stores rebranded as Kay in Fiscal 2012, two in Fiscal 2010 and 14 in Fiscal 2009.

Jared The Galleria Of Jewelry

With 183 stores in 37 states as of January 28, 2012 (January 29, 2011: 180), Jared is the leading off-mall destination specialty retail jewelry store chain in its sector of the market, based on sales. Jared accounted for 25% of Signet's sales in Fiscal 2012 (Fiscal 2011: 25%). The first Jared store was opened in 1993, and, since its roll-out began in 1998, it has grown to become the fourth largest US specialty retail jewelry brand by sales. Its main competitors are independent operators, with the next two largest such chains operating 20 and 12 stores respectively. Based on its competitive strengths, particularly its scale, management believes that Jared has significant opportunity to gain market share within this segment. An important distinction of a destination store is that the potential customer visits the store with a greater intention of making a jewelry purchase. Jared targets households with an income of between \$50,000 and \$150,000.

Details of Jared's performance over the last five years are given below:

	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008
Sales (million)	\$956.8	\$ 848.3	\$ 718.2	\$ 723.7	\$ 752.5
Sales per store (million)	\$5.157	\$ 4.638	\$ 4.029	\$ 4.473	\$ 5.317
Stores at year end	183	180	178	171	154

The key points of differentiation compared to a typical mall store are Jared's superior customer service and enhanced selection of merchandise. As a result of its larger size, more specialist sales associates are available to assist customers.

Every Jared store has an on-site design and repair center where most repairs are completed within one hour. The facility also mounts loose diamonds in settings and provides a custom design service when required. Each store also has at least one diamond viewing room, a children's play area and complimentary refreshments.

The typical Jared store has about 4,800 square feet of selling space and approximately 6,000 square feet of total space. Jared locations are normally free-standing sites with high visibility and traffic flow, positioned close to major roads within shopping developments. Jared stores operate in retail centers that normally contain strong retail co-tenants, including big box, destination stores such as Bed, Bath & Beyond, Best Buy, Dick's Sporting Goods and Home Depot, as well as some smaller specialty units.

Table of Contents***US regional brands***

Signet also operates mall stores under a variety of established regional nameplates, which accounted for 8% of Signet's sales in Fiscal 2012 (Fiscal 2011: 9%). As of January 28, 2012, 215 regional brand stores operated in 33 states (January 29, 2011: 229 stores in 33 states). The leading brands include JB Robinson Jewelers, Marks & Morgan Jewelers and Belden Jewelers. All of these stores are located in malls where there is also a Kay store, and target a similar customer. Details of the regional brands' performance over the last five years are given below:

	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008
Sales (million)	\$ 290.5	\$ 303.0	\$ 325.0	\$ 365.4	\$ 456.6
Sales per store (million)	\$ 1.288	\$ 1.238	\$ 1.155	\$ 1.151	\$ 1.333
Stores at year end	215	229	260	304	351

US eCommerce sales

The Kay and Jared websites are among the most visited in the specialty jewelry sector (source: Compete) and provide potential customers with a source of information about the merchandise available, as well as the ability to buy online. The websites are integrated with the division's stores, so that merchandise ordered online may be picked up at a store or delivered to the customer. A significant number of customers who buy after visiting the websites, pick up the merchandise from a store, where they can physically examine the product. The websites make an important and growing contribution to the customer experience at Kay and Jared, and are an important part of the US division's marketing programs. In Fiscal 2012, the US division's eCommerce sales increased by 45.7% to \$68.5 million (Fiscal 2011: \$47.0 million), and represented 2.3% of sales (Fiscal 2011: 1.7%).

US Operating Review***Operating structure***

While the US division operates under the Kay, Jared and 10 regional store brands, many functions are integrated to gain economies of scale. For example, store operations have a separate dedicated field management team for the mall store brands, Jared and the in-store repair function, while there is a combined diamond sourcing function.

US customer experience and human resources

In specialty jewelry retailing, the level and quality of customer service is a key competitive advantage because nearly every in-store transaction involves the sales associate taking out a piece of jewelry or a watch from a display case and presenting it to the customer. Therefore the ability to recruit, train and retain qualified sales associates is important in determining sales, profitability and the rate of net store space growth. Consequently the US division has in place comprehensive recruitment, training and incentive programs and uses employee and customer satisfaction surveys to monitor and improve performance. A continual priority of the US division is to improve the quality of the customer experience. To enhance customer service, the US division is increasingly using sales-enhancing technology, including customer-assisted selling systems. These computerized tools enable a sales associate to better assist a potential customer to make a purchase decision. Investment in the digital environment such as websites, mobile applications and social media, further adds to the customers shopping choices.

US merchandising and purchasing

Management believes that merchandise selection, availability, and value for money are critical success factors for a specialty retail jeweler. In the US business, the range of merchandise offered, and the high level of inventory availability, are supported centrally by extensive and continuous research and testing. Best-selling products are identified and replenished rapidly through analysis of sales by stock keeping unit. This approach enables the US

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division to deliver a focused assortment of merchandise to maximize sales and inventory turn, and minimize the need for discounting. Management believes that the US division is better able than its competitors to offer greater value and consistency of merchandise, due to its supply chain strengths discussed below. In addition, in recent years management continues to develop, refine and execute a strategy to increase the proportion of branded differentiated and exclusive merchandise sold, in response to customer demand.

The scale and information systems available to management and the gradual evolution of jewelry fashion trends allow for the careful testing of new merchandise in a range of representative stores. This enables management to make more informed investment decisions about which ranges and stock keeping units to select, thereby increasing the US division's ability to satisfy customers' requirements while reducing the likelihood of having to discount poorly selling merchandise. The US division typically tests merchandise in 50 to 250 stores. The test results are used in helping to determine the merchandising and marketing plans for the all important fourth quarter. Only two other mid-market specialty jewelry retailers have sufficient stores to allow the testing of merchandise in up to 250 stores.

Merchandise mix

US division merchandise mix (excluding repairs, warranty and other miscellaneous sales)

	Fiscal 2012 %	Fiscal 2011 %	Fiscal 2010 %
Diamonds and diamond jewelry	73	75	76
Gold & silver jewelry, including charm bracelets	12	10	8
Other jewelry	8	8	9
Watches	7	7	7
	100	100	100

Expression of romance and appreciation are primary motivators for the purchase of jewelry and watches, with self adornment and self reward also being important. In the US division, the bridal category, which includes engagement, wedding and anniversary purchases, is estimated by management to account for about 50% of sales, and is predominantly diamond jewelry. The bridal category is believed by management to be more stable than the other reasons for buying jewelry, but is still dependent on the economic environment as customers can trade up or down price points depending on their available budget. Outside of the bridal category, jewelry and watch purchases, including for gift giving, have a much broader merchandise mix. Gift giving is particularly important during the Holiday Season, and ahead of Valentine's Day and Mother's Day. The merchandise mix in the US division's store formats is similar, although the average unit selling price of diamond jewelry and watches is higher in Jared (\$825) as compared to Kay (\$359) and regional brands (\$373).

A further categorization of merchandise is branded differentiated and exclusive, third-party branded and generally available. Merchandise that is generally available includes items and styles, such as solitaire rings and diamond stud earrings, available from a wide range of jewelry retailers. It also includes styles such as diamond fashion bracelets, rings and necklaces. Within this category, the US division has some exclusive designs of particular styles and also has value items. Third-party branded merchandise includes mostly watches, but also includes ranges such as charm bracelets produced by Pandora. Branded differentiated and exclusive merchandise are items that are branded and exclusive to Signet within its marketplaces, or that are not widely available in other specialty jewelry retailers.

Branded differentiated and exclusive ranges

Management believes that the development of branded differentiated and exclusive merchandise raises the profile of Signet's stores, helps to drive sales and provides its well trained sales associates with a powerful

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selling proposition. Such brands may also have a slightly higher gross merchandise margin than unbranded merchandise of a similar product specification and there is significantly less exposure to competitive discounting. National television advertisements for Kay and Jared include elements that drive brand awareness and purchase intent of these ranges. Management believes that Signet's scale and proven record of success in developing branded differentiated and exclusive merchandise attracts offers of such programs from jewelry manufacturers, designers, and others ahead of competing retailers, and enables it to better leverage its supply chain strengths. Management plans to develop additional branded differentiated and exclusive ranges as appropriate and to further expand and refine those already launched.

Branded differentiated and exclusive merchandise includes:

the Leo[®] Diamond collection, which is sold exclusively by Signet in the US and the UK, is the first diamond to be independently and individually certified to be visibly brighter;

the Peerless Diamond, the ideal ideal-cut diamond[®]. The precision of the cut brings out the beauty of the diamond[™] The Peerless[®] Diamond is available only in Jared;

exclusive collections of jewelry by Le Vian[®], famed for its handcrafted, unique designs;

Open Hearts by Jane Seymour[®], a collection of jewelry designed by the actress and artist Jane Seymour, was successfully tested and launched in Fiscal 2009;

Love's Embrace[®], a collection of classic, timeless diamond fashion jewelry that was tested and rolled out during Fiscal 2010;

Charmed Memories[®], a create your own charm bracelet collection, tested and rolled out in Fiscal 2011, sold in Kay and the regional brand stores;

Tolkowsky[®], an ideal cut diamond Invented by Tolkowsky Perfected by Tolkowsky[™]. The collection was tested in Fiscal 2011 and its availability was expanded to the majority of Kay stores during Fiscal 2012; and

Neil Lane Bridal[®], a vintage-inspired bridal collection by the celebrated jewelry designer Neil Lane. The collection was tested in Fiscal 2011 and its availability was expanded to all stores during Fiscal 2012.

Direct sourcing of polished diamonds

Management believes that the US division has a competitive cost and quality advantage because 45% (Fiscal 2011: 45%) of diamond merchandise sold is sourced through contract manufacturing. This involves Signet purchasing loose polished diamonds on the world markets and outsourcing the casting, assembly and finishing operations to third parties or Signet mounting stones in settings purchased from manufacturers. By using this approach, the cost of merchandise is reduced, and the consistency of quality is maintained, enabling the US division to provide better value to the customer, which helps to increase market share and achieve higher gross merchandise margins. Contract manufacturing is generally utilized on basic items with proven, non-volatile, historical sales patterns that represent a lower risk of over- or under-purchasing the quantity required.

The contract manufacturing strategy also allows Signet's buyers to gain a detailed understanding of the manufacturing cost structures and, in turn, leverage that knowledge with regard to negotiating better prices for the supply of finished products.

Sourcing of finished merchandise

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Merchandise is purchased as a finished product where the item is complex, the merchandise is considered likely to have a less predictable sales pattern or where cost can be reduced. This method of buying inventory provides the opportunity to reserve inventory held by vendors and to make returns or exchanges with the supplier, thereby reducing the risk of over- or under-purchasing.

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Management believes that the division's scale and strong balance sheet enables it to purchase merchandise at a lower price, and on better terms, than most of its competitors.

Merchandise held on consignment

Merchandise held on consignment is used to enhance product selection and test new designs. This minimizes exposure to changes in fashion trends and obsolescence, and provides the flexibility to return non-performing merchandise. At January 28, 2012, the US division held \$141.0 million (January 29, 2011: \$138.0 million) of merchandise on consignment, see Note 11 of Item 8.

Virtual inventory

Signet's supplier relationships allow it to display suppliers' inventories on the Jared and Kay websites for sale to customers without holding the items in its inventory until the products are ordered by customers, which is referred to as virtual inventory. Virtual inventory expands the choice of merchandise available to customers both online and in-store. Virtual inventory reduces the division's investment in inventory while increasing the selection available to the customer.

Suppliers

In Fiscal 2012, the five largest suppliers collectively accounted for approximately 21% (Fiscal 2011: 24%) of the US division's total purchases, with the largest supplier accounting for approximately 6% (Fiscal 2011: 7%). The US division directly transacts business with suppliers on a worldwide basis at various stages of the supply chain, with diamond cutting and jewelry manufacturing being predominantly carried out in Asia.

The division benefits from close commercial relationships with a number of suppliers and damage to, or loss of, any of these relationships could have a detrimental effect on results. Although management believes that alternative sources of supply are available, the abrupt loss or disruption of any significant supplier during the three month period (August to October) leading up to the Holiday Season could result in a materially adverse effect on performance. Therefore a regular dialogue is maintained with suppliers, particularly in the present economic climate.

Luxury and prestige watch manufacturers and distributors normally grant agencies to sell their timepieces on a store by store basis. In the US, Signet sells its luxury watch brands primarily through Jared, where management believes that they help attract customers to Jared and build sales in all categories.

Raw materials and the supply chain

The jewelry industry generally is affected by fluctuations in the price and supply of diamonds, gold and, to a much lesser extent, other precious and semi-precious metals and stones.

The ability of Signet to increase retail prices to reflect higher commodity costs varies, and an inability to increase retail prices could result in lower profitability. Historically, jewelry retailers including Signet have, over time, been able to increase prices to reflect changes in commodity costs. However, increases and volatility in commodity costs usually result in a time lag before increased commodity costs are fully reflected in retail prices due to the slow inventory turn. Management believes that diamonds account for about 55%, and gold about 15%, of the US division's cost of merchandise sold respectively.

Signet undertakes hedging for a portion of its requirement for gold through the use of options, forward contracts and commodity purchasing. It is not possible to hedge against fluctuations in the cost of diamonds. The cost of raw materials is only part of the costs involved in determining the retail selling price of jewelry, with labor costs also being a significant factor. Management continues to seek ways to reduce the cost of goods sold and enhance the resilience of its supply chain.

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The largest product category sold by Signet is diamonds and diamond jewelry. The supply and price of diamonds in the principal world markets are significantly influenced by a single entity, the Diamond Trading Company (DTC), a subsidiary of De Beers Consolidated Mines Limited, although its market share has been decreasing. Changes in government policy in a number of African diamond producing countries have caused significant changes in the diamond supply chain in recent years. A major new source of diamonds has been discovered in recent years in Marange, Zimbabwe. The quantity and quality of these diamonds are uncertain and there are restrictions on their import into the US and European Union. The export of diamonds from Marange is at an early stage of development and their impact on the worldwide balance between the supply of and demand for rough diamonds is uncertain.

Inventory management

Sophisticated inventory management systems for merchandise testing, assortment planning, allocation and replenishment are in place, thereby reducing inventory risk by enabling management to identify and respond quickly to changes in customers' buying patterns. The majority of merchandise is common to all US division mall stores, with the remainder allocated to reflect demand in individual stores. Management believes that the merchandising and inventory management systems, as well as improvements in the productivity of the centralized distribution center, have allowed the US division to achieve consistent improvement in inventory turns. The vast majority of inventory is held at stores rather than in the central distribution facility.

Other sales

While repair and design services represent less than 10% of sales, they account for approximately 30% of transactions and have been identified by management as an important opportunity to build customers' trust. All Jared stores have a highly visible jewelry repair center, which is open the same hours as the store. The repair centers meet the repair requirements of the store in which they are located and also provide the same service for the US division's mall brand stores. As a result, nearly all customer repairs are carried out in-house, unlike most other chain jewelers, which do this through sub-contractors. The repair and design function has its own field management and training structure.

The US division sells, as a separate item, a lifetime repair service plan for jewelry. These plans cover services such as ring sizing, refinishing and polishing, rhodium plating white gold, earring repair, chain soldering and the resetting of diamonds and gemstones that arise due to the normal usage of the merchandise. Such work is carried out in-house.

US marketing and advertising

Management believes customers' confidence in the retailer, store brand name recognition and advertising of branded differentiated and exclusive ranges, are important factors in determining buying decisions in the specialty jewelry sector where the majority of merchandise is unbranded. Therefore, the US division continues to strengthen and promote its reputation by aiming to deliver superior customer service and build brand name recognition. The marketing channels used include television, radio, print, catalog, direct mail, telephone marketing, point of sale signage, in-store displays and online methods. Marketing activities, including the use of new media channels, are carefully tested and their success monitored by methods such as market research and sales productivity.

While marketing activities are undertaken throughout the year, the level of activity is concentrated at periods when customers are expected to be most receptive to marketing messages, which is ahead of Christmas Day, Valentine's Day and Mother's Day. A significant majority of the expenditure is spent on national television advertising, which is used to promote the Kay and Jared store brands. Within such advertisements, Signet also promotes certain merchandise ranges, in particular its branded differentiated and exclusive merchandise and other branded products. During Fiscal 2012, the US division continued to have the leading share of voice within the US jewelry sector.

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Statistical and technology-based systems are employed to support a customer relationship marketing program that uses a proprietary database of nearly 25 million names to strengthen the relationship with customers through mail, telephone and eMail communications. The program targets current customers with special savings and merchandise offers during key sales periods. In addition, invitations to special in-store promotional events are extended throughout the year.

Historically, in the US, generic marketing activity undertaken by De Beers to promote diamonds and diamond jewelry designs was important in influencing the size of the total jewelry market and the popularity of particular styles of jewelry. With the significant reduction by De Beers of its promotional expenditure on diamonds and diamond jewelry in the US, management believes that marketing carried out by specialty jewelry retailers has become more important. Given the size of the marketing budgets for Kay and Jared, management believes this has increased the US division's competitive marketing advantage. The ability to advertise branded differentiated and exclusive merchandise on national television is of growing importance. The US division's five year record of gross advertising spending is given below:

	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008
Gross advertising spending (million)	\$ 188.4	\$ 161.5	\$ 153.0	\$ 188.4	\$ 204.0
Percent of sales (%)	6.2	5.9	6.0	7.5	7.6

US real estate

Management has strict operating and financial criteria that have to be satisfied before investing in new stores or renewing leases on existing stores. Substantially all the stores operated by Signet in the US are leased. In Fiscal 2012, net store space increased 1% (Fiscal 2011: decrease 2%). The greatest opportunity for new stores is in locations outside traditional covered regional malls.

Recent investment in the store portfolio is set out below:

	Fiscal 2012 \$million	Fiscal 2011 \$million	Fiscal 2010 \$million
New store capital investment	10.9	3.2	10.1
Remodels and other store capital investment	40.1	25.6	8.1
Total store capital investment	51.0	28.8	18.2

US customer finance

Management believes that in the US jewelry market it is necessary for retailers to offer finance facilities to the customer, and that managing the process in-house is a competitive strength of Signet's US division:

credit policies are determined by taking into account the overall impact on the business. In particular, the US division's objective is to facilitate the sale of jewelry and to collect the outstanding credit balance as quickly as possible, thereby enabling the customer to buy more jewelry using the credit facility. In contrast, management believes that many financial institutions focus on earning interest by maximizing the outstanding credit balance;

authorization and collection models are based on the behavior of the division's customers;

it allows management to establish and implement service standards appropriate for the business;

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it provides a database of regular customers and their spending patterns;

investment in systems and management of credit offerings appropriate for the business can be facilitated; and

it maximizes cost effectiveness by utilizing in-house capability.

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Furthermore the various customer finance programs help to establish long-term relationships with customers and complement the marketing strategy by enabling a greater number of purchases, higher units per transaction and greater value sales.

In addition to interest-bearing accounts, a portion of credit sales are made using interest-free financing for one year, subject to certain conditions. In most US states, customers are offered optional third-party credit insurance.

The customer financing operation is centralized and fully integrated into the management of the US division and is not a separate operating division nor does it report separate results. All assets and liabilities relating to customer financing are shown on the balance sheet and there are no associated off-balance sheet arrangements. Signet's balance sheet and access to liquidity do not constrain the US division's ability to grant credit, which is a further competitive strength in the current economic environment.

The US division's customer finance facility may only be used for purchases from the US division.

Allowances for uncollectible amounts are recorded as a charge to cost of goods sold in the income statement. The allowance is calculated using factors such as delinquency rates and recovery rates. A 100% allowance is made for any amount that is more than 90 days aged on a recency basis. The calculation is reviewed by management to assess whether, based on economic events, additional analyses are required to appropriately estimate losses inherent in the portfolio.

Each individual application for credit is evaluated centrally against set lending criteria. The risks associated with the granting of credit to particular groups of customers with similar characteristics are balanced against the gross merchandise margin earned by the proposed sales to those customers. Management believes that the primary drivers of the net bad debt to total US sales ratio are the accuracy of the proprietary customer credit models used when granting customer credit, the procedures used to collect the outstanding balances, credit sales as a percentage to total US sales and the rate of change in the level of unemployment in the US economy. Cash flows associated with the granting of credit to customers of the individual store are included in the projections used when considering store investment proposals.

Customer financing statistics⁽¹⁾

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Opening receivables (million)	\$ 995.5	\$ 921.5	\$ 886.1
Credit sales (million)	\$ 1,702.3	\$ 1,486.3	\$ 1,368.2
Closing receivables (million)	\$ 1,155.5	\$ 995.5	\$ 921.5
Credit sales as % of total US sales ⁽²⁾	56.1%	54.2%	53.9%
Number of active credit accounts at year end	1,107,043	989,697	936,286
Average outstanding account balance at year end	\$ 1,068	\$ 1,029	\$ 1,016
Average monthly collection rate	12.7%	12.6%	12.5%
Net bad debt to total US sales	3.4%	4.2%	5.6%
Net bad debt to US credit sales	6.1%	7.7%	10.4%
Period end bad debt allowance to period end receivables	6.8%	6.8%	7.8%

(1) See Note 10, Item 8.

(2) Including any deposits taken at the time of sale.

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Customer financing administration

Authorizations and collections are performed centrally at the US divisional head office. The majority of credit applications are processed and approved automatically after being initiated via in-store terminals, through a toll-free phone number or online through the US division's websites. The remaining applications are reviewed by the division's credit authorization personnel. All applications are evaluated by proprietary credit scoring models. Collection procedures use risk-based calling and first call resolution strategies. Investment is made in information technology, systems support and collection strategies with the objective of making them more effective.

Third-party credit sales

In addition to in-house credit sales, the US stores accept major bank cards. Sales made exclusively using third-party bank cards accounted for approximately 35% of total US sales during Fiscal 2012 (Fiscal 2011: 36%).

US management information systems

The US division's integrated and comprehensive information systems provide detailed, timely information to monitor and evaluate many aspects of the business. They are designed to support financial reporting and management control functions such as merchandise testing, loss prevention and inventory control, as well as reduce the time sales associates spend on administrative tasks and increase time spent on sales activities.

All stores are supported by the internally developed Store Information System, which includes electronic point of sale (EPOS) processing, in-house credit authorization and support, a district manager information system and constant broadband connectivity for all retail locations for data communications including eMail. The EPOS system updates sales, in-house credit and perpetual inventory replenishment systems throughout the day for each store.

The US division plans to invest about \$40 million in information systems in Fiscal 2013 (Fiscal 2012: \$21.1 million). The planned increase reflects investments in sales-enhancing technology, both in-store and in the digital environment, and in information technology designed to improve the effectiveness and efficiency of the division's execution.

Management believes that the US division has the most sophisticated management information systems within the specialty jewelry sector.

US regulation

The US division is required to comply with numerous US federal and state laws and regulations covering areas such as consumer protection, consumer privacy, consumer credit, consumer credit insurance, supply chain integrity, truth in advertising and employment legislation. Management monitors changes in these laws to endeavor to comply with applicable requirements.

UK DIVISION

The UK division is managed in pounds sterling, as sales and the majority of operating expenses are both incurred in that currency, and its results are then translated into US dollars for external reporting purposes. The following information for the UK division is given in pounds sterling as management believes that this presentation assists in the understanding of the performance of the UK division. Movements in the US dollar to pound sterling exchange rate therefore may have an impact on the results of Signet, particularly in periods of exchange rate volatility. See Item 6 for analysis of results at constant exchange rates; non-GAAP measures.

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UK market

The UK market includes specialty retail jewelers and general retailers who sell jewelry and watches, such as catalog showrooms, department stores, supermarkets, mail order catalogs, and internet based retailers. The retail jewelry market is very fragmented and competitive, with a substantial number of independent specialty jewelry retailers. Management believes there are approximately 5,200 specialty retail jewelry stores in the UK as of December 2011, approximately 300 stores less than the prior year (source: Local Data Company).

In the middle market, H.Samuel competes with a large number of independent jewelers, only one of which has more than 100 stores. Some competition, at the lower end of the H.Samuel product range, also comes from a catalog showroom operator, discount jewelry retailers and supermarkets, some of whom have more stores than H.Samuel.

In the upper middle market, Ernest Jones competes with independent specialty retailers and a limited number of other upper middle market chains, the largest three of which had 132, 65 and 37 stores respectively at January 28, 2012.

UK Competitive Strengths

Customer experience and human resources

The customer experience, in particular, the ability of the sales associate to explain the merchandise and its value, is essential to most jewelry purchases

Industry-leading training, granted third-party accreditation, helps sales associates provide superior customer service.

88% of store management have passed the Jewellery Education and Training Course 1 accredited by the National Association of Goldsmiths, demonstrating professionalism of sales associates. The UK division employs 38% of the total number of people that have passed this qualification.

Management trained to support sales associate development programs and build general management skills.

Commission based compensation program developed to improve recruitment and retention of high quality sales associates.

Leading integrated eCommerce and retail store service within the specialty jewelry sector.

Merchandising

Customer offered greater value and selection

Leading supply chain capability in the UK jewelry sector, which provides better value to the customer.

Responsive, demand-driven merchandise systems enable rapid reaction to changes in customer behavior.

The ability to offer exclusive products, which improves differentiation from competitors.

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24 hour re-supply capability means items wanted by customers are more likely to be available in inventory.

Marketing

Leading brands in middle market sector

Ability to leverage brand perception through scale of marketing spend.

Significant proprietary confidential marketing database enables extensive customer relationship marketing.

H.Samuel uses national TV advertising to promote its retail brand.

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Well designed stores in primary locations with high visibility and traffic flows

Strict real estate criteria consistently applied over time has resulted in a high-quality store base.

Signet's high store productivity and financial strength make it an attractive tenant to landlords.

UK Store Brand Reviews*Sales data by brand*

			Change on previous year	
	Sales (millions)	Total sales	Sales at constant exchange rates ⁽¹⁾⁽²⁾	Same store sales
Fiscal 2012				
H.Samuel	£ 243.1	4.2%	0.9%	1.6%
Ernest Jones ⁽³⁾	£ 203.8	2.1%	(1.1)%	0.0%
UK	£ 446.9	3.2%	(0.1)%	0.9%

(1) Non-GAAP measure, see Item 6.

(2) The exchange translation impact on the total sales of H.Samuel was 3.3%, and for Ernest Jones 3.2%.

(3) Includes stores selling under the Leslie Davis nameplate.

H.Samuel

H.Samuel accounted for 10% of Signet's sales in Fiscal 2012 (Fiscal 2011: 11%), and is the largest specialty retail jewelry store brand in the UK by number of stores. With 150 years of jewelry heritage, it serves the core middle market and its customers typically have an annual household income of between £15,000 and £40,000. The typical store selling space is 1,100 square feet.

H.Samuel has increasingly focused on larger stores, in regional shopping centers, where it is better able to offer more specialist customer service and a wider range of jewelry. This also reflects customer's changing shopping patterns. The number of H.Samuel stores in smaller markets has therefore declined as leases expire or suitable real estate transactions became available.

	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008
Sales (million)	£ 243.1	£ 240.9	£ 247.8	£ 250.3	£ 256.7
Sales per store (million) ⁽¹⁾	£ 0.719	£ 0.705	£ 0.712	£ 0.718	£ 0.722
Stores at year end	337	338	347	352	359

(1) Including only stores operated for the full fiscal year.

H.Samuel store data

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	Fiscal 2012	Fiscal 2011	Fiscal 2010
Number of stores:			
Opened during the year	2⁽¹⁾		
Closed during the year	(3)	(9)	(5)
Open at year end	337	338	347

(1) Includes one Ernest Jones store rebranded as H.Samuel.

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H.Samuel merchandise mix (excluding repairs, warranty and other miscellaneous sales)

	Fiscal 2012 %	Fiscal 2011 %	Fiscal 2010 %
Diamonds and diamond jewelry	21	21	22
Gold and silver jewelry, including charm bracelets			