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EDITED TRANSCRIPT

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PRESENTATION

Jennifer Davis - *Lazard Capital Markets - Analyst*

Hi, I'm Jennifer Davis from Lazard here to introduce Signet. It's the largest best-in-class middle markets specialty jewelry retailer. Actually in 2011 they surpassed Walmart for the first time in terms of jewelry sales. I am sure you have all either heard or seen Kay or Jared or both commercials over the holiday season. Now they acquired Ultra Diamonds, so puts them into the outlet channel as well. Here to present today is Mike Barnes, the CEO; Ron Ristau and James Grant are also in the audience. Thanks, Mike.

Mike Barnes - *Signet Jewelers Limited - CEO*

Thank you and welcome to everyone. Good afternoon and thank you very much for joining our presentation today. We hope that you learn a little bit about Signet, a little bit more than you already know. And we hope to explain why we believe that we are a compelling investment for the future to come.

Before I start though, I will draw your attention to the Safe Harbor statement that should be on the screen. During today's presentation we will from time to time discuss Signet's business outlook and make certain forward-looking statements. Any statements that are not historical facts are subject to a number of risks and uncertainties and actual results may differ materially. See details on this slide, which is also on our corporate website, SignetJewelers.com. There is this statement.

Now let's get on to the business at hand, so to speak. So Signet is the largest specialty retail jeweler in the US and the UK with significant competitive strengths in all key retail disciplines. We target the middle and the upper middle market in both countries.

Our superior operating model is really driven by our two largest nationally advertised store brands and that is Kay Jewelers and Jared The Galleria Of Jewelry, two of the most powerful retail brands in the United States marketplace. We have the best-in-class operating model and it drives superior returns and a strong balance sheet for our Company.

We've got great growth opportunities centered around innovative and trend right merchandise, sales driving technology and retail distribution channel expansion. All of this is supported by what we believe is the most creative advertising in the industry.

Now let me talk a little bit more about our holiday season and the results that we saw there. We just reported the results for holiday last week and as well as our expected strong performance for fiscal 2013. A couple of the highlights include -- the performance was led by Kay, our largest concept, with comps up 5.8%, that is on top of a 9.8% comp store return last year. And Jared was up 4.8% after delivering a 10% comp store increase last year as well.

Our highly motivated and our well trained team, they did a great job and once again they delivered an outstanding customer experience for us. In the US we experienced broad-based strength across our merchandise offerings led by initiatives in bridal, branded and exclusive merchandise, colored diamonds, fashion jewelry and watches.

We benefited from continued investment in advertising which helped us stand out in the marketplace. Our multi-channel selling approach increased our exposure and allowed customers to shop and engage with us when and where they wanted. The redesigned Kay and Jared websites performed well and Internet sales in the US were up 49% year over year which is just incredible.

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Our in-house customer finance program once again was instrumental in helping to drive profitable growth also. We now expect diluted earnings per share in the range of $2.05 to $2.10 for the fourth quarter which is an increase of 15% to 17% year over year. For fiscal 2013 we expect diluted earnings per share in the range of $4.28 to $4.33 or an increase of 15% to 16% year over year.

For those of you that don't know us as well, we operate over 1,900 stores in the US and the UK. Kay is the number one brand and targets the middle market. Kay's customer has an average household income of about $50,000 to $75,000. Jared is the leader in the upper middle market jewelry segment and its target customer has an average household income in the range of about $75,000 to $110,000.

Overall our US store space is well diversified with about 50% in regional malls and 50% non-mall-based and the US accounts for 80% of our sales and over 90% of our profits on an annual basis.

In the UK H. Samuel is the market leader and it's targeted to the middle market as well while Ernest Jones competes in the upper middle market segment. Similarly within the UK about 55% of the space is retail mall-based and about 45% is traditional High Street within the UK market. This movement into the regional malls is something that we expect to continue for the foreseeable future as well as it continues to accelerate.

You can see our mission statement on the slide here, but the bottom line is it's about enhancing our market leadership through a superior customer experience and driving customer loyalty.

In fact, our goal is to capture the customer for that bridal sale and retain them as a loyal customer for their lifetime of purchasing. And by providing superior customer experience in driving this loyalty we build brand equity in both our store concepts and the differentiated ranges of merchandise that we offer.

Central to achieving our goals, and our biggest competitive strength, I believe, is our great sales team. These are experienced, well trained and highly motivated and they deliver a best-in-class comprehensive customer service experience. They are so important because jewelry requires a knowledge-based approach.

Therefore we have sector leading proprietary training methodologies and systems to support our store teams and our field management teams. This means we provide customers with the product knowledge they desire, a feeling of satisfaction and personal engagement with them. This is particularly important in the bridal category which accounts for about 50% of our business.

A great experience enables us to build long-term customer relationships. Our growing leadership and the application of technology as well adds to the customer experience and also means we can execute more efficiently while allowing our customers to interact with us as they choose to.

Consumers really want a reason to buy. They desire innovation, newness and products that make a statement. We have great merchandising management which means we have well tested and carefully selected high-quality product ranges in both our brands and in our non-branded. We have very unique products for us.

Over the holiday season branded and non-branded merchandise performed well and our successful sales results were extremely broad-based. The development of differentiated and exclusive brands is an ongoing initiative for us and we are still in the early stages of developing a powerful portfolio of merchandise brands to complement the established strengths of our Kay and Jared store concept brands.

The differentiated ranges create a unique store destination and provide a powerful selling proposition for our sales associates. They also help minimize price comparison shopping or show roaming, if you will. Our ability to cost effectively use national television advertising and digital media gives us a significant advantage in developing these merchandise brands as well.

We are the number one player in the bridal category in both the US and the UK marketplaces. And bridal related merchandise, as I mentioned, accounts for about 50% of our sales. The bridal customer requires a high level of service, great product selection and proprietary customer finance programs all of which we lead the category in.

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We have a great selection of branded bridal programs which include The Leo Diamond, Neil Lane Bridal, the Tolkowsky Diamond and the Hearts Desire range. Also our investment in technology means that all our Kay stores, as well as Jared, now have access to many thousands of loose stones through our virtual inventory systems in every single store.

As I mentioned before, the bridal category is particularly important as it establishes long-term customer relationships that can last for a lifetime.

Our leadership in advertising is an extremely important driver of sales. Everyone knows, Every Kiss Begins With Kay and He Went to Jared. These campaigns are well established and have an outstanding record of success. We have great creative that engages the customer both emotionally and irrationally in an entertaining manner that really helps to drive sales.

We also have industry leading share of voice. Both Kay and Jared have scale and profitability to invest significant amounts and in fiscal 2013 our advertising and marketing investment will exceed $200 million. This drives top of mind and purchase intent for our customer base.

In fiscal 2013 we'll have square footage growth in the US of over 9%, although in the UK we'll reduce space by about 4% as we continue to optimize and rationalize our real estate there. We continue to selectively add Kay mall store locations, but the big opportunity for Kay is to add space in power centers and outlet malls. We see the potential for a total of over 1,400 Kay stores across all formats for the long-term.

Jared is still building out its national coverage and currently has about 186 stores with the potential for about 300 stores on a long-term basis. And between both Kay and Jared in fiscal 2014 we plan to open 60 to 70 new stores on top of the 48 approximate stores that we will have opened this year which was also double approximately the number of stores we opened last year.

Our space growth ambitions are well balanced by our extremely disciplined capital allocation procedures as we require a 20% internal rate of return over five years for us to approve a new store.

We are also investing aggressively in growing our eCommerce and omni-channel businesses. We greatly increased our investment in technology shortly after Ron and I joined Signet and over the last two years we have invested significantly with the goal of establishing a best-in-class capability.

Our scale and our balance sheet strength are very important and enabling us to make these kind of commitments. And it is paying off. Our eCommerce sales year to date have increased by 37% led by the US up a strong double-digit 44%.

An important step in fiscal 2013 has been our expansion in the outlet channel with the acquisition of Ultra Stores. We believe in a short time we will become the number one jeweler in outlet malls. It was an all cash deal of just under $60 million which we financed from strong cash flow. It's added 103 outlet stores as well as 33 licensed jewelry departments and four other stores.

Our strategy is to leverage the Kay brand with Ultra's outlet expertise. We have already begun the process and we will convert the majority of the stores to Kay outlets by the end of the second quarter of fiscal 2014 so as to leverage our advertising and increase productivity and drive sales. The transition is anticipated to be accretive to earnings by the fourth quarter of fiscal 2014 as well.

Our merchandising is customer led, and we've followed a test before we invest strategy for many years now. We believe we are best in class in managing this process within the category due to our outstanding merchandising systems and responsive supply chain. This gives us best-in-class inventory control and inventory productivity.

We built a unique merchandising, design innovation and manufacturing capability as demonstrated by our ability to successfully deliver strong brand programs such as Neil Lane Bridal, Shades of Wonder, et cetera. As well as innovative non-branded merchandise, which also performed very well for us during the holiday season.

We've built great relationships with our suppliers and we have well established vertically integrated supply chain. We have strengthened our supply chain capability in fiscal 2013 by becoming a Rio Tinto select diamantaire.

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This means we now buy uncut diamonds direct from the mine. This is an important long-term initiative, although it's initially small in scale, and we will take our time in developing our expertise in this area before we do make any significant commitments going forward. Again, our scale and our balance sheet are important competitive strengths in all aspects of the supply chain.

In the United States customer finance is important in enabling the sale of jewelry and we have the scale, experience and expertise to do this in house which is an important competitive strength. Over many years we have become highly proficient and have great systems, specialized scoring systems and an outstanding team of people in our credit department.

About 55% of our US sales use our in-house customer finance. The average outstanding balance is relatively small at about $1,000. And we have a high monthly collection rate of 12% to 14%. We want our customers to repay their credit balance as soon as possible in order to open up further open to buy for future purposes. We have found that our credit customer over their purchasing lifetime is worth 3.5 times more to us than our non-credit customer as well.

In fiscal 2014 our top priority is to again drive profitable market share. Kay and Jared will continue to be our primary growth drivers. Operationally the integration of Ultra and the conversion of most of the stores to the Kay format, as well as the development of our expertise in the outlet channel in general will be an important task.

We will continue to reinvest and utilize our market strength for the UK businesses as well. And we will leverage our industry leading merchandising, advertising, technology investment and supply chain to drive sales and store productivity.

In addition to growing our earnings per share from operations we drove additional shareholder returns through dividends and buybacks during the past year. We increased our quarterly dividend by 20% in fiscal 2013 and we're currently paying a quarterly dividend of $0.12 a share.

We also repurchased about 7.4% of our shares through the third quarter of fiscal 2013 and we have another $50 million authorized for repurchase. In fiscal 2014 we will continue to focus on all of our key goals in driving shareholder returns in every possible way.

In conclusion, we have proven financial strength and financial performance. Our market leadership and competitive strengths enable us to grow comparable store sales and our productivity. We have demonstrated over many years our ability to maintain and grow our margins against the background of challenging commodity markets.

Our cost control has been excellent while we have continued to invest in growth drivers and major new initiatives. Our successful capital allocation disciplines have driven high returns, growth and shareholder value. And we have a strong and conservative capital structure.

I would like to thank all of you for attending this presentation today. And I look forward to meeting many of you during the conference and hopefully I will see a lot of you during the breakout. As we are towards the end of our time here, we will take all the questions in our next breakout session. So please come by, we will be glad to chat with you and I look forward to seeing you there. Thank you very much.

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