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EDITED TRANSCRIPT

SIG - Signet Jewelers Ltd at ICR XChange

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CORPORATE PARTICIPANTS

Mark Light *Signet Jewelers Limited - CEO*

CONFERENCE CALL PARTICIPANTS

Oliver Chen *Cowen and Company - Analyst*

PRESENTATION

Oliver Chen - *Cowen and Company - Analyst*

Good morning. I'm Oliver Chen, Cowen's specialty retail, broadlines and luxury analyst. We are very thrilled to be introducing Mark Light from Signet. Here at Cowen, we are recommending Signet. We think the portfolio, the proprietary brands, as well as the supply chain and vertical integration, are key differentiating points. And Mark has been a great partner to us and is an extremely balanced CEO with a strategic vision, as well as execution on the ground.

With that being said, I'm happy to introduce Mark Light, the CEO of Signet Jewelers. Thank you.

Mark Light - *Signet Jewelers Limited - CEO*

Good morning and thank you, Oliver. I hope you all had a wonderful new year. My name, as Oliver said, is Mark light. I'm the Chief Executive Officer of Signet Jewelers. I have with me today Michele Santana, our CFO, and James Grant, our Vice President of Investor Relations.

Before proceeding, I would like to draw your attention to the Safe Harbor statement. During today's presentation, I 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. Please see the details on this slide, which is also on our corporate website at signetjewelers.com.

So our mission statement is a way to think about our customers visually, and that mission is to help out our customers to do two very important things -- celebrate life and express love. And that mission played itself out well during the holidays, as last week we reported solid sales with comp sales up 3.6%.

Our Sterling division comps increased by 2.5%, and the main drivers were our bridal category and our Diamonds in Rhythm collection. The Zale division comps increased by 3.5% due to planned investments and initiatives in marketing our brands and our merchandising offerings, as well as our in-storm teams who receive focused training on features and benefits of all our offerings, but very specific training on bridal and Vera Wang -- and the Vera Wang Love collection. Our UK division comps increased by 9.7%.

It's the best holiday season we've had in 12 years, and it was driven by a variety of initiatives around merchandising and field operations as well as marketing and channel development. These numbers are a clear indication of our turnaround program in the UK, and it is providing results.

In the UK division, holiday total sales results were driven by strong customer acceptance of our bridal portfolio which continues to improve on our position as the best in bridal in the United Kingdom. We also delivered strong watch sales across our portfolio.

In all divisions, our highly motivated and well-trained team did a great job and once again delivered outstanding customer experiences. Our multichannel selling approach increased our exposure and allowed customers the convenience and the flexibility to shop and engage with us where and when they wanted.

Our e-commerce and R&O channels, outlet channels, performed very well. E-commerce was up 20% without Zales. We are pleased to announce that Signet has reaffirmed its financial guidance based on the holiday performance and favorable January trends. Signet January sales are trending better than holiday.

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This recovery relative to plan was contemplated when we were reaffirmed our guidance. Our fourth-quarter comp store sales are expected to increase from 3% to 4%, and our expectation of fourth-quarter adjusted EPS remains at $2.95 to $3.05. Adjusted EPS is less purchase accounting and transaction costs. Annual adjusted EPS is projected to be at $5.51 to $5.61.

So having reviewed our latest results, let's start by reviewing our business model consisting of our major divisions. Then I will discuss at a high level our major strategies that will help us deliver on our mission statement, which is our message to our customers. And then I will discuss our main competitive strengths that will enable us to drive initiatives and to deliver these strategies successfully.

Our competitive strengths, which I will discuss in a few moments, have made Signet the number 1 specialty jeweler in the United States, the United Kingdom and Canada. We operate over 3600 stores in the US -- over 3600 stores. In the US we operate 3 of the top 4 specialty retail jewelry brands by revenue.

Kay is the number 1 brand in the United States and targets the middle market. Demographically, Kay's average customer has a household -- average household income of approximately $80,000. Zales jewelry is the third -- number 3 specialty fine jewelry retailer in the US, which also targets the middle market.

Jared is the leader in the upper middle market, and our target customer has a household income of approximately $100,000. And in Canada, Peoples is the number 1 specialty fine jeweler, and Piercing Pagoda is the number 1 US kiosk retailer of fashion jewelry.

In the UK, H.Samuel is the market leader and is targeted at the middle market, while Ernest Jones is the number 2 specialty jeweler and competes in the upper middle market segment.

So let's discuss our major strategies that help us drive our business into the future. We call this strategy Vision 2020, which is powered by the organization of the future. Our first major strategy plank is to maximize the mid market. The mid market represents the largest opportunity for growth. It is our goal to be the leading retailer and to maximize our business directed to the mid-market consumers in all of our markets that we choose to operate in.

Currently, that is in the US, the UK and Canada. While we are already the number 1 specialty retail jeweler in all three geographies, there is much more we can do to obtain a greater share of the customers' disposable income. We will continue to build on our previous successful strategies that have served us well, while focusing on continuous improvement and innovation such as our investments in product lines, new concepts, selling systems and the digital ecosystem.

Our second major strategy plank revolves around being the best in bridal. We believe that bridal is the closest thing in our industry to being a necessity. Bridal accounts for approximately 50% of our business on an annual basis. While we believe we are number 1 in the bridal category in US, UK and Canada, we have established a strategic goal to be recognized by our customers and our industry as being the very best in bridal.

Our goal -- actually no, it's not really a goal, it's a journey of ours -- is to make every customer think about our store brands first when they enter the bridal jewelry marketplace. We will always be improving our execution in our bridal assortment, in our bridal advertising, in our customer experience, and any future demands a bridal customer may have.

We think of best in bridal as a journey and while -- we will continue to look to refine and enhance our business on a regular basis. The bridal merchants that we source design and sell and service will inspire our customers and key members alike.

We have a broad selection of unique branded bridal programs which include Neil Lane Bridal, Tolkowsky, the Vera Wang Love collection, the Celebration Diamond, the Leo Diamond, and the Arctic Brilliance collection. And we are vertically integrated with our polished diamond buying office in India, our diamond polishing factory in Botswana, and our expertise in the rough diamond marketplace, along with our position as a new De Beers sightholder. And we just also opened a design center office in New York.

These supply chain initiatives, which I will talk more about in a moment, will help us provide the diamonds that our customers desire.

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A third major plank of our strategy is to support our mission to be best in class in the digital ecosystem. We surround the customer with e-commerce and social media touch points, and we focus on simplifying and accelerating customers' engagement with our brands. We are engaged in the digital ecosystem marketing not only through our e-commerce websites, but also through Facebook, Twitter and YouTube.

And we also have developed a consumer jewelry education site that is named jewelrywise.com. As a result of all this digital ecosystem activity, we launch new products and services for customers via all touch points, and we create outstanding customer experience in all channels. The culmination of all these initiatives have been working consistently, and we have increased our e-commerce sales year on year on year.

Our e-commerce business continues to be very vibrant. We project our e-commerce business will be over $0.25 billion this fiscal year, and we have stated that during the holiday sales calls that our e-commerce business was up 20% without Zales.

Our fourth strategic pillar for long-term growth is to further expand our geographic footprint. This has been supported through targeted mergers and acquisitions activity, as well as maintaining our high-quality diversified store base which I will speak to in a few minutes.

The Zale acquisition has further expanded our US footprint and gives us leading presence in Canada and, it gives us an entry into the Puerto Rico market. With this acquisition, we have become the largest jeweler retailer in three different countries. As a result, we have the opportunity to leverage our know-how and our physical assets across our geographic areas.

We have shared brands, product ideas, diamond selling best practices, and engaged in cross-selling across geographic areas. It is our vision to give every Signet team member the opportunity to grow their career throughout the world, whether it be in Akron, Ohio or Dallas or London or Botswana, for the greater good of our team members and for the greater good of our company.

Our fifth strategic pillar, which is a perfect segue, is about people, purpose and passion. We continue to attract, develop and retain what we believe is to be the best and brightest individuals in the jewelry and watch industry. We have long described our team members as our number 1 biggest competitive strength.

This strategy also revolves around the development of our corporate social responsibility policies and our ethical and environmental initiatives, and the leadership and learning of our team members. We are focused on being a leader not only in our industry but also in the communities and where we will do responsibly by considering all of our stakeholders, including our customers, our team members and society as a whole.

Now let's discuss our competitive strengths, which drive growth in a variety of ways. We provide an outstanding guest experience driven by an industry-best sales team. In our business, this is critical. So when you think about the retail business, there is no other retail business that you must interact with a sales associate. Every one of our products is under lock and key.

Combined with that, that every item that's purchased has some emotional attachment. So it's critical that we have a perfect and a tremendous guest experience. We have successfully developed and grown branded, differentiated and exclusive merchandise.

Our sector-leading advertising and marketing budget provide a very distinctive advantage.

Our high-quality diversified store base, which is driven by disciplined real estate criteria; our supply chain leadership, our customer finance program that meets specific needs of our guests, and our solid financial programs that meet specific needs of our -- excuse me -- and our solid financial performance and strong balance sheet that provide operating flexibility and the opportunity to make strategic investments.

Central to our store's success and our biggest competitive strength is our fantastic sales teams who are experienced, well trained and highly motivated, and deliver best-in-class comprehensive customer service. We have sector-leading proprietary training to support our store teams and field management, which means we provide customers with the product knowledge they desire and a feeling of satisfaction and personal engagement.

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And just as important, we give our team members career growth opportunities and leadership development programs. By providing a great guest experience, it allows us to build long-term customer relationships.

Another driver of our growth is the evolution of our branded merchandise. Customers want a reason to buy. They desire innovation, newness, newness of products, newness of programs, and they want to make a statement. The differential ranges creates purchase intent through fresh new stories that appeal to distinct customer needs and emotions.

The development of differentiated and exclusive merchandise brands is an ongoing imperative for us, and we continue to develop a powerful portfolio of products and brands. Some of these brands provide powerful selling propositions for our sales teams. And just to mention a few like Neil Lane, Le Vian, Diamonds in Rhythm, Vera Wang Love, the Celebration Diamond collection and Open Hearts by Jane Seymour, just to name a few.

As of the latest fiscal year, branded differentiated sales were over 31% of our Sterling division's business, and the brand penetration in our Zale division is much lower and we think there is very good high potential for growth in branded product for Zales.

Following up on brands to advertising. Our leadership in advertising is a very important driver of sales. We have industry-leading share of voice. With Kay, Jared and Zales, we have the ability to invest significantly. Everyone knows Every Kiss Begins with Kay and He Went to Jared. These campaigns are all well-established, and our ads consist of creative that engage the customer both emotionally and nationally in an entertaining manner that drives sales.

In Zales, we have implemented a new television creative with more impressions and reallocated ad placements, all of which deliver powerful emotional messages about our brands. We also created effective new TV advertising for our H. Samuel store brands in the United Kingdom, and this also drives top of mind and purchase intent for our customers.

Now turning to real estate. We operate a high-quality diversified store base with over 3600 stores. We are located in regional malls, power centers, outlet malls and freestanding locations. Our disciplined real estate criteria requires stores produce a 20% internal rate of return over five years and be located in high-traffic locations.

We are also investing aggressively in growing our e-commerce business and our omnichannel businesses as they work hand-in-hand with our brick-and-mortar presence.

We continually look better towards securing and managing our supply chain to feed our long-term needs. We are aggressively moving up the supply chain to secure our long-term supply of diamonds for the midmarket. Direct access gives us more control of this diamond supply.

We have an office in the Indian diamond bores where over 80% of the world's diamonds are cut and polished. And this allows us to expand our supplier base, take advantage of daily market fluctuations, and accumulate goods consistently.

We have strengthened our supply chain capability by operating a rough to polished diamond factory in Gaborone, Botswana. Just for your information, Botswana has two of the most vibrant diamond mines in the world. This will enable us to secure additional, reliable and consistent supply of diamonds for our customers and to help us to achieve further efficiencies in the supply chain.

Our De Beers site advances our strategic diamond sourcing efforts to the next level. And following last year's purchase of a diamond cutting factory in Botswana, we believe as a De Beers sightholder that we are now far ahead most of our industry peers.

We will continue to expand our vertical integration and procure more rough or unpolished diamonds over the long-term. This provides us greater access to supply in a growing supply-and-demand gap. Established vendors of polished diamonds and diamond jewelry will continue to account for the majority of our diamond sourcing.

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Customer finance is an important enabler of the sale of jewelry, specifically in the bridal category. Credit is a sales enabler, not a driver, and our goal is always to sell jewelry, not credit.

In the Sterling division we continue to utilize our high proficient, in-house credit systems that use specialized scoring models and systems run by an outstanding group of team members in our credit department.

In our Zale and UK divisions, a third party manages and owns the credit portfolio. A credit customer has a higher average purchase price and a lifetime value greater than that of other customers.

Signet is committed to maintaining an investment-grade rating and capital allocation strategy that provides for financial flexibility. This will allow for execution of strategic priorities around growth, which include M&A. We maintain a capital structure that manages risk and contemplates all phases of the business cycle.

We allocate capital so that we support the growth of our business and focus on shareholder value. The Signet board and management team continue to have a shareholder-friendly history that include share buybacks, dividend increases typically in the 15% to 20% range, M&A, and keeping reasonable cash reserves. We expect to be more specific on our capital allocation targets on our next earnings call.

Our competitive strengths enable us to grow comp store sales growth and productivity. We have demonstrated over many years our ability to drive profitability. Our cost control has been excellent while we continue to invest in the growth drivers and major initiatives, such as the Zale acquisition and investments in store concepts, merchandise, e-commerce, among other things.

So in conclusion, we have a strong and experienced management team. We have a very focused strategy with our Vision 2020 strategy, and we have a solid balance sheet to support our growth initiatives. I'd like to thank you all for attending this presentation, and I look forward to meeting many of you during the conference. Thank you very much. Happy New Year to you all.

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