12 - 05 - 2023

Signet Jewelers

Third Quarter 2024 Earnings

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CORPORATE SPEAKERS:

Rob Ballew
Signet Jewelers; SVP of Investor Relations
Gina Drosos
Signet Jewelers; Chief Executive Officer
Joan Hilson
Signet Jewelers; Chief Financial, Strategy and Services Officer

PARTICIPANTS:

Ike Boruchow
Wells Fargo; Analyst
Mauricio Serna
UBS; Analyst
Paul Lejuez
Citi; Analyst
Jim Sanderson
Northcoast Research; Analyst
Melanie Nuñez
BofA; Analyst

PRESENTATION:

Operator^ Good morning. And welcome to the Signet Jewelers third quarter Fiscal 2024 Earnings Call. (Operator Instructions)

Please note, this event is being recorded.

Joining us on the call today are Rob Ballew, Senior Vice President of Investor Relations; Gina Drosos, Chief Executive Officer; and Joan Hilson, Chief Financial, Strategy and Services Officer.

At this time, I would like to turn this conference over to Mr. Rob Ballew, Senior Vice President of Investor Relations.

Please go ahead, sir.

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Rob Ballew

Senior Vice President, Investor Relations, Signet Jewelers Ltd.

Good morning. Welcome to Signet Jewelersص third quarter earnings conference call.

During today's discussion, we will make certain forward-looking statements.

Any statements that are not historical facts are subject to a number of risks and uncertainties.

Actual results may differ materially.

We urge you to read the risk factors, cautionary language, and other disclosures in our annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K.

Except as required by law, we undertake no obligation to revise or publicly update forward-looking statements in light of new information or future events.

During the call, we will discuss certain non-GAAP financial measures.

For further discussion of the non-GAAP financial measures, as well as reconciliations of the non-GAAP financial measures to the most directly comparable GAAP measures, investors should review the news release we posted on our website at ir.signetjewelers.com.

With that, I'll turn the call over to Gina.

Virginia C. Drosos

Chief Executive Officer & Director, Signet Jewelers Ltd.

Thank you, Rob. And thanks to all of you for joining us today.

Our team delivered this quarter with non-GAAP operating income at the high end of our expectations.

Recall, the jewelry category is experiencing its second Covid as engagements are down 25% due to the disruption of dating three to three and a half years ago. Through this environment, our team has continued to be agile and innovative, resulting in Signet growing our bridal market share again this quarter.

I'm confident we'll grow from this trough next year just like we rebounded strongly from the closures of the pandemic. Our team knows our customers, create unrivaled experiences to meet their needs, and delivers on our commitments. And this time of year, their expertise really shines. I'm honored to work alongside them.

I'd like to leave you with three key takeaways today. First, we delivered our financial commitments this quarter, and remain on track to deliver the year. Even as we delivered a profitable third quarter, we invested in marketing and merchandise strategies to deliver our fourth quarter commitment and to drive share gains. Jewelry continues to be an important gifting category particularly among Gen Z, with Black Friday weekend results in line with our expectations.

Second, the multi-year engagement recovery has begun as we predicted with engagement ring units beginning to rebound in recent weeks.

While we still expect a gradual recovery over the next three years of the 45 proprietary relationship milestones that we track, we have seen the expected progression to late-stage milestones over the past few months. This progression is highly correlated with engagement ring purchases, which we have also seen increase over the last several weeks. Importantly, engagement rings are the catalysts to lifetime value, which makes them a competitive advantage for establishing sustainable long-term growth.

Third, our company is strategically positioned to leverage our scale and competitive advantages to help weather the highs and lows of our category and general macro pressures. For example, we are the largest advertiser in our industry by far with three times the annual spend of our nearest competitor. The scale and effectiveness of our marketing spend is reflected in the fact that our top three banners, Kay, Zales, and Jared have top-of-mind awareness among jewelry consumers that is twice that of nearly any other US retailer. Our consumer insights also give us foresight, which, for example, helped us predict the engagement slowdown and reduce our inventory double digits, even while investing in newness for the holidays.

Let's look at each of these points beginning with the quarter. We delivered sales of roughly $1.4 billion this quarter and $24 million of non-GAAP operating income. Prior to the pandemic, the third quarter was consistently a loss quarter for Signet. It's the one quarter of the year without a major gift-giving occasion and is when we are investing in marketing and merchandise delivery for our largest gifting occasion, the winter holiday season. As a result of our transformation, we’ve delivered four years in a row of positive Q3 earnings, all while continuing to invest in both our holiday strategy, and our long-term growth.

Adding to the obstacles our team navigated this quarter, over inventoried independent jewelers continue to drive heightened levels of promotion in our category. That said, our brand equities, services, targeted promotional cadence, and sourcing efforts allowed us to increase gross merchandise margin in the quarter, up 250 basis points to last year. Further, inventory was down 14% from a year ago, allowing us to bring in more newness, creating a competitive advantage. This includes value-engineered pieces that offer great looks and value at high price points, along with broad assortments of on-trend gold jewelry, such as sculpted gold earrings and necklaces, and strong presence in lab-created items that also provide excellent value. Compared to last year, sell-through of new SKUs increased by 30% in the third quarter.

The next point I want to underscore is that, we are in the midst of the most popular time of year for engagement ring sales, October through February. As I highlighted above, we've crossed the trough and the engagement recovery has begun. For example, couples moving in together, a late-stage milestone was up nine points from early 2022, and Google searches for engagement rings are now 10% higher than last year, the first time they've exceeded the prior year in nearly two years. The percentage of couples moving to the engagement phase has improved by five points, a statistically significant movement over the last 18 months.

Beyond the Covid-driven engagement recovery, we are also seeing more positive attitudes among younger, unmarried consumers toward getting engaged and married. In our most recent survey, nearly 80% of non-married Millennial and Gen Z adults say they want to eventually get engaged and married, which is a notable improvement to younger adults from a 2018 survey. That's encouraging, as are the multi-cultural changes we're seeing in engagements. Moving forward, the majority of engagements in the US will be multicultural, led by growth in Hispanic Americans. This multicultural trend is steering our merchandise and marketing strategies as we lean into higher penetration of products like yellow gold and provide bilingual marketing and sales expertise that makes our multicultural customers feel respected and welcome. It's working.

In the third quarter, Zales performance at high Hispanic doors is better by 130 basis points compared to the balance of Zales fleet, driven by assortment, bilingual consultants, and signage, as well as increased Hispanic-targeted media. So our data is clear, engagements are on their way back and we are positioning ourselves to win. We continue to expect a gradual return to pre-pandemic levels of engagements that will play out over the coming three years. A three-year tailwind that we can leverage for business and market share growth, given our scale and our position as the engagement leader of the industry.

The recovery of engagement rates is also our catalyst to lifetime value. We provide services that cement customer relationships, including nearly 80% attachment rate to extended service agreements on bridal pieces. We are also increasingly using our customer data platform, loyalty program, and personalized marketing capabilities to meet our customers' ongoing needs for jewelry to celebrate birthdays, anniversaries, and holidays for years to come. For example, we are now approaching 4 million loyalty members and this quarter, their average transaction value or ATV was 40% higher than our non-loyalty members. It's a clear reflection of loyalty as a long-term growth driver and scaled competitive advantage.

This brings me to my third and final point. Signet is well-positioned to grow reliably over time. Thanks to the moat of competitive advantages and scale, we've built that are unique in our category. Signet is able to withstand and even gain share through cyclical dynamics of the jewelry industry and general macro pressures, thanks to those advantages. A good example is how we are managing the price decline of larger loose diamonds this year. The elevated promotional activity of overstock independence is a key contributor to driving down diamond prices to pre-pandemic levels in recent months.

In contrast to independent jewelers, our product innovation and assortment, promotional priorities, and scaled buying power have delivered stable ATVs all year, including in recent months, both for natural and lab-created diamonds. Within the industry, the natural diamond oversupply situation, which has been pressuring retail prices is beginning to abate. Independents have been buying less in recent months and their inventory levels have improved by more than 15 points since the first quarter.

Mid-stream inventory appears to have peaked in June and major jewelry manufacturers have dramatically reduced their output. Large diamond miners have recently suspended mining activities and sales for two months or longer. Further, for the first time in more than a decade, DeBeers is stimulating category demand with a branded natural diamond marketing campaign over the holiday season.

Combined with the upcoming engagement multi-year tailwind, we believe the natural diamond market should normalize through next year. But what's most important for us as the world's largest retailer of diamond jewelry is that, we are strategic with our partners to drive better pricing, better assortment, and better value for our customers by leveraging our inventory discipline, and vertical integration.

The other growth pillars of our midterm goals are also meaningfully progressing. Our services business up 5% in the quarter and year-to-date has contributed close to one point of our gross merchandise margin expansion. For example, we continue making great progress with ESA attachment up to last year again this quarter, improving by 310 basis points. In accessible luxury, we've opened five Diamonds Direct stores this year, including three since the quarter ended, bringing our total to 30 stores. These stores once reaching full maturity generate over $15 million a year in average revenue per store.

Our Foundry custom jewelry at Jared has grown, including 40% unit growth in Q3 compared to a year ago. This is complemented by our premium assortment doors, which outperformed the balance of the Jared fleet by nearly 900 basis points this quarter. Our digital and marketing capabilities continue to drive efficiencies, led by our use of AI in North America and reflecting a ROAS improvement this quarter of 30% to last year in our core banners. We are activating Signet's new CDP for this holiday season, more fully than ever before as we target the 35 million people we know have purchased jewelry in the US in recent years and 14 million people we know are in various stages of dating relationships.

To summarize my comments today the competitive advantages that we've built are working. We are positioned to deliver our commitments this fiscal year and are on track to meet our midterm goals.

With that, I'd like to hand it over to Joan.

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Joan Hilson

Chief Financial, Strategy, and Services Officer, Signet Jewelers Ltd.

Thanks, Gina. And good morning, everyone. Our performance this quarter reflects our continued ability to deliver free cash flow improvement on lower comp sales. We generated nearly $1.4 billion in sales this quarter, down 12.1% compared to this time last year with same store sales down 11.8%. Our performance reflects a 1% improvement in North America's total ATV compared to this time last year, or flat on a same store sales basis, also a one-point improvement over first half trends.

Traffic was down compared to last year in the mid-single digits. Trends from the second quarter were largely consistent throughout the third quarter, across both bridal and fashion, as well as across most price points. As expected, the decline in engagements impacted sales in the quarter, especially in our digital banners, given their more than 80% bridal penetration. Consumer access to credit remains healthy. Overall payment plan penetration was 46% for the quarter similar to last year.

Approval rates in store improved compared to last year and the amount financed was in line with the prior year. Credit health has continued into the fourth quarter. We delivered $501 million of gross margin this quarter with non-GAAP margins increasing 80 basis points to 36% of sales. Within that improvement is a 250 basis point expansion of merchandise margin that reflects the continued strength of our merchandise strategy and the growing penetration of services. Partially offsetting these gains was the deleveraging of occupancy on lower sales.

Turning to SG&A, our non-GAAP spend of $477 million or 34.2% of revenue was 280 basis points higher than last Q3. This year-over-year change reflects a 50 basis point improvement compared to the first half of this year, driven by our meaningful cost savings initiative in our seasonally lowest sales quarter. We achieved $65 million in cost savings this quarter in line with our expectations, bringing year-to-date savings to approximately $140 million.

Key drivers of the cost savings include non-customer impact initiatives, such as lower inventory costs related to material recovery, enhanced credit agreements, and overhead efficiencies. Deleverage in SG&A was primarily driven by investments in our digital banners and strategic initiatives in our seasonally lowest revenue quarter.

For the third quarter, non-GAAP operating income was $24 million or 1.7% of sales. As Gina said, this represents our fourth year in a row of positive earnings in the third quarter. This reflects the flywheel nature of our operating model, as we leverage scale and performance to drive consistent cash generation that we then invest to extend our competitive advantages and return cash to shareholders.

Turning to services. Customers continue to see the value of extended service agreements or ESAs outperforming merchandise by more than 15 points this quarter. Consumers continued to

be attracted to the great value of our warranty plans driving overall attachment 310 basis points higher to a year ago with gains in both bridal and fashion categories.

Turning to repair. We've made progress, ramping up the capacity of our enterprise-wide service center in Seattle, and now insource appraisal services through Kay in sales. The Tennessee repair facility continues to grow its B2B client base, while also bringing in-house all of Kay and Jared's watch repair needs, with Zales planned to be integrated next year.

Turning to fleet optimization. Subsequent to the quarter, we sold 15 stores, primarily luxury watch showrooms in the UK to the Watches of Switzerland Group. The accretive sale multiple generated proceeds of approximately $53 million. This sale represents a gain of approximately $12 million and will be treated as a one-time event. The divestiture of this non-strategic business allows Signet to accelerate key elements of our UK transformation plan.

Now turning to the balance sheet. We ended the quarter with more than $640 million of cash and equivalents, up more than $315 million compared to a year ago. In terms of free cash flow, we outperformed last year by nearly $100 million in the quarter on lower sales, driven by sustainable working capital improvement. We repurchased $35 million or nearly 0.5 million shares in the quarter. Since the end of the quarter, we've repurchased an additional $11 million or 135,000 shares. This brings our year-to-date total to more than $128 million and we have approximately $672 million in remaining repurchase authorization as of today.

This morning, we also declared a $0.23 dividend to common shareholders. Our return of capital is driven by our consistent free cash flow, led by our flexible operating model and a robust balance sheet, consistently converting over 70% of non-GAAP EBIT to free cash flow in recent years, driven by the structural changes we've implemented. We ended the quarter with $2.1 billion in inventory, which was down $333 million compared to last year or approximately 14% or 12.5% excluding the divestiture of inventory held for sale.

Our inventory turn of 1.4 times has improved considerably from a roughly one-time turn five years ago. We still see opportunity to improve our inventory turns over the mid-term as we leverage AI to drive perfect merchandise assortment by store, leverage flexible fulfillment, and continue to optimize our product life cycles. Each 0.1 turn improvement translates to approximately $100 million of additional free cash flow. Our leverage ratios remain below our target, with our adjusted gross debt leverage ratio now measuring 2.3 times or 1.8 times on a net basis. Additionally, our net debt to EBITDA ratio is only 0.2 times compared to 2.1 times in FY 2020, which highlights the improvement to our balance sheet over the last four years.

Now let's look at guidance, we are reaffirming our FY 2024 outlook, excluding the 15 store asset sale in the UK. The updated outlook reflects the removal of approximately $25 million of revenue and $5 million of four-wall EBIT for the 15 store sale in the UK in the fourth quarter. For the full year, we anticipated these 15 locations to generate approximately $60 million of revenue and $8 million of four-wall EBIT this year. Our top line outlook for the fourth quarter reflects expectations of a continued elevated promotional activity over the holiday season. We

expect engagements to be down mid to high single digits compared to the previous year versus down mid-teens year-to-date.

In the last three weeks, we've seen a more than 300 basis point improvement to engagement trends from our Q3 exit rate, and we anticipate further improvement as the quarter progresses. This outlook also reflects Black Friday weekend results in line with our previous guidance expectations for the quarter. Additionally, we have a 53rd week in the fourth quarter, which is worth between $80 million to $100 million in revenue. We're also lapping UK strikes last year, which is worth a point in comp sales. We continue to expect cost savings in the range of $85 million to $110 million for the fourth quarter. And finally, we expect somewhat less deleveraging on fixed costs in occupancy and labor on higher revenue.

Before we move on to Q&A, I want to thank our team for their commitment to our customers as we head into the peak holiday selling season, and wish them all a happy and safe holiday.

With that, we'll open the lines for Q&A.

QUESTION & ANSWER:

Operator^ (Operator Instructions) Our first question comes from the line of Ike Boruchow from Wells Fargo. Please go ahead.

Ike Boruchow

Analyst, Wells Fargo Securities LLC

Hi. Thanks for taking the question. Question for Gina. And then I have a follow-up for Joan.

I guess Gina, just at a high level, I think you've done a good job kind of over the past couple of quarters giving us kind of your State of The Union on the consumer as you see it. You've gotten through Black Friday probably a pretty high volume period for you guys. Just how are you feeling about the consumer today? The state of the consumer, is that much different than what you had seen or thought three months ago? Would love your perspective.

Virginia C. Drosos

Chief Executive Officer & Director, Signet Jewelers Ltd.

Yes. Hi, Ike. Good morning. Thanks for the question.

I would say we haven't seen a lot of change in how the consumer is approaching the holiday season. We have for a while now expected it to be a late holiday. Consumers are very deal-

conscious, really waiting to make sure they're getting the best deal they possibly can. Our Black Friday weekend results were in line with our guidance range. That tends to be a lower-priced part of the jewelry category sales, that's not the area that we compete in as much, but we had strong results across all of our banners on price points under $1,000. Banter performed particularly well. That plays more in that lower price fashion.

I think the good news is that, we're seeing the recovery in engagements the way we thought we would. The milestones are tracking. Google searches are above a year ago for the first time in a couple of years, and we're definitely seeing engagement ring sales begin to increase now. We still have it planned down for the quarter. It's a gradual recovery over three years, but I think that is definitely a good sign for us.

Ike Boruchow

Analyst, Wells Fargo Securities LLC

Got it. And then maybe Joan, so it looks like the implied comps for the quarter is somewhere like down mid to high. So a little bit better than 3Q. In the slide deck you guys have given, you guys are forecasting engagement trends to be up double digits next year. Just any help with the shape of next year? Just trying to understand, because the comps have, obviously --they've been negative double digits in 3Q, now still negative. Like, how do you see the cadence playing out? Anything at a high level might be helpful for us, just as we think about how you guys might be planning the business next year.

Joan Hilson

Chief Financial, Strategy, and Services Officer, Signet Jewelers Ltd.

Sure, Ike. As we said in our prepared remarks, when we look at engagement for the fourth quarter, our expectation is to be down mid to high single digits with respect to engagements. Now, that's an improvement. To Gina's point, a gradual improvement coming off of year-to-date numbers, which were down mid-teen, now moving towards low double towards the end of the third quarter. So we can see the progression happening.

So we would expect that progression to continue to improve as we move into next year. And do expect for the engagement overall, for the industry to be towards that 2.4 million incidents of engagement next year, and we have roughly a 28% to 30% share in the market. So we would expect that we could continue to hold on to that share as well as gain share with the many competitive advantages that we put in place, notably personalization, targeting customers at the right point in time in their journey, so we can be most helpful to them as they navigate the engagement journey next year.

Ike Boruchow

Analyst, Wells Fargo Securities LLC

Any chance you're comfortable saying when that would equate to the comp trend stabilizing or inflecting the positive?

Joan Hilson

Chief Financial, Strategy, and Services Officer, Signet Jewelers Ltd.

Not at this time, Ike, but we appreciate the question. And as we move into the fourth quarter conference call, we'll be really pleased to share that view.

Ike Boruchow

Analyst, Wells Fargo Securities LLC

Okay. Thank you.

Operator^ Our next question comes from the line of Mauricio Serna from UBS. Please go ahead.

Mauricio Serna

Analyst, UBS Securities LLC

Great. Good morning, and thanks for taking my question. I just wanted to ask on the operating margin. I think the implied guidance at the midpoint for the 4Q is roughly 150 basis points expansion year-over-year, and that's an improvement of what we've seen over the last couple of quarters. Maybe if you could walk us through, like, the puts and takes at the gross margin level, and also in the SG&A, just thinking about how each of these are going to move versus the previous quarters? Thank you.

Joan Hilson

Chief Financial, Strategy, and Services Officer, Signet Jewelers Ltd.

Sure, Mauricio. Thanks for the question. We spoke about in our prepared remarks the third quarter gross margin, and we expect that trend to continue into the fourth quarter. But what we're also expecting is the benefit of inventory-related costs continuing to improve in the fourth quarter, as well as the sourcing opportunities, the assortment strategy that we put in place to optimize margin.

And as we see bridal recovery begin to occur, we'll see a little bit of dilution there. But what's really important, I think in the fourth quarter to note is that, the digital banners are expected to recover, as we said, from our synergies. We're expected to gain roughly 50 basis points related just to the digital banners alone. So sourcing, inventory-related costs, markdown management, services, as well as the digital banner recovery is what we see in gross margin.

Cost savings, again which do affect gross margin as well are related to the same things, inventory-related costs, the very disciplined inventory management that our teams widely provide, as well as the clearance related to that. We take leaner marks on our clearance because of our strong position, and we're able to leverage it as strategic promotion. That provides us margin expansion as well.

I would note there's some offset for fixed cost leverage, but given the size of the quarter, it's less. And so there's less deleverage for occupancy costs, if you will.

And then the cost savings are just continuing. We have marketing opportunities. We have indirect procurement costs and general overhead costs that are costs out for us. There are structural changes in our business that we have put in place and implemented, over the last five years, we will have a close to $835 million of savings, just over the course of our transformation. So we'll continue to drive on costs the customers don't care about.

Mauricio Serna

Analyst, UBS Securities LLC

Got it. And then maybe if you could just elaborate a little bit more on what you're seeing on the lab-grown diamonds dynamics. I know there's been concerns about incremental capacity, and maybe some pressure on the prices. Maybe just update us on that, and where does that penetration is in your overall jewelry business? Thank you.

Virginia C. Drosos

Chief Executive Officer & Director, Signet Jewelers Ltd.

Sure. Hi, Mauricio. So, a couple of things on lab-grown diamonds. Number one, the cost have -- has come down considerably this year. We think that growers are now pretty much at the bottom of the cost curve. The costs that we're seeing are really not much more than the cost of the ingredients, the power to make them and a small margin on that. So we don't see much movement in the future on cost. What we've been able to do really effectively is to keep our ATVs up.

We've done that both on natural diamonds and on lab-created. In part, that's because of the average price of a typical diamond sale for us. We're able to trade customers up into a lab-created at a higher ATV and we've branded lab-created, we've brought innovation. Our team has done a

really nice job strategically managing that so that it's become a margin help but not a revenue headwind.

I think as we go forward, you asked a little bit about penetration. It's low teens as a percentage of our total diamond business, so still not high. But we have seen it level out a bit. It was growing much more quickly earlier in the year and over the last couple of months, we've seen lab-created level out quite a bit. And in the prepared remarks, I talked about the work going on in the diamond industry on natural diamonds. They're special, right? There -- it's finite supply, et cetera, and so we're really seeing a lot of good work going on that is causing, I think some of the pressure on natural diamonds to abate. We would expect that to kind of level out to a more normalized place next year.

Mauricio Serna

Analyst, UBS Securities LLC

Got it. Thank you so much.

Operator^ Our next question from the line of Paul Lejuez from Citi. Please go ahead.

Paul Lejuez

Managing Director, Citi Equity Research

Hi, thanks, guys. I just want to be clear on your fourth quarter guidance. Are you saying that you expect your engagement sales in fourth quarter to be down mid-to-high single digits? And then if that's right, how does that break down in units versus tickets? And also curious if you could talk about your like-to-like changes in pricing of lab-grown and natural.

Joan Hilson

Chief Financial, Strategy, and Services Officer, Signet Jewelers Ltd.

So, I'll take that, Paul. So, engagements, you're correct. We said that engagements, we expect to be down mid to high single digits in 4Q compared to mid to high teens for the year-to-date kind of performance. So, as we continue to, as I said earlier, move into the first half of next year, we would continue -- we would expect to continue to see that decline abate, and we would move towards that 2.4 million incidents of engagements next year.

From a pricing perspective, we are -- you can see through our results. And as you look at the 3Q, we have been able to manage our ATV relatively flat. It's up a point when you consider Blue Nile. And what the team has been able to do is really balance pricing very nicely through branding of LCD product, special shapes. We believe that LCD in fashion, as an example, is a nice way for us to expand our fashion business.

So we are feeling that the teams have appropriately addressed the market position of pricing within diamonds, balancing natural and LCD. And we really haven't shared units versus dollars in terms of that performance. But we believe that we're on -- we're seeing the uptake we expected in bridal and encouraged by what we're seeing in fashion.

Paul Lejuez

Managing Director, Citi Equity Research

Got it. What kind of cost changes have you seen on lab-grown and natural, like if you look at it on a like-for-like basis?

Joan Hilson

Chief Financial, Strategy, and Services Officer, Signet Jewelers Ltd.

So, on lab-grown, we've seen -- what everyone's seen in the market is that lab-grown costs have come down. We believe that they're likely at their lowest point given there's a cost of making the lab-grown. There's labor, there's energy, there's other -- those basic costs that go in. So we've seen those costs come down within lab and our pricing, we've been able to manage, as I said earlier, with the special cuts and the branding.

Natural diamonds, we are able to balance the assortment. We, as you know, sell loose diamonds, as well as finished products. And between the combination of that and our custom design business, we are able to manage what we're seeing happen in the market. And we, as you know, have a diamond marketplace, which gives us real-time pricing of diamonds across globe. And we are able to really have a keen sensitivity on pricing in a dynamic sense. So we're leveraging those tools to drive our competitive advantages.

Paul Lejuez

Managing Director, Citi Equity Research

Thank you. Good luck.

Operator^ Our next question comes from the line of Jim Sanderson from Northcoast Research. Please go ahead.

Jim Sanderson

Analyst, Northcoast Research Partners LLC

Hi, thanks for the question. I was wondering, could you provide us what you expect on North American and international same-store sales to get to the higher end of your fourth quarter guide?

Joan Hilson

Chief Financial, Strategy, and Services Officer, Signet Jewelers Ltd.

So, on a total company basis is the way that I would express that for you, Jim. And...

Jim Sanderson

Analyst, Northcoast Research Partners LLC

Okay.

Joan Hilson

Chief Financial, Strategy, and Services Officer, Signet Jewelers Ltd.

It would be 7% to 8% for the high guide. Negative. Negative 7% to 8% on the high end. Now, remember, in the fourth quarter, just to give you a little color on that, our revenue position, not in the comp, but we have that extra week, which we have stated is $80 million to $100 million. In the UK, as you mentioned, international -- the UK is cycling the strikes from last year, so that's reflected as they have a better comp than North America relative to that, as well as recall the UK sale of the locations for the watch showrooms, and so that is removed from the base as well.

Jim Sanderson

Analyst, Northcoast Research Partners LLC

Understood. So a lot of moving parts there.

Joan Hilson

Chief Financial, Strategy, and Services Officer, Signet Jewelers Ltd.

Yes.

Jim Sanderson

Analyst, Northcoast Research Partners LLC

A follow-up question.

Joan Hilson

Chief Financial, Strategy, and Services Officer, Signet Jewelers Ltd.

Yes, exactly.

Jim Sanderson

Analyst, Northcoast Research Partners LLC

Yes. Just a quick follow-up question, just following along on the recovery of the engagement cycle, how do you foresee the recovery of the engagement average transaction value and unit profitability as this recovery in engagements takes place? And that's given the changes in demographics that you've called out, maybe changes in consumer preferences that are different today than pre-Covid.

Virginia C. Drosos

Chief Executive Officer & Director, Signet Jewelers Ltd.

Hi, Jim. I think the big change will be in units. So we've seen couples progressing through the milestones that we've identified. We see a statistically significant, growth in people getting to that last stage, which is when they choose to get engaged. So units is where we would expect to see an increase. ATVs have been pretty stable for us across lab-created and natural all year.

We're bringing innovation that we think appeals to multicultural customers. Yellow gold is a great example of that. They tend to have a preference. Brand names is another example. We haven't seen anything that would indicate that a shift toward more multicultural engagements would cause a significant difference in ATV. We'd expect it to be very similar to what it is today. The one thing I would say is that, we do know among Hispanic customers is that they tend to have a preference for natural diamonds over lab-created. And so, that'll be an interesting trend for us to look at going forward.

Jim Sanderson

Analyst, Northcoast Research Partners LLC

All right. Thank you very much.

Operator^ Our next question comes from the line of Lorraine Hutchinson from Bank of America. Please go ahead.

Melanie Nuñez

Analyst, BofA Securities, Inc.

This is Melanie on for Lorraine. I just had a question about the promotional landscape, specifically for Black Friday. I know you said Black Friday came in in line with expectations, but how were promotions across the different banners? And anything else you can provide on traffic and price points for Black Friday Cyber Monday? And then still on promotions, what are you embedding in 4Q for the holidays? Thanks.

Virginia C. Drosos

Chief Executive Officer & Director, Signet Jewelers Ltd.

Sure. So, it's been a different holiday season. Over the last couple of years, we've seen consumers shop early, in part due to supply chain challenges. They came into the market to make sure they could get the holiday gifts they wanted before they sold out. This year has been quite different. We've been predicting for a while that holiday would come quite late. Usually, the earliest shoppers for jewelry for holiday are women buying at lower price points for gifts and for themselves. We saw that as the primary customer during Black Friday weekend. Promotionality was very high on those lower price point goods. We were competitive in that context, both through the way we're able to do targeted promotions, given our CDP and our personalization capabilities, but also we offer a great value through our sourcing and our vendor relationships.

So as we move through December, we would expect to continue to see a high level of promotionality. I think that will come up into higher price points as independent jewelers are still trying to clear some of the inventory they had from last year. We have a very healthy inventory, so our level of newness is excellent. One of the encouraging things that we've seen is that year-to-date, our newness is selling 30% faster than it did a year ago. So, that's what consumers tend to look for in this kind of an environment. They look for a great value, which we can provide because of our sourcing capability, and they look for innovation. And we think that's an area where we will really stand out. So all of that to say it was very promotional in Black Friday at lower price points. We think it'll be promotional for the rest of the season, and we're ready for that.

Operator^ Thank you. There are no further questions at this time.

I'd now like to turn the call back over to Ms. Drosos for final closing comments.

Virginia C. Drosos

Chief Executive Officer & Director, Signet Jewelers Ltd.

Sure. Well, thank you everybody, for being on the call with us today.

In closing, as a company whose purpose is to inspire love, we are committed this holiday season to doing our part to enable people to express love to each other in these difficult times. I'm proud of and very appreciative of our team who brings our purpose to life every day. Thank you.

Operator^ Thank you. Ladies and gentlemen. this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.

Have a lovely day.