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# Signet Jewelers

FY26 First Quarter Earnings

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## CORPORATE SPEAKERS:

**Robert Ballew**
*Signet Jewelers; Senior Vice President of Investor Relations and Capital Markets*

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**J.K. Symancyk**
*Signet Jewelers; Chief Executive Officer*
**Joan Hilson**
*Signet Jewelers; Chief Financial and Operations Officer*

## PARTICIPANTS:

**Paul Lejuez**
*Citi; Analyst*
**Juliana Duque**
*Wells Fargo; Analyst*
**Dana Telsey**
*Telsey Group; Analyst*
**Mauricio Serna**
*UBS; Analyst*
**Jim Sanderson**
*Northcoast Research; Analyst*

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## PRESENTATION:

Operator^ Good morning. And welcome to the Signet Jewelers First Quarter Fiscal 2026 Earnings Call.

Please note that this event is being recorded.

Joining us today on the call are Rob Ballew, Senior Vice President of Investor Relations and Capital Markets; J.K. Symancyk, Chief Executive Officer; and Joan Hilson, Chief Financial and Operations Officer.

At this time I would like to turn the conference over to Rob.

Please go ahead.

## Rob Ballew

*Senior Vice President of Investor Relations and Capital Markets*

Good morning. Welcome to Signet Jewelers First Quarter Fiscal '26 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 reconciliation 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 JK.

## J.K. Symancyk
*Chief Executive Officer*

Thanks, Rob. And good morning, everyone.

I'd like to open my remarks today with a thanks to our team. Your dedication is delivering results including both same-store sales and operating income growth above our guidance range.

I recently had the chance to spend extended time with our top sales associates in the organization and your passion and commitment to executing on our strategy is inspiring. Thank you for all your hard work.

There are three key takeaways I'd like to leave you with today.

First, our quick actions delivered results ahead of our first quarter expectations with both same-store sales and adjusted operating income growth.

Second, our Grow Brand Love strategy is in the early innings of delivering long-term sustainable growth by better aligning our brands to their unique customer expectations as well as balancing assortment architecture in both bridal and fashion, all supported by a realigned organization. And third, we're confident in our ability to manage the levers under our control to execute in a dynamic macro landscape.

Turning to the quarter, the actions we took in response to holiday and our early work on Grow Brand Love led to the outperformance I just mentioned with balanced growth across all categories. Fashion same-store sales sequentially improved roughly four points to the fourth quarter, led by improvement in the key gifting price point range of $250 to $500.

We also drove improvement in bridal by filling assortment gaps, particularly within our largest brands.

Finally, we're gaining traction on our centralized marketing efforts with a more than 30% increase in impressions at our three largest brands on a low-single-digit increase in ad spend to last year.

We'll cover our performance in more detail as we discuss our early progress on our Grow Brand Love strategy. You'll recall that strategy addresses three imperatives we believe will drive shareholder value. Those three are shifting to a brand mindset, growing our core and expanding into adjacent categories while aligning our organization to support the first two imperatives.

With that, let's jump in.

First, talking through our shift to a brand mindset, we have developed a go-to-market strategy unique to each of our largest brands, Kay, Zales and Jared.

We're aligning marketing, product assortment and experience in accordance with the right target audience for each brand. This early-stage focus is the most effective way to build value for the company.

For example, one point of comp growth in these three brands has the same impact to Signet as six points of growth for the remaining brands. Results for those three brands is already delivering a combined 4% comp sales in the first quarter with continued trend in May. Further, we delivered that sales growth while increasing AUR in both bridal and fashion while expanding merchandise margin.

Our actions to build brand equity are fundamental to this work.

For example, at Zales, we recently unveiled our "Own It" campaign. This campaign is targeting self-expression at every occasion including the most common occasion, everyday wear. Zales is one of the best positioned brands to target self-purchase, and we're leaning into it with the launch of this campaign. The Own It campaign collections like Stellar Allure and Whimly are targeting affordable price points and relevant designs that accommodate the trend of stacking.

Alongside this, the brand is testing store formats that provide reimagined jewelry shopping experiences as well as marketing across new media channels like mobile gaming and interactive social formats.

At Jared this week, we'll be launching a new fashion campaign that distinguishes itself within our portfolio as the aspirational luxury brand. This campaign will build on the product assortment and experience work that has been completed to date while highlighting the expansion of successful collections like Unspoken to drive both customer acquisition and retention.

Our ability to leverage branded collections allows us to reduce promotional discounting, evidenced by a more than 20% reduction in discounting at Jared compared to Q1 of last year. Kay's brand position as the Romantic and Milestone gifting destination is one of the strongest in our portfolio. That said, we're introducing new fashion product here as well for both Her and for Him.

One of the most important areas of focus for brand health at Kay is reducing our reliance on promotion while attracting customers with new product and refreshed experience, both digital and in-store.

In May, we've seen traction on these changes, driving unit and margin improvement, signaling a positive response to our actions.

As you can see, we are driving brand distinction through a wholistic go-to-market strategy. So while we're in early innings, we're driving progress with work still ahead of us. We expect to update you on further progress throughout the year.

Moving on to the next imperative of growing our core and expanding into adjacent categories.

We're already driving some important proof points here.

We've gained traction in core product now with a healthy bridal offering at key price points and product types. This action delivered unit growth in engagements, modestly increased AUR and expanded category margins, all while managing the balance within our architecture between lab-grown and natural diamonds.

Our leadership position in bridal gives us the right to expand into adjacent categories like fashion, which is important to the long-term and sustainable growth of Signet. Fashion's total addressable market is multiple times larger than bridal, and it's an area where we can create and capture demand through assortment strategy and brand equity.

We've introduced new collections within fashion, leading to positive comp category performance and overall sales growth for Valentine's Day and the quarter.

This was led by growth in the key gifting prices below $500, a marked sequential improvement while continuing to lift category AUR. Lab-grown diamond or LGD fashion growth of 60% this quarter was supported by the introduction of new product, which led to notable AUR improvement.

We continue to see significant runway for LGD fashion growth.

Our new Whimly offering at Zales, which I referenced a moment ago, targets value and everyday wear with pieces that include metals, gemstones and lab-grown diamonds.

This represents one of the pathways to building customer credibility and ultimately, brand equity over time. A critical imperative in support of our Grow Brand Love strategy is the alignment of our organization to drive growth.

Our reorganization is now substantially complete.

We are also actively recruiting for key leadership roles with a new Chief Marketing Officer expected to be announced later this quarter.

In the past couple of months, we've integrated digital and technology into a single centralized function.

These changes provide more efficient decision-making alongside clearer accountability. Leaders across our company have carried out this reorganization, balancing the focus on creating value for tomorrow while delivering the results for today.

So before handing things over to Joan, I'd also like to address tariffs.

While the final outcome has yet to be determined on this topic, we've taken action and positioned ourselves for agility.

Most of what Signet sells is imported and most of it is finished goods.

Our international sourcing comes from a variety of countries with India representing about half of our imports and China only high-single digits. The team has taken several actions since April to minimize potential cost impacts and safeguard against supply chain disruption, all while continuing to protect the value proposition we deliver to our customers.

We're working with our vendors to optimize production and receipt schedules as well as evaluating sources of origin.

We believe we will be able to move most of our Chinese manufacturing to other areas or bring in alternatives from other countries ahead of the important holiday season.

We believe that we can navigate tariffs as they stand today within our full year guidance through a combination of vendor negotiations, value engineering of new and existing styles as well as promotion and lifecycle management. The situation obviously remains fluid, and we will provide updates as appropriate.

In summary, my key takeaways today are: first, quick actions delivered results ahead of our first quarter expectations.

Second, our Grow Brand Love strategy is in the early innings of delivering long-term sustainable growth. And third, we are confident in our ability to manage the levers under our control to execute in a dynamic macro landscape.

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

## Joan Hilson

*Chief Financial and Operations Officer*

Thanks, J.K. And good morning, everyone. The activation of our Grow Brand Love strategy is intentionally focused on driving sustainable growth with disciplined execution and accountability across the company.

We have aligned our organization to our strategy and are beginning to maximize our scale advantages through centers of excellence that drive enterprise-wide impact. Concentrating on our three largest brands creates the most meaningful impact on growth, most immediately through assortment architecture, promotion management and maximizing the investments in our e-commerce channel.

In parallel, we are fully engaged on longer-term initiatives including delivering on our real estate plan, expanding services offerings and building brand equity, particularly in fashion. Turning to the quarter, revenue was $1.5 billion with same-store sales growth of 2.5%, with growth across every major category including services.

Further, Kay, Zales and Jared delivered double-digit e-commerce sales growth while expanding their sales per square foot by nearly 5% to the prior year. The leading factor in this growth is the

strength of our new product offering across all categories, which delivered a sales penetration increase of new product by eight points while roughly maintaining inventory levels.

These results reflected growth across all channels including mall, off-mall and e-commerce.

While Blue Nile was in line with the company's comp sales growth, James Allen created 140 basis points of pressure to comps.

I'll touch more on that topic shortly. From a product perspective, merchandise AUR grew approximately 8%, with fashion up 10% and bridal AUR up slightly. The fashion AUR improvement was primarily driven by a 60% increase in LGD fashion sales, which carries a more than 2x AUR premium to category AUR and higher gold prices.

As JK mentioned, we also saw significant improvement in fashion price points between $250 to $500.

In bridal, we continue to maintain a slight increase in AUR while managing assortment to meet consumer demand through our brand portfolio. Moving on to gross margin.

We delivered a rate expansion of 100 basis points to last year. This reflects our refined promotional strategy, inventory management and leverage on fixed costs such as occupancy.

Our SG&A rate was flat to last year for the quarter and was better than our expectations, driven by earlier-than-anticipated cost-out actions from our reorganization and continued spend discipline. Adjusted operating income exceeded expectations at $70 million for the quarter, up more than 20% to last year. Adjusted EPS was $1.18, which was above last year on higher income and a lower share count, partially offset by a higher effective tax rate and items related to nonoperating investments, some of which we expect to recapture over the year. Turning to the balance sheet.

Inventory ended the quarter at $2 billion, up approximately 1%, lower than the 2% growth in revenue.

The health of our inventory provides flexibility within merchandise margin including pre-tariff product, the ability to further improve lifecycle management and strategic promotion management. Cash ended the quarter at $264 million, with total liquidity of $1.4 billion.

Our liquidity position enabled us to take advantage of the pullback in share price this year by more aggressively repurchasing shares with approximately 2.3 million shares repurchased year-to-date or over 5% of shares outstanding.

We have approximately $600 million of authorization remaining.

As a reminder, our top priority for cash remains organic growth, followed by returning capital to shareholders and maintaining a conservative leverage ratio.

In fact, Fitch recently upgraded our credit rating to investment grade.

In the quarter, we've made progress on our real estate plan, designed to create an experience aligned with each brand's identity.

As a reminder, we have a 4-pronged strategy: first, close up to 150 underperforming doors over the next two years; second, we'll optimize sales transference following closures by shifting sales to remaining doors and to our e-commerce channel; third, reposition nearly 200 healthy doors in declining venues; and lastly, continue to refresh our existing fleet.

Progress this quarter includes renovating approximately 40 stores with an additional 160 locations planned for the balance of the year.

We closed 14 stores in the quarter, and expect to close just under 100 stores within the fiscal year.

As a reminder, these closures are concentrated in underperforming mall locations with the lease terms expiring towards the end of the year.

We continue to identify opportunities to reposition high-value stores and declining venues with approximately 10 planned for this year and up to 200 in the next three years.

The reposition strategy and closures reflect our continued shift away from traditional mall locations as we align our footprint to support unique brand strategies.

Over the last year, we've reduced our North America mall revenue penetration to approximately 35% and we continue to expect progress towards reducing this penetration to 30% in the next few years.

We do not expect a material increase in our normal level of investments to drive this strategy forward.

Now returning to our digital brands. The technical challenges are behind us, and we have since seen a consistent positive comp performance in Blue Nile. That said, James Allen continues to underperform, reflecting lower brand awareness and its current positioning in the value space for custom engagement rings.

We are taking aggressive action to improve performance including a refined marketing strategy and significantly higher levels of finished product to better meet the timing requirements of customers while we continue to take a deeper look at the brand. Turning to guidance.

We expect total sales for the second quarter in the range of $1.47 billion to $1.51 billion with same-store sales in the range of down 1.5% to up 1%.

Our sales expectations for the second quarter include quarter-to-date performance near or above the high end of the range reflecting continued improvement in our 2-year stack. This includes a positive low-single-digit Mother's Day performance, a trend which has continued since.

We expect gross margin rate to be flat to up modestly in the second quarter and continued merchandise margin expansion and modest deleverage in SG&A.
We expect adjusted operating income between $53 million to $73 million in the quarter.

For the year, we are increasing the low end while maintaining the high end of our fiscal '26 operating guidance.

We now expect total sales in the range of $6.57 to $6.8 billion with same-store sales in the range of down 2% to up 1.5%. The lower half of our guide continues to provide flexibility in the back half of the year for a measured consumer environment and reflects, at the low end, a 2-year stack consistent with the second quarter.

We continue to expect gross merchandise margin expansion for the year as our product and promotional strategies should more than offset current tariffs.

We continue to expect SG&A as a percentage of sales to be slightly higher year-over-year at our high guide. Recall that our outlook also includes an incentive compensation reset within SG&A that is largely offset by cost savings related to this year's reorganization along with normal levels of inflation.

Onetime costs related to the reorganization of $30 million to $45 million are expected largely in the first half of the year and nearly all will be excluded from adjusted results.

Reflective of our updated operating guidance and share repurchases to date, we are increasing our expected adjusted EPS by approximately 4% at the midpoint to a range of $7.70 to $9.38 per diluted share.

We continue to expect capital expenditures of $145 million to $160 million.

Before we turn to Q&A, I'd like to personally thank our Signet team for their commitment to our Grow Brand Love strategy and delivering early wins, all in the spirit of our Purpose, Inspiring Love.

Operator, let's now go to questions.

## QUESTION & ANSWER:

Operator^ (Operator Instructions) Our first question comes from the line of Paul Lejuez with Citi Group.

### Paul Lejuez
*Citi Group; Analyst*

Curious if you could quantify your unmitigated tariff pressure. And then maybe if you could size the pieces in terms of the actions that you're taking to mitigate those pressures? And then second, curious if you could talk about pricing in both lab and natural.

I'm curious how each of them are trending within the bridal and fashion categories and how you're thinking about that for the rest of the year?

### J.K. Symancyk
*Chief Executive Officer*

Yes, Paul, I -- as far as tariffs are concerned, I think the -- there's really a couple of levers that we're leaning into to take advantage of that. And it's not so much about cost impact as thinking about what are the things that we need to do to continue to hit the right price points and maintain margin structure within the business.

So that becomes as much of an exercise in design and assortment architecture to really make sure that we can still hit those key price points.

If you think about the landscape today, I mean there's an incremental 10% tariff on India primarily.

Obviously that ball is moving around a little bit.

And that's why I think agility is really important for us as we think through it.

We do have a little bit of an advantage in the sense that our business is a longer lead time business. And so that means we've got to stay out in front of it, but it also means we've got a

great inventory position going into it, where we have the flexibility to really adjust our assortments as we hit these key holiday time periods.

I would also point out, I mean it's not part of your question, but there's a couple of other levers here.

I mean what's happening with commodity prices is one of them. And of course, part of that is gold.

So all of it kind of goes into the mix as we think about sourcing strategy and assortment architecture.

As we shared on the call it's baked into our guide.

So we feel confident about how we've accounted for it based on what we know today.

But those three biggest levers, I would say, the largest of them is really how do we think more maybe differently about assortment architecture to deliver.

Second would be ultimately country of origin sourcing opportunities and where we feel like the best place to place goods are, how we're working with our suppliers to best leverage that. And then the third is really more about looking at any sort of shifts in placement, particularly as it relates to timing. How do we think about timing of receipts to be able to make sure we're safeguarding the fourth quarter. From a cost standpoint, we -- I think we've seen a pretty consistent set of actions going on, particularly as it relates to lab versus natural. Natural has stabilized of late.

That's actually been reported beyond our business.

It's out there publicly. There is some continued deflation within lab, but the phenomenon I see playing out in our numbers is it's actually continued to be a source of expansion for AUR for us, partly because of how consumers have traded up in some categories.

And then the expansion of lab and fashion really that lower cost is part of what enables the growth of lab as part of an entrant into a category where it would have been underpenetrated before.

So that lab growth in fashion is I would dimensionalize totally different.

It really is an accretive opportunity just because it's expanding the utilization of diamonds in the fashion space.

## Joan Hilson
*Chief Financial and Operations Officer*

The only thing I'd add on to that, Paul, is that lab from a lab diamond perspective, it's decreasing but at a slower pace than we've seen in the past. And then with respect to quantifying, what we've said is that our guidance includes our view of the impact of tariffs on our business as we know it today, and it doesn't include anything unknown or new that may come forward.

But we believe that at the low end of our guidance, we've provided for some flexibility related to that.

And we're very pleased with the work that the team has done around promotion management and JK cited in his prepared remarks that Jared on its own have reduced discounting by 20%, and we've seen as the 10-Q is filed, you'll see the increase in Jared, and as we noted, those three -- the three big brands were up positive comps, very important to our business overall.

So pleased with the execution of our promotional planning and refinement of that strategy to help us work through some of these other factors that we can navigate for sourcing, as JK said, and through assortment architecture.

Operator^ And your next question comes from the line of Ike Boruchow with Wells Fargo.

## Juliana Duque
*Wells Fargo; Analyst*

This is Juliana Duque on for Ike.

For JK, maybe a couple of questions.

If you could compare the performance of fashion and the ongoing recovery of bridal, and maybe just give more in both there specifically on any progress on Signet's market share position within each of these 2? And additionally on that, you mentioned last quarter that lab presented a new customer opportunity.

Have you guys seen a ramp up in that new customer in Q1?

And then I think that's it.

## J.K. Symancyk

*Chief Executive Officer*

Okay. Yes. Thanks, Juliana.

I think I got it, but if I missed something, please let me know.

So on fashion versus bridal, I mean obviously we talked a lot about bridal trend.

I think I've been pretty clear that while I don't necessarily know that there's a level of precision that maybe we've articulated in the past, the directional movement of it, up and to the right has continued, and we see that playing out in this quarter.

On the fashion side, I mean this is where I'll kind of come back to what I pointed to in the first part of it. Long lead time business also means it takes a little bit of time to adjust assortment, but we've taken very clear actions around where we felt like there were holes in assortment or maybe where we lack the depth at key price points. And then, I think, a little more deliberate around where there's opportunities for newness. That led to same-store sales sequential improvement of four points and move fashion to positive, which I think is an important first step for us.

But I think there's more to go.

We've got -- it does take time to reset an assortment.

It also takes time to really build that credibility with customers. And I think doing that on a consistent basis is -- we certainly were doing the work to put ourselves in that position.

I believe that's what we'll deliver.

But I'm pleased with the progress in the first quarter. And I would say the star of that show really has been our work around that sub-$500 price point to make sure we were shoring up the misses an assortment that we had.

I think that's critical for us, both for every day as well as for some of those key gifting periods. And there are real highlights in a brand like Zales, where Stellar Allure and Whimly are better positioned in building as it relates to trends like stacking in our Zales business as well.

Zales Essentials, which is a wider price point range, but I think really focuses on traditional and -- not traditional but maybe foundational pieces that are going to be a little more timeless and really the kind of foundational elements that will survive from trend to trend.

I think those are really important drivers in a brand like Zales. Jared, we've talked about, unspoken a lot, which I think is great because it does show there is a growth opportunity as it relates to great design and a natural diamond-focused set of fashion pieces.

Shy Collection is another that is really driving growth.

So there are a lot of proof points around the business that I think are important as we look to build customer ship overall, both from an acquisition and from a retention standpoint.

Those are longer measures.

I don't want to call a victory one quarter in.

I think when you look at those things.

We're pleased with the progress and the health of that is something that will mean more over time. From a market share perspective, we really only -- we get our best views of market share on an annual basis just given the turn basis of this business.

And so we really only -- we only talk about it then because our data is best.

I think the health of our business, certainly feel better about and when you look at comp sales improvement that we're driving, and I believe that if we do these things, we do know we shifted to growing bridal market share, I think, in particular, given the size of where we are in fashion, getting an annual read is going to be a heck of a lot more valuable for us.

But we're moving in the right direction in that regard and happy to see both levers working within the business.

Operator^  And your next question comes from the line of Dana Telsey with Telsey Group.

## Dana Telsey

*Telsey Group; Analyst*

Nice to see the progress.

As you think about the health of the consumer, what are you seeing in the different brands? Is it different? And what are you seeing in terms of price point ranges, given the AUR went up to 8%, I believe, from 7% last quarter. That trend, where do you see it coming from and progressing?

And then just lastly, as you think about the upcoming holiday season, marketing, new product launches, how are you thinking about that in the midst of this environment of tariffs and a potentially more pressured consumer?

## J.K. Symancyk
*Chief Executive Officer*

Dana, can you repeat the first part of that question for us, if you don't mind.

I think you're asking about health of consumer, but I don't want to guess at it and you cut out for just a second.

## Dana Telsey
*Telsey Group; Analyst*

No problem.

It was about AUR growth increased from -- to 8% from 7%. Where is that AUR increases coming from? How do you see that developing going forward?

## J.K. Symancyk
*Chief Executive Officer*

Yes.

I mean AUR growth really has been across the business. And I think the fact of the matter is there's two different dynamics there. There -- in bridal, I think it's consistent with what we've talked about. The stability of cost and price and really to the degree there is a decision that customers are making relative to natural versus LGD.

They continue to trade up in size and LGD and that hasn't really changed.

I think we've pointed to a little more predictability and stability to that.

But that trend is pretty clean.

On the fashion side, even though we are talking a lot about $250 to $500 price point being a key driver of that business, it may sound repetitive, but LGD is an expansion of the use case of diamonds into fashion and really does create a trade -- a trade up opportunity in spend that -- and I hesitate to say trade up because that choice is a little more discretionary, but it really is opening up a new avenue of merchandise. And that's helping drive AUR for us.

Its part of where we feel like there's an opportunity for growth.

As far as the consumer I think the -- we said it, there's resiliency there. And it's -- what we're seeing in AUR increase is more about making sure that we are aligning to the right trends and sort of matching design and the need and wants of consumers.

I think if we do that, consumers have shown the resiliency to spend on those things that they really want. And if we fall short of that, then that's when I think some of the pressures around AUR or promo start to creep in.

And so we continue to put that focus on the right assortment at the right time at the right value proposition for customers, and I think we'll continue to see these kinds of trends. The one -- the one thing I would call out, though, as it relates to AUR, I think we expect it to be up, but the growth of fashion at a lower price point in aggregate will moderate AUR in total for us. And so I think part of our job is to really dimensionalize that within our business just so that we're not giving a false read, so to speak, on what the health of that looks like within our business overall.

As far as your second question, I think marketing overall, I mean for us, we talked about it, our cost up slightly, but with a 30% increase in impressions -- that's important for us because it really does help market to a new set of customers and expand our world.

I think it's a -- that's going to be critical for us as we move forward just because it will expand our universe. And we do think that, obviously our guide sort of allows for a little bit more dynamic consumer environment and we're prepared for it.

I think it will be important for us to make sure that we are really targeted in both our spend and our audience. The interesting thing is we continue to see an opportunity to pull back on promotion. And I think that's going to be really critical to kind of cut through some of the noise for the holiday and make sure that we're much more focused on what the key drivers are, how do we hit key price points and then ultimately, how do we leverage those windows of demand and strike the right balance between a more traditional top of funnel spend, but the continued expanded reach in digital that we're seeing drive the business right now.

Operator^ And your next question comes from the line of Mauricio Serna with UBS.

## Mauricio Serna

*UBS; Analyst*

Great.

I wanted to ask just on -- maybe on the lab-grown diamond business.

Could you remind us how much of your business is lab-grown diamond now and like for the guide like what's implied to be by the end of the year in terms of penetration? And then just some commentary, just confirming some commentary earlier had like quarter-to-date comp sales are up low-single digits. And could you just like explain a little bit more about 2-year stack comments you talked about, is that on comps or total sales?

Just to make sure we got that right.

And then lastly, on gross margin, you talked about expansion for the full year. Does that include any impact from leverage or deleverage? And just on that, like what's the leverage point of the business at this level?

## Joan Hilson

*Chief Financial and Operations Officer*

Thanks, Mauricio. From an LGD penetration perspective, overall penetration is roughly 20 -- I'm sorry, 20% -- this is up about five points to last year and in line with our strategic positioning of our assortment.

So -- and as we continue to drive, this was reflective of our drive of LGD in fashion, particularly, as you know it carries a 2x higher AUR other fashion pieces.

So we think this is very important to the point on driving gross margin expansion for us as well.

So that is the positioning on LGD.

With respect to our comp. And when we think of Q2 and fiscal '26 guide, I'll address that. Quarter to date, our performance is currently near or just above the high end of our comp range for the quarter. Both our quarterly and full year guide provides for flexibility for the measured consumer environment and variability in consumer spending.

On a 2-year stack basis, the high guide and the midpoint is a roughly 2-point improvement on the second quarter.

The lower half of our guide continues to provide flexibility in the back half of the year for the measured consumer environment and reflects at the low end, a 2-year stack consistent with the second quarter.

So it's a measured view and believe that we're positioning our guidance in the right place. And just as you think about the second quarter and where we've positioned the guide, July is a tougher comp for us year-over-year.

So we had a better performance last year than we saw in the first two months of the second quarter.

So we continue to really evaluate our assortment architecture and really enjoying the momentum that we're seeing in assortment that the team has put forward and the breadth of price points that we're able to offer the consumer, particularly in the backdrop of the environment today.

Then with respect to gross margin, our gross margin performance with the 50 basis points expansion, the GMM expansion, in the first quarter was 50 basis points, and we did see leverage on the positive 2.5% comp in occupancy and some other inventory-related -- inventory-related items in the quarter. And I'm very pleased with that.

On a go-forward basis, we believe that we can leverage GM or gross margin on a slightly positive comp and continue to believe we'll see expansion throughout the balance of the year at a similar level. And that's what's reflected in our guidance.

Operator^ And your next question comes from the line of James Sanderson with Northcoast Research.

## Jim Sanderson
*Northcoast Research; Analyst*

Congratulations on a great quarter.

I wanted to lean in a little bit more to the lab-grown feedback you provided.

What is your outlook on your ability to achieve the higher end of guidance if there are increased tariffs coming out of India? I'm trying to understand your exposure to that product line and the risk of higher tariffs.

## J.K. Symancyk
*Chief Executive Officer*

Yes. I appreciate the question.

I think the biggest probably takeaway as we think about tariffs, I mean is first, it's fluid issue. And as it stands today, we've got a task force that is literally meeting across the business weekly,

sometimes daily based off of what the new cycle may be to make sure that we're coordinating our actions.

I do think this is maybe something I should have touched on in sort of the first round of question on tariffs.

As the largest player in the space and with the portfolio of brands that we have, our ability to leverage our scale thoughtfully as partners is a real advantage.

I think that's something that we're also trying to make sure that we are coordinating those efforts across our portfolio so that we're thinking about not only the health of our business, but the health of the consumer, ultimately, the health of our partners.

I think this -- it's -- there's a lot of stakeholders here that are thoughtful around how that's going to play out.

As far as this issue specifically with lab, I think it's less of a pressure point. The control that we have around those input costs. And when I say those input costs, even beyond tariffs, size of stone, what's the design that we're building, how do we flex fabrication as well as timing.

I mean all of those are levers that I think are actually a little more controllable in the space of lab. And unlike maybe some of the other commodity input costs, where we can lean into production almost like a manufacturer and have a little bit more flexibility to make sure that we're engineering the right product at the right price point to really meet and drive demand within the business. And so I don't see that as at least based off a set of facts we know today, I don't see that as one of the more critical levers relative to any sort of risk to our guide.

## Jim Sanderson

*Northcoast Research; Analyst*

All right. Just a quick follow-up on the bridal category.

Were your unit growth in the quarter comparable to industry? Or did you actually exceed industry trends with respect to engagement rings?

## Joan Hilson

*Chief Financial and Operations Officer*

We believe that we have look at indicators, external sources, Jim, and we believe that we're gaining traction in that space. And if you look at in your own checks, the Google search related to engagements and so forth is up, too.

So we're pleased with what we're seeing happen in the bridal category of our business.

## Jim Sanderson
*Northcoast Research; Analyst*

All right. Just one last follow-up, if you could. Did you indicate what share of your bridal sales were lab grown in the quarter?

## Joan Hilson
*Chief Financial and Operations Officer*

Basically, in the mid-30% range for us.

## Jim Sanderson
*Northcoast Research; Analyst*

Mid-30%. And how does that compare to last year?

## Joan Hilson
*Chief Financial and Operations Officer*

It would be up to last year, Jim, as you might recall that in our core banner sales and Kay particularly, we had a lower penetration at some of the lower price points in lab for those brands. And so we've been able to improve the assortment architecture relative to that. And while doing that, we're still able to see a bridal AUR increase, slight increase, reflecting the balance of the assortment between natural as well as labs.

Operator^  And we have no further questions at this time.

I would like to turn it back to J.K. Symancyk for closing remarks.

## J.K. Symancyk
*Chief Executive Officer*

Okay.

Well in closing today, I'd really like to thank our team again as well as our other key stakeholders including our vendors, banking partners and the investment community.

I'm so proud of our team for striking the right balance between good foundational strategy work and remaining focused on executing to deliver results in a dynamic environment so that we can deliver on both short- and long-term goals. And I've been encouraged in the extensive time I've spent in recent months alongside our strategic vendors who are committed to the Grow Brand Love strategy.

I'm excited about the commitment of all of our stakeholders as we continue to build momentum on our Grow Brand Love strategy, and I thank everyone here for your time today.

We really look forward to putting together and providing additional updates and further progress throughout the year. Thank you.

Operator^  Thank you. And ladies and gentlemen, this concludes today's conference call. Thank you all for participating.

You may now disconnect.