

March 19, 2026

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CORPORATE SPEAKERS:

Robert Ballew

Signet Jewelers; Senior Vice President, Investor Relations & Capital Markets

J.K. Symancyk

Signet Jewelers; Chief Executive Officer

Joan Hilson

Signet Jewelers; Chief Operating & Financial Officer

CORPORATE SPEAKERS:

Paul Lejuez

Citigroup; Analyst

Lorraine Hutchinson

Bank of America; Analyst

Randal Konik

Jefferies; Analyst

Ike Boruchow

Wells Fargo; Analyst

Jeffrey Lick

Stephens; Analyst

Jonathan Keypour

Goldman Sachs; Analyst

Mauricio Serna

UBS Financial; Analyst

Jim Sanderson

North Coast Research; Analyst

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PRESENTATION:

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

Please note, this event is being recorded.

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

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

Please go ahead.

Robert Ballew

Signet Jewelers; Senior Vice President, Investor Relations & Capital Markets

Good morning. Thank you for joining us for today's 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 the 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.

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

J.K. Symancyk

Signet Jewelers; Chief Executive Officer

Thanks, Rob. And good morning, everyone.

I'd like to start the call this morning with a thank you to the Signet team. This past year highlighted your agility in the face of new obstacles and your commitment when presented with opportunity. Thank you for your dedication to Grow Brand Love in the crucial first year of our strategy. There are two key takeaways I'd like to leave you with today.

First, as we announced last week, we delivered at or above the high end of our adjusted operating income and EPS guidance range amidst unprecedented tariffs, record gold costs and a measured consumer while generating 20% more free cash flow on a simplified operating model.

Second, building on recent positive sales momentum, fiscal '27 will focus on accelerating core performance through sharper brand differentiation, broader customer reach, and a more seamless in-store and digital experience.

Looking back over this first year of Grow Brand Love, our heightened focus on our three largest brands, Kay, Zales and Jared proved to be a critical factor in delivering positive same-store sales for the year. In fact, we delivered positive comps for the vast majority of the past year.

Within that performance, Kay, Zales and Jared delivered over 3% combined comp sales growth.

Further, the team's focus on cost management as well as leveraging value engineering, vendor relationships and country of origin pivots have delivered adjusted operating income growth even as we digest a reset to short-term incentive compensation, record gold prices and elevated tariffs.

Now more specific to the fourth quarter, performance in each month of the quarter improved on both a 1- and 2-year comp basis and included a positive performance for the 10 peak holiday selling days as well as the balance of the quarter.

Turning to fiscal '27, sales momentum continued into the year with a positive Valentine's Day performance which has continued quarter-to-date. This momentum leads me to my next key takeaway today, how Grow Brand Love's imperatives will evolve in year two of our strategy.

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The first year of Grow Brand Love returned the business to growth, a result we look to amplify. We're applying learnings from this past year to refine each of the strategy's imperatives.

I'll outline the key updates to these imperatives and then spend the balance of my remarks, taking a deeper look at the first.

Our first imperative, shifting from a banner mindset to a brand mindset, remains foundational.

Over the past year, we strengthened brand positioning across the portfolio, which clarified our path toward building distinct, highly desired brands.

In fiscal '27, we will advance this work.

Our second imperative, focusing on our core to earn the right to expand into adjacencies, delivered results this year as our core brands drove the majority of growth.

In fiscal '27, we will leverage our scale to unlock additional portfolio value. This includes improving inventory turns, managing exposure to tariff and commodity volatility, and enhancing pricing architecture to reflect each brand's customer profile.

Our scale also positions us to win in growth avenues such as services and with an integrated diamond strategy.

Our final imperative included restructuring the operating model to support strategy.

In fiscal '27, we will continue to strengthen our operating model through strategic real estate actions, ongoing brand portfolio optimization and developing a higher-performing organization to ensure opportunity for our team and bench strength for our future.

Now I'd like to drill in on shaping distinct and coveted brands.

In fiscal '26, we placed an outsized focus on our three largest brands that represent roughly 70% of revenue.

For fiscal '27, we're sharpening our go-to-market strategy for these brands and taking action to evolve assortment and product design and elevate the customer experience, both in-store and online.

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We're also transforming our approach to marketing to support these efforts. A critical step forward is enhancing the customer experience through redesigning Kay, Zales and Jared websites.

While we operate an effective platform, we recognize that the front-end experience needs improvement.

The redesign for each of those brands will provide customers with a more curated selection informed by their behavior with improved navigation.

Our site refresh will better align to a purchase journey that is emotional and highly considered through more intuitive features and design, enhanced product discovery and improved storytelling.

We expect this to be complete by Q3 in order to take full advantage of the holiday shopping season.

Additionally, we expect to implement a new content management system next year that will provide further improvements.

Moving to the in-store customer experience.

We've seen an incremental low single-digit comp increase from renovations. Building on this performance we're accelerating renovations to touch 30% more stores this year, equating to nearly 10% of the fleet with a particular focus on brands and markets that represent the best opportunities.

These efforts are integrated with marketing campaigns and product activations.

As we look to further differentiate our brands and experiences both in-store and online, we'll also be focusing on distinct product design and unique assortment architecture. Along with more frequent and relevant new product, we will continue lowering complexity and duplication through SKU rationalization.

These actions are designed to focus on a more productive assortment that leads to other operating efficiencies, ultimately leading to a positive contribution to margin.

Our efforts to further distinguish each of our brands will be supported by a transformation of our marketing approach.

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At the center of this work is a renewed focus on brand-relevant content and storytelling. This is a full funnel strategy supported by three key levers.

First is maximizing key demand periods; second, is generating an amplifying brand moments; and finally, is growing a stronger and more engaged social media presence. Further, we're taking a more disciplined approach to performance metrics which will increase accountability to facilitate change faster and create more impactful decision-making.

To be clear, this is about an increase in impact, not an increase in budget. This evolution of our go-to-market strategy built on enhanced customer experience, online and in-store as well as marketing transformation is designed to drive brand consideration.

We believe that each point of increase in purchase consideration across Signet's brands equates to \$100 million of revenue.

Summarizing my key takeaways today.

First, as we announced last week, we delivered at the high end of our fiscal 2026 guidance range amidst unprecedented tariffs, record gold costs and a measured consumer while generating 20% more free cash flow on a simplified operating model.

Second, as we've started with positive sales momentum, fiscal '27 will focus on accelerating core performance through sharper brand differentiation, broader customer reach and a more seamless in-store and digital experience.

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

Joan Hilson

Signet Jewelers; Chief Operating & Financial Officer

Thanks, J.K.. And good morning, everyone.

Before discussing our fourth quarter results, I'd like to comment on our efforts to unlock portfolio value and further achieve benefits of scale.

We've completed a review of our portfolio and have identified synergies as well as opportunities to integrate stand-alone smaller brands into brands of size to augment core performance and to focus on brands with higher growth potential.

Previously, we were supporting eight distinct independent businesses.

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We've changed our focus to a portfolio of brands with four core engines. This has impacted the way we focus resources including capital and time. These changes are leveraging scale on the back end more than we have historically and sharpening focus.

To this end, we are aligning select brands within our portfolio to prioritize our larger consumer brands and amplify growth opportunities, maximize the benefits of shared resources and expand customer reach, all in an effort to drive sustainable comp performance.

More specifically, Blue Nile plays a distinct role as a premium brand serving a broader age range with a more affluent customer. We are evolving Blue Nile to achieve an elevated luxury position anchored in the enduring value of natural diamonds.

This allows Blue Nile to distinguish itself at the highest end of the Signet portfolio, expanding our customer reach among households with higher income without diluting accessibility to customers across the portfolio. To support our growth aspirations for Blue Nile, we will leverage the James Allen brand as a proprietary collection and transition complementary products and styles to the Blue Nile website.

Over the second quarter, we will be sunsetting the jamesallen.com site. We also see additional opportunity for other brands within the portfolio to utilize the custom capabilities and technology of James Allen.

Further, the Rocksbox private label fashion assortment will become a distinct proprietary collection within Kay. Rocksbox will operate within the Kay team rather than as a stand-alone brand.

We expect a bottom line financial impact from this transition to be minimal.

Rounding out our portfolio, the U.K. brands and Peoples brands are performing well and are generally self-sustaining.

At this time we believe the cash generation from these businesses as well as the potential tax cost of exiting these brands significantly outweighs any potential sale proceeds.

Finally, we continue to evaluate the long-term role of Banter, our high-margin and capital-light brand, which is currently positioned as mid value within our portfolio. To reinforce this brand mindset, we are further centralizing support functions that operate inside brands today to provide for brand leader focus on go-to-market priorities. This change will be most pronounced

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for digital brands and Diamonds Direct, particularly in our contact centers as well as in the fulfillment and technology teams.

Additionally, to better achieve benefits of scale, we have implemented an integrated diamond sourcing process which will provide better management of our virtual diamond marketplace, drive further vertical integration and elevate the natural diamond offering available for our brands, particularly Blue Nile.

We've also established a fully integrated jewelry service network that is now in a position to provide additional capacity for custom services, B2B repair and repair jewelry purchased from other retailers. This will build on the momentum we've generated in recent years as well as continue to support the growth of our service plan program.

Operating model optimization also focuses on maximizing the performance of our fleet as we reduce exposure to declining venues and target underpenetrated high-growth trade areas. This strategy includes a learning agenda this year to test new formats, fixtures within formats and new experiential designs.

Our portfolio review, centralization efforts and fleet optimization we believe will further deliver operating efficiency and free cash flow conversion.

Now turning to the quarter. Revenue for the quarter was \$2.3 billion with a comp decrease of 0.7%. Excluding James Allen and the net impact of weather, comps grew 1%. November and the first half of December was the slowest period of the quarter, down around 3%.

We implemented broader promotions ahead of our high-volume days in December to deliver a positive performance in the back half of the month with further improvement in January.

By category, this quarter's results reflect mid-single-digit comp growth in services and low single-digit declines in bridal and fashion. AUR grew 5%, up in all categories.

Moving to gross margin.

We delivered approximately \$1 billion, down roughly 60 basis points.

We saw a 30 basis point decrease in merchandise margins to the prior year, reflecting higher commodity costs and tariffs, partially offset by assortment architecture, pricing and growth in services. Cost reductions allowed us to achieve the high end of our adjusted operating income guidance of \$327 million for the quarter.

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Excluding incentive comp reset, SG&A was roughly flat in rate and dollars. Inclusive of the incentive comp reset, SG&A rate was up roughly 80 basis points.

For the full year fiscal '26, comp sales grew 1.3%, gross margin expanded 30 basis points and adjusted operating income grew to \$515 million while delivering 7% adjusted diluted EPS growth.

Turning to the balance sheet.

Inventory ended the quarter flat to last year at \$1.9 billion. Cash ended the quarter at \$875 million with total liquidity of roughly \$2 billion and an undrawn ABL.

As a reminder, we consider any excess liquidity at the end of the year over \$1.5 billion as available for returns to shareholders or further organic investments. Free cash flow for the year was approximately \$525 million, up 20% to last year on higher earnings, lower cash taxes and working capital efficiency.

As a reminder, our capital allocation priorities are organic growth and return of excess cash to shareholders while maintaining a conservative balance sheet.

We repurchased \$205 million or more than 3 million shares in fiscal '26 at an average purchase price of roughly \$66. This includes approximately \$27 million or nearly 300,000 shares in the fourth quarter. The total repurchases for the year represented more than 7% of shares outstanding. The remaining repurchase authorization at the year-end was approximately \$518 million.

Now turning to guidance.

We are coming into the year with positive momentum and traction in our core brands. The high guide for the year assumes a fairly consistent comp performance quarter-to-quarter while the low guide allows for flexibility in consumer spending.

For the full year, we expect the comp sales range to be down 1.25% to up 2.5% with total revenue between \$6.6 billion and \$6.9 billion. Total revenue this year will be impacted by \$60 million to \$80 million of lost sales contribution from the transition of James Allen.

Also we plan to exclude digital brands from our Q2 through Q4 comp sales reporting as we reposition both James Allen and Blue Nile.

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Further, our revenue guidance assumes approximately 100 store closures, leading to a low single-digit decline in square footage.

We anticipate merchandise margin rate for the year will be relatively flat at the midpoint of guidance.

We believe the combined incremental impact of tariffs and commodity increases is lower than the headwind we mitigated last year.

We also have a longer lead time to address these headwinds with the following actions: select pricing actions related to commodities, reduced off-holiday discounting, increased LGD mix, assortment architecture, and to a lesser degree, benefits from gold hedges.

We expect adjusted operating income between \$470 million and \$560 million.

We expect adjusted EPS between \$8.80 and \$10.74 per share.

At the high end of these ranges, we expect to leverage our fixed cost base to drive operating margin expansion.

Finally, for the year, we expect \$150 million to \$180 million in capital expenditures, inclusive of a somewhat higher spend on our real estate compared to last year. This includes over 200 renovations and up to 20 repositions as well as up to 10 store openings.

For the first quarter, we expect comp sales range to be up 0.5% to 2.5% with adjusted operating income between \$66 million and \$77 million.

We expect merchandise margins to be somewhat lower in the first quarter, generally offset by leverage in SG&A.

Before we turn to Q&A, I'd like to thank the team for delivering strong progress in the first year of our Grow Brand Love strategy as well as driving momentum to start fiscal '27.

Now I'd like to turn the call over to questions.

Operator^ (Operator Instructions) Your first question is from Paul Lejuez from Citigroup.

Paul Lejuez
Citigroup; Analyst

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On the gross margin line and just comments right there, Joan, lots of moving pieces. Maybe talk about the headwinds and tailwinds in 1Q. I think you said 1Q would be lower.

And which pieces will change as you move throughout the year?

And then maybe, J.K., can you just talk about what worked over Valentine's Day? How that compares to what worked during the holiday season? And what were the learnings from this past holiday that you'll apply to 2026?

Joan Hilson

Signet Jewelers; Chief Operating & Financial Officer

So to start with the GMM rate for the year. At the midpoint, what we said is that it would be flat.

As we look into the first quarter, we would see a little bit more pressure on the GMM rate as we work through the wrap of Q1 -- in Q1 of tariffs as well as the higher commodity prices.

What we -- and we will continue to work with our assortment architecture and some of the gold hedges and so forth as we progress through the year.

But the first half definitely has a little bit more pressure, and we believe the back half begins to neutralize in terms of the GMM impact related to tariffs and commodities, but continue to do much of the same work that was successful for us in the back half of fiscal '26 to work to mitigate the impact of these costs.

J.K. Symancyk

Signet Jewelers; Chief Executive Officer

Thanks, Paul. I appreciate the question on holiday and really Valentine's Day.

I mean, our business overall continued to strengthen as we came through the quarter. When you look at Q4, in particular, the softness map to what we saw more macro as consumer softness in really November and the first part of -- first week or 10 days of December.

As we got to the peak holiday selling period for us, we saw positive comps in our business, and that momentum continued to build through January and not only carried through Valentine's Day but has carried through the quarter.

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So one of the big learnings, I think for us, from the prior year, was really how to focus the assortment over those peak selling days. That actually worked well for us at Christmas, and I think it was part of what really led to building momentum through the quarter.

We certainly carried that muscle memory into Valentine's Day and we're better positioned, and I would actually say better balanced across all of the brands, which is maybe a little different than where we were a year ago.

From a learning standpoint, I do think despite the macro consumer malaise that was going on with consumer sentiment and all of the noise in November this past year, I do think we recognize that maybe the quarter kind of falls into three distinct selling periods for us.

And we've been pretty good at post-holiday and have built on that momentum.

I think we got better this past year at the peak selling days, those 10 days and the key price points leading into Christmas.

Where I think we got an opportunity to sharpen our game and how we're looking forward to plans for this year is the early selling period in November, absent that noise is a little bit different consumer. It's a little bit different price point and a little different selling model digitally than what the balance of the year looks like. It's a little less assortment driven, a little more key item driven.

And I think that's one of the takeaways that we look at that we think can help us strengthen the opportunity for Q4 moving forward.

Paul Lejuez
Citigroup; Analyst

Got it. And Joan, just one quick follow-up. The tariff assumptions that you used for the guidance this year and maybe India specifically?

Joan Hilson
Signet Jewelers; Chief Operating & Financial Officer

Generally speaking on that, for the year, we believe that the tariff and commodity increases are lower than the headwinds that we experienced last year that we mitigated and we have a longer lead time to address with some of the balanced actions that I talked about in my prepared remarks.

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So I believe that we are in a position to offset a good portion of it. But in the guide itself, we would expect GMM rate will be flat at the midpoint with some decline at the low end of guide.

Paul Lejuez
Citigroup; Analyst

Are you assuming rates equal to the pre-Supreme Court decision? Or are you building in where we are now?

Joan Hilson
Signet Jewelers; Chief Operating & Financial Officer

We're building in where we are now. And essentially, it's a mid-teen rate that we are looking at for the balance of the year, the impact to margin with that is something that we're able to -- we believe, to manage to a flat position at the midpoint.

Operator^ Your next question is from Lorraine Hutchinson from Bank of America.

Lorraine Hutchinson
Bank of America; Analyst

Could you give us an update on the lab-grown diamond business?

How did it perform over holiday for both fashion and bridal?

What did pricing look like for LGD specifically?

And then what's your outlook for the year on this product?

J.K. Symancyk
Signet Jewelers; Chief Executive Officer

Yes. I mean, I think we've gotten to the point where we see a distinct market for both, Lorraine.

And if you look at the industry more broadly over the course of the year, actually it was growth in both natural and lab grown at an industry level.

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Now I would say in natural, that skews more towards higher end and is probably more of an AUR story. That's certainly what we saw in our business and where we see there to be greater opportunity.

Lab-grown diamond fashion, in particular, continues to grow at a higher rate. And I'll remind you that a lot of that is because diamonds are less penetrated in the fashion category.

And so, the -- maybe differently than we've talked about center stone based bridal and engagement business. In fashion, there's not a lot of center stone presence period, let alone diamond. And so, the opportunity for growth there, we continue to see as outsized relative to the rest of diamond jewelry. And it's because it's stretching the category.

But to be clear, as we look at this year, we really see an opportunity for growth in both parts of the business.

We see them as distinct value propositions for customers that even overlap with the same customer, depending on use case, let alone being a little more price point sensitive, I suppose.

But the only other thing, I guess, I would add kind of following up on the other part of your question, what's happened with the pricing, we've seen it really be stable, I guess would be the word that I would use. Not a lot of volatility. There's actually periods during the latter part of the year where we saw the cost side of both actually see some slight increases.

And so, I don't see any -- I know one of the questions is how do we think about deflation or cost pressure on, frankly, either side of that equation.

And we really have seen stability, both on the wholesale cost side as well as on the retail architecture with us and competitors and feel like there's a little more normal run rate in that business today.

Lorraine Hutchinson
Bank of America; Analyst

And what was the penetration of lab grown for holiday in fashion and bridal?

J.K. Symancyk
Signet Jewelers; Chief Executive Officer

The penetration for lab grown in total, we're closer to half and half when you look at -- we're under 50% for bridal. When you look at lab grown fashion, it actually grew to just north of 20%.

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And on the year, that's higher than what the run rate was for the year. The year coming into it was probably setting at about 15%.

Operator^ Your next question is from Randy Konik from Jefferies.

Randal Konik
Jefferies; Analyst

I guess Joan, for you, I think you made a comment in the script that said something in the effect of \$2 billion of liquidity, I think you like to have \$1.5 billion.

With the balance sheet having no debt and near \$1 billion of cash, and it sounds like this year, you'll be generating another banner year of free cash flow. So, while you stepped up the buyback in '25 through '24, and it looks like the dividend is increasing, could we expect, given that comment of \$2 billion versus \$1.5 billion, could you get even more aggressive with share repurchases ahead?

Just how do you think about that cash flow and putting it to work?

And is there anything in the horizon over the next few years that would prevent the business, that looks like it's becoming very, very stable and predictable, from generating around \$0.5 billion of free cash a year going forward into perpetuity?

I just want to get your thoughts there.

Joan Hilson
Signet Jewelers; Chief Operating & Financial Officer

Yes. Thanks, Randy.

So as you mentioned, we had a \$2 billion liquidity at the end of the year. It's \$500 million over our target, and it does provide some dry powder for us for organic investment, and we talked about the capital investment in our fleet. J.K. mentioned the website redesign and some of those technology investments, there will be some investment with the Blue Nile transition as well.

So from an organic investment, we'll continue to invest in our fleet, the strategic priorities, and frankly, invest in capabilities that are going to support the go-to-market strategies of our brand.

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And next is we want to maintain a conservative balance sheet, but we also find it very important to return capital to shareholders. And as we do -- as we look forward, we believe shares remain attractive with an implied 15% free cash yield on last year's free cash flow.

So there's nothing in our way to continue to exercise that capital -- the capital priorities I just outlined. It's part of our capital allocation priorities that are important. And so, we'll continue to do that.

Year-to-date, we've repurchased \$45 million or almost 500,000 shares already through March 17. So clearly, it's something that we intend to engage in this year. And we have a \$518 million or so of share repurchase authorization available to us at the end of the year.

Randal Konik
Jefferies; Analyst

Got it. And just on the, I mean, let's say on the horizon, do you feel like you're at a place where we can generate this amount of free cash annually going forward?

Are there any kind of weird impediments in the way that would prevent that?

Joan Hilson
Signet Jewelers; Chief Operating & Financial Officer

We don't see anything in our way.

We target a very healthy free cash flow conversion.

And what I would say there is that the components of free cash flow that I articulated in my remarks, Randy, included strong earnings contributing to that, as well as working capital efficiencies which we -- that we came in flat for the year on inventory.

We continue to drive -- we were flat on turn this year coming out of the fourth quarter. And so, we continue to drive those levers as well as really working with our strategic vendors to maintain a healthy terms that can benefit both of us.

Randal Konik
Jefferies; Analyst

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Great. And last question, I guess for J.K. You talked about SKU productivity or looking at product architecture and kind of rationalizing the number of SKUs, it sounds like across the different brands.

Can you give us a little bit more perspective on, a little quantification on where you're going to do that, how much, how you think it will help drive the business, improve inventory turnover?

Just give us a little more color there would be very helpful.

J.K. Symancyk

Signet Jewelers; Chief Executive Officer

Sure. Thanks for the question, Randy.

I just think the more we can leverage scale across the business on those things that are commoditized, the more efficient we can be with inventory, the more we can navigate, and frankly, some of the moving parts that are the world we're operating in today.

One of the things I'm proudest of, as it relates to our team this past year, is the work to simplify our operating model really put us in a position to continue to raise our guide in the face of one hurdle after another relative to tariffs and cost increases, et cetera.

We not only became a stronger business, we actually were a better partner to our suppliers, able to work better together all with a more focused inventory assortment.

So when I look at it, I still think there's room for us to go. We reduced on the order of magnitude of 20%-ish or so SKUs out of the Kay assortment moving forward as we sit on a spring floor set today. And I think there's still opportunity within a business like that.

I think the other opportunity that may not show up in a total SKU count number, but where we do have items that are a little more commoditized getting to a similar base where we're able to pull from one pool of inventory across multiple brands will make us that much more efficient, will help us leverage cost. And ultimately, that adds up to margin rate opportunity for us moving forward.

Joan Hilson

Signet Jewelers; Chief Operating & Financial Officer

I would just add to that, that the core engine discussion and really focusing on the four major brands including Blue Nile, will also help us as we roll a smaller brand like Rocksbox into Kay

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and James Allen into the Blue Nile website and Diamonds Direct falling under the accessible luxury family within our business is also going to help us ramp with the SKU rationalization aspect of it and continue to help us improve our turns. 0.1 turn is worth \$100 million to us and an improvement is worth \$100 million to us in free cash flow.

So the teams can really wrap their mind around what that can help us drive in our business because it's going to provide room to bring in fresh receipts and support our fashion strategy as well.

J.K. Symancyk

Signet Jewelers; Chief Executive Officer

And I think the last point, I guess I'd make is I talked about the places where we should work from a shared pool of inventory, this work also helps us eliminate overlap.

Candidly, even as we look at some of the challenges with brands like Blue Nile, James Allen, the number of SKUs that may overlap and set in both places we think causes confusion. It certainly makes us less efficient as a business. We're not leveraging the flow-through with each of the brands at the rate that we should.

And so, there are some known costs, but there's also some hidden cost opportunities as it relates to margin, and frankly, top line revenue that come with a more focused assortment.

So we've seen that work. We're seeing the benefit of it, and we -- I think what we're doing to further realign and focus across these four main fronts of our business, if you will, will, to Joan's point, I think it's going to help us be that much better.

Operator^ Your next question is from Ike Boruchow from Wells Fargo.

Ike Boruchow

Wells Fargo; Analyst

Two for me.

I don't know if this is for J.K. or Joan, but can you just talk about some merch margin understanding what happened in the fourth quarter? You had to get a little bit more promotional when things were off to the tough start.

But you kind of mentioned merch margin should stay down in the first quarter. It sounds like Valentine's Day was good, and you guys are positive.

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So, just can you kind of walk us through the puts and takes of selling margin, what you're doing in the first quarter? Then based on the year, it sounds like you're expecting things to improve from here. Just sort of trying to understand that better.

J.K. Symancyk

Signet Jewelers; Chief Executive Officer

Sure. Let me -- we'll probably tag team it, to be honest, because I totally understand the question.

I would say at a macro level, for Q4, part of the story is promotion, part of the story is tariffs, if I'm really trying to oversimplify this.

I think the reality of all the moving parts and, in particular, the way that inventory flows to land for the holidays, we talked about this a bit before. We land goods, we set a base retail price, and then we have follow-on replenishment that comes to give us depth for the holiday.

And that's always the way it works. We need to land goods early to establish price because we can't do anything promotionally unless we've established that baseline price.

Ike, one of the things that happened this year is the goal line kept moving, in the sense of tariff rates changed as we were going through that process.

So part of it is the starting point you established in terms of the strategy going into the holiday and the fact that there wasn't a stable baseline cost to establish those retails against.

And then to your point, when those costs kept moving, we also found ourselves in a situation where the consumer more broadly was softer in November. And the blunt instrument that we really have to flex during that holiday time period is promotion.

And with as many broad one-off promotions as there are in our business, the ability to be as surgical around mix with all of those variables is just a little more challenged in the period.

So I would say it's partly a choice around promo and partly the case of navigating a race where both the path and the finish line kept moving around a little bit on us. And I think we're still working through that. Obviously, there's still some moving parts as it relates to tariffs.

But I'll also remind you of Joan's comments. I mean, we did a nice job of, I think, navigating that unknown this year.

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We developed that set of muscles as it relates to flexibility in our supply chain and the agility to move, whether it be country of origin or think about the buy windows that may make sense or how to consolidate and work on cost, we'll certainly look to those things as we move forward.

The benefit or the confidence that we have as it relates to margin, particularly for the year is we've got kind of roughly half the size of headwind, and we've got significantly more time to be able to manage it.

So I think we're well positioned to do it. I think any time you've got that kind of external macro, there's always the risk of some lumpiness and how it flows through.

But I'm also really proud of what our team did to manage it and the way that we've built our plan and our business to be able to protect the bottom line and manage a little bit of that noise in gross merch margins, I think really positions us well for this year.

Ike Boruchow

Wells Fargo; Analyst

Got it. And then again to both of you, just more of a modeling question, so maybe for Joan. Just so the comp revenue spreads like 100 basis points in the first quarter, you're transition -- you're sunseting James Allen and then removing Blue Nile from the comp base. So that spread widens the rest of the year.

Can you just kind of like -- just so we all kind of know like the puts and takes on how everything should flow compress revenue for the year? Can you just kind of let us know how this all should take place?

Joan Hilson

Signet Jewelers; Chief Operating & Financial Officer

Sure. So, as we noted, Q1 will have the impact of James Allen in the comp. And as we progress through Q2, Q3 and Q4 because of the amount of effort and change and repositioning with the Blue Nile brand and then the sunseting of James Allen, we're pulling them out of comps as we progress through the year.

The impact of James Allen was roughly one point in Q4, a little over one point, and the impact in Q1, we would expect to be similar. As we look through the balance of the year, like it's early to kind of forecast what we think the impact would be, which is one of the reasons why we want to take it out of the comp. But what I mentioned is that \$60 million to \$80 million comes out of

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revenue, and that would likely be \$20 million to \$30 million of top line revenue over the course of the balance of the year. So if that helps to mention it, that's how we're thinking about it internally.

And of course, working to transition as much volume as we can from the James Allen brand over to Blue Nile where appropriate with the complementary SKUs and the proprietary James Allen selection, the teams are doing a fantastic job in navigating this here for us in the first quarter and then leveraging the James Allen capabilities and a brand -- the tip of the spear there will be with Kay where we can see more custom product coming in the Kay brand because they're now -- they will be able to, more so in the back half of the year, to leverage the custom capability that James Allen provides.

So that's the dimension of the revenue. That's how we're thinking about it. And just to bear in mind, go ahead.

Ike Boruchow

Wells Fargo; Analyst

I'm sorry. Can you just help us, can you quantify just the size of Blue Nile since you're removing it from the comp base for the year, just so we know how to kind of model that impact?

Joan Hilson

Signet Jewelers; Chief Operating & Financial Officer

Yes. What we said is that it's \$60 million to \$80 million coming out. Last year, the total revenue was roughly \$150-ish million -- Blue Nile, sorry, the question you asked.

So it's \$350 million for Blue Nile. And James Allen is what I had articulated. So trying to move as much of James Allen over to Blue Nile as we can and then send it into the other brands.

Operator^ Your next question is from Jeff Lick from Stephens.

Jeffrey Lick

Stephens; Analyst

Congrats on a great year and a great start to this year. J.K. or Joan, I was wondering if I just kind of formulate a simple mental model of, this past year, you generated \$687 million of EBITDA on \$6.8 billion of revenue. And then you take, call it, the \$40 million of kind of still wrapping around from the Grow Brand Love that you still have of the \$100 million.

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And then if you just use your math of the SG&A that you disclosed, that implies that incentive comes about \$17 million, so call it \$57 million.

And if you add that to the \$687 million, that gets you to about \$744 million of EBITDA, just -- so I just think about it if you just do what you did last year, you come pretty close to making your high end of your EBITDA guidance.

Obviously, you guys have a high end of your revenue guidance at \$6.9 million.

So could you just walk through the puts and takes of that model and where I might be off or what's going to be harder, what's not going to be as hard?

Joan Hilson

Signet Jewelers; Chief Operating & Financial Officer

Yes. So on the full year, we expect -- from a modeling perspective, we expect at the midpoint margins to be flat.

And we see on the high end of the guide, a modest increase in merchandise margin and at the low end, a modest decrease. Where we begin to get some leverage is in the SG&A and believe that what we've been able to do there is with the wraparound of the cost savings in the front half of the year, which was roughly \$40 million, \$15 million in the first quarter, Jeff. And then in the second and third quarters, we tend to see more of that flow through because some of it relates to contracts on that.

But we feel very good about the \$40 million SG&A ramp.

We also, from a business perspective, the way that the brands really position their plans for this year is we focus on comp growth, but we focus on flow through. And each brand must deliver different levels of flow-through based on their -- the type of product they sell.

So brands that sell more loose goods as opposed to finished goods will have a different margin structure, merchandise margin structure than those that don't.

So we balance flow through, and we feel very good about how the businesses operate and the discipline in the business on the SG&A side.

So really leveraging SG&A here in the face of what is more of a flattish margin. for gross margin for the year is the structure of our model as we look at fiscal '27.

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The teams are very well aligned. I'd remind you that on a slightly positive comp sales, we can leverage gross margin. On a low single-digit comp sales, we leveraged SG&A and EBIT.

So that's the structure that our teams operate within, and we're all aligned.

Jeffrey Lick
Stephens; Analyst

Then just a quick follow-up, Joan, just a point of clarification. Did you say 0.1 increase in turn?

I mean, because I think you guys are a little under 2, so call it 1.9, going to 2, that would equate to a \$100 million increase in free cash flow which, I guess, just given what you're doing -- what you did last year, that would mean a 20% increase in free cash flow.

Is that roughly right?

Joan Hilson
Signet Jewelers; Chief Operating & Financial Officer

Yes, as we begin to turn our inventory, now doing that is in the face of inventory transition as J.K. was articulating. What the teams are doing is really leveraging that muscle to bring in and transition the assortment. So -- but yes, that's what the math would say.

Jeffrey Lick
Stephens; Analyst

Great. Best of luck in 2026.

J.K. Symancyk
Signet Jewelers; Chief Executive Officer

Thank you.

Joan Hilson
Signet Jewelers; Chief Operating & Financial Officer

Thank you.

Operator^ Your next question is from John Keypour from Goldman Sachs.

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Jonathan Keypour

Goldman Sachs; Analyst

Just a quick bookkeeping question. You'd mentioned sourcing and ops coming out of the UAE. Just given everything that's happening, just wondering if you're seeing any impact or if you've been able to pivot fairly quickly.

And then tacking on to that kind of similar topic, anything you're seeing from a cost of crude, in terms of how maybe sourcing freight, that kind of thing is flowing through?

J.K. Symancyk

Signet Jewelers; Chief Executive Officer

Yes. I appreciate the question.

And the short answer is, no, we really haven't seen anything. The longer answer is, on the supply chain side, the -- I mean, we don't have tons of trailers moving back and forth.

I mean, we got high-value inventory, and it's pretty small cube. So I've worked in every category of retail. I can actually say this is first time that I have not actually looked at the price of oil and worried about what freight cost was going to be to me from a supply chain standpoint. So we're in good shape there.

I would say more broadly on the disruption front, we have built a much more flexible supply chain in really in advance of all of the mitigation efforts around tariffs.

And so, the flexibility and redundancy that we've built in to being able to source goods from multiple countries including increased flexibility here in the U.S. around what we choose to cast or may finish here is stronger than where we were a year ago, and we're really well positioned.

I say all that, we also haven't seen any disruption as it relates to goods certainly for Valentine's Day for Mother's Day receipts. I mean, any of those countries that may be in that sort of flight path or adjacent to any of those areas, we've actually been able to manage it all fine.

So nothing to call out. I know there's been a few articles that have surfaced. But to be honest, we're not seeing that in the industry either.

So I think we're really well positioned to navigate the environment we're operating in and don't really see it as an issue.

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Jonathan Keypour

Goldman Sachs; Analyst

Got it. Then just a follow on. You had mentioned, I think last week that Zales was a little bit weaker out of the big three.

I'm just wondering what you -- what's driving that and if that's evolved at all? Or I guess where you see that kind of panning out for the year?

J.K. Symancyk

Signet Jewelers; Chief Executive Officer

Yes. I appreciate it. Actually, the good news is we've -- the Zales business, I think, has refocused. We've seen strength through Valentine's into the quarter and return to more of the normal run rate within that business.

I think part of the challenge of Q4 was a little bit more distorted exposure to a middle income and lower income customer in November. And that's certainly I think part of the story.

I do think there are some things, as we work through assortment transition in that business, where we could focus key items around selling period better and that there are some adjustments that we can make that will actually strengthen the business that maybe got exposed by some of that consumer pressure.

So, in particular, I think the one thing we learned was we built an essentials program that really was less promotional and a little more baseline price driven, and that works really, really well during the year.

But that gift-giving customer that plays at the lower-end price points in our business really does look for promotion during the quarter and building a little more promotional assortment to supplement what we do on our base assortment, I think is something that will actually strengthen the holiday selling period for Zales, absent all the other macro stuff that was going on.

Operator^ Your next question is from Mauricio Serna from UBS Financial.

Mauricio Serna

UBS Financial; Analyst

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Great. Maybe could you start by speaking on what your quarter-to-date looks like relative to your guidance for the quarter?

And then as you look into your outlook for the year, like how should we think about bridal versus fashion growth?

And same question, how are you thinking about AUR versus unit growth?

Joan Hilson

Signet Jewelers; Chief Operating & Financial Officer

So we're off to a really good start on the top line this year in the first quarter with the comps that we're seeing at Valentine -- that we saw at Valentine's Day continue through the quarter. All of our core brands and most of our smaller brands are running plus comps quarter-to-date.

James Allen, as I mentioned earlier, is -- continues to be compressing the comp in the quarter.

So we feel very good about what we're seeing in the quarter and believe we have real momentum coming into the year.

I think for the year, as we think about bridal and fashion, on a comp basis, I mean we really think on the high end, we're sitting at -- looking at a low single-digit sales comp and fashion similar.

And we continue to expect to see AUR up over the course of the year which -- with some compression on unit performance with that.

So, we are, we believe, positioned to start the year for good selling within our assortments and believe we have the inventory in the -- in most of our brands in the right composition to drive business.

Mauricio Serna

UBS Financial; Analyst

Understood.

And then just a follow-up on maybe specifically on holidays, given your learnings on what happened with last fourth quarter. How are you thinking about growth in holiday when I look at your low and high end of the guidance?

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And also, just digging into one of your comments on the merchandise margin. You talked about off holiday promotional strategy. Maybe could you just speak on like what -- if promotions are going to be either a tailwind or a headwind this year?

And maybe how does that vary according to maybe like which quarter we're in, maybe more promotions in Q4?

Just thinking like, yes, like promotions, it's like a tailwind or a headwind for this year merchandise margins?

Joan Hilson

Signet Jewelers; Chief Operating & Financial Officer

So the comment we made earlier is that we -- our guide assumes a fairly consistent quarter-on-quarter comp for the year and at the high end -- at the low end, we've given ourselves some room for -- some flexibility for the consumer macro. The comment that we made around discounting is really off-holiday discounting, recognizing that, to J.K. comments, that holiday -- high selling at holiday is different than the balance of the year for us.

So we see the opportunity throughout the 10 months of the year to reduce discounting, take select price actions as it relates to commodities which we do throughout the year and mindful of compliance on rest periods and so forth, and then really leaning into the assortment architecture, which includes mix of products that carry a higher margin. Fashion in -- with LGD is one of those opportunities and continues to be so, and the teams are very focused on a balanced assortment there at the right price points.

And then as well in the natural diamond space, we see opportunities across price points.

So we'll be managing architecture and then the assortment that way to really look at the year with a -- at the midpoint, we're looking at flat margin with trying to leverage the SG&A line to mitigate any pressure that we might see on our gross margin.

Operator^ Your next question is from Jim Sanderson from North Coast Research.

Jim Sanderson

North Coast Research; Analyst

Just following it up on the previous discussion about average unit revenues and unit volumes. Can you walk through the math, so to speak, for your expectations for the bridal category, with respect to units and AUR?

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Joan Hilson

Signet Jewelers; Chief Operating & Financial Officer

So what I mentioned is that we saw, at a comp level, bridal would be a low single-digit up or down for the year. that's the guide assumption underneath our top line assumption.

And then units would be at the high end, given the AUR growth, we would see a low single-digit decline at the high end and a potential of a mid single-digit decline, excuse me, at the low end of that guide.

Jim Sanderson

North Coast Research; Analyst

Understood. And just wanted to shift over briefly to your real estate portfolio strategy. You've got low single-digit declines in square footage. But how does that convert or play a role in the revenue guidance you've gotten? And is there some recapture there from remodels as well? Just how we should think of it?

Joan Hilson

Signet Jewelers; Chief Operating & Financial Officer

Yes. I mean, J.K. mentioned it in his prepared remarks that we're seeing nice lift in renovation plan that we've been engaged in.

And so, we've really increased that to include 10% of the fleet this year really targeted towards growth markets, which in an effort to really drive as much increment in top line as we can, those investments are focused on the brands that are furthest along, which Jared is -- has a significant investment this year.

And we're also investing in Kay in markets where we really want to protect and grow volume.

So those are reflected in our view of revenue for the year. I think that, and as well as the low single-digit decline in square footage is also reflected, Jim, in our outlook.

J.K. Symancyk

Signet Jewelers; Chief Executive Officer

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Yes. It is. The only thing I'd add is on the low single-digit decline in square footage, it's disproportionately weighted to kiosks.

I mean, these are -- it is a much lower impact as you think about revenue overall and pretty focused in that regard.

So I think really thoughtful strategy to kind of the places that are, frankly, not productive and then to focus the investment in the areas where we can get outsized returns and know that there's more opportunity for growth.

Jim Sanderson

North Coast Research; Analyst

All right. That will be -- those closures will be evenly spread throughout the year for the most part. So is that the right way to look at that?

Joan Hilson

Signet Jewelers; Chief Operating & Financial Officer

Well, they'll be invested pre-holiday. We want to it all done before holiday, yes.

J.K. Symancyk

Signet Jewelers; Chief Executive Officer

Between now and Q3, I would say is the way to think about it, Jim.

Jim Sanderson

North Coast Research; Analyst

All right. Understood. Last question for me. You've got a very strong cash position balance sheet. Any change in philosophy on M&A as you look to opportunities going forward?

J.K. Symancyk

Signet Jewelers; Chief Executive Officer

No. Not at all.

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I mean, we continue to really see the opportunity to create value balance between two decision points. First and foremost, we're going to continue to look for ways to invest in organic growth in the business and gain some leverage and strength against a stronger core.

And as Joan dimensionalized in her comments, we also see opportunities to return capital to shareholders via buyback and our balance in those two things as we look forward, but also see some great opportunities for organic growth ahead.

Operator^ There are no further questions at this time.

I will now hand the call back to J.K. Symancyk for the closing remarks.

J.K. Symancyk

Signet Jewelers; Chief Executive Officer

Okay. Thank you. Listen, folks, I'll close the way that I started today and that's by thanking our team. This was a year that tested agility and discipline and our people delivered, staying focused on the quarter, executing Grow Brand Love and living our purpose of inspiring love.

I'm so proud of what our team accomplished and the momentum that we've built heading into fiscal '27. Thank you for your time this morning, and we look forward to speaking again next quarter. Thank you.

Operator^ Thank you. Ladies and gentlemen, the conference has now ended. Thank you, all for joining.

You may now disconnect your lines.