


KAY JEWELERS

ZALES THE DIAMOND STORE®

H.SAMUEL THE JEWELLER

ERNEST JONES LOVE & LIFE

PEOPLES CANADA'S #1 DIAMOND STORE

JARED The Galleria Of Jewelry

PIERCING Pagoda ear piercing & more a brand of Zale Corporation

SIGNET JEWELERS

# Fiscal 2016

# Second Quarter Results

**Thursday, August 27, 2015**

# Forward Looking Statements & Other Disclosure Matters

**Forward-Looking Statements -** This presentation contains statements which are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, based upon management's beliefs and expectations as well as on assumptions made by and data currently available to management, include statements regarding, among other things, Signet's results of operation, financial condition, liquidity, prospects, growth, strategies and the industry in which Signet operates. The use of the words "expects," "intends," "anticipates," "estimates," "predicts," "believes," "should," "potential," "may," "forecast," "objective," "plan," or "target," and other similar expressions are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including but not limited to general economic conditions, risks relating to Signet being a Bermuda corporation, the merchandising, pricing and inventory policies followed by Signet, the reputation of Signet and its brands, the level of competition in the jewelry sector, the cost and availability of diamonds, gold and other precious metals, regulations relating to customer credit, seasonality of Signet's business, financial market risks, deterioration in customers' financial condition, exchange rate fluctuations, changes in Signet's credit rating, changes in consumer attitudes regarding jewelry, management of social, ethical and environmental risks, security breaches and other disruptions to Signet's information technology infrastructure and databases, inadequacy in and disruptions to internal controls and systems, changes in assumptions used in making accounting estimates relating to items such as extended service plans and pensions, the impact of the acquisition of Zale Corporation on relationships, including with employees, suppliers, customers and competitors, and our ability to successfully integrate Zale's operations and to realize synergies from the transaction. For a discussion of these and other risks and uncertainties which could cause actual results to differ materially from those expressed in any forward-looking statement, see the "Risk Factors" section of Signet's Fiscal 2015 Annual Report on Form 10-K filed with the SEC on March 26, 2015. Signet undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

**Non-GAAP Measures -** Certain financial measures used during this presentation are considered to be 'non-GAAP financial measures'. For a reconciliation of these to the most directly comparable GAAP financial measures, please refer to slides 9 and 11 and Signet's Fiscal 2015 Annual Report on Form 10-K available on Signet's website, www.signetjewelers.com.

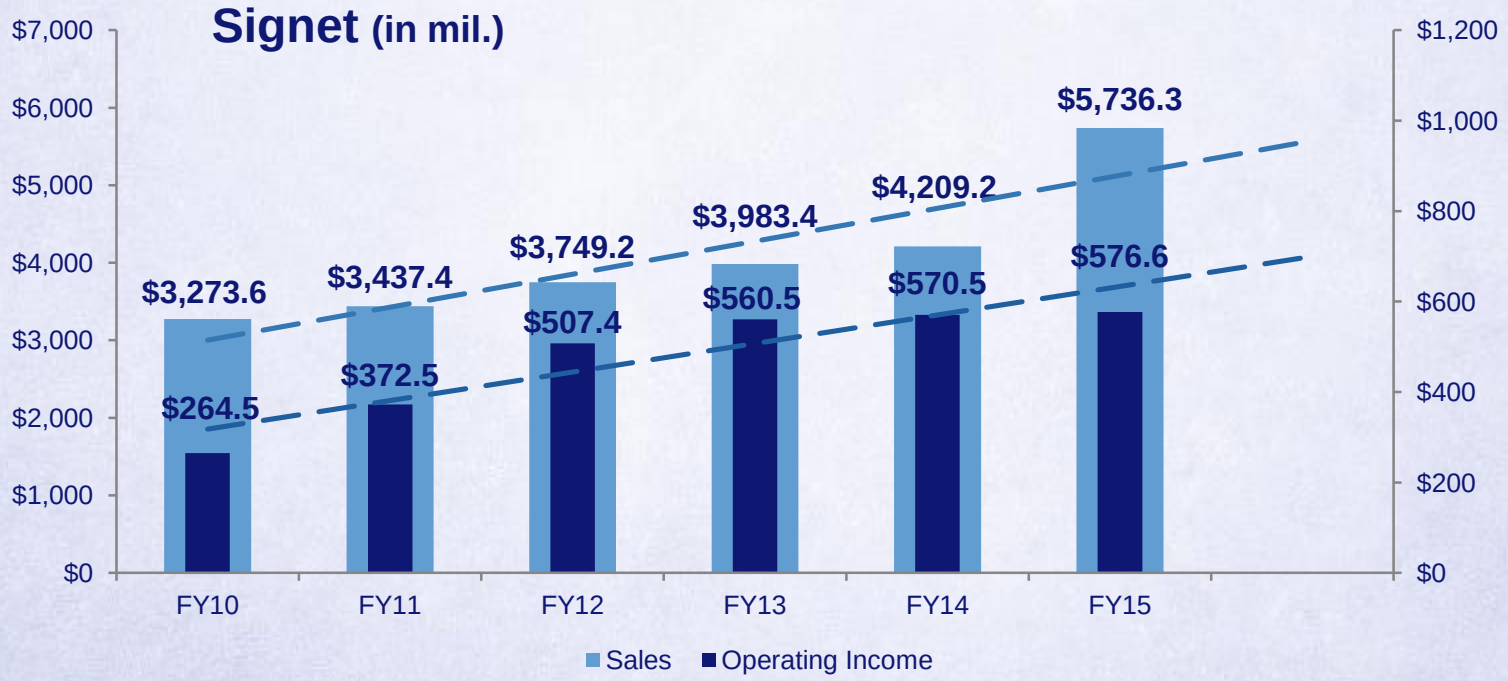
# Q2 Fiscal 2016 Headlines

- Financial results
  - Same store sales +4.2%
  - Earnings per share (EPS), $0.78
  - Adjusted EPS[1], $1.28, up 19.6%
- Strategic results
  - Consistent leader in US jewelry industry
  - Integration successes with increasing confidence in synergy targets

1-Non-GAAP measure. See slide 9.

# Consistently the Industry Leader in Growing Industry

| | 2014 | 3 YR CAGR | 5 YR CAGR | 10 YR CAGR |
|---|---|---|---|---|
| Signet | $5.7B | 15.2% | 11.9% | 6.7% |
| Total Jewelry & Watch Market | $74.7B | 2.5% | 4.4% | 2.8% |
| Total Retail Market | $5,208.4B | 4.2% | 5.1% | 3.1% |

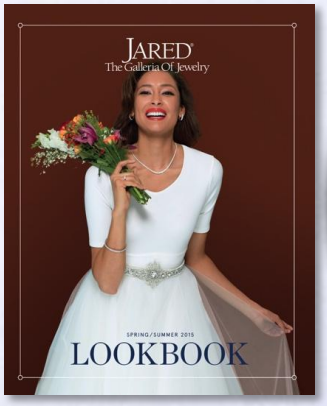


# Q2 Fiscal 2016 Drivers

Strong results across many functional areas

- Diamond jewelry merchandise led growth
- Cross functional teamwork improved profitability
- Marketing campaigns encouraging
- Store operations: Team member execution metrics up






# Second Half Fiscal 2016 Drivers

- Exciting new merchandise initiatives
  - Miracle Links
  - ALEX AND ANI introduction
  - Chosen Diamond
  - Vera Wang Love full rollout
  - New beads collection










- Marketing initiatives
  - Application of customer segmentation learnings
  - New Zale creative campaign “Diamond Kind of Love”
  - Semi-annual “events” at Jared
- Real estate – First new Zales and Piercing Pagoda concepts to test
- Store operations – New custom jewelry selling system rollout in Zales





# Signet Well-Positioned














ERNEST JONES · H.SAMUEL · JARED · KAY · Pagoda · PEOPLES · ZALES

# Q2 Fiscal 2016 Sales Performance

| First Quarter Fiscal 2016 | Change in same store sales[1] | Total sales at constant exchange rate[2] | Exchange translation impact[2] | Change in total sales | Total sales (in millions) |
|---|---|---|---|---|---|
| Kay | 4.1% | 6.6% | — | 6.6% | $530.0 |
| Jared | 2.7% | 7.8% | — | 7.8% | $285.4 |
| Regional brands | (1.8)% | (11.3)% | — | (11.3)% | $43.1 |
| **Sterling Jewelers division** | **3.3%** | **5.9%** | **—** | **5.9%** | **$858.5** |
| Zales Jewelers[3] | 6.2% | 65.5% | — | 65.5% | $262.0 |
| Gordon's Jewelers[3] | (7.6)% | 31.5% | — | 31.5% | $16.7 |
| Zale US Jewelry[3] | 5.3% | 63.0% | — | 63.0% | $278.7 |
| Peoples Jewellers[3] | 6.7% | 55.8% | (21.5)% | 34.3% | $49.7 |
| Mappins[3] | — | 33.3% | (19.0)% | 14.3% | $8.0 |
| Zale Canada Jewelry[3] | 5.7% | 52.2% | (21.1)% | 31.1% | $57.7 |
| Zale Jewelry[3] | 5.4% | 61.0% | (4.5)% | 56.5% | $336.4 |
| Piercing Pagoda[3] | 8.4% | 62.8% | — | 62.8% | $52.9 |
| **Zale division[3]** | **5.8%** | **61.3%** | **(4.0)%** | **57.3%** | **$389.3** |
| H.Samuel | 1.9% | 1.6% | (8.3)% | (6.7)% | $76.3 |
| Ernest Jones | 8.3% | 11.1% | (9.0)% | 2.1% | $82.8 |
| **UK Jewelry division** | **5.1%** | **6.4%** | **(8.7)%** | **(2.3)%** | **$159.1** |
| **Other** | — | (27.5)% | — | **(27.5)%** | **$3.7** |
| **Signet[3]** | **4.2%** | **16.9%** | **(1.8)%** | **15.1%** | **$1,410.6** |
| Adjusted Signet[4] | | | | | $1,417.8 |
| Adjusted Signet excluding Zale[4] | | | | | $1,021.3 |

1. Based on stores opened for at least 12 months. 2. Non-GAAP measure. 3. Same store sales reflect three months of Fiscal 2016 compared to three months of Fiscal 2015. Total sales in prior year reflect the contribution of 26 fewer days year-over-year from the addition of Zale Corporation, acquired on May 29, 2014. 4. Non-GAAP measure. Reconciliations on slide 9 and 11.

# Non-GAAP Reconciliation (in millions of $ except per share data)

| | | Adjustments | | |
|---|---|---|---|---|
| | Adjusted Signet | Purchase Accounting | Transaction Costs | Signet |
| Sales | 1,417.8 | (7.2) | — | 1,410.6 |
| Cost of goods sold | (917.7) | (2.1) | — | (919.8) |
| Gross margin | 500.1 | (9.3) | — | 490.8 |
| SGA | (413.4) | 4.2 | (43.6) | (452.8) |
| Other operating income, net | 62.8 | — | — | 62.8 |
| Operating income (loss) | 149.5 | (5.1) | (43.6) | 100.8 |
| Interest expense, net | (11.1) | — | — | (11.1) |
| Income (loss) before income taxes | 138.4 | (5.1) | (43.6) | 89.7 |
| Income taxes | (35.8) | 1.8 | 6.5 | (27.5) |
| Net income (loss) | 102.6 | (3.3) | (37.1) | 62.2 |
| | | | | |
| Earnings (loss) per share - diluted | 1.28 | ($0.04) | ($0.46) | 0.78 |
| | | | | |
| Signet's First Quarter Guidance | $1.11 to $1.16 | ($0.05) | ($0.07) to ($0.06) | $0.99 to $1.05 |

# Q2 Fiscal 2016 Operating Income (Loss)

| | Q2 FY2016 | | Q2 FY2015 | |
|---|---|---|---|---|
| | $m | % of Division Sales | $m | % of Division Sales |
| Sterling Jewelers division | $157.8 | 18.4% | $129.9 | 16.0% |
| Zale division[1] | ($2.1) | (0.5)% | ($9.8) | (4.0)% |
| UK Jewelry division | $3.2 | 2.0% | $1.1 | 0.7% |
| Other[2] | ($58.1) | NM | ($37.7) | NM |
| Signet | $100.8 | 7.2% | $83.5 | 6.8% |

1. Zale division includes ($5.1) million in purchase accounting costs in Q2 FY2016 and ($11.5) million in Q2 FY2015.

2. Other includes ($43.6) million in transaction-related and integration expense in Q2 FY2016 which are primarily attributed to the legal settlement over appraisal rights and consulting expenses and ($30.8) million in transaction costs in Q2 FY2015.

NM – Not meaningful

# Q2 Fiscal 2016 Adjusted Signet Detail[1]

| | Adjusted Signet excluding Zale[2] | | Zale operations | | Adjusted Signet | |
|---|---|---|---|---|---|---|
| | $m | % | $m | % | $m | % |
| Sales | 1,021.3 | 100.0% | 396.5 | 100.0% | 1,417.8 | 100.0% |
| Cost of goods sold | (657.0) | (64.3)% | (260.7) | (65.8)% | (917.7) | (64.7)% |
| Gross margin | 364.3 | 35.7% | 135.8 | 34.2% | 500.1 | 35.3% |
| SGA | (280.8) | (27.5)% | (132.6) | (33.4)% | (413.4) | (29.2)% |
| Other operating income, net | 63.0 | 6.2% | (0.2) | (0.1)% | 62.8 | 4.4% |
| Operating income | 146.5 | 14.4% | 3.0 | 0.7% | 149.5 | 10.5% |
| Interest expense, net | (11.0) | (1.1)% | (0.1) | — | (11.1) | (0.8)% |
| Income before income taxes | 135.5 | 13.3% | 2.9 | 0.7% | 138.4 | 9.7% |
| Income taxes | (34.8) | (3.4)% | (1.0) | (0.2)% | (35.8) | (2.5)% |
| Net income | 100.7 | 9.9% | 1.9 | 0.5% | 102.6 | 7.2% |
| **Earnings per share - diluted** | **$1.26** | | **$0.02** | | **$1.28** | |

1. Non-GAAP measure. See slide 9.
2. Includes capital structure and financing costs.

# Q2 Fiscal 2016 Adjusted Income Statement Highlights[1]

| | $m | % of Adjusted Sales |
|---|---|---|
| Adjusted operating income Q2 2015 | $125.8 | 10.2% |
| Adjusted gross margin | $500.1 | 35.3% |
| Adjusted selling, general & admin. | $413.4 | 29.2% |
| Other operating income | $62.8 | 4.4% |
| Adjusted operating income Q2 2016 | $149.5 | 10.5% |
| **Adjusted earnings per share** | **$1.28** | |

1. Non-GAAP measures. See slide 9.

# Q2 Fiscal 2016 Inventory

- Ending inventory $2,414.2 million, up $68.9 million or 2.9%, driven by:
  - New stores
  - Strategic diamond sourcing initiative and bridal business
  - Increase partially offset by streamlined Zale inventory








# Credit Metrics

| Year-to-Date | Fiscal 2016 | Fiscal 2015 |
|---|---|---|
| Accounts receivable, net (in millions) | $1,493.2 | $1,316.0 |
| Sterling credit participation | 61.6% | 60.0% |
| Sterling average monthly collection rate | 12.0% | 12.4% |

| Second Quarter | | |
|---|---|---|
| Net bad debt (in millions) | ($49.5) | ($41.8) |
| Other operating income (in millions) | $62.8 | $53.7 |
| Net Impact (in millions) | $13.3 | $11.9 |

| | | |
|---|---|---|
| Allowance as a % of ending A/R | **7.3%** | **7.0%** |

# Zales 3rd Party Credit

- Alliance Data Systems transition deferred three months
- All financial and operating benefits remain
  - Estimated $22M in merchant cost savings over 12 months
- Signet's in-house credit team to test "2nd look provider status" pre-holiday season




AllianceData.

# Financial Guidance

| Third Quarter Fiscal 2016 | |
|---|---|
| Same store sales | 3% to 4% |
| EPS | $0.23 to $0.25 |
| Adjusted EPS | $0.36 to $0.40 |

| Fiscal 2016 | |
|---|---|
| Effective tax rate | 28% to 29% |
| Capital expenditures | $275M to $325M |
| Net selling square footage growth | 2% to 3% |

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