SIGNET JEWELERS

KAY JEWELERS | JARED The Galleria Of Jewelry | ZALES THE DIAMOND STORE | PIERCING Pagoda

ERNEST JONES LOVE & LIFE | H.SAMUEL THE JEWELLER | PEOPLES CANADA'S #1 DIAMOND STORE

Second Quarter Fiscal 2017 Results

Thursday, August 25, 2016

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 2016 Annual Report on Form 10-K filed with the SEC on March 24, 2016. 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 slide 12 and Signet's Fiscal 2016 Annual Report on Form 10-K available on Signet's website, www.signetjewelers.com.

Key Take-Aways

1. Second quarter financials below expectations contributing to lower annual guidance.
2. Synergies intact for this year and next year; integration proceeding well.
3. Significant company stock repurchase and insider buying.
4. Credit strategic evaluation ongoing – shareholder value created either way.
   - Optimized portfolio. Retain book and increase leverage against it while expanding credit reporting and disclosure. Or,
   - Monetized portfolio. Preserve economics and continue to do business with customers. Free-up working capital.
5. Leonard Green & Partners makes $625 million convertible preferred investment in Signet.
6. Holiday season priorities locked-and-loaded. Organization focused and upbeat on Q4.

Financial Analysis

Drivers of shortfall and guidance revisions

- Select economic factors (e.g. energy region underperformance)
- Select secular factors (e.g. jewelry industry growth below historic norm)
- Select company factors (e.g. Jared)

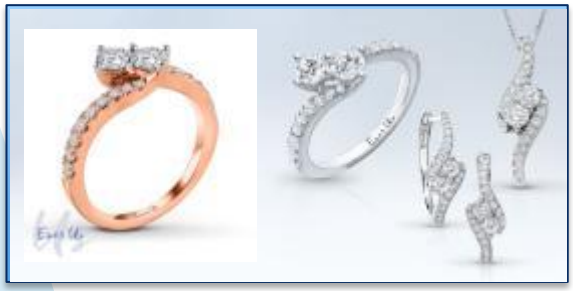






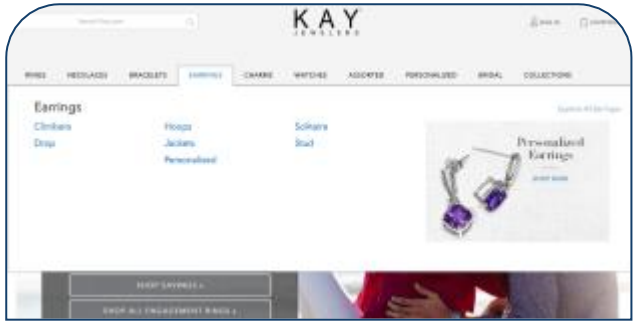
Second Quarter Sales Highlights

- **Ever Us**: Solid Q2 results; promising line extensions poised for rollout.
- **Bracelets and earrings**: Bolo, bangles, stackables; studs, climbers, diamond fashion.
- **Omni-channel influence**: Website improvements around responsive design, navigation, search, imagery, speed, and ease of checkout.
- **Select channels**: Outlets and Piercing Pagoda strong.









Zale Integration Activity On Track

Synergy examples that will help deliver 3-year cumulative synergies of $225M - $250M

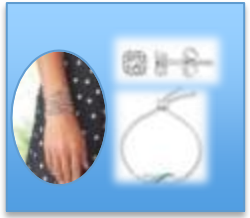
- In-sourcing repair
- Discount controls
- Cross-selling brands
- Centralized diamond procurement
- Non-merchandise sourcing
- Licensor contracts
- Organization design changes
- 2nd look credit
- Media mix and optimization
- Centralized real estate and rent savings
- Distribution center operations
- Special events
- Corporate expenses
- Store ops and compensation

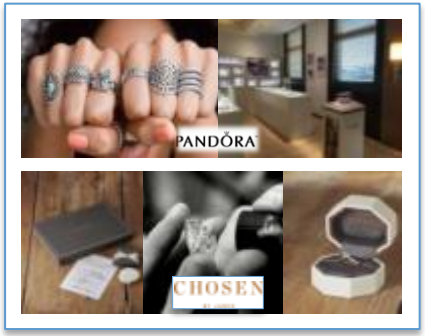
Holiday Season Business Drivers

- Ever Us line extensions
- Vera Wang Love fashion jewelry
- Bracelet and earring categories
- Jared: Pandora initiatives; Chosen diamond
- ‘Clienteling’ (a.k.a. system to communicate with customers as key events approach)
- Omni-channel initiatives: Personalization enhancements, analytics, email segmentation
- Targeted marketing: new TV creative; Kay Jewelers 100th anniversary events









In-House Credit Strategic Review Update

- Retain and optimize portfolio. Increase leverage against it while expanding credit reporting and disclosure. Or,
- Monetize portfolio. Utilize partner to continue doing business with customers. Preserve economics and free-up working capital for Signet.
  - Initiated RFP process.
  - Pleased with preliminary receptivity.
  - Meeting with multiple interested parties.
- Moving as quickly and prudently as possible.
- Expect shareholder value to be delivered under any scenario.





About Leonard Green Strategic Partnership

- Significant vote of confidence in Signet business model from premiere private equity retail industry investor
- Transaction not dilutive as proceeds to be used for share repurchase
- Gain additional retail expertise on board
- Transaction expected to close in third quarter



LG&P Leonard Green & Partners, L.P.

Investment Merits of Signet

Competitive strengths make Signet world's largest retailer of diamond jewelry with opportunity for LT growth

	Latest Annual	3 YR CAGR	5 YR CAGR	10 YR CAGR
Signet	**$6.6B**	**18.0%**	**13.8%**	**7.6%**
Total Jewelry & Watch Market	$77.2B	2.2%	4.3%	2.6%
Total Retail Market	$5,211.5B	4.3%	5.1%	3.1%

- Strong, trusted, well-known store banners
- Omni-channel customer experience and ancillary services among best-in-class
- Innovative merchandise including branded differentiated and exclusive products
- Sector leading national TV advertising with creative campaigns
- High quality store base with diversified real estate portfolio
- Supply chain synergies driven by scale and systems
- Customer finance programs that uniquely support jewelry purchases
- Financial strength and flexibility

Sources: US Census Bureau, US Bureau of Economic Analysis.
Note: Latest total retail market data available is as of year-end 2014.

Sales Performance

	Change in same store sales[1]	Total sales at constant exchange rate[2]	Exchange translation impact	Change in total sales	Total sales (in millions)
Kay	-0.5%	0.7%	0.0%	0.7%	$ 533.5
Jared	-7.6%	-5.4%	0.0%	-5.4%	$ 270.1
Regional brands	-5.1%	-16.9%	0.0%	-16.9%	$ 35.8
Sterling Jewelers division	**-3.1%**	**-2.2%**	**0.0%**	**-2.2%**	**$ 839.4**
Zales Jewelers	-1.5%	1.7%	0.0%	1.7%	$ 266.5
Gordon's Jewelers	- 15.0%	-26.3%	0.0%	-26.3%	12.3
Zale US Jewelry	**-2.2%**	**0.0%**	**0.0%**	**0.0%**	**278.8**
Peoples Jewelers	-6.2%	-4.4%	-3.4%	-7.8%	45.8
Mappins	-10.8%	-15.8%	-4.2%	-20.0%	6.4
Zale Canada Jewelry	**- 6.8%**	**-5.9%**	**-3.6%**	**-9.5%**	**52.2**
Zale Jewelry	**-3.0%**	**-1.0%**	**-0.6%**	**-1.6%**	**331.0**
Piercing Pagoda	6.4%	7.8%	0.0%	7.8%	57.0
Zale division	**-1.7%**	**0.2%**	**-0.5%**	**-0.3%**	**388.0**
H.Samuel	-0.4%	0.7%	-10.5%	-9.8%	68.8
Ernest Jones	1.9%	3.1%	-10.8%	-7.7%	76.4
UK Jewelry division	**0.8%**	**2.0%**	**-10.7%**	**-8.7%**	**145.2**
Other	0.0%	-78.4%	0.0%	**-78.4%**	0.8
Signet	**-2.3%**	**-1.3%**	**-1.3%**	**-2.6%**	**1,373.4**
Adjusted Signet[3]				**- 2.9%**	1,376.9

Notes: 1=For stores open for at least 12 months. 2=For stores not open in the last 12 months. 3=Non-GAAP measure.

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

		Adjustments		
	Signet	Purchase Accounting	Integration Costs	Adjusted Signet
Sales	1,373.4	(3.5)	-	1,376.9
Cost of sales	(908.5)	0.4	-	(908.9)
Gross margin	464.9	(3.1)	-	468.0
SG&A	(415.7)	(1.3)	(5.3)	(409.1)
Other operating income, net	70.7	-	-	70.7
Operating income	119.9	(4.4)	(5.3)	129.6
Interest expense, net	(11.9)	-	-	(11.9)
Income before income taxes	108.0	(4.4)	(5.3)	117.7
Income taxes	(26.1)	1.7	2.0	(29.8)
Net income	81.9	(2.7)	(3.3)	87.9
Earnings per share – diluted	1.06	(0.04)	(0.04)	1.14

Adjusted Highlights

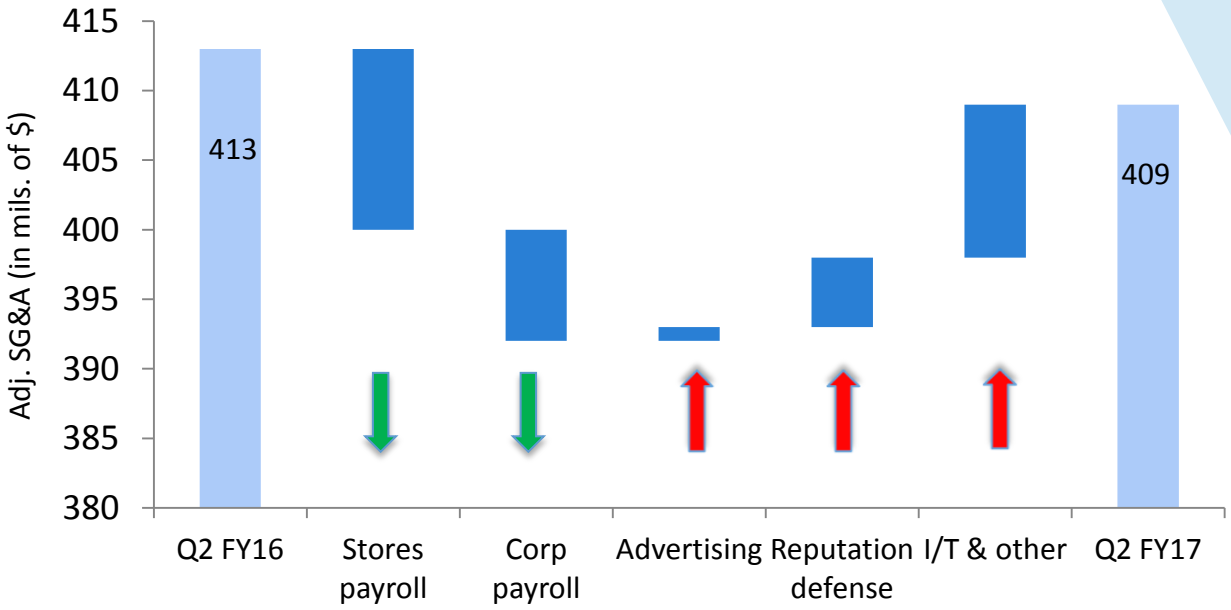
	2Q Fiscal 2017	2Q Fiscal 2016	Difference
Adjusted gross margin	34.0%	35.3%	(130) bps
Adjusted SG&A	29.7%	29.2%	50 bps
Other operating income	5.1%	4.4%	70 bps
Adjusted operating income	9.4%	10.5%	(110) bps
Adjusted earnings per share	$1.14	$1.28	($0.14)

Non-GAAP measures. See slide 12.

Adjusted SG&A Expense Deeper Dive

Second quarter year-over-year changes

- Solid management of operating expenses in lower sales environment
- Synergy expense savings included
- “Hard costs” and “soft costs” of responding to dubious accusations



Inventory

- Inventory of $2.4 billion increased 0.2% over prior year.
- Virtually offsetting impact of:
  - More stores
  - Sound inventory management
  - F/X benefit

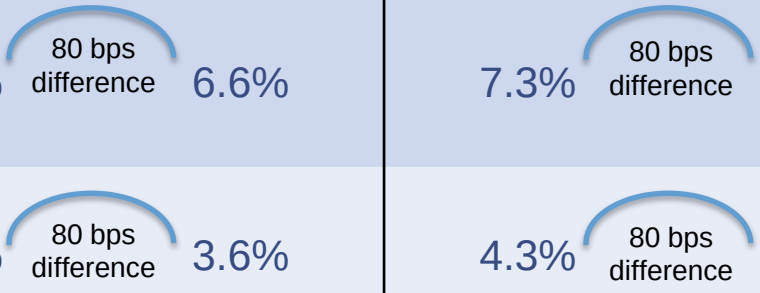


Sterling Division Credit Metrics (in millions except percentages)

	Q2 2017	Q2 2016	Difference
Credit sales	$529	$538	($9)
In-house credit participation	63.1%	62.6%	50 bps
Average monthly payment collection rate	10.8%	11.3%	(50) bps
Accounts receivable, net	$1,745	$1,599	$146
Interest income from in-house finance program	$70.1	$62.9	$7.2
Net bad debt	$55.3	$49.4	$5.9
Net Impact	**$14.8**	**$13.5**	**$1.3**

Sterling Division Allowance Metrics

	2Q Fiscal 2017	1Q Fiscal 2017	2Q Fiscal 2016	1Q Fiscal 2016
Total valuation allowance as % of gross receivables	**7.4%**	6.6%	7.3%	6.5%
Non-performing receivables[1] as % of gross receivables	**4.4%**	3.6%	4.3%	3.5%



- Sequentially, second quarter compared to first quarter, year-over-year, allowance and non-performing receivable ratios remained the same.
- Allowance and non-performing receivable ratios up just 10 bps year-over-year.

1 = In-house finance receivables past due, aged more than 90 days

Capital Considerations

Signet moved opportunistically on capital allocation during Q2

- **Share buyback**. Repurchased 4% of company – 2.8M shares for $250M.
- **Amend & extend**. Revolver increased from $400M to $700M.
- **Borrowings**. Utilized portion of revolver for buyback.

Financial Guidance

Third Quarter Fiscal 2017	
Same store sales	(5.0%) to (3.0%)
EPS	$0.06 to $0.15
Adjusted EPS	$0.17 to $0.25

Cumulative Net Synergies	
Fiscal 2017 (Fiscal 2016 plus Fiscal 2017)	$158 million to $175 million
Fiscal 2018 (Fiscal 2016 plus Fiscal 2017 plus Fiscal 2018)	$225 million to $250 million

Fiscal 2017	
Same store sales	(2.5%) to (1.0%)
EPS	$6.90 to $7.22
Adjusted EPS	$7.25 to $7.55
Effective tax rate	27% to 28%
Capital expenditures	$280 million to $320 million
Net selling sq. footage growth	3.0% to 3.5%

Signet Jewelers, Ltd.



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