SIGNET JEWELERS LTD
Form 8-K
March 25, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):25-03-2010

SIGNET JEWELERS LIMITED
(Exact name of registrant as specified in its charter)

Commission File Number: 1-32349

Bermuda	
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

Clarendon House
2 Church Street
Hamilton
HM11
Bermuda
(Address of principal executive offices, including zip code)

441 296 5872
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] **Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))**

Item No. 2.02 - Results of Operations and Financial Condition

Signet Jewelers Ltd (NYSE and LSE: SIG) Embargoed until 7.30 a.m. (EDT)
Results for the 13 and 52 weeks ended January 30, 2010 March 25, 2010

Signet Full Year Results Exceed Expectations

HAMILTON, Bermuda, March 25, 2010
- Signet Jewelers Ltd ("Signet") (NYSE and LSE: SIG), the world's largest specialty retail jeweler, today announced its results for the 13 weeks ("fourth quarter") and for the 52 weeks ("fiscal 2010") ended January 30, 2010.

Fiscal 2010 results:

- Same store sales down 0.4%
- Income before income taxes of $241.8 million
- Basic earnings per share $1.92, above guidance provided in January 2010 of $1.76 to $1.84
- Year end net debt(1) of $7.9 million

Performance against original fiscal 2010 financial objectives (2):

- Positive free cash flow(1) of $471.9 million against target of $175 million to $225 million
- Significantly exceeded working capital reduction objectives
- Slightly exceeded $100 million cost saving program

Financial objectives for fiscal 2011:

- Positive free cash flow(1) of between $150 million and $200 million
- Controllable costs(3) little changed from fiscal 2010 at constant exchange rates
- Capital expenditure of about $80 million

(1) Non-GAAP measure, see Note 14.
(2) As set out in announcement of March 25, 2009.
(3) Controllable costs exclude net bad debt charge, expenses that vary with sales, the US vacation entitlement policy change and the impact from amendments to the Truth in Lending Act.

Terry Burman, Chief Executive, commented: "We are pleased with our fiscal 2010 results, which were ahead of our January expectations and substantially exceeded our objectives set at the start of the year.

Significant store capacity left the US specialty jewelry marketplace in calendar 2009 and we believe that many of the remaining firms are less able to compete due to financial pressures. Improving store productivity through expanding our competitive advantages in the basic retail disciplines of store operations, supply chain management, marketing and quality of real estate, remains our primary focus on both sides of the Atlantic, and supports our strategy to gain profitable market share and maintain a strong balance sheet.

We believe that our strategy remains especially appropriate in the current uncertain economic environment. Solid execution of this strategy should help us achieve a further profitable market share increase, which would build on our ten year record that has seen our US market share almost double to 9.4% in fiscal 2010.

We have had an encouraging start to fiscal 2011, with same store sales in the first seven weeks up 6.4%, with the US increasing by 7.8% and the UK down by 0.1%."

FOURTH QUARTER FISCAL 2010 RESULTS

	Ended January 30 2010	Ended January 31 2009	Change
	up 5.2%	**down 14.9%**	
· Total sales	**$1,203.6m**	**$1,123.6m**	**up 7.1%**
At constant exchange rates (1)			**up 4.7%**
· Operating income/(loss)	**$179.9m**	**$(366.5)m**	
Underlying operating income (1,2)	**$181.5m**	**$150.4m**	**up 20.7%**
· Income/(loss) before income taxes	**$172.4m**	**$(373.6)m**	
Underlying income before income taxes (1,2)	**$174.0m**	**$143.3m**	**up 21.4%**
· Basic earnings/(loss) per share	**$1.37**	**$(4.97)**	
Underlying basic earnings per share (1,2)	**$1.45**	**$1.12**	**up 29.5%**

(1) Non-GAAP measure, see Note 14.
(2) "Underlying" excludes unfavorable $1.6 million impact of change in US vacation entitlement policy in fiscal 2010 and a charge of $516.9 million for impairment of goodwill in fiscal 2009, see Note 14.

FISCAL 2010 RESULTS

	Ended January 30 2010	Ended January 31 2009	Change
· Same store sales	**down 0.4%**	**down 8.2%**	
· Total sales	**$3,290.7m**	**$3,344.3m**	**down 1.6%**
At constant exchange rates (1)			**up 0.6%**

· Operating income	**$275.8m**	**$(297.3)m**	
Underlying operating income (1,2)	**$262.4m**	**$230.1m**	**up 14.0%**
· Income/(loss) before income taxes	**$241.8m**	**$(326.5)m**	
Underlying income before income taxes (1,2)	**$228.4m**	**$200.9m**	**up 13.7%**
· Basic earnings/(loss) per share	**$1.92**	**$(4.62)**	
Underlying basic earnings per share (1,2)	**$1.83**	**$1.57**	**up 16.6%**

(1) Non-GAAP measure, see Note 14.
(2) "Underlying" excludes favorable $13.4 million impact of change in US vacation entitlement policy in fiscal 2010 and a charge of $516.9 million for impairment of goodwill and $10.5 million relisting costs in fiscal 2009, see Note 14.

FINANCIAL REVIEW

The outcome for fiscal 2010 exceeded January 2010 expectations as a result of several factors. Sales in the final month of fiscal 2010 were ahead of plan in both the US and the UK, as was US gross merchandise margin for the fourth quarter. US expenses, including net bad debt, and year end inventory shrinkage were also favorable. As a result, fiscal 2010 basic earnings per share were $1.92 compared to expectations of between $1.76 and $1.84.

Net debt at January 30, 2010 at $7.9 million was comfortably below the maximum net debt figure of $50 million in the January 2010 guidance. Fiscal 2010 free cash flow of $471.9 million was more than double the original objective of between $175 million and $225 million. This reflected a better than expected net income performance and the identification of additional opportunities to reduce working capital, particularly with regard to US inventory levels.

FOURTH QUARTER
Financial Information
Same store sales rose by 5.2% in the fourth quarter. Total sales were up by 7.1% to $1,203.6 million (Q4 fiscal 2009: $1,123.6 million) reflecting an increase of 4.7% at constant exchange rates, see Note 14. The breakdown of the sales performance was as follows:

Change in sales	**US**	**UK**	**Signet**
	%	%	%
Same store sales	7.4	(1.5)	5.2
Change in net new store space	(0.6)	(0.1)	(0.5)
Change at constant exchange rates	6.8	(1.6)	4.7
Exchange translation	-	9.7	2.4
Total sales growth as reported	**6.8**	**8.1**	**7.1**
Sales, million	**$920.8**	**$282.8**	**$1,203.6**
% of total	76.5%	23.5%	100.0%

Net operating income was $179.9 million (Q4 fiscal 2009: operating loss $366.5 million), reflecting an underlying increase of 20.7%, see Note 14. The underlying increase at constant exchange rates was 26.8%, see Note 14. The factors influencing the change in operating margin are set out below:

Change in operating margin	**US**	**UK**	**Signet**
	%	**%**	**%**
Q4 fiscal 2009 underlying operating margin (1)	**9.4**	**26.6**	13.4 (2)
Gross merchandise margin movement	(0.3)	(0.9)	(0.5)
Expenses leverage/(deleverage)	4.6	(4.3)	2.2
Q4 fiscal 2010 underlying operating margin (1)	**13.7**	**21.4**	15.1 (2)
Change in US vacation entitlement policy	(0.2)	-	(0.2)
Q4 fiscal 2010 operating margin	**13.5**	**21.4**	14.9 (2)

(1) Non-GAAP measure, see Note 14
(2) Includes unallocated costs, principally central costs.

Unallocated costs, interest income and expense, income before income taxes and taxation
Unallocated costs were $4.7 million in the fourth quarter fiscal 2010 (Q4 fiscal 2009: $0.1 million), the change being due principally to one-off foreign exchange items in the prior year. Interest income declined to $0.1 million (Q4 fiscal 2009: $0.5 million), primarily due to lower interest rates. Interest expense was unchanged at $7.6 million.

In the fourth quarter of fiscal 2010, the income before income taxes was $172.4 million (Q4 fiscal 2009: loss $373.6 million), an underlying increase of 21.4%,
see Note 14.
The underlying increase at constant exchange rates was 28.4%, see Note 14.
The income tax charge was $55.2 million (Q4 fiscal 2009: $50.4 million).

Net income and earnings/(loss) per share
The net income for fourth quarter fiscal 2010 was $117.2 million (Q4 fiscal 2009: net loss $424.0 million), an underlying increase of 30.0%, see Note 14. The underlying increase at constant exchange rates was 37.5%, see Note 14. Basic and diluted earnings per share were $1.37 and $1.36 respectively (Q4 fiscal 2009 basic and diluted loss per share: $4.97), an underlying increase of 29.5% and 28.6%, an underlying increase at constant exchange rates of 36.8% and 35.8%, see Note 14.

FISCAL 2010
Financial Information
Same store sales fell 0.4% in fiscal 2010. Total sales were down by 1.6% to $3,290.7 million (fiscal 2009: $3,344.3 million), reflecting an increase of 0.6% at constant exchange rates, see Note 14. The breakdown of the sales performance was as follows:

Change in sales	**US**	**UK**	**Signet**
	%	**%**	**%**
Same store sales	0.2	(2.4)	(0.4)
Change in net new store space	0.6	2.3	1.0
Change at constant exchange rates	0.8	(0.1)	0.6
Exchange translation(1)	-	(9.2)	(2.2)
Total sales growth as reported	**0.8**	**(9.3)**	**(1.6)**

Sales, million	**$2,557.5**	**$733.2**	**$3,290.7**
% of total	77.7%	22.3%	100.0%

(1) The average pound sterling to US dollar exchange rate for the period was £1/$1.59 (fiscal 2009: £1/$1.75).

In fiscal 2010, net operating income was $275.8 million (fiscal 2009: loss $297.3 million), an underlying increase of 14.0%, see Note 14. The underlying increase at constant exchange rates was 16.7%, see Note 14. The factors influencing the change in operating margin are set out below:

Change in operating margin	**US**	**UK**	**Signet**
	%	%	%
Fiscal 2009 underlying operating margin (1)	**6.8**	**8.8**	6.9 (2)
Gross merchandise margin movement	0.4	(0.2)	0.2
Expenses leverage/(deleverage)	1.5	(0.9)	0.9
Fiscal 2010 underlying operating margin (1)	**8.7**	**7.7**	8.0 (2)
Change in US vacation entitlement policy	**0.5**	**-**	**0.4**
Fiscal 2010 operating margin	**9.2**	**7.7**	8.4 (2)

(1) Non-GAAP measure, see Note 14
(2) Includes unallocated costs, principally central costs.

Unallocated costs, interest income and expense, income before income taxes and taxation
Unallocated costs were $16.5 million in fiscal 2010 (fiscal 2009: $23.5 million), the decrease due to the absence of relisting costs of $10.5 million. The underlying increase mainly reflected higher costs related to staff and advisors. Interest income fell to $0.8 million (fiscal 2009: $3.6 million), as a result of the lower level of interest rates. Interest expense rose to $34.8 million (fiscal 2009: $32.8 million). While there were lower levels of variable debt and a $100 million prepayment at par to note holders made in March 2009, the rate of interest on the outstanding notes increased by 200 basis points and there was a charge of $3.4 million in the first quarter in respect of fees associated with the amendment of Signet's borrowing agreements.

In fiscal 2010, income before income taxes was $241.8 million (fiscal 2009: loss $326.5 million), an underlying increase of 13.7% and an underlying increase at constant exchange rates of 16.9% (see Note 14).
The charge to income taxes was $77.7 million (fiscal 2009: $67.2 million), an effective tax rate of 32.1% (fiscal 2009: (20.6%)). The underlying effective tax rate in fiscal 2010, excluding the US vacation entitlement policy adjustment was 31.8% (fiscal 2009: 33.5% underlying effective tax rate excluding goodwill impairment and relisting costs). The decline of 170 basis points in the underlying effective tax rate primarily related to the benefit of changes in intra-group financing arrangements and the favorable resolution of certain prior year tax issues.

Net income and earnings/(loss) per share
Net income for fiscal 2010 was $164.1 million (fiscal 2009: net loss $393.7 million), reflecting an underlying increase of 16.5%, and an underlying increase at constant exchange rates of 19.9%, see Note 14. Basic and diluted earnings per share were $1.92 and $1.91 respectively (fiscal 2009 loss per share: basic and diluted $4.62), an underlying increase in basic and diluted earnings per share of 16.6% and 15.9%, and an underlying increase at constant exchange rates of 20.4% and 19.7% respectively, see Note 14.

FISCAL 2010 CASH FLOW AND NET DEBT

Set out below is a summary of Signet's cash flows for fiscal 2010 and fiscal 2009:

	Fiscal 2010	**Fiscal 2009**
	($ million)	
Net income/(loss)	164.1	(393.7)
Adjustments to reconcile to cash flows provided by operations	129.8	653.5
Net income adjusted for non-cash items(1)	293.9	259.8
Changes in operating assets and liabilities	221.5	(95.4)
Net cash from operating activities	515.4	164.4
Net cash flows used in investing activities	(43.5)	(113.3)
Free cash flow(1)	471.9	51.1
Facility amendment fees	(9.3)	-
Dividends paid	-	(123.8)
Net change in common shares	1.0	0.1
	463.6	(72.6)
Cash & cash equivalents less total debt at start of period	(470.7)	(374.6)
Effect of exchange rate changes on cash & cash equivalents	(0.8)	(32.9)
Effect of exchange rate changes on debt	-	9.4
Cash and cash equivalents less total debt at end of period	**(7.9)**	**(470.7)**

(1) Non-GAAP measures, see Note 14.

In fiscal 2010, net income adjusted for non-cash items increased to $293.9 million (fiscal 2009: $259.8 million), see Note 14. The adjustments for non-cash items were $129.8 million (fiscal 2009: $653.5 million), with depreciation and amortization being $108.9 million (fiscal 2009: $114.5 million).

In fiscal 2010, there was an inflow from operating assets and liabilities of $221.5 million (fiscal 2009: outflow $95.4 million). There was a decrease in inventory of $226.5 million (fiscal 2009: $12.7 million), following a realignment to a lower level of sales and the much reduced space growth in the US division. The inventory reduction was particularly marked in the US division. The level of accounts receivable increased by $32.4 million (fiscal 2009: $20.5 million decrease), reflecting an increase in sales in the fourth quarter of fiscal 2010 in the US division.

Net cash flow used in investing activities was $43.5 million (fiscal 2009: $113.3 million), as a result of reduced capital investment in the existing businesses on both sides of the Atlantic and a reduced rate of US new space growth. Positive free cash flow in fiscal 2010 was $471.9 million (fiscal 2009: $51.1 million), see Note 14.

As previously indicated, no equity dividends were paid in fiscal 2010 (fiscal 2009: $123.8 million). A sum of $1.0 million (fiscal 2009: $0.1 million) was received from the issuance of common shares.

Liquidity

Net debt at January 30, 2010 was $7.9 million (January 31, 2009: $470.7 million), see Note 14, a decrease of $462.8 million (fiscal 2008: $141.4 million increase). Debt at January 30, 2010 was $324.1 million (January 31, 2009: $567.5 million), with cash and cash equivalents amounting to $316.2 million (January 31, 2009: $96.8 million). Gearing, that is the ratio of net debt to shareholders' equity, was 0.4% (January 31, 2009: 29.2%), see Note 14. The peak level of net debt in fiscal 2010 was about $480 million (fiscal 2009: about $670 million).

In accordance with its amended borrowing agreements, Signet made a prepayment at par to its note holders on March 9, 2010, of $50.9 million. Following this prepayment, there were $229.1 million of notes outstanding. A change was agreed with Signet's revolving credit facility banking group that the facility be reduced to $300 million from $370 million. The facility was undrawn at January 30, 2010 (January 31, 2009: $135.0 million).

FISCAL 2010 OPERATING REVIEW

US Division (~78% of sales)
The sales performance in fiscal 2010 was primarily influenced by the challenging economic conditions, with same store sales up 0.2% and total sales up by 0.8% to $2,557.5 million (fiscal 2009: $2,536.1 million). Net operating income was $235.8 million (fiscal 2009: loss $236.4 million), an underlying increase of 29.6%, see Note 14. See table above for an analysis of the movement in operating margin.

The US division's share of the specialty jewelry market increased to 9.4% in calendar 2009 from 9.0% in calendar 2008, based on initial estimates by the US Census Bureau. Same store sales fell by 3.5% in the first three quarters, but increased by 7.4% in the fourth quarter. Spending by higher income consumers was weak in the first three quarters, but began to recover in the fourth quarter and this was reflected in the performance of Jared. Set out below is the sales performance by format for the fourth quarter and fiscal 2010.

		Change on previous year		
Sales	**Average**	**Reported**	**Same**	**Average**