

SIGNET JEWELERS LTD
Form 10-Q
September 06, 2018
Table of Contents

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

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended August 4, 2018 or
 Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from to
Commission file number 1-32349

SIGNET JEWELERS LIMITED

(Exact name of Registrant as specified in its charter)

Bermuda
(State or other jurisdiction of incorporation) Not Applicable
(I.R.S. Employer Identification No.)
Clarendon House
2 Church Street
Hamilton HM11
Bermuda
(441) 296 5872
(Address and telephone number including area code of principal executive offices)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one).
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes
No

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date

Common Shares, \$0.18 par value, 51,910,956 shares as of August 31, 2018

1

Table of Contents

SIGNET JEWELERS LIMITED
TABLE OF CONTENTS

	PAGE
PART I FINANCIAL INFORMATION	
ITEM 1. Financial Statements (Unaudited)	
Condensed Consolidated Income Statements	<u>3</u>
Condensed Consolidated Statements of Comprehensive Income (Loss)	<u>4</u>
Condensed Consolidated Balance Sheets	<u>5</u>
Condensed Consolidated Statements of Cash Flows	<u>6</u>
Condensed Consolidated Statement of Shareholders' Equity	<u>7</u>
Notes to the Condensed Consolidated Financial Statements	<u>8</u>
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>43</u>
ITEM 3. Quantitative and Qualitative Disclosures about Market Risk	<u>59</u>
ITEM 4. Controls and Procedures	<u>59</u>
PART II OTHER INFORMATION	
ITEM 1. Legal Proceedings	<u>60</u>
ITEM 1A. Risk Factors	<u>60</u>
ITEM 2. Unregistered Sales of Equity and Securities and Use of Proceeds	<u>60</u>
ITEM 6. Exhibits	<u>61</u>

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SIGNET JEWELERS LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENTS

(Unaudited)

(in millions, except per share amounts)	13 weeks ended		26 weeks ended		Notes
	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017	
Sales	\$1,420.1	\$1,399.6	\$2,900.7	\$2,803.0	6
Cost of sales	(929.9)	(941.7)	(1,925.7)	(1,853.9)	
Restructuring charges - cost of sales	(63.2)	—	(63.2)	—	7
Gross margin	427.0	457.9	911.8	949.1	
Selling, general and administrative expenses	(444.8)	(409.0)	(927.6)	(861.8)	
Credit transaction, net	(23.9)	14.8	(167.0)	14.8	4
Restructuring charges	(19.6)	—	(26.1)	—	7
Goodwill and intangible impairments	—	—	(448.7)	—	15
Other operating income, net	3.2	71.9	25.3	148.8	
Operating income (loss)	(58.1)	135.6	(632.3)	250.9	6
Interest expense, net	(9.4)	(13.5)	(18.3)	(26.1)	
Other non-operating income	0.5	—	1.1	—	
Income (loss) before income taxes	(67.0)	122.1	(649.5)	224.8	
Income taxes	44.0	(28.7)	129.9	(52.9)	12
Net income (loss)	\$(23.0)	\$93.4	\$(519.6)	\$171.9	
Dividends on redeemable convertible preferred shares	(8.2)	(8.2)	(16.4)	(16.4)	9
Net income (loss) attributable to common shareholders	\$(31.2)	\$85.2	\$(536.0)	\$155.5	
Earnings (loss) per common share:					
Basic	\$(0.56)	\$1.34	\$(9.27)	\$2.36	10
Diluted	\$(0.56)	\$1.33	\$(9.27)	\$2.36	10
Weighted average common shares outstanding:					
Basic	56.1	63.8	57.8	65.9	10
Diluted	56.1	70.5	57.8	66.0	10
Dividends declared per common share	\$0.37	\$0.31	\$0.74	\$0.62	9

The accompanying notes are an integral part of these condensed consolidated financial statements.

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

During the 13 and 26 weeks ended August 4, 2018, amounts represent unrealized gains related to the Company's available-for-sale debt securities. During the 13 and 26 weeks ended July 29, 2017, amounts represent unrealized gains related to the Company's available-for-sale debt and equity securities.

- (2) Adjustment reflects the reclassification of unrealized gains related to the Company's available-for-sale equity securities as of February 3, 2018 from AOCI into retained earnings associated with the adoption of ASU 2016-1. The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

SIGNET JEWELERS LIMITED
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

(in millions, except par value per share amount)	August 4, 2018	February 3, 2018	July 29, 2017	Notes
Assets				
Current assets:				
Cash and cash equivalents	\$134.1	\$225.1	\$119.1	
Accounts receivable, held for sale	4.6	—	1,055.6	4
Accounts receivable, net	6.5	692.5	664.5	13
Other receivables	83.4	87.2	91.2	
Other current assets	155.9	158.2	128.5	
Income taxes	119.2	2.6	1.8	
Inventories	2,363.8	2,280.5	2,282.1	14
Total current assets	2,867.5	3,446.1	4,342.8	
Non-current assets:				
Property, plant and equipment, net of accumulated depreciation of \$1,249.2, \$1,197.6 and \$1,131.4, respectively	820.1	877.9	836.6	
Goodwill	509.0	821.7	519.9	15
Intangible assets, net	341.3	481.5	413.9	15
Other assets	169.6	171.2	165.1	
Deferred tax assets	2.2	1.4	—	
Retirement benefit asset	31.1	39.8	35.5	
Total assets	\$4,740.8	\$5,839.6	\$6,313.8	
Liabilities and Shareholders' equity				
Current liabilities:				
Loans and overdrafts	\$111.4	\$44.0	\$939.4	18
Accounts payable	236.7	237.0	148.2	
Accrued expenses and other current liabilities	440.4	448.0	426.6	
Deferred revenue	276.3	288.6	262.3	3
Income taxes	—	19.6	33.5	
Total current liabilities	1,064.8	1,037.2	1,810.0	
Non-current liabilities:				
Long-term debt	671.1	688.2	705.3	18
Other liabilities	236.1	239.6	247.1	
Deferred revenue	663.3	668.9	658.8	3
Deferred tax liabilities	91.0	92.3	103.3	
Total liabilities	2,726.3	2,726.2	3,524.5	
Commitments and contingencies				21
Series A redeemable convertible preferred shares of \$.01 par value: authorized 500 shares, 0.625 shares outstanding (February 3, 2018 and July 29, 2017: 0.625 shares outstanding)	614.4	613.6	612.7	8
Shareholders' equity:				
Common shares of \$0.18 par value: authorized 500 shares, 51.9 shares outstanding (February 3, 2018: 60.5 outstanding; July 29, 2017: 60.3 outstanding)	15.7	15.7	15.7	
Additional paid-in capital	287.6	290.2	282.2	
Other reserves	0.4	0.4	0.4	
	(2,418.0)	(1,942.1)	(1,949.7)	9

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

Treasury shares at cost: 35.3 shares (February 3, 2018: 26.7 shares; July 29, 2017: 26.9 shares)

Retained earnings	3,820.7	4,396.2	4,110.3
Accumulated other comprehensive loss	(306.3)	(260.6)	(282.3) 11
Total shareholders' equity	1,400.1	2,499.8	2,176.6
Total liabilities, redeemable convertible preferred shares and shareholders' equity	\$4,740.8	\$ 5,839.6	\$6,313.8

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

SIGNET JEWELERS LIMITED
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

(in millions)	26 weeks ended August 4, July 29, 2018 2017	
Cash flows from operating activities		
Net (loss) income	\$(519.6)	\$171.9
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	93.7	98.4
Amortization of unfavorable leases and contracts	(4.1)	(8.6)
Pension benefit	(0.6)	—
Share-based compensation	8.2	6.7
Deferred taxation	(0.3)	2.6
Credit transaction, net	160.4	(20.7)
Goodwill and intangible impairments	448.7	—
Restructuring charges	77.4	—
Amortization of debt discount and issuance costs	1.0	1.1
Other non-cash movements	(3.3)	0.6
Changes in operating assets and liabilities:		
Decrease in accounts receivable held for investment	40.4	159.1
Decrease in accounts receivable held for sale	18.2	—
Proceeds from sale of in-house finance receivables	445.5	—
Decrease in other assets and other receivables	9.8	15.6
(Increase) decrease in inventories	(170.9)	180.0
Increase (decrease) in accounts payable	3.6	(104.4)
Decrease in accrued expenses and other liabilities	(2.0)	(6.4)
Decrease in deferred revenue	(17.0)	(17.1)
Decrease in income taxes payable	(134.9)	(67.4)
Pension plan contributions	(1.6)	(1.6)
Net cash provided by operating activities	452.6	409.8
Investing activities		
Purchase of property, plant and equipment	(56.1)	(105.7)
Proceeds from sale of assets	5.5	—
Purchase of available-for-sale securities	(0.6)	(1.3)
Proceeds from sale of available-for-sale securities	8.5	0.6
Net cash used in investing activities	(42.7)	(106.4)
Financing activities		
Dividends paid on common shares	(40.6)	(39.0)
Dividends paid on redeemable convertible preferred shares	(15.6)	(19.1)
Repurchase of common shares	(485.0)	(460.0)
Repayments of term loans	(13.4)	(9.0)
Proceeds from securitization facility	—	1,242.9
Repayments of securitization facility	—	(1,242.9)
Proceeds from revolving credit facility	308.0	550.0
Repayments of revolving credit facility	(237.0)	(303.0)
Repayments of bank overdrafts	(8.1)	(3.1)
Other financing activities	(2.1)	(3.0)
Net cash used in financing activities	(493.8)	(286.2)

Edgar Filing: SIGNET JEWELERS LTD - Form 10-Q

Cash and cash equivalents at beginning of period	225.1	98.7
(Decrease) increase in cash and cash equivalents	(83.9) 17.2
Effect of exchange rate changes on cash and cash equivalents	(7.1) 3.2
Cash and cash equivalents at end of period	\$134.1	\$119.1

The accompanying notes are an integral part of these condensed consolidated financial statements.

6

Table of Contents

SIGNET JEWELERS LIMITED
 CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
 (Unaudited)

(in millions)	Common shares at par value	Additional paid-in capital	Other reserves	Treasury shares	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance at February 3, 2018	\$ 15.7	\$ 290.2	\$ 0.4	\$(1,942.1)	\$4,396.2	\$ (260.6)	\$ 2,499.8
Impact from adoption of new accounting pronouncements ⁽¹⁾	—	—	—	—	0.8	(0.8)	—
Net loss	—	—	—	—	(519.6)	—	(519.6)
Other comprehensive income	—	—	—	—	—	(44.9)	(44.9)
Dividends on common shares	—	—	—	—	(41.0)	—	(41.0)
Dividends on redeemable convertible preferred shares	—	—	—	—	(16.4)	—	(16.4)
Repurchase of common shares	—	—	—	(485.0)	—	—	(485.0)
Net settlement of equity based awards	—	(10.8)	—	9.1	0.7	—	(1.0)
Share-based compensation expense	—	8.2	—	—	—		