SIGNET JEWELERS LTD
Form 10-K
April 03, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended February 2, 2019
Commission file number 1-32349

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

Bermuda	Not Applicable
(State or other jurisdiction of incorporation)	(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)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Shares of $0.18 each	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ¨ No x
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 x No ¨
Indicate by check mark whether the Registrant has submitted electronically every interactive data file required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for shorter period that the registrant was required to submit such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definition of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b of the Exchange Act.

Large accelerated filer x Accelerated filer ¨

Non-accelerated filer ¨ Smaller reporting company ¨

Emerging growth company ¨

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

The aggregate market value of voting common shares held by non-affiliates of the Registrant (based upon the closing sales price quoted on the New York Stock Exchange) as of August 4, 2018 was $3,058,047,614.

Number of common shares outstanding on March 28, 2019: 51,891,985

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant will incorporate by reference information required in response to Part III, Items 10-14, from its definitive proxy statement for its annual meeting of shareholders, to be held on June 14, 2019.

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FISCAL 2019 ANNUAL REPORT ON FORM 10-K
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REFERENCES

Unless the context otherwise requires, references to "Signet" or the "Company," refer to Signet Jewelers Limited (and before September 11, 2008 to Signet Group plc) and its consolidated subsidiaries. References to the "Parent Company" are to Signet Jewelers Limited.

PRESENTATION OF FINANCIAL INFORMATION

All references to "dollars," "US dollars" and "$" are to the lawful currency of the United States of America ("US"). Signet prepares its financial statements in US dollars. All references to "British pound(s)," "pounds," and "£" are to the lawful currency of the United Kingdom ("UK"). All references to "Canadian dollar" or "C$" are to the lawful currency of Canada. Percentages in tables have been rounded and accordingly may not add up to 100%. Certain financial data may have been rounded. As a result of such rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

Throughout this Annual Report on Form 10-K, financial data has been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). However, Signet gives certain additional non-GAAP measures in order to provide increased insight into the underlying or relative performance of the business. An explanation of each non-GAAP measure used can be found in Item 6.

Fiscal year and fourth quarter

Signet's fiscal year ends on the Saturday nearest to January 31. As used herein, "Fiscal 2020," "Fiscal 2019," "Fiscal 2018," "Fiscal 2017," "Fiscal 2016" and "Fiscal 2015" refer to the 52 week periods ending February 1, 2020 and February 2, 2019, the 53 week period ending February 3, 2018, and the 52 week periods ending January 28, 2017, January 30, 2016 and January 31, 2015, respectively. Fourth quarter references the 13 weeks ended February 2, 2019 ("fourth quarter") and the 14 weeks ended February 3, 2018 ("prior year fourth quarter").

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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, appear in a number of places throughout this document and 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," "object "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: our ability to implement Signet's transformation initiative; the effect of US federal tax reform and adjustments relating to such impact on the completion of our quarterly and year-end financial statements; changes in interpretation or assumptions, and/or updated regulatory guidance regarding the US federal tax reform; the benefits and outsourcing of the credit portfolio sale including technology disruptions, future financial results and operating results; deterioration in the performance of individual businesses or of the company's market value relative to its book value, resulting in impairments of fixed assets or intangible assets or other adverse financial consequences, including tax consequences related thereto, especially in view of the Company's recent market valuation; our ability to successfully integrate Zale Corporation and R2Net's operations and to realize synergies from the Zale and R2Net transactions; general economic conditions; potential regulatory changes, global economic conditions or other developments related to the United Kingdom's announced intention to negotiate a formal exit from the European Union; a decline in consumer spending or deterioration in consumer financial position; the merchandising, pricing and inventory policies followed by Signet; Signet's relationships with suppliers and ability to obtain merchandise that customers wish to purchase; the reputation of Signet and its banners; the level of competition and promotional activity in the jewelry sector; the cost and availability of diamonds, gold and other precious metals; changes in the supply and consumer acceptance of gem quality lab created diamonds; regulations relating to customer credit; seasonality of Signet's business; the success of recent changes in Signet's executive management team; the performance of and ability to recruit, train, motivate and retain qualified sales associates; the impact of weather-related incidents on Signet's business; financial market risks; exchange rate fluctuations; changes in Signet's credit rating; changes in consumer attitudes regarding jewelry; management of social, ethical and environmental risks; the development and maintenance

of Signet's omni-channel retailing; the ability to optimize Signet's real estate footprint; 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 credit outsourcing fees, extended service plans and pensions; risks related to Signet being a Bermuda corporation; the impact of the acquisition of Zale Corporation on relationships, including with employees, suppliers, customers and competitors; Signet's ability to protect its intellectual property; changes in taxation benefits, rules or practices in the US and jurisdictions in which Signet's subsidiaries are incorporated, including developments related to the tax treatment of companies engaged in Internet commerce; and an adverse development in legal or regulatory proceedings or tax matters, any new regulatory initiatives or investigations, and ongoing compliance with regulations and any consent orders or other legal or regulatory decisions.

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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 Item 1A and elsewhere in this Annual Report on Form 10-K. Signet undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

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PART I
ITEM 1. BUSINESS
OVERVIEW

Signet Jewelers Limited ("Signet" or the "Company") is the world's largest retailer of diamond jewelry. Signet is incorporated in Bermuda and its address and telephone number are shown on the cover of this document. During the first quarter of Fiscal 2019, the Company realigned its organizational structure. The new structure is designed to facilitate further integration of operational and product development processes and to support growth strategies. In accordance with this organizational change, the Company, with 3,334 stores and kiosks as of February 2, 2019, now manages its business by geography, a description of which follows:

- The North America segment operated 2,729 locations in the US and 128 locations in Canada as of February 2, 2019. In the US, the segment primarily operates in malls and off-mall locations under the following banners: Kay (Kay Jewelers and Kay Outlet); Zales (Zales Jewelers and Zales Outlet); Jared (Jared The Galleria Of Jewelry and Jared Vault); a variety of mall-based regional banners; and James Allen, which was acquired in the R2Net acquisition in Fiscal 2018. Additionally, in the US, the segment operates mall-based kiosks under the Piercing Pagoda banner.
  In Canada, the segment primarily operates under the Peoples banner (Peoples Jewellers), as well as the Mappins Jewellers regional banner.
  The North America segment is entirely comprised of the Sterling Jewelers and Zale divisions reported under the Company's previous reportable segment structure.
- The International segment operated 477 stores in the United Kingdom, Republic of Ireland and Channel Islands as of February 2, 2019. The segment primarily operates in shopping malls and off-mall locations under the H.Samuel and Ernest Jones banners. The International segment is entirely comprised of the UK Jewelry division reported under the Company's previous reportable segment structure.

Certain company activities (e.g. diamond sourcing) are managed as a separate operating segment and are aggregated with unallocated corporate administrative functions in the segment "Other" for financial reporting purposes. Signet's diamond sourcing function includes our diamond polishing factory in Botswana. See Note 6 of Item 8 for additional information regarding the Company's reportable segments.

MISSION & STRATEGY

Signet's mission is to help customers "Celebrate Life and Express Love." Our vision is take the lead and be the world's premier jeweler by relentlessly connecting with customers, earning their trust with every interaction everywhere.

Signet continues to be the market share leader in North America in a large, growing and fragmented category, with the opportunity for additional growth as we leverage our strengths and competitive advantages. However, Signet believes that to realize this opportunity, it must transform its business from that of a legacy mall retailer to a modern OmniChannel category leader.

As a result, in Fiscal 2019, Signet launched a three-year comprehensive transformation plan, "Signet's Path to Brilliance," to reposition the company to be the OmniChannel jewelry category leader. The goal of our transformation plan is to drive sustained growth by delivering inspiring products and ideal online and in-store shopping experiences to our customers. Funding for the improvements we need in systems, capabilities, product and stores is expected to come from cost savings - driving out costs customers don't see and care about, to invest in what they do. We believe this plan will enable the Company to deliver long-term sustainable, profitable sales growth and create value for shareholders.

To achieve our Path to Brilliance goals, we believe we must relentlessly focus on the following three strategic pillars which define our key priorities and investment focus areas:

- Customer First: A resolute focus on our customer in all aspects of the business, including product assortment, targeted and personalized marketing, promotions and communications, through consumer inspired innovation and advanced data analytics.
- OmniChannel: Become a leading OmniChannel retailer creating a seamless shopping experience by enhancing our digital and in-store capabilities, towards the vision of a seamless experience across all points of customer engagement.
- Culture of Efficiency & Agility: Unleash the capabilities of Signet's diverse workplace to be agile, innovative, deliver operational excellence and efficiency with increased resource productivity.

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Over the last few months we have performed a detailed review of our Fiscal 2019 performance and the foundational capabilities developed in Year 1 of Path to Brilliance. Additionally, we have restructured parts of the organization and made leadership changes aimed to position us for success. We believe that Path to Brilliance is the right strategy, and that we must move faster and more aggressively to achieve our goals. The learnings from this last year have been incorporated into our forward plans to improve both execution and financial performance.

Our plan for Year 2 of Path to Brilliance is to build on the capabilities developed during Year 1, while accelerating growth initiatives to drive customer relevance, aggressively addressing our cost structure and bolstering our balance sheet. We have plans under each of our three strategic pillars to change the trajectory of our same store sales, stabilize and expand margins and improve our cash generation.

Key components of the transformation plan include:

- Leading innovation and customer value. In early Fiscal 2019, Signet launched its innovation engine whose goal is to develop new solutions to customers' jewelry needs to become an innovative disruptor in our category. In addition, we believe investments in data analytics and consumer insights including a system to track customer net promoter score, Signet's "Voice of Customer" program, will allow us to better service our customers. The Company has begun reinvigorating its merchandise and value proposition focusing on 1) inspiring flagship brands, 2) right value and 3) on-trend product. Signet will continue to build on Fiscal 2019 key learnings and implement new programs designed to delight customers during their four key journeys (bridal, gifting, self-purchasing and repair). Combined with customer-inspired banner repositioning work, this is expected to allow the Company to make further progress in tailoring new product, marketing and promotional strategies unique to each store banner. In addition, investments will also focus on creating an in-store environment that resonates with today's customer, better integrating technology to create a compelling, seamless OmniChannel experience.
- Enhancing Signet's eCommerce and OmniChannel capabilities. Signet will continue to invest in platforms and becoming the leading jewelry retailer across channels. Building a best in class mobile experience and driving digital innovation is an important component of our Path to Brilliance. New initiatives aimed to drive increased digital traffic and improve conversion include a move to a more contemporary, dynamic platform for Jared and Kay that will be designed to enable better customer experience through faster speeds and high-quality imagery. In addition, we expect that investments in on-line jewelry customization tools, enhanced mobile experience, and continued greater personalization of content and product offering utilizing behavioral data management and machine learning will drive a better customer experience. This is also expected to enable and enhance digital marketing return on investments through greater visibility of customer's multi-touch journey. Signet aims to grow digital sales as a percentage of total revenues to 15% in Fiscal 2021, compared to 8% in Fiscal 2018.
- Optimizing real estate footprint. Following an evaluation of its real estate footprint, utilization, and cost structure, Signet intends to optimize its portfolio to drive greater store productivity. We are working toward a portfolio of fewer, better stores, that provide a positive customer experience by delivering a fully connected OmniChannel journey. Our objective is to ensure our store base is located appropriately, providing sufficient returns to justify our investment and most importantly providing a delightful customer experience. Efforts include development and implementation of innovative store concepts to improve the in-store shopping experience, execution of opportunistic store relocations and store closures aimed at exiting under-performing stores, reducing the Company's mall-based exposure and exiting regional brands. Store closing decisions are informed by strategic considerations and data analytics, including store performance, sales transference potential, mall grade and trend. In Fiscal 2019, Signet closed 262 stores, the majority of which were in malls where we operate another Signet banner store. Signet will continue to optimize its portfolio with more than 150 store closures expected in Fiscal 2020. At the end of the three-year transformation plan, Signet will have a leaner, more diversified footprint and more compelling and connected store experiences that we believe will be better aligned to our strategic banner positionings.
- Reducing non-customer facing costs. In line with Signet's goal of creating a Culture of Agility and Efficiency, the Company implemented initiatives across its operations, including strategic sourcing, distribution and warehousing, and corporate and support functions to drive cost savings and operational efficiencies. These include procurement savings with respect to merchandise and indirect spend, consolidating facilities and payroll savings as a result of implementing simplified organization structures with wider spans of control and fewer layers of management. The

Company expects its transformation plan to deliver $200-$225 million net cost savings (excludes cost reductions associated with store closures) by the end of Fiscal 2021. In Fiscal 2019, Signet realized $85 million of net costs savings. The gross savings from these initiatives will be used to fund needed investments in technology, capabilities, and store experience.

- Strengthening employee engagement and building capabilities. Our team and organization are key to accomplishing the company's transformation goals. Signet has hired and promoted several executives to fill key leadership roles, is investing in building e-commerce, analytics and innovation capabilities, and is focusing on reigniting employee engagement in our store operations and throughout the entire organization through cultural initiatives, leadership and skills training, and enhanced career development opportunities.

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Competition and Signet Competitive Strengths

Jewelry retailing is highly fragmented and competitive. We compete against other specialty jewelers, as well as other retailers that sell jewelry, including department stores, mass merchandisers, discount stores, apparel and accessory fashion stores, brand retailers, online retail and auction sites, shopping clubs, home shopping television channels and direct home sellers. The jewelry category competes for customers' share-of-wallet with other consumer sectors such as electronics, clothing and furniture, as well as travel and restaurants. This competition for consumers' discretionary spending is particularly relevant to gift giving.

We believe that Signet's competitive strengths include: strong store banner recognition, outstanding customer experience, branded differentiated and exclusive merchandise, sector-leading marketing and advertising, diversified real estate portfolio, supply chain leadership, and a full spectrum of services including financing and lease purchase options, extended service plans, repair and customer design, and piercing.

Capital Strategy

The tenets of Signet's capital strategy allocation priorities continue to be as follows: 1) invest in its business to drive growth; 2) protect business from economic downturns by ensuring adequate liquidity; and 3) return excess cash to shareholders. Over time, Signet is committed to achieving an investment grade profile. Part of Signet's capital strategy is to maintain the Company's expected long-term adjusted debt[(1)]/ adjusted EBITDAR[(1)] ("adjusted leverage ratio") of 3.0x to 3.5x. As previously announced, the Company exceeded the high end of its target leverage range in Fiscal 2019. The Company expects to exceed the high end of the target range in Fiscal 2020 but believes it will reach approximately 3.5x by the end of the three-year transformation plan.

Based on projected investments and liquidity needs, the Company expects to maintain its quarterly dividend rate of $0.37 per share but does not anticipate share buybacks for Fiscal 2020. The Company has a remaining share repurchase authorization as of the end of Fiscal 2019 of $165.6 million.

(1) Adjusted debt, Adjusted EBITDAR, and free cash flow are non-GAAP measures. Signet believes they are useful measures to provide insight into how the Company intends to use capital. See Item 6 for reconciliation.

BACKGROUND

Operating segments

The business is currently managed as three reportable segments: the North America segment (90.3% of sales and 81.2% of operating loss), the International segment (9.2% of sales and (1.7)% of operating loss) and the Other segment. The Other reportable segment consists of all non-reportable segments, including subsidiaries involved in the purchasing and conversion of rough diamonds to polished stones and unallocated corporate administrative functions. All segments are managed by an executive committee, which is chaired by Signet's Chief Executive Officer, who reports to the Board of Directors of Signet (the "Board"). The executive committee is responsible for operating decisions within parameters established by the Board. See Note 6 of Item 8 for additional information regarding the Company's segments as well as disclosure detailing and reconciling the components of operating income.

Trademarks and trade names

Signet is not dependent on any material patents or licenses in any of its segments. Signet has several well-established trademarks and trade names which are significant in maintaining its reputation and competitive position in the jewelry retailing industry. Some of these registered trademarks and trade names include the following:

- Kay Jewelers®; Kay Jewelers Outlet®; Jared The Galleria Of Jewelry®; Jared Vault®; Jared Jewelry Boutique®; JB Robinson® Jewelers; Marks & Morgan Jewelers®; Every kiss begins with Kay®; Jared Eternity™; Celebrate Life. Express Love.®; the Leo® Diamond; Hearts Desire®; Open Hearts by Jane Seymour®; Radiant Reflections®; Chosen by Jared®; Now and Forever®; Ever Us®; James Allen®; Tolkowsky®; Long Live Love™; Dare to be Devoted™; Love + Be Loved™; and Brilliant Moments®.
- Zales®; Zales Jewelers™; Zales the Diamond Store®; Zales Outlet®; Gordon's Jewelers®; Peoples Jewellers®; Peoples the Diamond Store®; Peoples Outlet the Diamond Store®; Mappins®; Piercing Pagoda®; Arctic Brilliance Canadian Diamonds®; Brilliant Buy®; Brilliant Value®; Celebration Diamond®; Expressionist®; From This Moment®; Let Love Shine®; The Celebration Diamond Collection®; Unstoppable Love®; and Endless Brilliance®.
- H.Samuel®; Ernest Jones®; Ernest Jones Outlet Collection™; Commitment®; Forever Diamonds®; Kiss Collection®; Princessa Collection®; Radiance®; Secrets of the Sea®; Shades of Gold®; Viva Colour®; and Helps You Say It

Better™.

Store locations

Signet operates retail jewelry stores in a variety of real estate formats including mall-based, free-standing, strip center and outlet store locations. As of February 2, 2019, Signet operated 2,760 stores and 574 kiosks across 4.7 million square feet of retail space in the US, UK and Canada. This represented a decrease of 6.2% and a decrease of 5.7% in locations and retail space, respectively, from Fiscal 2018. Store locations by country and territory as of February 2, 2019 are disclosed in Item 2.

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Customer experience

We will strive at Signet to continue to be focused on driving an inspiring, full service, seamlessly connected customer experience, which is an essential element in the success of our business. Therefore, the ability to recruit, develop and retain qualified jewelry consultants is an important element in enhancing customer satisfaction. We have comprehensive recruitment, training and incentive programs in place, including an annual flagship training conference in advance of the holiday season.

Signet continues to invest in technology to enhance the customer shopping experience to make it more personalized and journey specific. In Fiscal 2019, Signet implemented a multi-phase Voice of Customer program as a component of our Path to Brilliance and customer first strategies. The first phase focused on setting up the technology, establishing stable measurements for key customer journeys (net promoter score) and discovering how to effectively operationalize customer feedback.

OmniChannel

As a specialty jeweler, Signet's business differs from many other retailers such that a purchase of merchandise from any of Signet's stores is personal, intimate and typically viewed as an important experience. Due to this dynamic, customers often invest time on Signet websites and social media to experience the merchandise assortments prior to visiting brick-and-mortar stores to execute a purchase transaction. Particularly related to high value transactions, customers will supplement their online experience with an in-store visit prior to finalizing a purchase.

Through Signet's websites, we educate customers and provide them with a source of information on products and brands, available merchandise, as well as the ability to buy online. Our websites are integrated with each segment's stores, so that merchandise ordered online may be picked up at a store or delivered to the customer. Banner websites continue to make an important and growing contribution to the customer experience, as well as to each segment's marketing programs. As in Fiscal 2019, the Company will continue to focus on:

- Investments in technology, including eCommerce platforms, focused on improving the online journey. Customer journey enhancements include user generated content, enhanced personalization / behavioral targeting, creative execution and brand differentiation. In addition, we are focused on OmniChannel wishlist, online merchandising, in-store appointment booking, bridal configuration and much more.
- Optimization of marketing through prioritizing dollars to digital spend and targeted marketing through traditional media.
- Increased use of data analytics, clienteling and other key touch points to achieve a more comprehensive view of the customer and allow us to anticipate their needs.

Signet's supplier relationships allow it to display suppliers' inventories on the banner websites for sale to customers without holding the items in its inventory until the products are ordered by customers, which are referred to as "virtual inventory." Virtual inventory expands the choice of merchandise available to customers both online and in-store.

Raw materials

The jewelry industry generally is affected by fluctuations in the price and supply of diamonds, gold and, to a much lesser extent, other precious and semi-precious metals and stones. Diamonds account for about 52%, and gold about 14%, of Signet's cost of merchandise sold, respectively.

Signet undertakes hedging for a portion of its requirement for gold through the use of net zero premium cost collar arrangements, forward contracts and participating forwards or swaps. It is not possible to hedge against fluctuations in the cost of diamonds. The cost of raw materials is only part of the costs involved in determining the retail selling price of jewelry, with labor costs also being a significant factor.

Diamond sourcing

Signet procures its diamonds mostly as finished jewelry and, to a smaller extent, as loose polished diamonds and rough diamonds which are in turn polished in Signet's Botswana factory.

Finished jewelry

Signet purchases finished product where management has identified compelling value based on product design, cost and availability, among other factors. Under certain types of arrangements, this method of purchasing also provides the Company with the opportunity to reserve inventory held by vendors and to make returns or exchanges with suppliers, which reduces the risk of over- or under-purchasing. Signet's scale, balance sheet and robust procurement

systems enable it to purchase merchandise at advantageous prices and on favorable terms.

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Loose diamonds

Signet purchases loose polished diamonds in global markets (e.g. India, Israel) from a variety of sources (e.g. polishers, traders). Signet mounts stones in settings purchased from manufacturers using third parties and in-house resources. By using these approaches, the cost of merchandise is reduced and the consistency of quality is maintained enabling Signet to provide better value to customers. Buying loose diamonds helps allow Signet's buyers to gain a detailed understanding of the manufacturing cost structures and, in turn, leverage that knowledge with regard to negotiating better prices for the supply of finished products.

Rough diamonds

Signet continues to take steps to advance its vertical integration, which includes rough diamond sourcing and processing. Signet's objective with this initiative is to secure additional, reliable and consistent supplies of diamonds for customers worldwide while achieving further efficiencies in the supply chain. Signet owns a diamond polishing factory in Gaborone, Botswana. The Company is a DeBeers sightholder, and receives contracted allocations of rough diamonds from Rio Tinto, DeBeers and Alrosa. Signet has also established a diamond liaison office in India and a diamond trading office in New York to further support its sourcing initiative.

Rough diamonds are purchased directly from the miners and then have the stones marked, cut and polished in Signet's own polishing facility. Any stones deemed unsuitable for Signet's needs are sold to third parties with the objective of recovering the original cost of the stones.

Merchandising

Management believes that a competitive strength is our industry-leading merchandising. Merchandise selection, innovation, availability and value are all critical success factors. The range of merchandise offered and the high level of inventory availability are supported centrally by extensive and continuous research and testing. Signet's jewelry design center in New York evaluates global design trends, innovates, and helps our merchant teams develop new jewelry collections that resonate with customers.

Merchandise mix

Details of merchandise mix (excluding repairs, warranty and other miscellaneous sales) are shown below:

	North America	International	Consolidated
Fiscal 2019			
Bridal	49 %	42 %	48 %
Fashion	44 %	21 %	42 %
Watches	5 %	35 %	8 %
Other	2 %	2 %	2 %
	100 %	100 %	100 %
Fiscal 2018			
Bridal	48 %	36 %	46 %
Fashion	44 %	28 %	43 %
Watches	5 %	34 %	8 %
Other	3 %	2 %	3 %
	100 %	100 %	100 %

The bridal category, which includes engagement, wedding and anniversary purchases, is predominantly diamond jewelry. Like fashion jewelry and watches, bridal is to an extent dependent on the economic environment as customers can trade up or down price points depending on their available budget. Bridal represented approximately 50% of Signet's total merchandise sales. In Fiscal 2019 the Enchanted Disney Fine Jewelry® collection, Vera Wang Love® collection, Neil Lane® collection, and solitaires performed well while the Ever Us® collection declined.

The fashion category is significantly impacted by gift giving in the Holiday Season, Valentine's Day and Mother's Day time periods and represented 42% of Signet's total merchandise sales.

The Other category primarily includes beads and represented 2% of Signet's total merchandise versus 3% in the prior year primarily due to a strategic reduction of owned brand bead collections as well as declines in branded bead collections.

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Merchandise is categorized as non-branded, third party branded, and branded differentiated and exclusive. Non-branded merchandise includes items and styles such as bracelets, gold necklaces, solitaire diamond rings, and diamond stud earrings. Third party branded merchandise includes mostly watches, but also includes ranges of charm bracelets. Branded differentiated and exclusive merchandise are items that are branded and exclusive to Signet within its marketplaces, or that are not widely available in other jewelry retailers (e.g Vera Wang Love, Neil Lane, Disney Enchanted).

Branded differentiated and exclusive ranges

Management believes that the development of branded differentiated and exclusive merchandise raises the profile of Signet's banners, helps to drive sales and provides its well-trained sales associates with a powerful selling proposition. Digital marketing and national television advertisements include elements that drive brand awareness and purchase intent of these ranges. Signet's scale and proven record of success in developing branded differentiated and exclusive merchandise attracts offers of such programs from jewelry manufacturers, designers and others ahead of competing retailers, and enables it to leverage its supply chain strengths.

Merchandise held on consignment

Merchandise held on consignment is used to enhance product selection and test new designs. This minimizes exposure to changes in fashion trends and obsolescence, and provides the flexibility to return non-performing merchandise. Virtually all of Signet's consignment inventory is held in the US.

Suppliers

In Fiscal 2019, the five largest suppliers collectively accounted for 19.7% of total purchases, with the largest supplier comprising 6.4%. Signet transacts business with suppliers on a worldwide basis at various stages of the supply chain with third party diamond cutting and jewelry manufacturing being predominantly carried out in Asia.

Marketing and advertising

Customers' confidence in our retail brands, store banner name recognition and advertising of branded differentiated and exclusive ranges are important factors in determining buying decisions in the jewelry industry where the majority of merchandise is unbranded. Therefore, Signet continues to strengthen and promote its store banners and merchandise brands by focusing on delivering superior customer service and building brand name recognition. The Company's OmniChannel approach leverages marketing investments in television, digital media (desktop, mobile and social), radio, print, catalog, direct mail, point of sale signage and in-store displays.

Marketing activities are undertaken throughout the year, digital capabilities provide insight into customer journeys enabling personalized journey-based communications at the most appropriate moment through social media and digital marketing. We plan to transform and modernize our marketing model in Fiscal 2020 by re-balancing the timing and mix of our media investments, leveraging a more personalized journey-based approach, and modernizing our content and messaging. In fact, Fiscal 2020 will be the first year that Signet spends more on digital and social marketing than on television advertising. Building on successful "Always On" bridal tests at Kay, we plan to grow our share of gifting occasions with a targeted focus on special occasion milestones like birthdays and anniversaries.

We will also aim to significantly improve the effectiveness of our creative campaigns, building on the banner differentiation work launched in Fiscal 2019. Within the past year, we've brought on new creative agencies for every North America banner as well as a new data savvy media agency. Together, we are evolving our campaigns with more sophisticated, journey specific content and using data science to more efficiently target our spend.

Details of gross advertising, advertising before vendor contributions, by segment is shown below:

(in millions)	Fiscal 2019		Fiscal 2018		Fiscal 2017	
	Gross advertising spending	as a % of segment sales	Gross advertising spending	as a % of segment sales	Gross advertising spending	as a % of segment sales
North America	$368.5	6.5 %	$340.4	6.1 %	$358.8	6.2 %
International	19.3	3.3 %	20.1	3.3 %	21.8	3.4 %
Signet	$387.8	6.2 %	$360.5	5.8 %	$380.6	5.9 %

Customer finance

In our North American markets, Signet sells products for cash and for payment through major credit cards, online payment systems and lease purchase options. In addition, the Company has partnerships with third-party providers who directly extend credit to its customers, and who also manage and service the customers' accounts.
Comenity Bank provides credit and services to the Zales and Piercing Pagoda banners and to prime-only credit quality customers for Kay and Jared banners. Genesis Financial Solutions ("Genesis") provides a second look program for applicants declined by Comenity Bank.

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For Kay and Jared banners, Signet originates non-prime receivables and sells them subject to a contractually agreed upon discount rate to funds managed by CarVal Investors ("CarVal"), the majority investor and Castlelake, L.P. ("Castlelake"), the minority investor. Servicing of the non-prime receivables prior to sale to the investors, including operational interfaces and customer servicing, is provided by Genesis.

Real estate

Management has specific operating and financial criteria that must be satisfied before investing in new stores or renewing leases on existing stores. Substantially all the stores operated by Signet are leased. Signet continues to, over time, reposition its portfolio in a manner that it believes will drive greater store productivity. These efforts include development and implementation of innovative store concepts to improve the in-store shopping experience, execution of opportunistic store relocations and store closures aimed at exiting under-performing stores, reducing the Company's mall-based exposure and exiting regional brands.

Recent investment in the store portfolio is set out below:

(in millions)	North America	International	Total Signet
Fiscal 2019			
New store capital investment	$ 15.3	$ 1.8	$ 17.1
Remodels and other store capital investment	50.1	3.0	53.1
Total store capital investment	$ 65.4	$ 4.8	$ 70.2
Fiscal 2018			
New store capital investment	$ 47.1	$ 1.4	$ 48.5
Remodels and other store capital investment	63.8	10.7	74.5
Total store capital investment	$ 110.9	$ 12.1	$ 123.0
Fiscal 2017			
New store capital investment	$ 65.1	$ 2.5	$ 67.6
Remodels and other store capital investment	83.0	15.3	$ 98.3
Total store capital investment	$ 148.1	$ 17.8	$ 165.9

Seasonality

Signet's sales are seasonal, with the fourth quarter accounting for approximately 35-40% of annual sales, with December being by far the highest volume month of the year. The "Holiday Season" consists of results for the months of November and December. As a result of our transformation initiatives, we anticipate our operating profit will be almost entirely generated in the fourth quarter.

Employees

In Fiscal 2019, the average number of full-time equivalent persons employed was 22,989. In addition, Signet usually employs a limited number of temporary employees during its fourth quarter. None of Signet's employees in the UK and less than 1% of Signet's employees in the US and Canada are covered by collective bargaining agreements.

	Fiscal 2019	Fiscal 2018	Fiscal 2017
Average number of employees:[1]			
North America[2]	19,689	21,440	25,944
International	3,125	3,265	3,398
Other[3]	175	183	224
Total	22,989	24,888	29,566

(1) Full-time equivalents ("FTEs").

(2) Includes 844 FTEs, 821 FTEs and 1,051 FTEs employed in Canada in Fiscal 2019, Fiscal 2018 and Fiscal 2017, respectively.

(3) Includes corporate employees and employees employed at the diamond polishing plant located in Botswana.

Regulation

Signet is required to comply with numerous laws and regulations covering areas such as consumer protection, consumer privacy, data protection, consumer credit, consumer credit insurance, health and safety, waste disposal, supply chain integrity, truth in advertising and employment. Management monitors changes in these laws to endeavor to comply with applicable requirements.

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Markets

Signet operates in the US, Canada and UK markets.

US

According to the US Bureau of Economic Analysis, the total jewelry and watch market was approximately $83 billion at the end of 2018, up nearly 8% from the prior year. This implies a Signet jewelry market share of approximately 7%. Since 2008, the industry average annual growth rate is 2.5%. Around 83% of the market is represented by jewelry, with the balance being attributable to watches. According to the latest data from the US Labor Department, there were close to 20,400 jewelry stores in the country, down 0.9% from the prior year.

Canada

The jewelry market in Canada, according to Euromonitor, has grown steadily over the past five years, rising to an estimated C$8.2 billion in 2018. This represents an increase of 2.9% from the prior year.

UK

In the UK, the jewelry and watch market was estimated at about £5.7 billion in 2018, up 2.9% from the prior year, according to Mintel. Growth was driven by continued demand for luxury and high-ticket items. Self-purchasing among young women and gifting among men represent the largest parts of the precious jewelry market.

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NORTH AMERICA SEGMENT

The North America segment operates jewelry stores in malls, mall-based kiosks and off-mall locations throughout the US and Canada under national banners including Kay, Zales, Jared and Piercing Pagoda, as well as a variety of mall-based regional banners.

North America store banner reviews

Store activity by banner

	February 2, 2019	Openings	Closures	February 3, 2018	Openings	Closures	January 28, 2017
Mall							
Kay	690	—	(41)	731	4	(24)	751
Zales	510	2	(37)	545	5	(48)	588
Jared	3	—	(6)	9	—	(1)	10
Piercing Pagoda[1]	574	—	(24)	598	13	(31)	616
Peoples	123	2	(8)	129	2	(16)	143
Regional banners[2]	32	1	(69)	100	—	(97)	197
North America segment	1,932	5	(185)	2,112	24	(217)	2,305
Off-mall and outlet							
Kay	524	36	(28)	516	80	(5)	441
Zales	148	—	(11)	159	6	(10)	163
Jared	253	1	(13)	265	3	(3)	265
North America segment	925	37	(52)	940	89	(18)	869
Total							
Kay	1,214	36	(69)	1,247	84	(29)	1,192
Zales	658	2	(48)	704	11	(58)	751
Jared	256	1	(19)	274	3	(4)	275
Piercing Pagoda[1]	574	—	(24)	598	13	(31)	616
Peoples	123	2	(8)	129	2	(16)	143
Regional banners[2]	32	1	(69)	100	—	(97)	197
North America segment	2,857	42	(237)	3,052	113	(235)	3,174

	February 2, 2019	February 3, 2018	January 28, 2017
Kay	1,864	1,931	1,826
Zales	916	977	1,039
Jared	1,139	1,181	1,177
Piercing Pagoda	108	112	115
Peoples	166	171	190
Regional banners	38	121	233
Total net selling square feet (thousands)[3]	4,231	4,493	4,580
Increase in net store selling space	(5.8)%	(1.9)%	2.8 %

(1) Piercing Pagoda operates through mall-based kiosks.

(2) Includes one James Allen location.

(3) Includes 171 thousand, 191 thousand and 227 thousand square feet of net selling space in Canada in Fiscal 2019, Fiscal 2018 and Fiscal 2017, respectively.

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Average sales per store (millions)	Fiscal 2019	Fiscal 2018	Fiscal 2017
Kay	$1.905	$1.908	$2.124
Zales	$1.519	$1.408	$1.327
Jared[(1)]	$4.085	$4.110	$4.379
Piercing Pagoda	$0.479	$0.417	$0.506
Peoples	$1.467	$1.444	$1.267
Regional banners	$1.332	$1.182	$1.242
North America segment[(2)]	$1.692	$1.673	$1.739

(1) Includes sales from all Jared store formats, including the smaller square footage and lower average sales per store concepts of Jared 4.0, Jared Jewelry Boutique and Jared Vault.

(2) Based only upon stores operated for the full fiscal year and calculated on a 52-week basis.

Kay Jewelers ("Kay")

Kay is the largest specialty retail jewelry store brand in the US based on sales. Kay operates in malls and off-mall stores. Off-mall stores primarily are located in outlet malls and power centers. Kay mall stores typically occupy about 1,600 square feet and have approximately 1,300 square feet of selling space, whereas Kay off-mall stores typically occupy about 2,200 square feet and have approximately 1,800 square feet of selling space.

Kay accounted for 39% of Signet's sales in Fiscal 2019 (Fiscal 2018: 39%).

Zales Jewelers ("Zales")

Zales Jewelers operates primarily in shopping malls and offers a broad range of bridal, diamond solitaire and fashion jewelry. Zales Outlet operates in outlet malls and neighborhood power centers and capitalizes on Zales Jewelers' national marketing and brand recognition. Zales Jewelers and Zales Outlet are collectively referred to as "Zales." Zales is positioned as "The Diamond Store" given its emphasis on diamond jewelry, especially in bridal and fashion. Zales mall stores typically occupy about 1,700 square feet and have approximately 1,300 square feet of selling space, whereas Zales off-mall stores typically occupy about 2,400 square feet and have approximately 1,700 square feet of selling space.

Zales accounted for 20% of Signet's sales in Fiscal 2019 (Fiscal 2018: 20%).

Jared The Galleria Of Jewelry ("Jared")

Jared, which offers the broadest selection of merchandise, is the fourth largest US specialty retail jewelry brand by sales and is a leading off-mall destination specialty retail jewelry store chain. Every Jared store has an on-site design and service center where most repairs are completed within the same day.

The typical Jared store has about 4,800 square feet of selling space and approximately 6,000 square feet of total space. Jared locations are normally free-standing sites with high visibility and traffic flow, positioned close to major roads within shopping developments. Jared stores usually operate in retail centers that contain strong retail co-tenants, including big box, destination stores and some smaller specialty units.

Jared also operates a smaller off-mall concept known as Jared 4.0, which utilizes approximately 3,600 square feet of selling space, allows for store openings in smaller markets, expands the Jared brand and increases the return on Jared advertising investment. Finally, Jared operates an outlet-mall concept known as Jared Vault which utilizes approximately 1,600 square feet of selling space. These stores are smaller than off-mall Jareds and offer a mix of identical products as Jared, as well as different, outlet-specific products at lower prices.

Jared accounted for 18% of Signet's sales in Fiscal 2019 (Fiscal 2018: 19%).

Piercing Pagoda

Piercing Pagoda operates through mall-based kiosks in the US. Piercing Pagodas are generally located in high traffic areas that are easily accessible and visible within regional shopping malls. Piercing Pagoda offers a selection of gold, silver and diamond jewelry in basic styles at moderate prices.

Piercing Pagoda accounted for 5% of Signet's sales in Fiscal 2019 (Fiscal 2018: 5%).

JamesAllen.com ("James Allen")

James Allen is an online retailer that was acquired by the Company during Fiscal 2018 as part of the R2Net acquisition. Unlike the rest of our store banners, James Allen does not principally operate in physical retail stores.

During Fiscal 2019, the first James Allen concept store and showroom was launched in Washington D.C. featuring advances in digital technology and a millennial-inspired shopping experience. This store is an opportunity to test new concepts and incorporate innovation in new store design plans for all of our banners.

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James Allen accounted for 4% of Signet's sales in Fiscal 2019 (Fiscal 2018: 1%).

Peoples Jewellers ("Peoples")

Peoples is Canada's largest jewelry retailer, offering jewelry at affordable prices. Peoples is positioned as "Canada's #1 Diamond Store" emphasizing its diamond business while also offering a wide selection of gold jewelry, gemstone jewelry and watches. Peoples stores typically occupy about 1,600 square feet and have approximately 1,300 square feet of selling space.

Peoples accounted for 3% of Signet's sales in Fiscal 2019 (Fiscal 2018: 3%).

Regional banners

The North America segment also operates 32 mall stores under a variety of established regional nameplates. The leading brands include JB Robinson Jewelers, Marks & Morgan Jewelers, Belden Jewelers and Gordon's Jewelers, in the US, and Mappins Jewellers ("Mappins"), in Canada. Also included in the regional nameplates are Goodman Jewelers, LeRoy's Jewelers, Osterman Jewelers, Rogers Jewelers, Shaw's Jewelers and Weisfield Jewelers. The Company's strategy is to reduce regional brand locations through conversion to national store brands or through closure upon lease expiration.

Regional banners in the North America segment accounted for 1% of Signet's sales in Fiscal 2019 (Fiscal 2018: 1%).

North America operating review

Other sales

Custom design services represent less than 5% of sales but provide higher than average profitability. Our custom jewelry initiative has a proprietary computer selling system and in-store design capabilities. Design & Service Centers, located in Jared stores, are staffed with skilled artisans who support the custom business generated by other North America segment stores, as well as the Jared stores in which they are located. The custom design and repair function has its own field management and training structure.

Repair services represent less than 5% of sales, approximately 20% of transactions and are an important opportunity to build customer loyalty. The Jared Design & Service Centers, open the same hours as the store, also support other North America segment stores' repair business.

The North America segment sells extended service plans covering lifetime repair service for jewelry and jewelry replacement plans. The lifetime repair service plans cover services such as ring sizing, refinishing and polishing, rhodium plating of white gold, earring repair, chain soldering and the resetting of diamonds and gemstones that arise due to the normal usage of the merchandise or a replacement option if the merchandise cannot be repaired. The extended service plans have a higher rate of profitability than merchandise sales and are a significant component of Signet's operating income. Jewelry replacement plans require the issuance of new replacement merchandise if the original merchandise is determined to be defective or damaged within a defined period in accordance with the plan agreement. Any repair work is performed in-house. The North America segment also offers customers a two-year fine watch warranty. Additionally, Zale and Piercing Pagoda offer a one-year jewelry replacement program, which requires the issuance of new replacement merchandise if the original merchandise is determined to be defective or damaged in accordance with the plan agreement.

Customer finance

Several factors inherent in the US jewelry business support the circumstances through which we believe Signet is uniquely positioned to generate profitable incremental business through its partner supported consumer payment programs. These factors include a high average transaction value and a significant population of customers seeking to finance merchandise, primarily in the bridal category. Our consumer credit and lease programs are an integral part of our business and a major driver of customer loyalty. Customers are offered revolving and promotional credit plans under our private label credit card programs and a lease purchase option provided by Progressive Lease allowing Signet to offer payment options that meet each customer's individual needs.

Below is a summary of the payment participation rate in North America which reflects activity for in-house and outsourced credit program customers in North America, including legacy Sterling Jewelers, Zale Jewelry and Piercing Pagoda customers, as well as lease purchase customers:

	Fiscal 2019	Fiscal 2018

Total North America sales (excluding James Allen)[1] (millions)	$5,418.0	$5,527.0
Credit and lease purchase sales (millions)	$2,799.5	$2,889.0
Credit and lease purchase sales as % of total North America sales[1]	51.7 %	52.3 %

[1] See Note 14 of Item 8 for additional information.

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INTERNATIONAL SEGMENT

The International segment transacts mainly in British pounds, as sales and the majority of operating expenses are incurred in that currency and its results are then translated into US dollars for external reporting purposes. In Fiscal 2019, approximately 31% of goods purchased were made in US dollars (Fiscal 2018: 27%). The following information for the International segment is given in British pounds as management believes that this presentation assists in understanding the performance of the International segment. Movements in the US dollar to British pound exchange rate therefore may have an impact on the results of Signet, particularly in periods of exchange rate volatility.

International market

Ernest Jones and H.Samuel compete with a large number of independent jewelry retailers, as well as discount jewelry retailers, online retail and auction sites, apparel and accessory fashion stores, catalog showroom operators and supermarkets.

International store banner reviews

Store activity by brand

	February 2, 2019	Openings	Closures	February 3, 2018	Openings	Closures	January 28, 2017
H.Samuel	288	—	(13)	301	2	(5)	304
Ernest Jones	189	3	(17)	203	1	(2)	204
International segment	477	3	(30)	504	3	(7)	508
H.Samuel	313			327			329
Ernest Jones	186			197			197
Total net selling square feet (thousands)	499			524			526
Increase in net store selling space	(4.8)%			(0.4)%			1.0%

	Fiscal 2019	Fiscal 2018	Fiscal 2017
H.Samuel	£0.651	£0.698	£0.748
Ernest Jones	£1.061	£1.066	£1.114
Average sales per store (millions)[1]	£0.811	£0.847	£0.894

[1] Based only upon stores operated for the full fiscal year and calculated on a 52-week basis.

H.Samuel

H.Samuel is the largest specialty retail jewelry store brand in the UK by number of stores. H.Samuel has 150 years of jewelry heritage, with a target customer focused on inexpensive fashion-trend oriented, everyday jewelry. H.Samuel continues to focus on larger store formats in regional shopping centers. The typical store selling space is 1,100 square feet.

H.Samuel accounted for 5% of Signet's sales in Fiscal 2019 (Fiscal 2018: 5%).

Ernest Jones

Ernest Jones (including stores selling under the Leslie Davis nameplate) is the second largest specialty retail jewelry store banner in the UK by number of stores. It serves the upper middle market, with a target customer focused on high-quality, timeless jewelry. The typical store selling space is 900 square feet.

Ernest Jones (including stores selling under the Leslie Davis nameplate) accounted for 5% of Signet's sales in Fiscal 2019 (Fiscal 2018: 5%),

International operating review

Customer finance

In Fiscal 2019, approximately 8% of the segment's sales were made through a customer finance program provided through a third party (Fiscal 2018: 9%).

OTHER

Other consists of all non-reportable operating segments, including activities related to the direct sourcing of rough diamonds, and is aggregated with unallocated corporate administrative functions.

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IMPACT OF CLIMATE CHANGE

Signet recognizes that climate change is a major risk to society and therefore continues to take steps to reduce Signet's climatic impact. Management believes that climate change has a limited influence on Signet's performance and that it is of limited significance to the business.

AVAILABLE INFORMATION

Signet files annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information with the US Securities and Exchange Commission ("SEC"). Such information, and amendments to reports previously filed or furnished, is available free of charge from our corporate website, www.signetjewelers.com, as soon as reasonably practicable after such materials are filed with or furnished to the SEC. The SEC also maintains an internet site at www.sec.gov that contains the Company's filings.

ITEM 1A. RISK FACTORS

A decline in consumer spending may unfavorably impact Signet's future sales and earnings.

Jewelry purchases are discretionary and are dependent on consumers' perceptions of general economic conditions, particularly as jewelry is often perceived to be a luxury purchase. Adverse changes in the economy and periods when discretionary spending by consumers may be under pressure could unfavorably impact sales and earnings. We may respond by increasing discounts or initiating marketing promotions to reduce excess inventory, which could have a material adverse effect on our margins and operating results.

The success of Signet's operations depends to a significant extent upon a number of factors relating to discretionary consumer spending. These include economic conditions, and perceptions of such conditions by consumers, consumer confidence, level of customer traffic in shopping malls and other retail centers, employment, the level of consumers' disposable income, business conditions, interest rates, consumer debt and asset values, availability of credit and levels of taxation for the economy as a whole and in regional and local markets where we operate.

As 10% of Signet's sales are accounted for by its International segment, economic conditions in the eurozone have a significant impact on the UK economy even though the UK is not a member of the eurozone, including uncertainty regarding the timing and terms of the planned withdrawal of the UK from the European Union, could adversely impact trading in the International segment, as well as adversely impact the US economy.

Any deterioration in consumers' financial position or changes to the regulatory requirements regarding the granting of credit to customers could adversely impact the Company's sales, earnings and the collectability of accounts receivable.

Approximately half of Signet's sales in the US and Canada utilize third-party customer financing programs and an additional 36% of purchases are made using third party bank cards. Any significant deterioration in general economic conditions or increase in consumer debt levels may inhibit consumers' use of credit and decrease consumers' ability to satisfy Signet's requirement for access to customer finance which could in turn have an adverse effect on the Company's sales. Furthermore, any downturn in general or local economic conditions, in particular an increase in unemployment in the markets in which Signet operates, may adversely affect the merchant discount rate paid by Signet related to the sale of the non-prime receivables, as well as the value of any assets contingent on the performance of the non-prime receivables.

Additionally, Signet's ability to extend credit to customers and the terms on which it is achieved depends on many factors, including compliance with applicable laws and regulations in the US and Canada, any of which may change from time to time, and such changes could adversely affect sales and income. In addition, other restrictions arising from applicable law could cause limitations in credit terms currently offered or a reduction in the level of credit granted by the Company, or by third parties, and this could adversely impact sales, income or cash flow.

Any new regulatory initiatives or investigations by the Bureau of Consumer Financial Protection ("CFPB") or other state authority, or ongoing compliance with the Consent Order entered into on January 16, 2019 with the CFPB and the Attorney General for the State of New York relating to the Company's in-store credit practices, promotions, and payment protection products could impose additional costs and/or restrictions on credit practices of the North America segment, which could adversely affect their ability to conduct its business.

Signet's share price may be volatile.

Signet's share price has fluctuated and may fluctuate substantially as a result of variations in the actual or anticipated results and financial conditions of Signet and other companies in the retail industry. In addition, the stock market has

experienced price and volume fluctuations that have affected the market price of many retail and other stocks in a manner unrelated, or disproportionate, to the operating performance of these companies.

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Signet provides public guidance on its expected operating and financial results for future periods. Although Signet believes that this guidance provides investors and analysts with a better understanding of management's expectations for the future and is useful to its stockholders and potential stockholders, such guidance is comprised of forward-looking statements subject to the risks and uncertainties described in this report and in our other public filings and public statements. Signet's actual results may not always be in line with or exceed the provided guidance or the expectations of our investors and analysts, especially in times of economic uncertainty. In the past, when the Company has reduced its previously provided guidance, the market price of Signet's common stock has declined. If, in the future, Signet's operating or financial results for a particular period do not meet our guidance or the expectations of our investors and analysts or if we reduce our guidance for future periods, the market price of our common stock may decline.

In addition, Signet may fail to meet the expectations of its stockholders or of analysts. If the analysts that regularly follow the Company's stock lower their rating or lower their projections for future growth and financial performance, the Company's stock price could decline.

Signet's sales, operating income, cash and inventory levels fluctuate on a seasonal basis and can be adversely impacted by increased competition and promotional activity.

Signet's business is highly seasonal, with a significant proportion of its sales and operating profit generated during its fourth quarter, which includes the Holiday Season. Management expects Signet to continue to experience a seasonal fluctuation in its sales and earnings. Therefore, there is limited ability for Signet to compensate for shortfalls in fourth quarter sales or earnings by changes in its operations and strategies in other quarters, or to recover from any extensive disruption, for example, due to sudden adverse changes in consumer confidence, inclement weather conditions having an impact on a significant number of stores in the last few days immediately before Christmas Day or disruption to warehousing and store replenishment systems. A significant shortfall in results for the fourth quarter of any fiscal year would therefore be expected to have a material adverse effect on the annual results of operations as well as cash and inventory levels. Disruption at lesser peaks in sales at Valentine's Day and Mother's Day would also be expected to impact the results. Additionally, in anticipation of increased sales activity in the Holiday Season, Signet incurs certain significant incremental expenses prior to and during peak selling seasons, including advertising and costs associated with hiring a substantial number of temporary employees to supplement our existing workforce. Increased competition and promotional activity during holiday periods has impacted and could in the future result in adverse impacts to Signet's sales, profitability and market share.

Deterioration in the Company's capital structure or financial performance could result in constraints on capital or financial covenant breaches. In addition, a portion of the Company's debt is variable rate and volatility in benchmark interest rates could adversely impact the Company's financial results.

Credit ratings agencies periodically review our capital structure and the quality and stability of our earnings. A deterioration in Signet's capital structure or the quality and stability of earnings could result in a downgrade of Signet's credit rating. Any negative ratings actions could also constrain the capital available to the Company, could limit the Company's access to funding for its operations, funding dividends and share repurchases, and increase the Company's financing costs. Changes in general credit market conditions could also affect Signet's ability to access capital at rates and on terms we determine to be attractive. If our ability to access capital becomes constrained, our interest costs will likely increase, which could have a material adverse effect on our results of operations, financial condition and cash flows. Additionally, as a result of the Company's exposure to variable interest rate debt, volatility in benchmark interest rates could adversely impact the Company's financial results.

Signet's borrowing agreements include various financial covenants and operating restrictions. A material deterioration in its financial performance could result in a covenant being breached. If Signet were to breach, or believed it was going to breach, a financial covenant it would have to renegotiate its terms with current lenders or find alternative sources of financing if current lenders required cancellation of facilities or early repayment.

Global economic conditions and regulatory changes following the United Kingdom’s announced intention to exit from the European Union could adversely impact Signet’s business and results of operations located in, or closely associated with, the United Kingdom.

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union (often referred to as Brexit) in a national referendum. In March 2017, the United Kingdom invoked Article 50 of the Lisbon Treaty, which commenced a two-year negotiation period that culminated in an agreement upon the withdrawal terms, which was subject to approval by British Parliament. Parliament rejected the agreement and the British Prime Minister requested to extend the March 29, 2019 effective date for Brexit to June 30, 2019. On March 21, 2019, the leaders of the other member countries of the European Union agreed to extend the deadline for Brexit until April 12, 2019. However, if British Parliament approves the previously rejected terms of the withdrawal, then the deadline would be further extended to May 22, 2019. Additionally, if the United Kingdom agrees to hold elections for European Parliament that are scheduled for May 23, 2019, the deadline could be further extended. The referendum and ongoing negotiations have created significant uncertainty about the future relationship between the United Kingdom and the European Union. This includes uncertainty with respect to the laws and regulations, including regulations applicable to Signet’s business, that will apply in the United Kingdom in the event of a withdrawal. The referendum has also given rise to calls for the governments of other European Union member states to consider a referendum on withdrawal from the European Union for their territory. These developments, or the perception that any of them could occur, could adversely impact global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity, which could adversely impact our business, financial condition and results of operations especially those located in, or closely associated with, the United Kingdom. Brexit could lead to long-term volatility in the currency markets and there could be long-term detrimental effects on the value of the British pound. Brexit could also impact other currencies. Signet uses foreign currency derivative instruments to hedge certain exposures to currency exchange rate risks. The results of the Brexit referendum could increase Signet’s exposure to foreign currency rate exchange risks and reduce its ability to effectively use certain derivative instruments as a way to hedge risks.

Fluctuations in foreign exchange rates could adversely impact the Company’s results of operations and financial condition.

Signet publishes its consolidated annual financial statements in US dollars. At February 2, 2019, Signet held approximately 90% of its total assets in entities whose functional currency is the US dollar and generated approximately 87% of its sales and substantially all of its operating income (loss) in US dollars for the fiscal year then ended. All the remaining assets, sales and operating income are in British pounds and Canadian dollars. Therefore, the Company’s results of operations and balance sheet are subject to fluctuations in the exchange rates between the US dollar and both the British pound and Canadian dollar. Accordingly, any decrease in the weighted average value of the British pound or Canadian dollar against the US dollar, including due to Brexit as discussed above, would decrease reported sales and operating income.

The monthly average exchange rates are used to prepare the income statement and are calculated based on the daily exchange rates experienced by the International segment and the Canadian subsidiaries of the North America segment in the fiscal month.

Where British pounds or Canadian dollars are held or used to fund the cash flow requirements of the business, any decrease in the weighted average value of the British pound or Canadian dollar against the US dollar would reduce the amount of cash and cash equivalents.

In addition, the prices of certain materials and products bought on the international markets by Signet are denominated in foreign currencies. As a result, Signet and its subsidiaries have exposures to exchange rate fluctuations on its cost of goods sold, as well as volatility of input prices if foreign manufacturers and suppliers are impacted by exchange rate fluctuations.

Fluctuations in the availability and pricing of commodities, particularly polished diamonds and gold, which account for the majority of Signet’s merchandise costs, could adversely impact its earnings and cash availability.

The jewelry industry generally is affected by fluctuations in the price and supply of natural diamonds, gold and, to a lesser extent, other precious and semi-precious metals and stones. In particular, diamonds accounted for about 52%, and gold about 14%, of Signet's merchandise costs in Fiscal 2019.

In Fiscal 2019, prices for the assortment of polished diamonds utilized by Signet decreased slightly compared to prior year. Industry forecasts indicate that over the medium and longer term, the demand for diamonds will probably increase faster than the growth in supply, particularly as a result of growing demand in countries such as China and India. Therefore, the cost of diamonds is anticipated to rise over time, although fluctuations in price are likely to continue to occur. The mining, production and inventory policies followed by major producers of rough diamonds can have a significant impact on diamond prices, as can the inventory and buying patterns of jewelry retailers and other parties in the supply chain.

While jewelry manufacturing is the major final demand for gold, management believes that the cost of gold is predominantly impacted by investment transactions which have resulted in significant volatility in the gold price in recent years. Signet's cost of merchandise and potentially its earnings may be adversely impacted by investment market considerations that cause the price of gold to significantly escalate.

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The availability of diamonds is significantly influenced by the political situation in diamond producing countries and by the Kimberley Process, an inter-governmental agreement for the international trading of rough diamonds. Until acceptable alternative sources of diamonds can be developed, any sustained interruption in the supply of diamonds from significant producing countries, or to the trading in rough and polished diamonds which could occur as a result of disruption to the Kimberley Process, could adversely affect Signet, as well as the retail jewelry market as a whole. In addition, the current Kimberley Process decision making procedure is dependent on reaching a consensus among member governments, which can result in the protracted resolution of issues, and there is little expectation of significant reform over the long-term. The impact of this review process on the supply of diamonds, and consumers' perception of the diamond supply chain, is unknown. In addition to the Kimberley Process, the supply of diamonds to the US is also impacted by certain governmental trade sanctions imposed on Zimbabwe.

The possibility of constraints in the supply of diamonds of a size and quality Signet requires to meet its merchandising requirements may result in changes in Signet's supply chain practices, for example its rough sourcing initiative. In addition, Signet may from time to time choose to hold more inventory, purchase raw materials at an earlier stage in the supply chain or enter into commercial agreements of a nature that it currently does not use. Such actions could require the investment of cash and/or additional management skills. Such actions may not result in the expected returns and other projected benefits anticipated by management.

Additionally, a material increase in the supply of gem quality lab created diamonds, combined with increased consumer acceptance thereof, could impact the supply and pricing in the natural diamond supply chain, as well as retail pricing.

An inability to increase retail prices to reflect higher commodity costs would result in lower profitability. Historically, jewelry retailers have been able, over time, to increase prices to reflect changes in commodity costs. However, in general, particularly sharp increases in commodity costs may result in a time lag before increased commodity costs are fully reflected in retail prices. As Signet uses an average cost inventory methodology, volatility in its commodity costs may also result in a time lag before cost increases are reflected in retail prices. There is no certainty that such price increases will be sustainable, so downward pressure on gross margins and earnings may occur. In addition, any sustained increases in the cost of commodities could result in the need to fund a higher level of inventory or changes in the merchandise available to the customer.

In August 2012, the SEC, pursuant to the Dodd-Frank Act, issued final rules, which require annual disclosure and reporting on the source and use of certain minerals, including gold, from the Democratic Republic of Congo and adjoining countries. The gold supply chain is complex and, while management believes that the rules currently cover less than 1% of annual worldwide gold production (based upon recent estimates), the final rules require Signet and other affected companies that file with the SEC to make specified country of origin inquiries of our suppliers, and otherwise to exercise reasonable due diligence in determining the country of origin and certain other information relating to any of the statutorily designated minerals (gold, tin, tantalum and tungsten), that are used in products sold by Signet in the US and elsewhere. On May 25, 2018, Signet filed with the SEC its Form Specialized Disclosure ("SD") and accompanying Conflict Minerals Report in accordance with the SEC's rules, which together describe our country of origin inquiries and due diligence measures relating to the source and chain of custody of those designated minerals Signet deemed necessary to the functionality or production of our products, the results of those activities and our related determinations with respect to the calendar year ended December 31, 2017.

There may be reputational risks associated with the potential negative response of our customers and other stakeholders to future disclosures by Signet in the event that, due to the complexity of the global supply chain, Signet is unable to sufficiently verify the origin of the relevant metals. Also, if future responses to verification requests by suppliers of any of the covered minerals used in our products are inadequate or adverse, Signet's ability to obtain merchandise may be impaired and our compliance costs may increase. The final rules also cover tungsten and tin, which are contained in a small proportion of items that are sold by Signet. It is possible that other minerals, such as diamonds, could be subject to similar rules.

Signet's pricing compared to competitors, the increased price transparency in the market and the highly fragmented competitive nature of the retail jewelry industry, may have an adverse impact on Signet's performance.

Critical to maintaining an optimal customer experience is a multi-faceted value proposition that focuses on customer service, attractive brand and category assortments, availability of financing, and deep customer service and relationship building with our guest service professionals, as well as competitive pricing. Although not a singular differentiator to our value proposition, if significant price increases are implemented by any segment or across a wide range of merchandise, the impact on earnings will depend on, among other factors, the pricing by competitors of similar products in the same geographic area and the response by customers to higher prices. Such price increases may result in lower sales and adversely impact earnings.

The retail jewelry industry is competitive. Signet’s competitors are specialty jewelry retailers, as well as other jewelry retailers, including department stores, mass merchandisers, discount stores, apparel and accessory fashion stores, brand retailers, shopping clubs, home shopping television channels, direct home sellers, online retailers and auction sites. In addition, other retail categories and other forms of expenditure, such as electronics and travel, also compete for consumers’ discretionary expenditure, particularly during the holiday gift giving season. Therefore, the price of jewelry relative to other products influences the proportion of consumers’ expenditure that is spent on jewelry. If the relative price of jewelry increases, or if Signet’s competitive position deteriorates. Signet’s sales and earnings may decline.

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Aggressive discounting by competitors may adversely impact Signet's performance in the short term. This is particularly the case for easily comparable pieces of jewelry, of similar quality, sold through stores that are situated near to those that Signet operates.
Signet faces significant competition from independent and regional specialty jewelry retailers that are able to adjust their competitive stance, for example on pricing, to local market conditions. This can put individual Signet stores at a competitive disadvantage as Signet segments have a national pricing strategy.
Consumers are increasingly shopping or starting their jewelry buying experience online, which makes it easier for them to compare prices with other jewelry retailers. If Signet's brands do not offer the same or similar item at the lowest price, consumers may purchase their jewelry from competitors, which would adversely impact the Company's sales and results of operations.
The Company's ability to satisfy the accounting requirements for "hedge accounting," or the default or insolvency of a counterparty to a hedging contract, could adversely impact results.
Signet hedges a portion of its purchases of gold for both its North America and International segments and hedges the US dollar requirements of its International segment. The failure to satisfy the appropriate accounting requirements, or a default or insolvency of a counterparty to a contract, could increase the volatility of results and may impact the timing of recognition of gains and losses in the income statement.
The Company's inability to obtain merchandise that customers wish to purchase could adversely impact sales and earnings.
The abrupt loss or disruption of any significant supplier could result in a material adverse effect on Signet's business. Also, if management misjudges expected customer demand or fails to identify changes in customer demand and/or its supply chain does not respond in a timely manner, a shortage of merchandise or an accumulation of excess inventory could occur, which could adversely impact Signet's results.
Signet benefits from close commercial relationships with a number of suppliers. Damage to, or loss of, any of these relationships could have a detrimental effect on results. Management holds regular reviews with major suppliers. Signet's most significant supplier accounts for approximately 6% of merchandise. Government requirements regarding sources of commodities, such as those required by the Dodd-Frank Act, could result in Signet choosing to terminate relationships with suppliers in the future due to a change in a supplier's sourcing practices or Signet's compliance with laws and internal policies.
Luxury and prestige watch manufacturers and distributors normally grant agencies the right to sell their ranges on a store-by-store basis. The watch brands sold by Ernest Jones, and to a lesser extent Jared, help attract customers and build sales in all categories. Therefore, an inability to obtain or retain watch agencies for a location could harm the performance of that particular store. In the case of Ernest Jones, the inability to gain additional prestige watch agencies is an important factor in, and may reduce the likelihood of, opening new stores, which could adversely impact sales growth.
The growth in importance of branded merchandise within the jewelry market may adversely impact Signet's sales and earnings if it is unable to obtain supplies of branded merchandise that the customer wishes to purchase. In addition, if Signet loses the distribution rights to an important branded jewelry range, it could adversely impact sales and earnings.
If Signet is not able to further develop such branded merchandise or related initiatives, it may adversely impact sales and earnings.
The Company's ability to recruit, train, motivate and retain suitably qualified sales associates could adversely impact sales and earnings.
Management regards the customer experience as an essential element in the success of its business. Competition for suitable sales associates or changes in labor and healthcare laws could require us to incur higher labor costs. Higher labor costs and the execution of transformational initiatives, including those designed to improve the customer experience, could result in disruptions to the performance of sales associates and an inability to recruit, train, motivate and retain suitably qualified sales associates, which could adversely impact sales and earnings.
Loss of confidence by consumers in Signet's brand names, poor execution of marketing programs and reduced marketing expenditure could have a detrimental impact on sales.

Primary factors in determining customer buying decisions in the jewelry sector include customer confidence in the retailer and in the brands it sells, together with the level and quality of customer service. The ability to differentiate Signet's stores and merchandise from competitors by its branding, marketing and advertising programs is an important factor in attracting consumers. If these programs are poorly executed, the level of support for them is reduced, or the customer loses confidence in any of Signet's brands for any reason, it could unfavorably impact sales and earnings.

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Long-term changes in consumer attitudes toward jewelry could be unfavorable and harm jewelry sales.

Consumer attitudes toward diamonds, gold and other precious metals and gemstones influence Signet's sales. Attitudes could be affected by a variety of issues including concern over the source of raw materials; the impact of mining and refining of minerals on the environment, the local community and the political stability of the producing country; labor conditions in the supply chain; and the availability of and consumer attitudes about substitute products such as cubic zirconia, moissanite and laboratory-created diamonds. An inability to effectively address a rapid and significant increase in consumer acceptance of lab created diamonds as well as a negative change in consumer attitudes toward jewelry could adversely impact Signet's sales and earnings.

The Company's inability to optimize its real estate footprint to support its OmniChannel strategy could adversely impact sales and earnings.

Signet's results are dependent on a number of factors relating to its stores. These include the availability of desirable property, the demographic characteristics of the area around the store, the design and maintenance of the stores, the availability of attractive locations within the markets/trade areas that also meet the operational and financial criteria of management, the terms of leases and Signet's relationship with major landlords. If Signet is unable to maintain a real estate portfolio that satisfies its strategic, operational and financial criteria, through cost-effective strategic store closings and targeted, limited store openings, or if there is a disruption in its relationship with its major landlords, sales could be adversely affected.

Given the length of property leases that Signet enters into, Signet is dependent upon the continued popularity of particular retail locations. As Signet tests and develops new types of store locations and designs, there is no certainty as to their success.

The rate of store footprint optimization is dependent on a number of factors including obtaining suitable real estate, the capital resources of Signet, the availability of appropriate staff and management, estimated sales transference rate and the level of the financial return on investment required by management.

Signet's success is dependent on the strength and effectiveness of its relationships with its various stakeholders whose behavior may be affected by its management of social, ethical and environmental risks.

Social, ethical and environmental matters influence Signet's reputation, demand for merchandise by consumers, the ability to recruit staff, relations with suppliers and standing in the financial markets. Signet's success is dependent on the strength and effectiveness of its relationships with its various stakeholders: customers, shareholders, employees and suppliers. In recent years, stakeholder expectations have increased and Signet's success and reputation will depend on its ability to meet these higher expectations. Signet's success also depends upon its reputation for integrity in sourcing its merchandise, which, if adversely affected could impact consumer sentiment and willingness to purchase Signet's merchandise.

Inadequacies in and disruption to systems could result in lower sales and increased costs or adversely impact the reporting and control procedures.

Signet is dependent on the suitability, reliability and durability of its systems and procedures, including its accounting, information technology, data protection, warehousing and distribution systems, and those of our service providers. If support ceased for a critical externally supplied software package or system, management would have to implement an alternative software package or system or begin supporting the software internally. Disruption to parts of the business could result in lower sales and increased costs.

Signet is in the process of substantially modifying our enterprise resource planning systems and certain web platforms, which involves updating or replacing legacy systems with successor systems over the course of several years. These system changes and upgrades can require significant capital investments and dedication of resources. While Signet follows a disciplined methodology when evaluating and making such changes, there can be no assurances that the Company will successfully implement such changes, that such changes will occur without disruptions to its operations or that the new or upgraded systems will achieve the desired business objectives. Any damage, disruption or shutdown of the Company's information systems, or the failure to successfully implement new or upgraded systems, could have a direct material adverse effect on Signet's results of operations.

An inability to successfully develop and maintain a relevant OmniChannel experience for customers or a failure to comply with applicable regulations could adversely impact Signet's business and results of operations.

Signet's business has evolved from an in-store experience to interaction with customers across numerous channels, including in-store, online, mobile and social media, among others. OmniChannel retailing is rapidly evolving and Signet must keep pace with changing customer expectations and new developments by our competitors. Our customers are increasingly using computers, tablets, mobile phones and other devices to comparison shop, determine product availability and complete purchases online. Signet must compete by offering a consistent and convenient shopping experience for our customers regardless of the ultimate sales channel and by investing in, providing and maintaining digital tools for our customers that have the right features and are reliable and easy to use. If Signet is unable to make, improve, develop or acquire relevant customer-facing technology in a timely manner, the Company's ability to compete and its results of operations could be materially and adversely affected. In addition, if Signet's online activities or other customer-facing technology systems do not function as designed or deemed to not comply with applicable state and federal regulations concerning automated outbound contacts such as text messages and the sale, advertisement and promotion of the jewelry we sell, the Company may experience a loss of

customer confidence, data security breaches, regulatory fines, lawsuits, lost sales or be exposed to fraudulent purchases, any of which could materially and adversely affect our business operations, reputation and results of operations.

Security breaches and other disruptions to Signet's information technology infrastructure and databases could interfere with Signet's operations, and could compromise Signet's and its customers' and suppliers' information, exposing Signet to liability which would cause Signet's business and reputation to suffer.

Signet is increasingly using mobile devices, social media and other online activities to connect with customers, staff and other stakeholders. Therefore, in the ordinary course of business, Signet relies upon information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities, including eCommerce sales, supply chain, merchandise distribution, customer invoicing and collection of payments. Signet uses information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. Additionally, Signet collects and stores sensitive data, including intellectual property, proprietary business information, the propriety business information of our customers and suppliers, as well as personally identifiable information of Signet's customers and employees, in data centers and on information technology networks. The secure operation of these networks, and the processing and maintenance of this information is critical to Signet's business operations and strategy. Despite security measures and business continuity plans, we may not timely anticipate evolving techniques used to effect security breaches that may result in damage, disruptions or shutdowns of Signet's and our third-party vendors' networks and infrastructure due to attacks by hackers, including phishing or other cyber-attacks, or breaches due to employee error or malfeasance, or other disruptions during the process of upgrading or replacing computer software or hardware, power outages, computer viruses, telecommunication or utility failures or natural disasters or other catastrophic events. The occurrence of any of these events could compromise Signet's networks and the information stored there, including personal, proprietary or confidential information about Signet, our customers or our third-party vendors, and personally identifiable information of Signet's customers and employees could be accessed, manipulated, publicly disclosed, lost or stolen, exposing our customers to the risk of identity theft and exposing Signet or our third-party vendors to a risk of loss or misuse of this information. Signet has experienced successful attacks and breaches from time to time, however to date, these attacks or breaches have not had a material impact on Signet's business or operations; however, any such access, disclosure or other loss of information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, significant breach-notification costs, lost sales and a disruption to operations (including our ability to process consumer transactions and manage inventories), media attention, and damage to Signet's reputation, which could adversely affect Signet's business. In addition, it could harm Signet's reputation and ability to execute its business through service and business interruptions, management distraction and/or damage to physical infrastructure, which could adversely impact sales, costs and earnings. If Signet is the target of a material cybersecurity attack resulting in unauthorized disclosure of our customer data, we may be required to undertake costly notification and credit monitoring procedures. Compliance with these laws will likely increase the costs of doing business.

The regulatory environment related to information security, data collection and privacy is becoming increasingly demanding, with new and changing requirements applicable to Signet's business, and compliance with those requirements could result in additional costs, such as costs related to organizational changes, implementing additional protection technologies, training employees and engaging consultants.

These risks could have a material adverse effect on Signet's results of operations, financial condition and cash flow.

An adverse decision in legal proceedings, tax matters, and/or regulatory or other state investigations could reduce earnings and cash, as well as negatively impact debt covenants and leverage ratios.

Signet is involved in legal proceedings incidental to its business. Litigation is inherently unpredictable. Any actual or potential claims against us, whether meritorious or not, or regulatory or other state investigations, could be time consuming, result in costly litigation, require significant amounts of management time and result in the diversion of significant operational resources.

At any point in time, various tax years are subject to, or are in the process of, audit by various taxing authorities. To the extent that management's estimates of settlements change or the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax in the period in which such determinations are made. Additionally, new tax treatment of companies engaged in Internet commerce has and may continue to adversely affect the commercial use of JamesAllen.com, the online retailer we acquired during Fiscal 2018. Specifically, in June 2018, the U.S. Supreme Court decided the South Dakota v. Wayfair, Inc. sales tax nexus case. As a result of the Supreme Court ruling, some states have adopted laws and other states now have the ability to adopt laws requiring taxpayers to collect and remit sales tax on a basis of economic nexus, even in states in which the taxpayer has no presence. New taxes required to be collected by JamesAllen.com also has created significant increases in internal costs necessary to capture data and collect and remit taxes. These events has had and will continue to have an adverse effect on JamesAllen.com.

Failure to comply with labor regulations could adversely affect the Company's business.

State, federal and global laws and regulations regarding employment change frequently and the ultimate cost of compliance cannot be precisely estimated. Failure by Signet to comply with labor regulations could result in fines and legal actions. In addition, the ability to recruit and retain staff could be harmed.

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Collective bargaining activity could disrupt the Company’s operations, increase our labor costs or interfere with the ability of our management to focus on executing our business strategies.

The employees of our diamond polishing factory in Garborone, Botswana are covered by a collective bargaining agreement. If relationships with these employees become adverse, operations at the factory could experience labor disruptions such as strikes, lockouts, boycotts and public demonstrations. Labor regulation and the negotiation of new or existing collective bargaining agreements could lead to higher wage and benefit costs, changes in work rules that raise operating expenses, legal costs and limitations on our ability to take cost saving measures during economic downturns.

The Company’s ability to comply with changes in laws and regulations could adversely affect our business.

Signet’s policies and procedures are designed to comply with all applicable laws and regulations. Changing legal and regulatory requirements in the US and other jurisdictions in which Signet operates have increased the complexity of the regulatory environment in which the business operates and the cost of compliance. Failure to comply with the various regulatory requirements may result in damage to Signet’s reputation, civil and criminal liability, fines and penalties, and further increase the cost of regulatory compliance.

Changes in existing taxation benefits, rules or practices may adversely affect the Company’s financial results.

The Company operates through various subsidiaries in numerous countries throughout the world. Consequently, Signet is subject to changes in tax laws, treaties or regulations or the interpretation or enforcement thereof in the United States or jurisdictions where any subsidiaries operate or are incorporated. Tax laws, treaties and regulations are highly complex and subject to interpretation. The Company’s income tax expense is based upon interpretation of the tax laws in effect in various countries at the time such expense was incurred. If these tax laws, treaties or regulations were to change or any tax authority were to successfully challenge our assessment of the effects of such laws, treaties and regulations in any country, this could result in a higher effective tax rate on the Company’s taxable earnings, which could have a material adverse effect on the Company’s results of operations.

In addition, the Organization for Economic Co-Operation and Development (“OECD”) has published an action plan seeking multilateral cooperation to reform the taxation of multinational companies. Countries already have begun to implement some of these action items, and likely will continue to adopt more of them over the next several years. This may result in unilateral or uncoordinated local country application of the action items. Any such inconsistencies in the tax laws of countries where the Company operates or is incorporated may lead to increased uncertainty with respect to tax positions or otherwise increase the potential for double taxation. Proposals for US tax reform also potentially could have a significant adverse effect on us. In addition, the European Commission has conducted investigations in multiple countries focusing on whether local country tax legislation or rulings provide preferential tax treatment in violation of European Union state aid rules. Any impacts of these actions could increase the Company’s tax liabilities, which in turn could have a material adverse effect on the Company’s results of operations and financial condition.

The Parent Company is incorporated in Bermuda. The directors intend to conduct the Parent Company’s affairs such that, based on current law and practice of the relevant tax authorities, the Parent Company will not become resident for tax purposes in any other territory. At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Parent Company or by its shareholders in respect of its common shares. The Parent Company has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 31, 2035, be applicable to it or to any of its operations or to its shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by it in respect of real property owned or leased by it in Bermuda. Given the limited duration of the Minister of Finance’s assurance, the Parent Company cannot be certain that it will not be subject to Bermuda tax after March 31, 2035. In the event the Parent Company were to become subject to any Bermuda tax after such date, it could have a material adverse effect on the Parent Company’s results of operations and financial condition.

Likewise, Signet’s non-US subsidiaries operate in a manner that they should not be subject to US income tax because none of them should be treated as engaged in a trade or business in the US If, despite this, the IRS were to

successfully contend that the Parent Company or any of its non-US subsidiaries are engaged in a trade or business in the US, such entity could be subject to U.S. corporate income and branch profits taxes on the portion of its earnings effectively connected to such US business, which could adversely affect the Company's results of operations.

Investors may face difficulties in enforcing proceedings against Signet Jewelers Limited as it is domiciled in Bermuda.

It is doubtful whether courts in Bermuda would enforce judgments obtained by investors in other jurisdictions, including the US, Canada and the UK, against the Parent Company or its directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against the Parent Company or its directors or officers under the securities laws of other jurisdictions.

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Any difficulty executing or integrating an acquisition, a business combination or a major business initiative may result in expected returns and other projected benefits from such an exercise not being realized.

Any difficulty in executing or integrating an acquisition, a business combination, a major business initiative including our direct diamond sourcing capabilities, or a transformation plan, such as our Path to Brilliance transformation plan, may result in expected returns and other projected benefits from such an exercise not being realized. The acquisition of companies with operating margins lower than that of Signet may cause an overall lower operating margin for Signet. Signet’s current borrowing agreements place certain limited constraints on our ability to make an acquisition or enter into a business combination, and future borrowing agreements could place tighter constraints on such actions. A significant transaction could also disrupt the operation of our current activities and divert significant management time and resources. For example, Signet experienced disruptions in its information technology systems and processes during its credit outsourcing transition in 2017, including server interruptions and downtime, which resulted in calls to customer service centers leading to long wait times. In addition, Signet announced a new transformation plan in 2018. Any such difficulty in executing an acquisition, business combination, a major business initiative or a transformation plan could have a direct material adverse effect on Signet’s results of operations.

The Company’s ability to protect intellectual property could have a negative impact on our brands, reputation and operating results.

Signet’s trade names, trademarks, copyrights, patents and other intellectual property are important assets and an essential element of the Company’s strategy. The unauthorized reproduction, theft or misappropriation of Signet’s intellectual property could diminish the value of its brands or reputation and cause a decline in sales. Protection of Signet’s intellectual property and maintenance of distinct branding are particularly important as they distinguish our products and services from those of our competitors. The costs of defending our intellectual property may adversely affect the Company’s operating results. In addition, any infringement or other intellectual property claim made against Signet, whether or not it has merit, could be time-consuming, result in costly litigation, cause product delays, or require the Company to enter into royalty or licensing agreements. As a result, any such claim could have a material adverse effect on Signet’s operating results.

If the Company’s goodwill or indefinite-lived intangible assets become impaired, we may be required to record significant charges to earnings.

We have a substantial amount of goodwill and indefinite-lived intangible assets on our balance sheet as a result of acquisitions. We review goodwill and indefinite-lived intangible assets for impairment annually or whenever events or circumstances indicate impairment may have occurred. Application of the impairment test requires judgment, including the identification of reporting units, assignment of assets, liabilities and goodwill to reporting units, and the determination of fair value of each reporting unit. There is a risk that a significant deterioration in a key estimate or assumption or a less significant deterioration to a combination of assumptions or the sale of a part of a reporting unit could result in an impairment charge in the future, which could have a significant adverse impact on our reported earnings. Additionally, a general decline in the market valuation of the Company’s common shares could impact the assumptions used to perform the evaluation of its indefinite-lived intangible assets, including goodwill and trade names.

For further information on our testing for goodwill impairment, see “Critical Accounting Policies” under Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Recent changes in the Company’s executive management team or the loss of additional key executive officers or employees could be disruptive to, or cause uncertainty in, its business or adversely impact performance.

Signet’s future success will partly depend upon the ability of senior management and other key employees to implement an appropriate business strategy. While Signet has entered into termination protection agreements with such key personnel, the retention of their services cannot be guaranteed and the loss of such services could have a material adverse effect on Signet’s ability to conduct its business. If the Company is not effective in succession planning, there may be a negative impact on the Company's ability to successfully hire for key executive management roles in a timely manner. In addition, any new executives may wish, subject to Board approval, to change the strategy of Signet. The appointment of new executives may therefore adversely impact performance.

Signet’s business could be affected by extreme weather conditions or natural disasters.

Extreme weather conditions in the areas in which the Company’s stores are located could negatively affect the Company’s business and results of operations. For example, frequent or unusually heavy snowfall, ice storms, or other extreme weather conditions, whether as a result of climate change or otherwise, over a prolonged period could make it difficult for the Company’s customers to travel to its stores and thereby reduce the Company’s sales and profitability. In addition, natural disasters such as hurricanes, tornadoes, earthquakes, or wildfires, or a combination of these or other factors, could damage or destroy the Company’s facilities or make it difficult for customers to travel to its stores, thereby negatively affecting the Company’s business and results of operations.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The following table provides the location, use and size of our distribution, corporate and other non-retail facilities required to support the Company's global operations as of February 2, 2019:

Location	Function	Approximate square footage	Lease or Own	Lease expiration
Akron, Ohio	Corporate and distribution	460,000	Lease	2048
Akron, Ohio	Credit[1]	86,000	Lease	2048
Akron, Ohio	Training	11,000	Lease	2048
Akron, Ohio	Repair facility	38,000	Own	N/A
Akron, Ohio	Corporate	32,000	Lease	2022
Barberton, Ohio	Non-merchandise fulfillment	135,000	Lease	2032
New York City, New York	Design	4,600	Lease	2021
New York City, New York	Diamond trading	1,000	Lease	2021
New York City, New York	Corporate	10,000	Lease	2023
New York City, New York	Corporate	8,000	Lease	2027
Dallas, Texas	Repair facility	31,000	Lease	2029
Dallas, Texas	Corporate	190,000	Lease	2029
Frederick, Maryland	Customer service	7,716	Lease	2021
Toronto, Ontario (Canada)	Distribution and fulfillment	26,000	Lease	2019
Birmingham, UK	Corporate, distribution and e-commerce fulfillment	235,000	Own	N/A
Borehamwood, Hertfordshire (UK)	Corporate	36,200	Lease	2021
Gaborone, Botswana	Diamond polishing	34,200	Own	N/A
Mumbai, India	Diamond liaison	3,000	Lease	2019
Mumbai, India	Diamond liaison	2,936	Lease	2019
Ramat-Gan, Israel	Technology center	1,000	Lease	2021
Herzelia, Israel	Technology center	12,700	Lease	2023

(1) In October 2017, Signet, through its subsidiary Sterling, completed the sale of the prime-only credit quality portion of Sterling's in-house finance receivable portfolio. In conjunction with this transaction, the indicated property has been subleased to multiple third party service providers. See Note 3 of Item 8 for further details.

Sufficient distribution exists in all geographies to meet the respective needs of the Company's operations.

Global retail property

Signet attributes great importance to the location and appearance of its stores. Accordingly, in each of Signet's divisions, investment decisions on selecting sites and refurbishing stores are made centrally, and strict real estate and investment criteria are applied. Below is a summary of property details by geography for our retail operations as of February 2, 2019:

	North America segment							International segment			Signet
	Kay	Zales	Peoples	Jared	Piercing Pagoda	Regional banners[1]	Total	H.Samuel	Ernest Jones	Total	Total stores
US	1,214	658	—	256	574	27	2,729	—	—	—	2,729
Canada	—	—	123	—	—	5	128	—	—	—	128
United Kingdom	—	—	—	—	—	—	—	278	186	464	464
Republic of Ireland	—	—	—	—	—	—	—	8	2	10	10
Channel Islands	—	—	—	—	—	—	—	2	1	3	3

Total	1,214	658	123	256	574	32	2,857	288	189	477	3,334

(1) Includes one James Allen location.

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Store locations by US state and Canadian province, as of February 2, 2019, are as follows:

	North America segment						Signet
	Kay	Zales	Peoples	Jared	Piercing Pagoda	Regional brands[(1)]	Total Stores
Alabama	27	12	—	4	4	—	47
Alaska	3	2	—	—	—	—	5
Arizona	19	11	—	6	9	—	45
Arkansas	10	9	—	1	—	—	20
California	81	51	—	20	39	—	191
Colorado	16	16	—	6	4	—	42
Connecticut	14	10	—	1	15	—	40
Delaware	5	4	—	2	6	—	17
Florida	86	50	—	22	70	6	234
Georgia	51	23	—	13	12	—	99
Hawaii	8	6	—	—	—	—	14
Idaho	5	1	—	1	—	—	7
Illinois	45	20	—	11	19	—	95
Indiana	30	13	—	6	12	2	63
Iowa	21	4	—	2	4	—	31
Kansas	9	7	—	2	5	—	23
Kentucky	21	8	—	3	5	2	39
Louisiana	21	14	—	3	—	1	39
Maine	6	1	—	1	2	—	10
Maryland	27	14	—	9	23	—	73
Massachusetts	25	10	—	4	20	—	59
Michigan	42	16	—	9	9	2	78
Minnesota	16	7	—	4	7	—	34
Mississippi	15	6	—	—	—	—	21
Missouri	22	10	—	3	5	—	40
Montana	3	—	—	—	—	—	3
Nebraska	7	3	—	—	1	—	11
Nevada	10	7	—	3	5	—	25
New Hampshire	12	5	—	4	7	1	29
New Jersey	28	17	—	7	32	—	84
New Mexico	5	9	—	1	3	—	18
New York	67	39	—	7	59	—	172
North Carolina	51	19	—	11	19	—	100
North Dakota	4	3	—	—	1	—	8
Ohio	70	19	—	15	22	2	128
Oklahoma	14	9	—	2	2	1	28
Oregon	15	4	—	2	5	—	26
Pennsylvania	61	30	—	9	54	—	154
Rhode Island	4	2	—	1	3	—	10
South Carolina	25	10	—	3	7	—	45
South Dakota	3	3	—	—	1	—	7
Tennessee	30	17	—	8	5	—	60
Texas	79	91	—	31	19	6	226

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Utah	9	—	—	3	3	—	15
Vermont	2	1	—	—	1	—	4
Virginia	34	22	—	10	24	—	90
Washington	19	11	—	3	13	1	47
Washington D.C.[(1)]	—	—	—	—	—	1	1
West Virginia	10	4	—	—	6	2	22
Wisconsin	25	7	—	3	12	—	47
Wyoming	2	1	—	—	—	—	3
US	1,214	658	—	256	574	27	2,729
Alberta	—	—	19	—	—	—	19
British Columbia	—	—	19	—	—	1	20
Manitoba	—	—	5	—	—	—	5
New Brunswick	—	—	2	—	—	—	2
Newfoundland	—	—	1	—	—	—	1
Nova Scotia	—	—	4	—	—	—	4
Ontario	—	—	65	—	—	4	69
Saskatchewan	—	—	8	—	—	—	8
Canada	—	—	123	—	—	5	128
Total North America	1,214	658	123	256	574	32	2,857

(1) Includes one James Allen location.

North America retail property

Signet’s North America segment operates stores and kiosks in the US and Canada, with substantially all of the locations being leased. In addition to a minimum annual rent cost, the majority of mall stores are also liable to pay rent based on sales above a specified base level. In Fiscal 2019, most of the mall stores and kiosks only made base rental payments. Under the terms of a typical lease, the Company is required to conform and maintain its usage to agreed standards, including meeting required advertising expenditure as a percentage of sales, and are responsible for its proportionate share of expenses associated with common area maintenance, utilities and taxes of the mall.

The initial term of a mall store lease is generally ten years for North America. Off-mall locations, excluding Jareds, typically have an initial term of ten years with a five year termination right and one to five years for Piercing Pagoda kiosks. Towards the end of a lease, management evaluates whether to renew a lease and refit the store, using similar operational and investment criteria as for a new store. Where management is uncertain whether the location will meet management’s required return on investment, but the store is profitable, the leases may be renewed for one to five years, during which time the store’s performance is further evaluated. There are typically 250 to 300 such mall stores at any one time in the North America segment. Jared stores are normally opened on fifteen to twenty year leases with options to extend the lease, and rents are not sales related. A refurbishment of a Jared store is normally undertaken every five to ten years.

At February 2, 2019, the average unexpired lease term of leased premises for the North America segment was approximately 4 years for Kay mall and 6 years for off-mall Kay and Jared locations. Approximately 56% of these leases had terms expiring within five years. The average unexpired lease term of leased premises for Zales and Piercing Pagoda locations were 3 and 2 years, respectively. Approximately 85% of these leases had terms expiring within five years. The cost of remodeling a Kay mall store is similar to the cost of a new mall store, which is typically between \$0.1 million and \$0.5 million, depending on the scope of the remodel project. The cost of remodeling a Zale Jewelry mall store is similar to the cost of a new mall store, which is typically between \$0.3 million and \$0.7 million. The cost of a new Piercing Pagoda kiosk approximates \$0.1 million. Jared refurbishments typically cost on average less than \$0.1 million. New Jared stores typically cost between \$2.1 million and \$3.3 million. In Fiscal 2019, a total of 105 store locations were remodeled (Fiscal 2018: 78 locations). In Fiscal 2019, store remodels were completed at 9 Piercing Pagoda kiosks (Fiscal 2018: 53 locations).

In the US, the North America segment collectively leases approximately 15% of store and kiosk locations from a single lessor. In Canada, it leases approximately 50% of its store locations from four lessors, with no individual lessor

relationship exceeding 15% of its store locations. The segment had no other relationship with any lessor relating to 10% or more of its locations.

During the past five fiscal years, the Company generally has been successful in renewing its store leases as they expire and has not experienced difficulty in securing suitable locations for its stores. No store lease is individually material to Signet’s North America operations.

International retail property

The International segment's stores are generally leased under full repairing and insuring leases (equivalent to triple net leases in the US). Wherever possible, Signet is shortening the length of new leases that it enters into, or including break clauses in order to improve the flexibility of its lease commitments. At February 2, 2019, the average unexpired lease term of International premises was 6 years, and a majority of leases had either break clauses or terms expiring within five years. Rents are usually subject to upward review every five years if market conditions so warrant. An increasing proportion of rents also have an element related to the sales of a store, subject to a minimum annual value. At the end of the lease period, subject to certain limited exceptions, International leaseholders generally have statutory rights to enter into a new lease of the premises on negotiated terms. As current leases expire, Signet believes that it will be able to renew leases, if desired, for present store locations or to obtain leases in equivalent or improved locations in the same general area. Signet has not experienced difficulty in securing leases for suitable locations for its International stores. No store lease is individually material to Signet's International operations.

A typical International store undergoes a major remodel every ten years and a less costly refurbishment every five years. It is intended that these investments will be financed by cash from operating activities. The cost of remodeling a regular store is typically between $0.2 million and $0.8 million for both H.Samuel and Ernest Jones, while remodels in prestigious locations typically doubles those costs.

The International segment has no relationship with any lessor relating to 10% or more of its store locations.

Other

The Company has entered into agreements to assign or sublease certain premises as of February 2, 2019. See Note 26 of Item 8 for additional information.

ITEM 3. LEGAL PROCEEDINGS

See discussion of legal proceedings in Note 26 of Item 8.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market and dividend information

The Company’s common shares (symbol: SIG) are traded on the New York Stock Exchange.

Future payments of quarterly dividends will be based on Signet’s ability to satisfy all applicable statutory and regulatory requirements and its continued financial strength. Any future payment of cash dividends will depend upon such factors as Signet’s earnings, capital requirements, financial condition, restrictions under Signet’s credit facility, legal restrictions and other factors deemed relevant by the Board.

Number of common shareholders

As of March 28, 2019, there were approximately 7,028 shareholders of record.

Repurchases of equity securities

The following table contains the Company’s repurchases of common shares in the fourth quarter of Fiscal 2019:

Period	Total number of shares purchased[1]	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs[2]	Approximate dollar value of shares that may yet be purchased under the plans or programs
November 4, 2018 to December 1, 2018	415	$ 52.06	—	$165,586,651
December 2, 2018 to December 29, 2018	—	$ —	—	$165,586,651
December 30, 2018 to February 2, 2019	—	$ —	—	$165,586,651
Total	415	$ 52.06	—	$165,586,651

(1) Includes 415 shares delivered to Signet by employees to satisfy minimum tax withholding obligations due upon the vesting or payment of stock awards under share-based compensation programs. These are not repurchased in connection with any publicly announced share repurchase programs.

(2) In June 2017, the Board of Directors authorized the repurchase of up to $600.0 million of Signet’s common shares (the “2017 Program”). The 2017 Program may be suspended or discontinued at any time without notice. See Note 9 of Item 8 for additional information.

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Performance graph

The following performance graph and related information shall not be deemed “soliciting material” or to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that Signet specifically incorporates it by reference into such filing.

Historical share price performance should not be relied upon as an indication of future share price performance. The following graph compares the cumulative total return to holders of Signet’s common shares against the cumulative total return of the S&P 500 Index and the S&P 500 Specialty Retail Index for the five year period ended February 2, 2019. The comparison of the cumulative total returns for each investment assumes that $100 was invested in Signet’s common shares and the respective indices on February 1, 2014 through February 2, 2019.

Related Shareholder Matters

The Parent Company is classified by the Bermuda Monetary Authority as a non-resident of Bermuda for exchange control purposes. Issues and transfers of common shares involving persons regarded as non-residents of Bermuda for exchange control purposes may be effected without specific consent under the Exchange Control Act 1972 of Bermuda and regulations thereunder. Issues and transfers of common shares involving persons regarded as residents in Bermuda for exchange control purposes may require specific prior approval under the Exchange Control Act 1972 of Bermuda and regulations thereunder.

The owners of common shares who are non-residents of Bermuda are not subject to any restrictions on their rights to hold or vote their shares. Because the Parent Company is classified as a non-resident of Bermuda for exchange control purposes, there are no restrictions on its ability to transfer funds into and out of Bermuda or to pay dividends, other than in respect of local Bermuda currency.

There is no reciprocal tax treaty between Bermuda and the United States regarding withholding taxes. Under existing Bermuda law, there is no Bermuda income or withholding tax on dividends paid by the Parent Company to its shareholders. Furthermore, under existing Bermuda law, no Bermuda tax is levied on the sale or transfer of Signet common shares.

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The financial data included below for Fiscal 2019, Fiscal 2018 and Fiscal 2017 has been derived from the audited consolidated financial statements included in Item 8. The financial data for these periods should be read in conjunction with the financial statements, including the notes thereto, and Item 7. The financial data included below for Fiscal 2016 and Fiscal 2015 has been derived from the previously published consolidated audited financial statements not included in this document.

FINANCIAL DATA:	Fiscal 2019	Fiscal 2018[1]	Fiscal 2017	Fiscal 2016	Fiscal 2015[2]
Income statement:	(in millions)				
Sales	$6,247.1	$6,253.0	$6,408.4	$6,550.2	$5,736.3
Gross margin	$2,160.8	$2,190.0	$2,360.8	$2,440.4	$2,074.2
Selling, general and administrative expenses	$(1,985.1)	$(1,872.2)	$(1,880.2)	$(1,987.6)	$(1,712.9)
Operating income (loss)	$(764.6) [4]	$579.9	$763.2	$703.7	$576.6
Net income (loss) attributable to common shareholders	$(690.3)	$486.4	$531.3	$467.9	$381.3
Adjusted EBITDA[3]	$393.5	$770.3	$955.0	$891.5	$762.9
Same store sales percentage increase (decrease)	(0.1)%	(5.3)%	(1.9)%	4.1%	4.1%
	(Income statement as a % of sales)				
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Gross margin	34.6%	35.0%	36.8%	37.3%	36.2%
Selling, general and administrative expenses	(31.8)%	(29.9)%	(29.3)%	(30.4)%	(29.9)%
Operating income (loss)	(12.2)%	9.3%	11.9%	10.7%	10.0%
Net income (loss) attributable to common shareholders	(11.0)%	7.8%	8.3%	7.1%	6.6%
Adjusted EBITDA[3]	6.3%	12.3%	14.9%	13.6%	13.3%
Per share data:					
Earnings (loss) per common share:					
Basic	$(12.62)	$7.72	$7.13	$5.89	$4.77
Diluted	$(12.62)	$7.44	$7.08	$5.87	$4.75
Dividends declared per common share	$1.48	$1.24	$1.04	$0.88	$0.72
Weighted average common shares outstanding:	(in millions)				
Basic	54.7	63.0	74.5	79.5	79.9
Diluted	54.7	69.8	76.7	79.7	80.2
Balance sheet:	(in millions)				
Total assets	$4,420.1	$5,839.6	$6,597.8	$6,464.9	$6,203.0
Total liabilities	$2,603.2	$2,726.2	$3,495.7	$3,404.2	$3,392.6
Series A redeemable convertible preferred shares	$615.3	$613.6	$611.9	n/a	n/a
Net (debt) cash[3]	$(533.0)	$(507.1)	$(1,310.3)	$(1,241.0)	$(1,256.4)
Working capital	$1,822.8	$2,408.9	$3,438.9	$3,437.0	$3,210.3
Common shares outstanding	51.9	60.5	68.3	79.4	80.3

(1) On September 12, 2017, the Company completed the acquisition of R2Net. Fiscal 2018 results include R2Net's results since the date of acquisition. See Note 5 of Item 8 for additional information.

(2) On May 29, 2014, the Company completed the acquisition of Zale Corporation. Fiscal 2015 results include Zale Corporation's results since the date of acquisition.

(3) Adjusted EBITDA and net (debt) cash are non-GAAP measures; see "GAAP and non-GAAP Measures" below.

(4) Fiscal 2019 operating loss includes goodwill and intangible impairments of $735.4 million, a loss of $167.4 million related to the sale of the non-prime in-house accounts receivable and $125.9 million in restructuring charges related to inventory write-downs, severance, professional fees and impairment of certain IT assets.

n/a Not applicable as Series A redeemable convertible preferred shares were issued in October 2016.

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	Fiscal 2019	Fiscal 2018[1]	Fiscal 2017	Fiscal 2016	Fiscal 2015[2]
Other financial data:					
Free cash flow (in millions)[3]	$564.2	$1,703.1	$400.3	$62.8	$82.8
Effective tax rate	18.1 %	1.5 %[4]	23.9 %	28.9 %	29.5 %
ROCE[3]	6.7 %[5]	19.1 %	21.4 %	21.0 %	19.5 %
Adjusted leverage ratio[3]	4.3x	3.1x	3.6x	3.3x	3.5x
Store and employee data:					
Store locations (at end of period)	3,334	3,556	3,682	3,625	3,579
Number of employees (full-time equivalents)[6]	22,989	24,888	29,566	29,057	28,949

(1) On September 12, 2017, the Company completed the acquisition of R2Net. Fiscal 2018 results include R2Net's results since the date of acquisition. See Note 5 of Item 8 for additional information.

(2) On May 29, 2014, the Company completed the acquisition of Zale Corporation. Fiscal 2015 results include Zale Corporation's results since the date of acquisition.

(3) Free cash flow, ROCE and adjusted leverage ratio are non-GAAP measures; see "GAAP and non-GAAP Measures" below.

(4) Effective tax rate in Fiscal 2018 includes favorable impact of the TCJ Act enacted by the US government in December 2017. See Note 12 of Item 8 for additional information.

(5) ROCE in Fiscal 2019 was adjusted to exclude the impact of goodwill and intangible impairments totaling $735.4 million and $160.4 million of valuation losses associated with sale of the non-prime in-house accounts receivable portfolio recognized during the year. See Note 17 and Note 4 of Item 8 for additional information.

(6) Number of employees includes 142, 127, 163, 194 and 226 full-time equivalents employed in the diamond polishing plant located in Botswana for Fiscal 2019, Fiscal 2018, Fiscal 2017, Fiscal 2016 and Fiscal 2015, respectively.

GAAP AND NON-GAAP MEASURES

The discussion and analysis of Signet's results of operations, financial condition and liquidity contained in this Annual Report on Form 10-K are based upon the consolidated financial statements of Signet which are prepared in accordance with US GAAP and should be read in conjunction with Signet's financial statements and the related notes included in Item 8. A number of non-GAAP measures are used by management to analyze and manage the performance of the business, and the required disclosures for these non-GAAP measures are shown below.

Signet provides such non-GAAP information in reporting its financial results to give investors additional data to evaluate its operations. Management does not, nor does it suggest investors should, consider such non-GAAP measures in isolation from, or in substitution for, financial information prepared in accordance with GAAP.

1. Net Debt

Net debt is a non-GAAP measure defined as the total of cash and cash equivalents less loans, overdrafts and long-term debt. Management considers this metric to be helpful in understanding the total indebtedness of the Company after consideration of liquidity available from cash balances on-hand.

(in millions)	February 2, 2019	February 3, 2018	January 28, 2017
Cash and cash equivalents	$ 195.4	$ 225.1	$98.7
Loans and overdrafts	(78.8)	(44.0)	(91.1)
Long-term debt	(649.6)	(688.2)	(1,317.9)
Net debt	$ (533.0)	$ (507.1)	$(1,310.3)

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2. Return on Capital Employed Excluding Goodwill (“ROCE”)

ROCE is a non-GAAP measure calculated by dividing the 52 week annual operating income by the average quarterly capital employed and is expressed as a percentage. Capital employed includes accounts and other receivables, inventories, property, plant and equipment, other assets, accounts payable, accrued expenses and other current liabilities, other liabilities, deferred revenue and retirement benefit asset/obligation. This is a key performance indicator used by management for assessing the effective operation of the business and is considered a useful disclosure for investors as it provides a measure of the return on Signet’s operating assets. Further, this metric is utilized in evaluating management performance and incorporated into management’s long-term incentive plan metrics.

	Fiscal 2019	Fiscal 2018	Fiscal 2017	Fiscal 2016	Fiscal 2015
ROCE	6.7 % [1]	19.1 %	21.4 %	21.0 %	19.5 %

(1) ROCE in Fiscal 2019 was adjusted to exclude the impact of goodwill and intangible impairments totaling $735.4 million and $160.4 million of valuation losses associated with sale of the non-prime in-house accounts receivable portfolio recognized during the year. See Note 17 and Note 4 of Item 8 for additional information.

3. Free Cash Flow

Free cash flow is a non-GAAP measure defined as the net cash provided by operating activities less purchases of property, plant and equipment. Management considers that this is helpful in understanding how the business is generating cash from its operating and investing activities that can be used to meet the financing needs of the business. Free cash flow is an indicator used by management frequently in evaluating its overall liquidity and determining appropriate capital allocation strategies. Free cash flow does not represent the residual cash flow available for discretionary expenditure. In Fiscal 2019, net cash provided by operating activities included $445.5 million in proceeds received in connection with the sale of the Company’s non-prime receivable portfolio. In Fiscal 2018, net cash provided by operating activities included $952.5 million in proceeds received in connection with the sale of the Company’s prime receivable portfolio. See Note 4 of Item 1 for additional information regarding the sale of the prime and non-prime receivable portfolios.

(in millions)	Fiscal 2019	Fiscal 2018	Fiscal 2017
Net cash provided by operating activities	$697.7	$1,940.5	$678.3
Purchase of property, plant and equipment	(133.5)	(237.4)	(278.0)
Free cash flow	$564.2	$1,703.1	$400.3

4. Leverage Ratio

The leverage ratio is a non-GAAP measure calculated by dividing Signet’s adjusted debt by adjusted EBITDAR. Adjusted debt is a non-GAAP measure defined as debt recorded in the consolidated balance sheet, plus Series A redeemable convertible preferred shares, plus an adjustment for operating leases (5x annual rent expense). Prior to the termination of the asset-backed securitization in Fiscal 2018, this measure was also reduced by 70% of outstanding in-house finance receivables recorded in the consolidated balance sheet. Adjusted EBITDAR is a non-GAAP measure. Adjusted EBITDAR is defined as earnings before interest and income taxes, depreciation and amortization, and non-cash accounting adjustments (“Adjusted EBITDA”) and further excludes rent expense for properties occupied under operating leases. Prior to Fiscal 2018, this measure also excluded non-cash share-based compensation expense and the income statement impact of the finance receivables related to the in-house credit program. Adjusted EBITDA and Adjusted EBITDAR are considered important indicators of operating performance as they exclude the effects of financing and investing activities by eliminating the effects of interest, depreciation and amortization costs and accounting adjustments. Management believes these financial measures are helpful to enhancing investors’ ability to analyze trends in Signet’s business and evaluate Signet’s performance relative to other companies. Management also utilizes these metrics to evaluate its current credit profile, which is similar to rating agency methodologies.

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(in millions)	Fiscal 2019	Fiscal 2018	Fiscal 2017	Fiscal 2016	Fiscal 2015
Adjusted debt:					
Long-term debt	$649.6	$688.2	$1,317.9	$1,321.0	$1,354.3
Loans and overdrafts	78.8	44.0	91.1	57.7	95.7
Series A redeemable convertible preferred shares[(1)]	615.3	613.6	611.9	n/a	n/a
Adjustments:					
5x Rent expense[(3)]	2,551.5	2,640.5			
8x Rent expense[(3)]	n/a	n/a	4,195.2	4,205.6	3,703.2
70% of in-house credit program financing receivables	n/a	n/a	(1,269.3)	(1,208.2)	(1,087.0)
Adjusted debt	$3,895.2	$3,986.3	$4,946.8	$4,376.1	$4,066.2
Adjusted EBITDAR:					
Net income (loss)	$(657.4)	$519.3	$543.2	$467.9	$381.3
Income taxes	(145.2)	7.9	170.6	189.9	159.3
Interest expense, net	39.7	52.7	49.4	45.9	36.0
Depreciation and amortization on property, plant and equipment[(2)]	179.6	194.1	175.0	161.4	140.4
Amortization of definite-lived intangibles[(2)]	4.0	9.3	13.8	13.9	9.3
Amortization of unfavorable leases and contracts	(7.9)	(13.0)	(19.7)	(28.7)	(23.7)
Other non-cash accounting adjustments[(3)]	980.7	—	22.7	41.2	60.3
Adjusted EBITDA	$393.5	$770.3	$955.0	$891.5	$762.9
Rent expense	510.3	528.1	524.4	525.7	462.9
Share-based compensation expense[(4)]	n/a	n/a	8.0	16.4	12.1
Finance income from in-house credit program	n/a	n/a	(277.6)	(252.5)	(217.9)
Late charge income	n/a	n/a	(36.0)	(33.9)	(31.3)
Net bad debt expense	n/a	n/a	212.1	190.5	160.0
Adjusted EBITDAR	$903.8	$1,298.4	$1,385.9	$1,337.7	$1,148.7
Adjusted Leverage ratio[(5)]	4.3x	3.1x	3.6x	3.3x	3.5x

(1) Series A redeemable convertible preferred shares were issued in October 2016.

(2) Total amount of depreciation and amortization reflected on the consolidated statement of cash flows for Fiscal 2019, Fiscal 2018 and Fiscal 2017 equals $183.6 million, $203.4 million and $188.8 million, respectively, which includes $4.0 million, $9.3 million and $13.8 million, respectively, related to the amortization of definite-lived intangibles, primarily favorable leases and trade names.

(3) Fiscal 2019 includes: 1) $735.4 million related to the goodwill and intangible impairments; 2) $160.4 million from the valuation losses related to the sale of eligible non-prime in-house accounts receivable; and 3) $84.9 million related to charges recorded in conjunction with the Company’s restructuring activities.

(4) Adjusted debt and adjusted EBITDA have been recalculated to align with methodologies commonly utilized by credit rating agencies and others in evaluating leverage.

(5) Adjusted leverage ratio would have been as follows in the comparable periods if adjusted debt reflected 5x rent expense: Fiscal 2017: 2.4x, Fiscal 2016: 2.1x and Fiscal 2015: 2.3x.

n/a Not applicable.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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, appear in a number of places throughout this document and 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," "object "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: our ability to implement Signet's transformation initiative; the effect of US federal tax reform and adjustments relating to such impact on the completion of our quarterly and year-end financial statements; changes in interpretation or assumptions, and/or updated regulatory guidance regarding the US federal tax reform; the benefits and outsourcing of the credit portfolio sale including technology disruptions, future financial results and operating results; deterioration in the performance of individual businesses or of the company's market value relative to its book value, resulting in impairments of fixed assets or intangible assets or other adverse financial consequences, including tax consequences related thereto, especially in view of the Company's recent market valuation; our ability to successfully integrate Zale Corporation and R2Net's operations and to realize synergies from the Zale and R2Net transactions; general economic conditions; potential regulatory changes, global economic conditions or other developments related to the United Kingdom's announced intention to negotiate a formal exit from the European Union; a decline in consumer spending or deterioration in consumer financial position; the merchandising, pricing and inventory policies followed by Signet; Signet's relationships with suppliers and ability to obtain merchandise that customers wish to purchase; the reputation of Signet and its banners; the level of competition and promotional activity in the jewelry sector; the cost and availability of diamonds, gold and other precious metals; changes in the supply and consumer acceptance of gem quality lab created diamonds; regulations relating to customer credit; seasonality of Signet's business; the success of recent changes in Signet's executive management team; the performance of and ability to recruit, train, motivate and retain qualified sales associates; the impact of weather-related incidents on Signet's business; financial market risks; exchange rate fluctuations; changes in Signet's credit rating; changes in consumer attitudes regarding jewelry; management of social, ethical and environmental risks; the development and maintenance of Signet's omni-channel retailing; the ability to optimize Signet's real estate footprint; 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 credit outsourcing fees, extended service plans and pensions; risks related to Signet being a Bermuda corporation; the impact of the acquisition of Zale Corporation on relationships, including with employees, suppliers, customers and competitors; Signet's ability to protect its intellectual property; changes in taxation benefits, rules or practices in the US and jurisdictions in which Signet's subsidiaries are incorporated, including developments related to the tax treatment of companies engaged in Internet commerce; and an adverse development in legal or regulatory proceedings or tax matters, any new regulatory initiatives or investigations, and ongoing compliance with regulations and any consent orders or other legal or regulatory decisions.

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 Item 1A and elsewhere in this Annual Report on Form 10-K. Signet undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

GAAP AND NON-GAAP MEASURES

The following discussion and analysis of the results of operations, financial condition and liquidity is based upon the consolidated financial statements of Signet which are prepared in accordance with US GAAP. The following information should be read in conjunction with Signet's financial statements and the related notes included in Item 8.

A number of non-GAAP measures are used by management to analyze and manage the performance of the business. See Item 6 for the required disclosures related to these measures. Signet provides such non-GAAP information in reporting its financial results to give investors additional data to evaluate its operations. The Company's management does not, nor does it suggest investors should, consider such non-GAAP measures in isolation from, or in substitution for, financial information prepared in accordance with GAAP.

Exchange Translation Impact

The monthly average exchange rates are used to prepare the income statement and are calculated each month from the weekly average exchange rates weighted by sales. In Fiscal 2020, it is anticipated a five percent movement in the British pound to US dollar exchange rate would impact income before income taxes by approximately $1.1 million, while a five percent movement in the Canadian dollar to US dollar exchange rate would impact income before income taxes by approximately $0.3 million.

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Market and Operating Conditions

We face a highly competitive and dynamic retail landscape throughout the geographies where we do business, as well as an uncertain macro-economic and political environment in our UK market. Fiscal 2019 holiday sales results did not meet our expectations, and as a result, we ended the year in an elevated inventory position and do expect inventory to be up year over year in the first quarter. As we continue to work through legacy product and engage in incremental clearance activity, we do expect to reduce our inventory position by year end Fiscal 2020. A key learning from Fiscal 2019 is the need to have a broader price focused assortment for the value-oriented gifting shopper in key weeks around major holidays, which could negatively impact profit. Additionally, a timing shift related to revenue recognition for extended service plan revenues, which have a higher margin rate, are expected to have a negative impact on profit in the first half of Fiscal 2020. This timing shift of service plan revenue is the result of the historical claims experience shifting away from the earlier years of the service plans to later years of the coverage period.

Fiscal 2019 Overview

Similar to many other retailers, Signet follows the retail 4-4-5 reporting calendar, which included an extra week in the fourth quarter of Fiscal 2018 (the "53rd week"). The 53rd week added $84.3 million in net sales and increased diluted earnings per share by approximately $0.12 for both the quarter and Fiscal 2018.

Drivers of Operating Profitability

The key measures and drivers of operating profitability are:

- total sales - driven by the change in same store sales, net store selling space and mix of product and services;
- gross margin - including the mix of results by store banner including brick-and-mortar locations and online; and
- level of selling, general and administrative expenses.

Same Store Sales

Same store sales growth is calculated by comparison of sales in stores that were open in both the current and the prior fiscal year. Sales from stores that have been open for less than 12 months are excluded from the comparison until their 12-month anniversary. Sales after the 12-month anniversary are compared against the equivalent prior period sales within the comparable store sales comparison. Stores closed in the current financial period are included up to the date of closure and the comparative period is correspondingly adjusted. Stores that have been relocated or expanded, but remain within the same local geographic area, are included within the comparison with no adjustment to either the current or comparative period. Stores that have been refurbished are also included within the comparison except for the period when the refurbishment was taking place, when those stores are excluded from the comparison both for the current year and for the comparative period. Sales to employees are also excluded. Comparisons at divisional level are made in local currency and consolidated comparisons are made at constant exchange rates and exclude the effect of exchange rate movements by recalculating the prior period results as if they had been generated at the weighted average exchange rate for the current period. eCommerce sales are included in the calculation of same store sales for the period and the comparative figures from the anniversary of the launch of the relevant website. Same store sales exclude the 53rd week in the fiscal year in which it occurs. Management considers same store sales useful as it is a major benchmark used by investors to judge performance within the retail industry.

Net Store Selling Space

	North America	International	Total Signet
Fiscal 2019			
Openings	42	3	45
Closures	(237)	(30)	(267)
Net change in store selling space	(5.8)%	(4.8)%	(5.7)%
Fiscal 2018			
Openings	113	3	116
Closures	(235)	(7)	(242)
Net change in store selling space	(1.9)%	(0.4)%	(1.7)%
Fiscal 2017			
Openings	153	9	162

Closures	(101)	(4)	(105)
Net change in store selling space	2.8 %	1.0 %	2.6 %

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Cost of Sales and Gross Margin

Cost of sales is mostly composed of merchandise costs (net of discounts and allowances). Cost of sales also contains:

- Occupancy costs such as rent, common area maintenance, depreciation and real estate tax.
- Net bad debt expense and customers' late payments prior to Signet outsourcing credit.[1]
- Store operating expenses such as utilities, displays and merchant credit costs.
- Distribution and warehousing costs including freight, processing, inventory shrinkage and related payroll.

(1) Signet recognized two months of net bad debt expense, customer late payment and finance interest income (presented within other operating income) in the first quarter of Fiscal 2019 prior to the non-prime receivables being reclassified as receivables held for sale.

As the classification of cost of sales or selling, general and administrative expenses varies from retailer to retailer, Signet's gross margin percentage may not be directly comparable to other retailers.

Factors that influence gross margin include pricing, promotional environment, changes in merchandise costs (principally diamonds), changes in non-merchandise components of cost of sales (as described above), changes in sales mix, foreign exchange, gold and currency hedges and the economics of services such as repairs and extended service plans. The price of diamonds varies depending on their size, cut, color and clarity. At times, Signet uses gold and currency hedges to reduce its exposure to market volatility in the cost of gold and the pound sterling to the US dollar exchange rate, but it is not able to do so for diamonds. For gold and currencies, the hedging period can extend to 24 months, although the majority of hedge contracts will normally be for a maximum of 12 months.

The percentage mix of the merchandise cost component of cost of sales, based on US dollars, is as follows:

	North America	International	Total Signet
Fiscal 2019			
Diamond	55 %	19 %	52 %
Gold	14 %	12 %	14 %
All Other[1]	31 %	69 %	34 %
Fiscal 2018			
Diamond	48 %	16 %	45 %
Gold	14 %	15 %	14 %
All Other	38 %	69 %	41 %

(1) Decrease in North America reflects the Company strategy to exit low-priced owned branded beads and increase investments in bridal and certain fashion collections.

Signet uses an average cost inventory methodology and, as jewelry inventory turns slowly, the impact of movements in the cost of diamonds and gold takes time to be fully reflected in the gross margin. Signet's inventory turns faster in the fourth quarter than in the other three quarters, therefore, changes in the cost of merchandise is more impactful on the gross margin in that quarter. Furthermore, Signet's hedging activities result in movements in the purchase cost of merchandise taking some time before being reflected in the gross margin. An increase in inventory turn would accelerate the rate at which commodity costs impact gross margin.

Selling, General and Administrative Expense ("SGA")

SGA expense primarily includes store staff and store administrative costs as well as advertising and promotional costs. It also includes field support center expenses such as information technology, in-house credit operations prior to the Company's outsourcing initiatives in the third quarter of Fiscal 2018 and third-party outsourcing fees and credit sales subsequent to the outsourcing initiative, finance, eCommerce and other operating expenses not specifically categorized elsewhere in the consolidated income statements.

The primary drivers of staffing costs are the number of full time equivalent employees and the level of compensation, taxes and other benefits paid. Management varies, on a store by store basis, the hours worked based on the expected level of selling activity, subject to minimum staffing levels required to operate the store. Non-store staffing levels are less variable. A significant element of compensation is performance based and is primarily dependent on sales and operating profit.

The level of advertising expenditure can vary. The largest element of advertising expenditure has historically been national television advertising and is determined by management's judgment of the appropriate level of advertising impressions and the cost of purchasing media.

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Other Operating Income

Prior to the third quarter of Fiscal 2018, other operating income was predominantly comprised of interest income arising from in-house customer finance provided to the customers of the North America segment. In the third quarter of Fiscal 2018, the Company completed the sale of the prime portion of the in-house finance receivables. In the second quarter of Fiscal 2019, the Company completed the sale of the non-prime in-house accounts receivable. Subsequent to these transactions, the Company experienced a material reduction in the amount of interest income it recognized. See Note 4 in Item 8 for further detail on the Company's credit transactions.

Operating Income

To maintain current levels of operating income, Signet needs to achieve same store sales growth sufficient to offset any adverse movement in gross margin, any increase in operating costs, and any adverse changes in other operating income. Same store sales growth above the level required to offset the factors outlined above allows the business to achieve leverage of its cost base and improve operating income. Slower sales growth or a sales decline would normally result in reduced operating income. When foreseen, Signet may be able to reduce costs to help offset the impact of slow or negative sales growth. A key factor in driving operating income is the level of average sales per store, with higher productivity allowing leverage of expenses.

Results of Operations

	Fiscal 2019		Fiscal 2018		Fiscal 2017	
(in millions)	$	% of sales	$	% of sales	$	% of sales
Sales	$6,247.1	100.0 %	$6,253.0	100.0 %	$6,408.4	100.0 %
Cost of sales	(4,024.1)	(64.4)	(4,063)	(65.0)	(4,047.6)	(63.2)
Restructuring charges - cost of sales	(62.2)	(1.0)	—	—	—	—
Gross margin	2,160.8	34.6	2,190.0	35.0	2,360.8	36.8
Selling, general and administrative expenses	(1,985.1)	(31.8)	(1,872.2)	(29.9)	(1,880.2)	(29.3)
Credit transaction, net	(167.4)	(2.7)	1.3	—	—	—
Restructuring charges	(63.7)	(1.0)	—	—	—	—
Goodwill and intangible impairments	(735.4)	(11.8)	—	—	—	—
Other operating income, net	26.2	0.4	260.8	4.2	282.6	4.4
Operating income (loss)	(764.6)	(12.2)	579.9	9.3	763.2	11.9
Interest expense, net	(39.7)	(0.6)	(52.7)	(0.9)	(49.4)	(0.8)
Other non-operating income	1.7	—	—	—	—	—
Income (loss) before income taxes	(802.6)	(12.8)	527.2	8.4	713.8	11.1
Income tax benefit (expense)	145.2	2.3	(7.9)	(0.1)	(170.6)	(2.6)
Net income (loss)	$(657.4)	(10.5)%	$519.3	8.3 %	$543.2	8.5 %

COMPARISON OF FISCAL 2019 TO FISCAL 2018

- Same store sales: down 0.1%.
- Diluted earnings (loss) per share: $(12.62) compared to $7.44 in Fiscal 2018.

In Fiscal 2019, Signet's same store sales decreased by 0.1%, compared to a decrease of 5.3% in Fiscal 2018, which excluded the impact of the 53rd week from its calculation. Total sales were $6.25 billion, down $5.9 million or 0.1%, compared to $6.25 billion in Fiscal 2018. The total sales decline was positively impacted by $111.2 million attributable to the new US GAAP revenue recognition accounting standard and $135.6 million from the addition of James Allen (acquired in September 2017). These factors were offset by net store closures of $160.4 million and the negative impact of comparison against a 53rd week in the prior year of $84.3 million. eCommerce sales were $682.4 million and 10.9% of sales compared to $497.7 million and 8.0% of sales in Fiscal 2018.

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The breakdown of Signet's sales performance is set out in the table below:

Fiscal 2019	Change from previous year Same store sales[1]	Non-same store sales, net	Impact of 53rd week on total sales	Total sales at constant exchange rate	Exchange translation impact	Total sales as reported	Total sales (in millions)
Kay	(1.4)%	2.2 %	(1.2)%	(0.4)%	na	(0.4)%	$ 2,417.8
Zales	4.8 %	(1.9)%	(1.6)%	1.3 %	na	1.3 %	$ 1,260.7
Jared	(4.6)%	1.8 %	(1.5)%	(4.3)%	na	(4.3)%	$ 1,141.4
Piercing Pagoda	13.1 %	(3.0)%	(1.4)%	8.7 %	na	8.7 %	$ 302.5
James Allen[2]	14.6 %						$ 223.7
Peoples	1.8 %	(1.9)%	(1.6)%	(1.7)%	(1.5)%	(3.2)%	$ 208.5
Regional banners	(12.7)%	(34.7)%	(0.9)%	(48.3)%	(0.1)%	(48.4)%	$ 87.1
North America segment	0.5 %	1.3 %	(1.3)%	0.5 %	— %	0.5 %	$ 5,641.7
H.Samuel	(4.8)%	(1.5)%	(1.6)%	(7.9)%	0.5 %	(7.4)%	$ 284.0
Ernest Jones	(5.6)%	0.9 %	(1.7)%	(6.4)%	0.8 %	(5.6)%	$ 292.5
International segment	(5.2)%	(0.3)%	(1.7)%	(7.2)%	0.7 %	(6.5)%	$ 576.5
Other[3]						37.0 %	$ 28.9
Signet	(0.1)%	1.4 %	(1.4)%	(0.1)%	— %	(0.1)%	$ 6,247.1

(1) The 53rd week in Fiscal 2018 has resulted in a shift in Fiscal 2019, as the fiscal year began a week later than the previous fiscal year. As such, same store sales for Fiscal 2019 are being calculated by aligning the weeks of the quarter to the same weeks in the prior year. Total reported sales continue to be calculated based on the reported fiscal periods.

(2) Same store sales presented for James Allen to provide comparative performance measure.

(3) Includes sales from Signet's diamond sourcing initiative.

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Average merchandise transaction value ("ATV") is defined as net merchandise sales on a same store basis divided by the total number of customer transactions. As such, changes from the prior year do not recompute within the table below.

	Average Merchandise Transaction Value[1][2]				Merchandise Transactions	
	Average Value		Change from previous year		Change from previous year	
Fiscal Year	Fiscal 2019	Fiscal 2018	Fiscal 2019	Fiscal 2018	Fiscal 2019	Fiscal 2018
Kay	$ 506	$ 466	8.6 %	1.5 %	(8.6)%	(10.2)%
Zales	$ 480	$ 470	1.9 %	2.0 %	3.5 %	(4.3)%
Jared	$ 659	$ 594	10.2 %	6.1 %	(13.0)%	(11.0)%
Piercing Pagoda	$ 69	$ 63	9.5 %	8.6 %	3.2 %	(5.0)%
James Allen[3]	$ 3,738	$ 4,079	(11.0)%	(1.6)%	28.8 %	34.4 %
Peoples[4]	C$429	C$429	(0.9)%	5.4 %	2.8 %	(3.7)%
Regional banners	$ 477	$ 447	5.1 %	3.5 %	(16.0)%	(20.3)%
North America segment	$ 386	$ 364	4.3 %	2.5 %	(3.0)%	(7.8)%
H.Samuel[5]	£ 83	£ 84	(4.6)%	9.1 %	(0.3)%	(14.4)%
Ernest Jones[5]	£ 359	£ 349	(2.2)%	12.2 %	(3.4)%	(15.8)%
International segment[5]	£ 137	£ 136	(4.2)%	9.7 %	(0.9)%	(14.7)%

(1) Net merchandise sales within the North America segment include all merchandise product sales, net of discounts and returns. In addition, excluded from net merchandise sales are sales tax in the US, repair, extended service plan, insurance, employee and other miscellaneous sales. As a result, the sum of the changes will not agree to change in same store sales.

(2) Net merchandise sales within the International segment include all merchandise product sales, including value added tax ("VAT"), net of discounts and returns. In addition, excluded from net merchandise sales are repairs, warranty, insurance, employee and other miscellaneous sales. As a result, the sum of the changes will not agree to change in same store sales.

(3) ATV presented for James Allen to provide comparative performance measure.

(4) Amounts for Peoples stores are denominated in Canadian dollars.

(5) Amounts for the International segment, including H.Samuel and Ernest Jones, are denominated in British pounds.

North America sales

The North America segment's total sales were $5.64 billion compared to $5.62 billion in the prior year, up 0.5%. Same store sales increased 0.5% compared to a decrease of 5.2% in the prior year. North America's ATV increased 4.3%, while the number of transactions decreased 3.0%.

Same store sales results were positively impacted by approximately 175 bps of incremental clearance sales partially offset by 20 bps of unfavorable impact related to the shift of service plan revenue. eCommerce sales increased 43.1% on a reported basis (inclusive of James Allen which was acquired in September 2017) and brick and mortar sales declined 1.1% on a same store sales basis.

The percentage of sales from new merchandise increased during the year, but this performance was broadly offset by declines in legacy collections. Bridal and fashion sales each increased on a same store sales basis. Within bridal, The Enchanted Disney Fine Jewelry® collection, Vera Wang Love® collection, Neil Lane® collection, and solitaires performed well, while the Ever Us® collection declined. In fashion, gold fashion jewelry performed well, offset by declines in LeVian® and other legacy collections. The Other product category declined driven by a strategic reduction of owned brand beads, as well as declines in Pandora®.

International sales

In Fiscal 2019, the International segment's total sales were $576.5 million, down 6.5%, compared to $616.7 million in Fiscal 2018. The same store sales decline was driven by lower sales in bridal jewelry, fashion jewelry and fashion watches, partially offset by higher sales in prestige watches. Same store sales decreased by 5.2% compared to a decrease of 6.0% in Fiscal 2018. ATV decreased 4.2% while the number of transaction decreased 0.9%. eCommerce

sales increased 8.0% and brick and mortar sales declined 6.6% on a same store sales basis.

Fourth Quarter Sales

In the fourth quarter, Signet's total sales were $2.15 billion, down $138.4 million or 6.0%, compared to an increase of 1.0% in the prior year fourth quarter. Same store sales were down 2.0% compared to a decrease of 5.2% in the prior year fourth quarter. The total sales decrease was positively impacted by $35.2 million attributable to the new US GAAP revenue recognition accounting standard offset by the comparison against a 14th week in Fiscal 2018 which contributed $84.3 million in sales in Fiscal 2018, $60.9 million from net store closures and $16.5 million of unfavorable foreign exchange translation. eCommerce sales in the fourth quarter were $260.6 million or 12.1% of total sales, compared to $253.8 million or 11.2% of total sales in the prior year fourth quarter. The breakdown of the sales performance is set out in the table below.

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Fourth Quarter of Fiscal 2019	Change from previous year Same store sales[1]	Non-same store sales, net	Impact of 14th week on total sales	Total sales at constant exchange rate	Exchange translation impact	Total sales as reported	Total sales (in millions)
Kay	(1.6)%	2.1 %	(3.4)%	(2.9)%	na	(2.9)%	$ 837.4
Zales	2.0 %	(2.3)%	(4.2)%	(4.5)%	na	(4.5)%	$ 461.4
Jared	(8.4)%	2.8 %	(4.4)%	(10.0)%	na	(10.0)%	$ 382.2
Piercing Pagoda	17.1 %	(3.7)%	(4.5)%	8.9 %	na	8.9 %	$ 99.1
James Allen	(1.4)%	— %	— %	(1.4)%	na	(1.4)%	$ 63.5
Peoples	2.1 %	(0.9)%	(4.6)%	(3.4)%	(4.8)%	(8.2)%	$ 74.3
Regional banners	(15.4)%	(31.4)%	(3.1)%	(49.9)%	(0.3)%	(50.2)%	$ 25.0
North America segment	(1.4)%	(0.2)%	(3.7)%	(5.3)%	(0.2)%	(5.5)%	$ 1,942.9
H.Samuel	(5.8)%	(1.1)%	(4.5)%	(11.4)%	(4.5)%	(15.9)%	$ 102.8
Ernest Jones	(8.9)%	1.3 %	(5.2)%	(12.8)%	(4.6)%	(17.4)%	$ 92.2
International segment	(7.3)%	0.1 %	(4.8)%	(12.0)%	(4.6)%	(16.6)%	$ 195.0
Other[2]						479.3 %	$ 16.8
Signet	(2.0)%	0.4 %	(3.8)%	(5.4)%	(0.6)%	(6.0)%	$ 2,154.7

(1) The 14th week in Fiscal 2018 has resulted in a shift in Fiscal 2019, as the fiscal year began a week later than the previous fiscal year. As such, same store sales for Fiscal 2019 are being calculated by aligning the weeks of the quarter to the same weeks in the prior year. Total reported sales continue to be calculated based on the reported fiscal periods.

(2) Includes sales from Signet's diamond sourcing initiative.

Fiscal Year	Average Merchandise Transaction Value[1][2] Average Value Fiscal 2019	Fiscal 2018	Change from previous year Fiscal 2019	Fiscal 2018	Merchandise Transactions Change from previous year Fiscal 2019	Fiscal 2018
Kay	$ 473	$ 438	8.2 %	1.2 %	(9.3)%	(13.8)%
Zales	$ 435	$ 436	(0.5)%	3.6 %	2.3 %	2.4 %
Jared	$ 607	$ 546	11.8 %	1.9 %	(18.4)%	(8.4)%
Piercing Pagoda	$ 74	$ 67	10.4 %	8.1 %	5.3 %	(2.6)%
James Allen	$ 3,674	$ 4,034	(13.2)%	(1.3)%	13.6 %	37.2 %
Peoples[3]	C$384	C$395	(3.3)%	5.9 %	6.0 %	(1.7)%
Regional banners	$ 430	$ 418	1.2 %	0.7 %	(17.0)%	(23.1)%
North America segment	$ 374	$ 369	2.2 %	1.9 %	(4.0)%	(7.1)%
H.Samuel[4]	£ 80	£ 84	(4.8)%	7.7 %	(0.8)%	(15.6)%
Ernest Jones[4]	£ 314	£ 315	(1.6)%	4.7 %	(8.5)%	(13.5)%
International segment[4]	£ 123	£ 129	(5.4)%	6.6 %	(2.3)%	(15.2)%

(1) Net merchandise sales within the North America segment include all merchandise product sales, net of discounts and returns. In addition, excluded from net merchandise sales are sales tax in the US, repair, extended service plan, insurance, employee and other miscellaneous sales. As a result, the sum of the changes will not agree to change in same store sales.

(2) Net merchandise sales within the International segment include all merchandise product sales, including value added tax ("VAT"), net of discounts and returns. In addition, excluded from net merchandise sales are repairs, warranty, insurance, employee and other miscellaneous sales. As a result, the sum of the changes will not agree to change in same store sales.

(3) Amounts for Peoples stores are denominated in Canadian dollars.

(4) Amounts for the International segment, including H.Samuel and Ernest Jones, are denominated in British pounds.

North America sales

The North America segment's total sales were $1.94 billion compared to $2.06 billion in the prior year, down 5.5%. Same store sales decreased 1.4% compared to a decrease of 4.7% in the prior year. The North America segment's ATV increased 2.2%, while the number of transactions decreased 4.0%.

Same store sales results include a favorable impact of 65 bps of incremental clearance, a favorable impact of 40 bps due to a planned shift in timing of promotions at Zales and Peoples and a 25 bps unfavorable impact related to a timing shift of service plan revenue recognized as discussed above. eCommerce sales increased 6.9% and brick and mortar sales declined 2.5% on a same store sales basis.

The percentage of sales from new merchandise increased during the quarter, but this performance was more than offset by declines in legacy collections. Bridal sales were flat on a same store sales basis. Within bridal, engagement sales increased while anniversary sales declined. Anniversary sales were unfavorably impacted by declines in the Ever Us® collection. The Enchanted Disney Fine Jewelry® collection, Vera Wang Love® collection, Neil Lane® collection, and solitaires performed well. Fashion category sales decreased, with gold fashion jewelry, Disney fashion jewelry, and the Love + Be Loved™ collection performing well, offset by declines in the LeVian® and other legacy collections. The Other product category declined, driven by a strategic reduction of owned brand beads, as well as declines in Pandora®.

International sales

The International segment's total sales decreased 16.6% to $195.0 million compared to $233.9 million in the prior year and decreased 12.0% at constant exchange rates. Same store sales decreased 7.3% compared to a decrease of 9.2% in the prior year. The same store sales decline was driven by lower sales in bridal jewelry, fashion jewelry and fashion watches, partially offset by higher sales in prestige watches. In the International segment's ATV decreased 5.4%, while the number of transactions decreased 2.3%. eCommerce sales declined 6.9% and brick and mortar sales declined 7.3% on a same store sales basis.

Cost of Sales and Gross Margin

In Fiscal 2019, gross margin was $2.16 billion or 34.6% of sales compared to $2.19 billion or 35.0% of sales in Fiscal 2018. Gross margin was negatively impacted by $62.2 million, or 100 bps, in restructuring charges related to net inventory write-downs taken during the year. The write-downs relate to brands and collections that the Company is discontinuing as part of its transformation plan to increase newness across merchandise categories. Transformation cost savings related to direct sourcing and distribution were offset by sales deleverage and higher mix of clearance inventory sales and impact of promotional environment. In addition, lower store occupancy due to store closures also favorably impacted gross margin. Additional factors impacting gross margin rate include: 1) a positive 220 basis point impact related to discontinuing the recognition of bad debt expense and late charge income; 2) a negative 40 basis point impact related to James Allen, which carries a lower gross margin rate; and 3) a negative 40 basis point impact from the discontinuation of credit insurance.

In the fourth quarter, the consolidated gross margin was $877.8 million or 40.7% of sales compared to $919.8 million or 40.1% of sales in the prior year fourth quarter. Factors impacting gross margin rate include: 1) a positive 250 bps impact related to no longer recognizing bad debt expense and late charge income; 2) a negative 40 bps impact related to an inventory write-down; 3) a negative 30 bps impact related to adopting the new US GAAP revenue recognition accounting standard, including higher revenue share payments associated with the prime credit outsourcing arrangement; and 4) a negative 10 bps impact related to a timing shift of revenue recognized on service plans. The residual factors impacting gross margin rate include deleverage from lower sales and the impact of promotional and incremental clearance sales partially offset by transformation cost savings. See Note 7 of Item 8 for additional information regarding the Company's restructuring activities.

Selling, General and Administrative Expenses ("SGA")

Selling, general and administrative expenses for Fiscal 2019 were $1.99 billion or 31.8% of sales compared to $1.87 billion or 29.9% of sales in Fiscal 2018, up $112.9 million. SGA increased primarily due to: 1) a $100 million increase in credit costs related to the transition to an outsourced credit model; 2) a $30 million increase in advertising expense; 3) a $20 million increase in incentive compensation expense, which included $6 million of one-time cash awards to non-managerial hourly team members; and an $11 million charge related to the resolution of a previously disclosed regulatory matter. Increases in SGA were partially offset by a $15 million decrease in store staff costs and transformation cost savings, net of investments. Prior year SGA included $30.5 million in expense related to the 53rd week.

In the fourth quarter, SGA expense was $647.2 million or 30.0% of sales compared to $634.5 million or 27.7% of sales in the prior year fourth quarter. Factors impacting SGA include: 1) a $42 million, or 200 bps, increase in credit costs related to the transition to an outsourced credit model; 2) an $11 million, or 50 bps, charge related to the resolution of a previously disclosed regulatory matter; and 3) a $3 million, or 10 bps, decrease in incentive compensation. Increases in SGA were partially offset by transformation net cost savings and lower store staff costs

primarily due to closed stores. Prior year SGA included $30.5 million in expense related to the 14th week.
Credit transaction, net
In June 2018, the Company completed the sale of all eligible non-prime in-house accounts receivable. During Fiscal 2019, the Company recognized charges of $167.4 million as a result of the sale of the non-prime in-house accounts receivable. This included total valuation losses of $160.4 million representing adjustments to the asset fair value and other transaction-related costs of $7.0 million. See Note 4 of Item 8 for additional information.

Restructuring charges

During the first quarter of Fiscal 2019, Signet launched a three-year comprehensive transformation plan, the "Signet Path to Brilliance" plan (the "Plan"), to reposition the Company to be a share gaining, OmniChannel jewelry category leader. During Fiscal 2019, restructuring charges of $63.7 million were recognized, $22.7 million of which were non-cash charges, primarily related to professional fees for legal and consulting services, severance and impairment of information technology assets related to the Plan. Additionally, during Fiscal 2019, the Company recorded charges of $62.2 million in non-cash restructuring charges related to inventory write-offs within cost of sales.

In the fourth quarter, restructuring charges of $28.1 million, of which $11.7 million were non-cash charges, were recognized primarily related to store closure costs, professional fees for legal and consulting services, and severance related to the Plan. Additionally, during the fourth quarter, the Company recorded a net non-cash adjustment of $(1.0) million to charges related to prior period inventory write-offs within cost of sales. See Note 7 of Item 8 for additional information.

Goodwill and intangible impairments

In Fiscal 2019, the Company recorded non-cash goodwill and intangible asset impairment pre-tax charges of $735.4 million, of which $448.7 million were recorded in the first quarter of Fiscal 2019 and $286.7 million were recorded in the fourth quarter of Fiscal 2019.

The first quarter charge was related to the write down of goodwill and intangible assets recognized in the North America segment as part of the Zale Corporation acquisition, as well as goodwill associated with the acquisition of Ultra Stores, Inc. The decline in the Company's market capitalization during the first quarter created a triggering event for impairment assessment purposes. Revised long-term projections associated with finalizing certain initial aspects of our Path to Brilliance transformation plan in the first quarter combined with a higher discount rate driven by risk premium utilized in the valuation, resulted in lower than previously projected long-term future cash flows for these businesses, which required an adjustment to the goodwill and intangible asset balances.

The fourth quarter charge was related to the write down of goodwill and intangible assets recognized in the North America segment as part of the R2Net acquisition (James Allen) and intangible assets recognized as part of the Zale Corporation acquisition. The decline in the Company's market capitalization during the fourth quarter created a triggering event for impairment assessment purposes. Revised long-term projections and a higher discount rate driven by risk premium utilized in the valuation associated with James Allen resulted in lower than previously projected long-term future cash flows for this business, which required a $261.4 million adjustment to the goodwill and intangible asset balances. The revised outlook for James Allen is a result of a higher than expected unfavorable impact related to sales tax implementation as well as a more competitive online jewelry marketplace. The remaining impairment charge of $25.3 million is attributable to intangibles associated with the Zale acquisition and goodwill recognized as part of the acquisition of the Company's diamond polishing factory in Botswana.

The impairment charges above did not have an impact on the Company's day to day operations or liquidity. See Note 17 of Item 8 for additional information on the impairments.

Other Operating Income, Net

In Fiscal 2019, other operating income, net was $26.2 million or 0.4% of sales compared to $260.8 million or 4.2% of sales in Fiscal 2018. In the fourth quarter, other operating income, net was $0.7 million or 0.0% of sales compared to $39.5 million or 1.7% of sales in the prior year fourth quarter. The year-over-year decrease was primarily driven by $28.0 million in other expense related to the sale of the prime-only credit quality portion of Sterling's in-house finance receivable portfolio during the third quarter of Fiscal 2018, partially offset by the 53rd week which added $1.3 million of other income in Fiscal 2018. See Note 4 of Item 8 for additional information regarding the Company's credit transaction.

Operating Income (Loss)

In Fiscal 2019, operating income (loss) was $(764.6) million or (12.2)% of sales compared to $579.9 million or 9.3% of sales in Fiscal 2018. The prior year operating income includes a favorable impact from the 53rd week of $9.3 million. Excluding the 53rd week impact, the decline was driven by the following: 1) the $735.4 million goodwill and intangible impairment charge; 2) $125.9 million in restructuring charges related to inventory write-downs, severance, professional fees and impairment of certain IT assets related to the three year transformation plan; 3) $167.4 million

loss related to marking the non-prime receivables to fair value that were sold in the second quarter; 4) $11.0 million charge related to the resolution of a previously disclosed regulatory matter; 6) the discontinuation of credit insurance; 7) $167.0 million net unfavorable impact related to the outsourcing of credit; and 8) impact of higher promotions and incremental clearance sales on gross margin and lastly higher SGA due primarily to advertising and higher incentive compensation. These declines were partially offset by transformation net cost savings of $85.0 million.

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(in millions)	Fiscal 2019 $	Fiscal 2019 % of sales	Fiscal 2018 $	Fiscal 2018 % of sales
North America segment[(1)]	$(621.1)	(11.0)%	$656.1	11.7%
International segment[(2)]	12.9	2.2 %	33.1	5.4 %
Other[(3)]	(156.4)	nm	(109.3)	nm
Operating income (loss)	$(764.6)	(12.2)%	$579.9	9.3 %

(1) For Fiscal 2019, includes: 1) $731.8 million related to the goodwill and intangible impairments; 2) $52.7 million related to inventory charges recorded in conjunction with the Company's restructuring activities; and 3) $160.4 million from the valuation losses related to the sale of eligible non-prime in-house accounts receivable. See Note 17, Note 7 and Note 4, respectively, of Item 8 for additional information. Fiscal 2018 amount includes $20.7 million gain related to the reversal of the allowance for credit losses for the in-house receivables sold, as well as the $10.2 million gain upon recognition of beneficial interest in connection with the sale of the prime portion of in-house receivables. See Note 4 of Item 8 for additional information.

(2) Fiscal 2019 includes $3.8 million related to inventory charges recorded in conjunction with the Company's restructuring activities. See Note 7 of Item 8 for additional information.

(3) For Fiscal 2019, includes: 1) $69.4 million related to charges recorded in conjunction with the Company's restructuring activities including inventory charges; 2) $11.0 million related to the resolution of a previously disclosed regulatory matter; 3) $7.0 million representing transaction costs associated with the sale of the non-prime in-house accounts receivable; and 4) $3.6 million of goodwill and intangible impairments. See Note 7, Note 26, Note 4 and Note 17 of Item 8 for additional information. For Fiscal 2018, Other includes $29.6 million of transaction costs related to the credit transaction, $8.6 million of R2Net acquisition costs, and $3.4 million of CEO transition costs. See Note 4 and Note 5 of Item 8 for additional information regarding credit transaction and acquisition of R2Net, respectively.

nm Not meaningful.

In the fourth quarter, operating income (loss) was $(83.5) million or (3.9)% of sales compared to $323.5 million or 14.1% of sales in prior year fourth quarter. The prior year operating income includes a favorable impact from the 14th week of $9.3 million. Excluding the 14th week impact, the decline was driven by the following: 1) $286.7 million goodwill and intangible impairment charge; 2) $27.1 million in restructuring charges related to store closures costs, severance and professional fees related to the three year transformation plan; 3) $11 million charge related to the resolution of a previously disclosed regulatory matter; 4) $13 million net unfavorable impact related to the outsourcing of credit; and 5) an $8.8 million inventory write-down. The residual factors impacting operating income include the impact of lower sales and higher promotions and clearance sales partially offset by transformation net cost savings.

(in millions)	Fourth Quarter Fiscal 2019 $	Fourth Quarter Fiscal 2019 % of sales	Fourth Quarter Fiscal 2018 $	Fourth Quarter Fiscal 2018 % of sales
North America segment[(1)]	$(60.1)	(3.1)%	305.9	14.9%
International segment	31.0	15.9 %	35.0	15.0%
Other[(2)]	(54.4)	nm	(17.4)	nm
Operating income (loss)	$(83.5)	(3.9)%	$323.5	14.1%

(1) Fiscal 2019 includes $286.7 million and $1.0 million related to the goodwill and intangible impairments recognized in the fourth quarter and net adjustment to to charges recorded in conjunction with the Company's restructuring activities including inventory charges, respectively. See Note 15 and Note 7, respectively, of Item 8 for additional information.

(2) Fiscal 2019 includes a $28.1 million and $11.0 million related to charges recorded in conjunction with the Company's restructuring activities and the resolution of a previously disclosed regulatory matter, respectively. See Note 7 of Item 8 for additional information.

nm Not meaningful.

Interest Expense, Net

In Fiscal 2019, net interest expense was $39.7 million compared to $52.7 million in Fiscal 2018 driven primarily by the repayment of the $600 million asset-backed securitization facility in the third quarter of Fiscal 2018. The weighted average interest rate for the Company's debt outstanding was 4.0% compared to 3.2% in the prior year.

In the fourth quarter, net interest expense was $10.8 million compared to $10.0 million in the prior year fourth quarter. The weighted average interest rate for the Company's debt outstanding was 4.1% compared to 3.6% in the prior year fourth quarter.

Income (Loss) Before Income Taxes

In Fiscal 2019, income (loss) before income taxes decreased $1.33 billion to $(802.6) million or (12.8)% of sales compared to $527.2 million or 8.4% of sales in Fiscal 2018.

In the fourth quarter, income (loss) before income taxes decreased $(407.5) million to $(94.0) million or (4.4)% of sales compared to $313.5 million or 13.7% of sales in the prior year fourth quarter.

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Income Taxes

Income tax benefit for Fiscal 2019 was $145.2 million compared to expense of $7.9 million in Fiscal 2018, with an effective tax rate of 18.1% for Fiscal 2019 compared to 1.5% in Fiscal 2018. In the fourth quarter, income tax benefit was $13.9 million compared to expense of $37.8 million in the prior year fourth quarter. The higher effective tax rates were driven primarily by 1) the impact of the non-deductible goodwill impairment charge; 2) pre-tax earnings mix by jurisdiction; and 3) an out of period correction related to a deferred tax liability associated with the Zale acquisition. The prior year fourth quarter tax benefit was driven by the favorable impact of the Tax Cuts and Jobs Act of 2017 together with pre-tax earnings mix by jurisdiction.

On December 22, 2017, the U.S. government enacted “An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018,” which is commonly referred to as “The Tax Cuts and Jobs Act” (the “TCJ Act”). The TCJ Act provides for comprehensive tax legislation which significantly modifies the U.S. corporate income tax system. Due to the timing of the enactment and the complexity involved in applying the provisions of the TCJ Act, we made reasonable estimates of its effects and recorded provisional amounts in the consolidated financial statements for the year ended February 3, 2018, consistent with applicable SEC guidance. We have completed these analyses during the year ended February 2, 2019, and no material adjustment to the provisional estimate recorded in the prior year was required.

We anticipate that the effective tax rate in future years will be favorably impacted by the lower federal statutory corporate tax rate of 21.0 percent offset by limitations of certain deductions and the base broadening changes. See Note 12 of Item 8 for additional information regarding the Company’s income taxes and the impact of the TCJ Act.

Net Income (Loss)

Net income (loss) for Fiscal 2019 was down 226.6% to $(657.4) million or (10.5)% of sales compared to $519.3 million or 8.3% of sales in Fiscal 2018.

For the fourth quarter, net income (loss) was down 130.7% to $(107.9) million or (5.0)% of sales compared to $351.3 million or 15.3% of sales in the prior year fourth quarter.

Earnings (Loss) per Share (“EPS”)

For Fiscal 2019, diluted earnings (loss) per share were $(12.62) compared to $7.44 in Fiscal 2018. The weighted average diluted number of common shares outstanding was 54.7 million compared to 69.8 million in Fiscal 2018. Signet repurchased 8.8 million shares in Fiscal 2019 compared to 8.1 million shares in Fiscal 2018. Diluted EPS for Fiscal 2019 includes a loss of $12.26 related to the goodwill and intangible impairments, a loss of $2.11 related to the sale of non-prime receivables, a loss of $1.77 related to the Path to Brilliance transformation plan and a loss of $0.20 related to the resolution of a previously disclosed regulatory matter.

For the fourth quarter, diluted earnings (loss) per share were $(2.25) compared to $5.24 in the prior year fourth quarter, down 143.0%. The weighted average diluted number of common shares outstanding was 51.6 million compared to 67.0 million in the prior year fourth quarter. Diluted EPS in the fourth quarter of Fiscal 2019 includes a loss of $4.78 related to the goodwill and intangible impairments, a loss of $0.37 related to the Path to Brilliance transformation plan and a loss of $0.20 related to the resolution of a previously disclosed regulatory matter.

The Company issued preferred shares on October 5, 2016, which include a cumulative dividend right and may be converted into common shares. The Company’s computation of diluted earnings per share includes the effect of potential common shares for outstanding awards issued under the Company’s share-based compensation plans and preferred shares upon conversion, if dilutive. In computing diluted EPS, the Company also adjusts the numerator used in the basic EPS computation, subject to anti-dilution requirements, to add back the dividends (declared or cumulative undeclared) applicable to the preferred shares. For the fourth quarter and year to date Fiscal 2019 periods, the dilutive effect related to preferred shares was excluded from the earnings per share computation as the preferred shares were anti-dilutive. For the fourth quarter and year to date Fiscal 2018 periods, the preferred shares were more dilutive if conversion was assumed. See Item 8 for additional information related to the preferred shares (Note 8) or the calculation of earnings per share (Note 10).

Dividends per Common Share

In Fiscal 2019, total dividends of $1.48 were declared by the Board of Directors compared to $1.24 in Fiscal 2018.

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COMPARISON OF FISCAL 2018 TO FISCAL 2017

- Same store sales: down 5.3%.
- Diluted earnings per share: up 5.1% to $7.44.

In Fiscal 2018, Signet's same store sales, which excluded the impact of the 53rd week from its calculation, decreased by 5.3%, compared to a decrease of 1.9% in Fiscal 2017. Total sales were $6.25 billion compared to $6.41 billion in Fiscal 2017, down $155.4 million or 2.4% compared to a decrease of 2.2% in Fiscal 2017. Merchandise categories and collections were broadly lower, partially offset by eCommerce, Piercing Pagoda total sales increase, the benefit of the 53rd week which contributed $84.3 million of sales and the addition of R2Net (acquired in September 2017) which contributed $88.1 million in sales for the year. eCommerce sales were $497.7 million and 8.0% of sales compared to $363.1 million and 5.7% of sales in Fiscal 2017.

The breakdown of Signet's sales performance is set out in the table below.

	Change from previous year						
Fiscal 2018	Same store sales[1]	Non-same store sales, net	Impact of 53rd week on total sales	Total sales at constant exchange rate	Exchange translation impact	Total sales as reported	Total sales (in millions)
Kay	(8.0)%	2.5 %	1.1 %	(4.4)%	na	(4.4)%	$ 2,428.1
Zales	(2.0)%	(0.6)%	1.6 %	(1.0)%	na	(1.0)%	$ 1,244.3
Jared	(5.5)%	1.1 %	1.5 %	(2.9)%	na	(2.9)%	$ 1,192.1
Piercing Pagoda	3.0 %	1.4 %	1.5 %	5.9 %	na	5.9 %	$ 278.5
James Allen	29.9 %						$ 88.1
Peoples	2.6 %	(1.7)%	1.7 %	2.6 %	2.5 %	5.1 %	$ 215.4
Regional banners	(18.1)%	(15.5)%	0.7 %	(32.9)%	0.2 %	(32.7)%	$ 168.7
North America segment	(5.2)%	1.6 %	1.3 %	(2.3)%	0.1 %	(2.2)%	$ 5,615.2
H.Samuel	(6.5)%	0.6 %	1.6 %	(4.3)%	(0.9)%	(5.2)%	$ 306.7
Ernest Jones	(5.6)%	1.1 %	1.6 %	(2.9)%	(1.3)%	(4.2)%	$ 310.0
International segment	(6.0)%	0.8 %	1.6 %	(3.6)%	(1.1)%	(4.7)%	$ 616.7
Other[2]						16.6 %	$ 21.1
Signet	(5.3)%	1.6 %	1.3 %	(2.4)%	— %	(2.4)%	$ 6,253.0

(1) Based on stores open for at least 12 months. eCommerce sales are included in the calculation of same store sales for the period and comparative figures from the anniversary of the launch of the relevant website. The North America segment includes James Allen sales for the 145 days since the date of acquisition.

(2) Includes sales from Signet's diamond sourcing initiative.

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ATV is defined as net merchandise sales on a same store basis divided by the total number of customer transactions. As such, changes from the prior year do not recompute within the table below.

	Average Merchandise Transaction Value(1)(2)				Merchandise Transactions	
	Average Value		Change from previous year		Change from previous year	
Fiscal Year	Fiscal 2018	Fiscal 2017	Fiscal 2018	Fiscal 2017	Fiscal 2018	Fiscal 2017
Kay	$ 466	$ 458	1.5 %	6.5 %	(10.2)%	(8.4)%
Zales	$ 470	$ 460	2.0 %	2.0 %	(4.3)%	(3.2)%
Jared	$ 594	$ 556	6.1 %	(0.4)%	(11.0)%	(5.1)%
Piercing Pagoda	$ 63	$ 58	8.6 %	13.7 %	(5.0)%	(6.2)%
Peoples(3)	C$429	C$401	5.4 %	6.6 %	(3.7)%	(10.9)%
Regional banners	$ 447	$ 414	3.5 %	4.3 %	(20.3)%	(14.0)%
North America segment	$ 364	$ 347	2.5 %	4.2 %	(7.8)%	(6.8)%
H.Samuel(4)	£ 84	£ 77	9.1 %	2.7 %	(14.4)%	(4.9)%
Ernest Jones(4)	£ 349	£ 309	12.2 %	14.0 %	(15.8)%	(11.3)%
International segment(4)	£ 136	£ 124	9.7 %	6.0 %	(14.7)%	(6.3)%

(1) Net merchandise sales within the North America segment include all merchandise product sales, net of discounts and returns. In addition, excluded from net merchandise sales are sales tax in the US, repair, extended service plan, insurance, employee and other miscellaneous sales. As a result, the sum of the changes will not agree to change in same store sales.

(2) Net merchandise sales within the International segment include all merchandise product sales, including value added tax (“VAT”), net of discounts and returns. In addition, excluded from net merchandise sales are repairs, warranty, insurance, employee and other miscellaneous sales. As a result, the sum of the changes will not agree to change in same store sales.

(3) Amounts for Peoples stores are denominated in Canadian dollars.

(4) Amounts for the International segment, including H.Samuel and Ernest Jones, are denominated in British pounds.

North America sales

In Fiscal 2018, the North America segment’s total sales were $5.62 billion, down 2.2%, compared to $5.74 billion in Fiscal 2017, and same store sales decreased 5.2% compared to a decrease of 1.0% in Fiscal 2017. North America’s ATV increased 2.5%, while the number of transactions decreased 7.8%. Sales declines were driven by weakness in bridal in Kay and Jared, including lower year over year sales of the Ever Us collection. The decrease in bridal was disproportionately affected by systems and process disruptions associated with the outsourcing of credit services. These declines were partially offset by strength in diamond fashion jewelry, most notably in the Disney Enchanted and Vera Wang Love collections in Zales and improved performance of gold fashion jewelery in Piercing Pagoda.

International sales

In Fiscal 2018, the International segment’s total sales were $616.7 million, down 4.7%, compared to $647.1 million in Fiscal 2017. Sales declines were due principally to bridal and diamond fashion jewelry partially offset by higher sales in select prestige watch brands and strength in eCommerce. Same store sales decreased by 6.0% compared to an increase of 0.1% in Fiscal 2017. ATV increased 9.7%, offset by a 14.7% decrease in the number of transactions.

Fourth Quarter Sales

In the fourth quarter, Signet’s total sales were $2.29 billion, down $23.2 million or 1.0%, compared to a decrease of 5.1% in the prior year fourth quarter. Same store sales were down 5.2% compared to a decrease of 4.5% in the prior year fourth quarter. The total sales increase was driven by the 14th week in sales, which contributed $84.3 million of sales, as well as the addition of R2Net which contributed $64.4 million in sales in the quarter, offset by the year-over-year decline in base same store sales. eCommerce sales in the fourth quarter were $253.8 million or 11.1% of total sales, compared to $161.8 million or 7.1% of total sales in the prior year fourth quarter. The breakdown of the sales performance is set out in the table below.

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Fourth quarter of Fiscal 2018	Change from previous year						
	Same store sales[1]	Non-same store sales, net	Impact of 14th week on total sales	Total sales at constant exchange rate	Exchange translation impact	Total sales as reported	Total sales (in millions)
Kay	(11.0)%	2.1 %	3.1 %	(5.8)%	na	(5.8)%	$ 862.0
Zales	5.1 %	(2.8)%	4.5 %	6.8 %	na	6.8 %	$ 483.2
Jared	(6.4)%	0.8 %	4.2 %	(1.4)%	na	(1.4)%	$ 424.5
Piercing Pagoda	4.6 %	(0.6)%	4.8 %	8.8 %	na	8.8 %	$ 91.1
James Allen[2]	35.0 %						$ 64.4
Peoples	3.8 %	(3.5)%	4.6 %	4.9 %	5.6 %	10.5 %	$ 80.9
Regional banners	(22.8)%	(18.6)%	2.5 %	(38.9)%	(0.3)%	(39.2)%	$ 50.2
North America segment	(4.7)%	1.8 %	3.6 %	0.7 %	0.3 %	1.0 %	$ 2,056.3
H.Samuel	(9.2)%	(0.3)%	3.9 %	(5.6)%	7.8 %	2.2 %	$ 122.3
Ernest Jones	(9.3)%	0.2 %	4.5 %	(4.6)%	8.0 %	3.4 %	$ 111.6
International segment	(9.2)%	(0.2)%	4.2 %	(5.2)%	8.0 %	2.8 %	$ 233.9
Other[3]						(48.2)%	$ 2.9
Signet	(5.2)%	1.5 %	3.7 %	— %	1.0 %	1.0 %	$ 2,293.1

(1) Based on stores open for at least 12 months. eCommerce sales are included in the calculation of same store sales for the period and comparative figures from the anniversary of the launch of the relevant website.

(2) Same store sales presented for James Allen, acquired September 12, 2017, to provide comparative performance measure.

(3) Includes sales from Signet's diamond sourcing initiative.

ATV is defined as net merchandise sales on a same store basis divided by the total number of customer transactions. As such, changes from the prior year do not recompute within the table below.

Average Merchandise Transaction Value[1][2]		Merchandise Transactions
Average Value	Change from previous year	