SIGNET JEWELERS LTD Form 10-Q November 29, 2016 Table of Contents

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

FORM 10-Q

(Mark One)

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended October 29, 2016 or

"Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to Commission file number 1-32349

#### SIGNET JEWELERS LIMITED

(Exact name of Registrant as specified in its charter)

Bermuda Not Applicable (State or other jurisdiction of incorporation) (LRS Employe

(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)

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

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

Large accelerated filer x Accelerated filer "Non-accelerated filer "Smaller reporting company "Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes "No

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

Common Stock, \$0.18 par value, 69,580,711 shares as of November 25, 2016

### Table of Contents

# SIGNET JEWELERS LIMITED TABLE OF CONTENTS

PART I FINANCIAL INFORMATION ITEM 1. Financial Statements (Unaudited) Condensed Consolidated Income Statements Condensed Consolidated Statements of Comprehensive Income (Loss)	3 4 5
Condensed Consolidated Statements of Comprehensive Income (Loss)	<u>4</u> <u>5</u>
Condensed Consolidated Balance Sheets Condensed Consolidated Statements of Cash Flows Condensed Consolidated Statement of Shareholders' Equity Notes to the Condensed Consolidated Financial Statements	6 7 8
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ITEM 3. Quantitative and Qualitative Disclosures about Market Risk ITEM 4. Controls and Procedures	41 63 63
PART II OTHER INFORMATION ITEM 1. Legal Proceedings ITEM 1A. Risk Factors ITEM 2. Unregistered Sales of Equity and Securities and Use of Proceeds ITEM 6. Exhibits	64 64 64 65

2

### Table of Contents

## PART I. FINANCIAL INFORMATION ITEM 1. FINANCIAL STATEMENTS

# SIGNET JEWELERS LIMITED CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)

	13 weeks ended				39 weeks ended					
(in millions, avaant nor share amounts)	October 29October 31,				October 2	Notes				
(in millions, except per share amounts)	2016		2015		2016	2015		Notes		
Sales	\$1,186.	2	\$1,216.4		\$4,138.5	\$4,157.6		3		
Cost of sales	(836.2	)	(848.7	)	(2,723.2)	(2,733.2	)			
Gross margin	350.0		367.7		1,415.3	1,424.4				
Selling, general and administrative expenses	(386.5	)	(395.0	)	(1,264.9)	(1,301.0	)			
Other operating income, net	68.6		60.9		213.6	187.2				
Operating income	32.1		33.6		364.0	310.6		3		
Interest expense, net	(12.7)	)	(11.7	)	(36.4	(33.8	)			
Income before income taxes	19.4		21.9		327.6	276.8				
Income taxes	(2.4	)	(6.9	)	(81.9	8.08)	)	8		
Net income	\$17.0		\$ 15.0		\$245.7	\$ 196.0				
Dividends on redeemable convertible preferred shares	(2.2	)			(2.2)	<b>—</b>		5		
Net income attributable to common shareholders	\$14.8		\$ 15.0		\$243.5	\$ 196.0				
Earnings per common share:										
Basic	\$0.20		\$0.19		\$3.19	\$ 2.46		6		
Diluted	\$0.20		\$0.19		\$3.18	\$ 2.45		6		
Weighted average common shares outstanding:										
Basic	73.5		79.3		76.4	79.7		6		
Diluted	73.6		79.5		76.5	79.9		6		
Dividends declared per common share	\$0.26		\$ 0.22		\$0.78	\$ 0.66		5		
The accompanying notes are an integral part of these c	condense	d c	onsolidated	1	inancial st	atements.				

3

### **Table of Contents**

# SIGNET JEWELERS LIMITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

	13 weel October	r 29,	2016			Octob	er 31, 20	01	5	
(in millions)	Pre-tax amount		x (pense) nefit	After-ta		Pre-ta:	(expens		After	
Net income				\$17.0					\$ 1	5.0
Other comprehensive income (loss):										
Foreign currency translation adjustments	\$(28.9)	\$		(28.9	)	\$(4.2)	\$ —		(4.2	)
Available-for-sale securities:										
Unrealized gain (loss)	(0.4)	0.2	2	(0.2)	)	(0.1)			(0.1)	)
Cash flow hedges:	1.0			1.0		2.2	(1.1	`	1 1	
Unrealized gain (loss)  Paclossification adjustment for losses to not income	1.9 (0.2 )	0.1		1.9		2.2	(1.1)	-	1.1	
Reclassification adjustment for losses to net income Pension plan:	(0.2	0.1	-	(0.1	)	1.1	(0.2	)	0.9	
Reclassification adjustment to net income for amortization										
of actuarial losses	0.4	_		0.4		0.9	(0.2)	)	0.7	
Reclassification adjustment to net income for amortization	(O. = )	0.4		(0.4		(0.6.)	0.4		<b>-</b>	
of net prior service credits	(0.5)	0.1	-	(0.4)	)	(0.6)	0.1		(0.5)	)
Total other comprehensive income (loss)	\$(27.7)	\$	0.4	\$(27.3	)	\$(0.7)	\$ (1.4	)	\$ (	2.1)
Total comprehensive income (loss)				\$(10.3	)				\$ 1	2.9
			October 31, 2015							
	39 weel October					Octob		01	5	
(in millions)		r 29, Ta: (ex	2016 x (pense)	After-ta	ax	Pre-ta:	Tax	\	After	
(in millions) Net income	October Pre-tax	r 29, Ta: (ex	, 2016 x		ax t	Pre-ta:	Tax	\	After	
	October Pre-tax	r 29, Ta: (ex	2016 x (pense)	amoun	ax t	Pre-ta:	Tax	\	After	ınt
Net income Other comprehensive income (loss): Foreign currency translation adjustments	October Pre-tax	r 29, Ta: (ex bei	2016 x (pense)	amoun	ax t	Pre-ta:	Tax x (expens t benefit	\	After	ınt
Net income Other comprehensive income (loss): Foreign currency translation adjustments Available-for-sale securities:	October Pre-tax amount \$(38.0)	Ta: (ex bei	, 2016 x spense) nefit	\$245.7 (38.0	ax t	Pre-ta: amour \$(1.4)	Tax x (expense) the benefit	\	After amou \$ 1 (1.4	ınt
Net income Other comprehensive income (loss): Foreign currency translation adjustments Available-for-sale securities: Unrealized gain (loss)	October Pre-tax amount	r 29, Ta: (ex bei	, 2016 x spense) nefit	\$ 245.7	ax t	Pre-ta:	Tax x (expense) the benefit	\	After amou	ınt
Net income Other comprehensive income (loss): Foreign currency translation adjustments Available-for-sale securities: Unrealized gain (loss) Cash flow hedges:	October Pre-tax amount \$(38.0)	Ta: (ex bei	2016 x spense) nefit — 1 )	\$245.7 (38.0	ax t	Pre-ta: amour \$(1.4)	Tax x (expension benefit) \$ —	\	After amou \$ 1 (1.4	) )
Net income Other comprehensive income (loss): Foreign currency translation adjustments Available-for-sale securities: Unrealized gain (loss)	October Pre-tax amount \$(38.0) 0.3	Ta: (ex bei	, 2016 x spense) nefit — 1 )	\$245.7 (38.0 0.2	ax t	Pre-ta: amour \$(1.4) (0.4)	Tax x (expension benefit) \$ —	\	After amou \$ 1 (1.4 (0.4	) )
Net income Other comprehensive income (loss): Foreign currency translation adjustments Available-for-sale securities: Unrealized gain (loss) Cash flow hedges: Unrealized gain (loss)	October Pre-tax amount \$(38.0) 0.3 11.2	29, Tar (ex ber \$ (0.	, 2016 x spense) nefit — 1 )	amoun' \$ 245.7 (38.0 0.2 8.2	ax t	Pre-ta: amour \$(1.4) (0.4) (15.0)	Tax x (expension benefit) \$ — 4.7	\	After amou \$ 1 (1.4 (0.4 (10.3	) )
Net income Other comprehensive income (loss): Foreign currency translation adjustments Available-for-sale securities: Unrealized gain (loss) Cash flow hedges: Unrealized gain (loss) Reclassification adjustment for losses to net income	October Pre-tax amount \$(38.0) 0.3 11.2	29, Tar (ex ber \$ (0.	2016 x spense) nefit — 1 ) 0 ) 8 )	amoun' \$ 245.7 (38.0 0.2 8.2	ax t	Pre-ta: amour \$(1.4) (0.4) (15.0)	Tax x (expension benefit) \$ — 4.7	)	After amou \$ 1 (1.4 (0.4 (10.3	96.0 )
Net income Other comprehensive income (loss): Foreign currency translation adjustments Available-for-sale securities: Unrealized gain (loss) Cash flow hedges: Unrealized gain (loss) Reclassification adjustment for losses to net income Pension plan: Reclassification adjustment to net income for amortization of actuarial losses Reclassification adjustment to net income for amortization	October Pre-tax amount \$(38.0) 0.3 11.2 2.4	Ta: (ex ber (0. (3.)	2016 x spense) nefit — 1 ) 0 ) 8 ) 2 )	amoun' \$245.7 (38.0 0.2 8.2 1.6	ax t	Pre-ta: amour \$(1.4) (0.4) (15.0) 2.9	Tax x (expension benefit shows the s	)	After amou \$ 1 (1.4 (0.4 (10.3 2.2	96.0 )
Net income Other comprehensive income (loss): Foreign currency translation adjustments Available-for-sale securities: Unrealized gain (loss) Cash flow hedges: Unrealized gain (loss) Reclassification adjustment for losses to net income Pension plan: Reclassification adjustment to net income for amortization of actuarial losses Reclassification adjustment to net income for amortization of net prior service credits	October Pre-tax amount \$(38.0) 0.3 11.2 2.4 1.2 (1.5 )	Ta: (ex ber ber (0. (3. (0. (0. (0. (0. (0. (0. (0. (0. (0. (0	2016 x spense) nefit — 1 ) 0 ) 8 ) 2 )	amoun' \$245.7 (38.0 0.2 8.2 1.6 1.0 (1.2	ax t	Pre-ta: amour \$(1.4) (0.4) (15.0) 2.9 2.6 (1.7)	Tax x (expension benefit) \$ — 4.7 (0.7) (0.5)	)	After amou \$ 1 (1.4 (0.4 (10.3 2.2 2.1 (1.4	) ) ) )
Net income Other comprehensive income (loss): Foreign currency translation adjustments Available-for-sale securities: Unrealized gain (loss) Cash flow hedges: Unrealized gain (loss) Reclassification adjustment for losses to net income Pension plan: Reclassification adjustment to net income for amortization of actuarial losses Reclassification adjustment to net income for amortization	October Pre-tax amount \$(38.0) 0.3 11.2 2.4	Ta: (ex ber ber (0. (3. (0. (0. (0. (0. (0. (0. (0. (0. (0. (0	2016 x spense) nefit — 1 ) 0 ) 8 ) 2 )	amoun' \$245.7 (38.0 0.2 8.2 1.6	ax t ' ' )	Pre-ta: amour \$(1.4) (0.4) (15.0) 2.9 2.6 (1.7)	Tax x (expension benefit) \$ — 4.7 (0.7) (0.5)	)	After amou \$ 1 (1.4 (0.4 (10.3 2.2 2.1 (1.4 \$ (0.4 1.4 1.4 1.4 1.4 1.4 1.4 1.4 1.4 1.4 1	) )
Net income Other comprehensive income (loss): Foreign currency translation adjustments Available-for-sale securities: Unrealized gain (loss) Cash flow hedges: Unrealized gain (loss) Reclassification adjustment for losses to net income Pension plan: Reclassification adjustment to net income for amortization	October Pre-tax amount \$(38.0) 0.3 11.2 2.4	Ta: (ex ber (0. (3.)	2016 x spense) nefit — 1 ) 0 ) 8 )	amoun' \$245.7 (38.0 0.2 8.2 1.6	ax t	Pre-ta: amour \$(1.4) (0.4) (15.0) 2.9	Tax x (expension benefit) \$ —  4.7 (0.7	)	After amou \$ 1 (1.4 (0.4 (10.3 2.2	) )
Net income Other comprehensive income (loss): Foreign currency translation adjustments Available-for-sale securities: Unrealized gain (loss) Cash flow hedges: Unrealized gain (loss) Reclassification adjustment for losses to net income Pension plan: Reclassification adjustment to net income for amortization of actuarial losses Reclassification adjustment to net income for amortization of net prior service credits Total other comprehensive income (loss)	October Pre-tax amount \$(38.0) 0.3 11.2 2.4 1.2 (1.5 ) \$(24.4)	(ex ber ber (0. (3. (0. (0. 3. ) \$ ) \$ )	2016 x spense) nefit — 1 ) 0 ) 8 ) 2 ) 3 (3.§	amoun' \$245.7 (38.0 0.2 8.2 1.6 1.0 (1.2 \$(28.2 \$217.5	ax tt '' )	\$(1.4) (0.4) (15.0) 2.9 2.6 (1.7) \$(13.0)	Tax (expension of the second o	)	After amou \$ 1 (1.4 (0.4 (10.3 2.2 2.1 (1.4 \$ (0.4 1.4 1.4 1.4 1.4 1.4 1.4 1.4 1.4 1.4 1	) ) ) ) 9.2)

### Table of Contents

SIGNET JEWELERS LIMITED CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(in millions, except par value per share amount) October 29, January 30, October 31, Notes 2016 2016 2015

Assets