FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day and welcome to the Signet Jewelers first-quarter results conference call. For your information today's conference is being recorded. At this time I would like to turn the conference over to Mr. Terry Burman. Please go ahead.

Terry Burman - ***Signet Jewelers Ltd - CEO***

Thank you, operator. Good morning and welcome to the conference call for Signet's first-quarter of fiscal 2011. I am Terry Burman, Chief Executive, and joining me from London are Walker Boyd, Finance Director, and Ron Ristau, CFO Designate. The presentation deck we will be talking to is available from the webcast section at the Company website, WWW.SignetJewelers.com.

Before I go through our operating review, Walker will give the Safe Harbor statement and review the financial performance.

Walker Boyd - ***Signet Jewelers Ltd - Finance Director***

Thank you, Terry. During today's call we will in places discuss Signet's business outlook and make certain forward-looking statements. Any statements that are not historical facts are subject to a number of risks and uncertainties and actual results may differ materially. We urge you to read the risk factors and cautionary language in Signet Jewelers' annual report on Form 10-K filed with the SEC on March 30, 2010, which can be found on the Company's website at WWW.SignetJewelers.com.

Additionally, certain financial information used during this call are considered to be non-GAAP financial measures. For a reconciliation of those to the most directly comparable GAAP financial measures please refer to the Company's release dated May 27, 2010, available on the latest news section of the Company's website.

The first quarter saw us build on the good progress we made last year in executing the strategy which we set out in March 2009. We have reduced business risk and continue to leverage our sustainable competitive advantages to drive profitable market share gains and improved operating margins through greater store productivity rather than adding space.

We have also enhanced an already strong balance sheet, ensuring financial flexibility and major advantage in the sector. As always, we remain focused on profit maximization, and in the current environment, cash flow.

We came into the downturn as a leader in the midmarket jewelry sector and our objective was to increase our competitive advantages during these challenging times. We have been -- we believe we have been successful in achieving that objective, and therefore are well-placed for a recovery in consumer spending when it comes.

Same-store sales increased by 5.8% in the quarter with the performance in both the US and the UK similar to the fourth quarter of fiscal 2010. The impact of store closures reduced US sales by 40 basis points and the UK by 1.5%. The UK figure includes the impact of exiting from a small wholesale jewelry business at the end of fiscal 2010.

Total sales at constant exchange rates were up by 5.2% and the quarter sales up by 6.2% to $810 million, benefiting from the move in the average pound sterling exchange rate from $1.45 to $1.53.

Operating income of $85.5 million increased by $33.1 million, even though the comparable quarter last year included a $4 million nonrecurring benefit arising from the change in US vacation entitlement policy implemented in fiscal 2010.

Net interest expense decreased by $2.3 million to $8.7 million, benefiting from the repayment of debt and lower fees. Income before taxes increased by $35.4 million to $76.8 million. The impact of exchange rate movements on income before taxes was not material in the quarter.

The tax charge was $24.8 million, based on the expected rate for the full year of 32.3%. As a result basic earnings per share were $0.61, up 96.8% on the comparable period.

Compared to Q1 last year operating margin improved by 370 basis points, reflecting the strong US performance. In the US sales leverage on a tightly controlled cost base and the reduction in net bad debt charge meant that the operating margin increased by 470 basis points. This was despite a negative impact of 60 basis points due to the one-off benefit last year from the change in vacation policy entitlement.

US gross merchandise margin increased by 90 basis points, while net bad debt decreased by 120 basis points. Overall gross margin increased by 380 points with leverage principally from store occupancy costs contributing 170 points. US SG&A also benefited from leverage on increased sales and contributed 140 basis points to the improvement in operating margins.

In the US other operating income, which is interest receivable on receivable balances, was down 50 basis points, largely reflecting the impact of some of the amendments to the Truth In Lending Act.

In the UK gross margin was down 50 basis points, with 100 point reduction in gross merchandise margin partially offset by a 50 basis point benefit from lower costs. UK SG&A were down 20 basis points due to tight control of costs. Other operating income improved due to the exchange impacts related to the Irish stores operated by the UK division. Overall operating margin decreased by 10 basis points in the UK.

Let me now turn to our fiscal 2011 financial objectives. For the year as a whole the expectation for gross merchandise margin in the US is now for it to be broadly similar to last year due to higher commodity costs. Gold remains on an upward trend, and whilst the first quarter benefited from the lower polished diamond prices we saw in calendar 2009, diamond prices are firming, therefore, we continue to monitor both closely.

For the UK we continue to anticipate that fiscal 2011 gross merchandise margin will be somewhat below last year. In addition to commodity cost, currency movements and possible changes to the rate of value-added tax have to be considered as we decide on our pricing strategy for the rest of the year.

In the quarter US controllable expense, that is excluding bad debt and expense movements from sales resulting from sales of variance to plan, as well as the impacts of amendments, particularly on the US vacation policy change, overall declined. This was due to store closures and the benefit from the wrap-around of some of the cost reduction programs from last year. This latter fact is not expected to be repeated in the rest of the year, and we remain on track to be broadly flat for the year as a whole.

In the UK expense controls remain strong, helped by store closures and the exit from the small wholesale business. Full year expectations of costs slightly below fiscal 2010 in pound sterling terms remain unaltered. Capital expenditure in the quarter was $6.3 million and the full-year forecast remains for it to be about $80 million, in line with maintenance levels.

Looking at cash flow, net cash at May 1 was $170.8 million in comparison to net debt of $290.2 million a year ago. During the quarter there was a free cash flow of just under $178 million against just under $190 million last year, with the increase in net income offset by a lower working capital reduction.

As we have previously indicated, we do not anticipate a further decline in working capital this year. However, the encouraging start to fiscal 2011 means we now expect free cash flow for the year to be towards the top of the anticipated range of between $150 million and $200 million.

I will now hand you back to Terry.

Terry Burman *- Signet Jewelers Ltd - CEO*

I will look first at the US business. Same-store sales grew 7.2%, a similar rate to fiscal 2010 Q4, but against a much tougher comparative figure of a 2.6% decline in the first quarter of last year.

Kay continued to show steady same-store sales growth of 4.2%, in-line with fiscal 2010 as a whole. The regional brands reported a second consecutive quarter of positive growth at 2.7%.

Jared achieved a further marked improvement with same-store sales up 15.8%, partly as a result of internal initiatives, partly due to the continued recovery in spending by the upper middle market consumer from depressed levels last year.

Average selling price in the US division was up 5.1%, excluding the charm bracelet category in Jared, the first increase for five quarters. Kay's ASP increased 6%, reflecting mixed changes in the benefit of higher prices in those categories with a large gold content. The ASP for the regional brands declined by 1.4%. In Jared, excluding the Pandora range, ASP rose by 2.9% due to mix changes.

During the quarter gross merchandise margin increased by 90 basis points over the comparable period last year. This reflected the benefit of lower diamond costs, partly offset by higher gold cost, and some price increases in categories with a high gold content.

US operating income was up by 61.5% and operating margin was 13.7%. While sales benefited from the slightly better economic environment, we believe that the main factors driving their performance were specific to Signet. We have continued to strengthen our competitive position by supporting our highly motivated sales staff with our ongoing training programs, using our expertise in scale and the sourcing of polished diamonds. When combined with our strong balance sheet this meant that we were able to take advantage of the weak diamond market last year, which benefited gross merchandise margin in the first quarter, and finally, increasing our share of voice on national television.

At the same time many competitors are under financial pressure, which has adversely impacted their operational execution. We also continue to take advantage of the capacity withdraw from the sector over the last two years. The strong sales growth, tight cost control and a lower net bad debt charge to sales ratio were a powerful combination in driving the operating profit performance.

I am now turning to slide 12. This graph shows the first-quarter net bad debt to sales ratio and the collection rate for the last 10 years. The absolute level of the ratio is no guide to the full year due to the seasonal nature of our sales and net bad debt charge, but the change on the comparable quarter in the prior year is meaningful.

This improved by 120 basis points, reflecting both higher sales and an improvement in the underlying performance, which was also seen in many of the key indicators of the receivables book, such as the monthly collection rate.

The future performance of the net bad debt charge will be driven by macroeconomic factors, both in terms of the delinquency rate and our sales, as well as our continuing investment in better systems, training and additional staffing.

Our credit offer to customers remains unchanged at a time when many alternative sources of credit, whether offered by our competitors using third-party suppliers or bank cards, continue to be constrained. Similarly, we have maintained our established risk profile, which has been little changed for over 10 years. We use credit as a sales enabler, not as a sales driver.

While still early days, the impact of the amendments to the Truth In Lending Act is much as expected and was about $3 million in the first quarter. While we await the announcement of the final details of provisions that come into force in August, we continue to expect the net full-year adverse impact to be between $15 million and $20 million.

Now looking at the outlook for sales. With the economic environment remaining uncertain, we are not planning on meaningful market growth this year. But there is recovery potential long-term. However, we continue to see market share opportunities. We estimate that about 12% of doors exited the specialty sector over the last two years, particularly in the midmarket. As I noted earlier, many of our remaining competitors are operationally weakened and/or financially constrained.

Short-term there will be a small decline in space in our business, although we have begun to see signs of a few -- we have begun to sign a few new leases. We are willing and able to resume space growth if suitable opportunities meet our demanding operating and financial criteria. While we are starting to have greater confidence in our sales models used for investment appraisals, there is a scarcity of available high-quality real estate and very few new developments being started.

With regard to acquisitions, we continue to apply our demanding return on investment and operating criteria, and this means that there are very few charges that we would consider.

An important factor in our ability to gain market share is the growth in sales of differentiated ranges. When most within the sector have been focused on survival, we have developed the capability of rolling out major differentiated product, such as Open Hearts by Jane Seymour and Love's Embrace. Now is a key time for planning for the holiday season. We are currently testing new programs and styles for rollout in October and coordinating staff training materials and marketing programs.

We have the advantages of scale, resources and experienced management to successfully develop the best merchandise programs and maximize the results by combining our competitive advantages, which reinforce their impact. Vendors are most likely to bring us their best new programs first, because we have the largest potential for sales, our ability to use national television advertising, and our strong balance sheet.

Differentiated product provide us with an opportunity to not only gain share from other specialty jewelers, but from non-specialty jewelry retailers such as department stores and from other gift giving and self reward categories outside the jewelry sector.

We are therefore looking -- increasingly looking to develop differentiated product. In our established ranges, such as Le Vian, Open Hearts and Love's Embrace, we continue to develop, test and where appropriate rollout new items.

In addition, we have three fashion programs currently being tested, which are silver statement pieces, a charm bracelet for our mall stores, and a colored stone range in partnership with Swarovski.

But we are also developing initiatives in the bridal category. This category accounts for 45% to 50% of our US sales; therefore, if the programs are successful there could be a significant sales opportunity. We will give a further update on these later in the year.

We are also exploring opportunities for next year. In summary, the US has had a good start to the year, but the economic outlook remains uncertain. We continue to focus on enhancing our competitive advantages through initiatives such as differentiated product and see the potential to gain further profitable market share.

Now I will turn to our UK business, starting on slide 18. UK same-store sales for the quarter were little changed, with H.Samuel down 2.1% and Ernest Jones up 1.8%. As in the US, the upper middle market consumer has recovered more than the midmarket consumer. Reflecting price increases, the ASP was up in H.Samuel by 5.9% and Ernest Jones, excluding the charm bracelet category, by 11.6%, with Ernest Jones also benefiting from mix changes.

Gross merchandise margin decreased by about 100 basis points over the comparable period last year. While we increased prices it did not fully offset the impact of higher gold costs, pound sterling weakness against the US dollar, and the increase in the value added tax rate.

Tight control of costs and store closures meant that sterling expenses were lower than last year. Overall the UK division's operating loss was little changed at $1.4 million on the comparable period last year.

The macroeconomic environment in the UK has been more challenging than in the US, not helped by uncertainties due to general election. As in the US, we believe we have strengthened our competitive position. For example, our focus on staff training and engagement was recently recognized by an independent survey, which ranked us as one of the best UK employers.

We have had notable success and the charm bracelet category in both H.Samuel and Ernest Jones. We are also developing more differentiated ranges and using targeted marketing methods, in particular customer relationship marketing, to support them.

The store portfolio continues to be focused on major centers, where there is increasing footfall and less competition from independents. At the same time we are closing H.Samuel stores at the end of leases in High Street locations that are losing footfall, the objective begin to increase operating margin and return on capital employed.

In summary, the economic outlook remains uncertain, particularly in the UK. Therefore, we'll keep a tight control on costs and maintain flexibility to respond to changing conditions. We have very experienced management teams on both sides of the Atlantic who remain focused and excellence in execution and enhancing our sustainable competitive advantages, rather than being distracted by financial constraints.

We therefore believe we are well-positioned to gain further profitable market share, so improving store productivity and leveraging a stable cost base. Operator, now we would be pleased to take any questions.

QUESTION AND ANSWER

Operator

(Operator Instructions). Rick Patel, Merrill Lynch.

Rick Patel *- BofA Merrill Lynch - Analyst*

You had a nice contribution to gross margin from less bad debt expense in the first quarter. I am wondering if charge-off rates stay at the current levels, can you help us understand how much more improvement we can expect on the gross margin line for the remainder of the year?

Terry Burman *- Signet Jewelers Ltd - CEO*

Walker?

Walker Boyd *- Signet Jewelers Ltd - Finance Director*

Well, I think it is obviously very encouraging to see in the first quarter that we have seen an improvement in the loss rate, whereas over the previous couple of years we have been seeing a deterioration. As I mentioned in the discussion we saw a stabilization in the fourth quarter of last year. So certainly over the last six months we have seen an improving trend.

I think clearly where the train goes and where the line goes for the rest of the year, and indeed into the future, will largely be determined I think by what happens in the wider economic environment. So I think it is very difficult to predict as to how quickly the pace of recovery will be.

Clearly looking at the balance of the year one has to note that by the time -- whereas for the first nine months of last year we are up against about 110 basis deterioration on the prior year, by the time we get to the fourth quarter of this year we will be up against a period which was more stable compared to the prior year.

So I think when you are making an estimate or taking a view as to what is likely to happen in the wider economic environment for the balance of the year, you have to note that we did see something of an improvement in trend, i.e., stable number, when we get to the fourth quarter of this year.

Structurally, obviously our loss rate last year of 560 basis points was some 200 plus basis points higher than the loss rates that we saw in the decade up to 2007. Structurally we don't see any reason why we can't return to these more normal levels, but the pace at which we might get there will be very much determined by the external economic environment.

Rick Patel *- BofA Merrill Lynch - Analyst*

Can you give us an update on how you performed during Mother's Day? Did you continue the momentum that you had in the first quarter or did it slow down a little bit?

Terry Burman *- Signet Jewelers Ltd - CEO*

We are not commenting on the second quarter yet. We will update the market on that in August. We are just updating on the first quarter here.

Rick Patel *- BofA Merrill Lynch - Analyst*

Fair enough. Thank you very much.

Operator

Jeff Stein, Soleil Securities.

Jeff Stein *- Soleil Securities - Analyst*

Maybe Walker could help me out with this one. Could you just remind me, Walker, what the bad debt trend was year-on-year in Q2 and Q3 last year? What kind of degradation you saw as a percent of sales?

Walker Boyd *- Signet Jewelers Ltd - Finance Director*

The trend last year on a quarter-by-quarter basis in Q1, 2 and 3 was actually very similar. So that 110 basis point deterioration that I mentioned cumulatively through the first three quarters last year was actually also very much consistent within these three quarters. So around about 110 basis points in each of the quarters.

Jeff Stein *- Soleil Securities - Analyst*

Got it. Terry, I am wondering with regard to commodity prices historically I think you have kind of taken the position to protect your merchandise margins and raise selling prices where necessary. I know you took some increases after Valentine's Day, but given the recent trend in commodity prices do you believe it was enough, and may another round of price increases be in order?

Terry Burman *- Signet Jewelers Ltd - CEO*

Another round of price increases may be in order -- accent on the may. We are going to have to watch the gold market and the diamond market and see how that fleshes out through this summer. We would probably make a determination late summer if we are going to make any -- if we're going to have a price increase.

Any price increases are going to have to be executed -- they're going to have to be decided by late summer and they're going to have to be executed -- that we decide to take for the balance of this year -- would have to be executed ideally in September.

Jeff Stein - ***Soleil Securities - Analyst***

Would the strategy be to protect your margins so that you will be able to meet your target of flat merchandise margins for the year?

Terry Burman - ***Signet Jewelers Ltd - CEO***

That would be our -- yes, that would be our strategy. Obviously, we have got to look at the competitive set -- we have got to look at what the market is doing in terms of commodity prices. Our outlook for commodity prices -- and price points, price points are an issue. But in general your statement of protecting our margins is one that we would -- that would be an objective that that we would be looking to achieve.

Jeff Stein - ***Soleil Securities - Analyst***

With regard to price points, I would imagine you have certain customers that are very sensitive to price increases, so in terms of -- at what point do you get to a level where reengineering the product to make them affordable for your customers really changes the value proposition for the customers, so that they just -- they may just turn away from jewelry completely and say, I want something else. In other words, I don't want this charm with a silver chain, I want it with a gold chain, but I can't afford it, so I am going to buy something else. Where do you think the sensitivity is right now given the current environment and what you're seeing in the marketplace?

Terry Burman - ***Signet Jewelers Ltd - CEO***

I think the sensitivity is more around having exciting, compelling products that appeal to the consumer and that are appropriately priced within the marketplace. I think that to the extent that we can have exciting, compelling products then we can -- and we have the ability to support them with our very strong advertising and marketing campaigns and increase demand for those products that we bring out, so to the extent that we can provide that to the customer, I think that we can offset the negative impact of commodity pricing price increases.

Operator

Bill Armstrong, CL King CL King & Associates.

Bill Armstrong - ***CL King CL King & Associates - Analyst***

Good morning. Nice quarter. Jared has had now two -- can you hear me?

Terry Burman - ***Signet Jewelers Ltd - CEO***

Yes, we can hear you, Bill.

Bill Armstrong - ***CL King CL King & Associates - Analyst***

Jared has had obviously now two quarters of very strong sales increases, and that is macro driven to a certain extent with the upper income consumer, but have you done anything any particular -- taken any particular actions in terms of promotions and marketing, advertising, to help drive some of that traffic?

Terry Burman - ***Signet Jewelers Ltd - CEO***

We have got a little more -- and this is -- I want to stress the little here -- a little more active in trying to look for ways like customer reward programs that we can provide additional value to our Jared customers and attract some extra traffic. But it is a very small part of our activity at Jared.

Most of what is driving Jared are product innovation and the recovery of the consumer at that end of the marketplace. If you look at Tiffany, you look at Nordstrom figures, which we do look at in comparison to -- when we start comparing Jared, Jared is right in the mix of the kind of increases that those upper middle market, lower upper market customer-oriented brands are appealing to. So a lot of this is about the consumer and the recovery in that segment of consumers.

Bill Armstrong *- CL King CL King & Associates - Analyst*

At what point does that recovery in that segment give you enough confidence to say, okay, let's start to re-accelerate store growth in the Jared concept?

Terry Burman *- Signet Jewelers Ltd - CEO*

Well, we are actually there right now. We are prepared. We are ready, willing and able to open stores. The difficulty that we are having -- we are having difficulty on two fronts in terms of opening stores.

One is developers aren't developing right now. And our team just got back from the real estate convention and had meetings with all of the top developers, and their emphasis is strongly on reinvesting in their own existing centers to improve those and try and capture market share, as opposed to building new space.

So that is going to probably -- that environment is probably going to be with us for the next couple of years at least. The second issue is we need to continue the progress that we are making in recovering our average store productivity back to its former level. Jared average store productivity last year was in the low $4 millions. Three years ago -- approximately three years ago the average store productivity was about $5.5 million. So that consumer pullback was so harsh that it really impacted our projections that we make on new space.

Now as we recover and as the consumer starts spending again and our average store productivity increases, then our predictive sales models, which go into -- which are the most sensitive aspect of the model in the topline sales -- so as those increase, that will give us more confidence to go into locations that when you're down at a $4 million average that you can't earn your returns.

We very return driven, as you know. We have got to hit our 20% IRR on a five-year DCF basis. If we can hit that we've got -- we've obviously got the balance sheet where we can open stores. We've got the capability to open stores, and we've got the will to open stores.

Increasing space gives us more marketing power and purchasing power. But those issues of predictability of sales and developers developing, we need all of those to come together in order to get back up to a level of increasing space that is anything like we saw before the start of this downturn.

Bill Armstrong *- CL King CL King & Associates - Analyst*

Are your real estate people finding any attractive empty spaces in existing developments that might have been vacated by other retailers through the recession?

Terry Burman *- Signet Jewelers Ltd - CEO*

A few here and there, but most of the prime space is in high demand. It also doesn't turnover very much. Even if you have a retailer that fails and goes into bankruptcy and reorganizes and comes out, they tend to retain the good space and then shed the bad space, because that is one of the things that got them into trouble in the first place is bad real estate.

There is not a lot -- we see some opportunities, but there is not a lot of prime space available, and we are not going to compromise our site selection criteria in a dash for new -- for space growth. We would rather continue to invest in our existing business and improve our competitive advantages.

Bill Armstrong *- CL King CL King & Associates - Analyst*

Got it. Final question, your inventories are down over $200 million year-over-year, at about maybe 14% to 15% by my calculations on a per square-foot basis. Are you under-inventoried at this point? Are you comfortable where you are or are there further opportunities for reductions?

Terry Burman - ***Signet Jewelers Ltd - CEO***

We continue to -- on a same-store basis we are planning our inventories to be equal to last year. Right now we've got some timing differences, but the plan is still to be equal to last year on a same-store basis. There will be some small reduction in inventories due to store closures.

Part of that decrease in inventory year-over-year is timing difference this year. And then also part -- and the other part of it is the first quarter was the quarter in which we first started reducing inventories last year, so some of that is comparison where we were on -- in the process of reducing inventories last year.

Bill Armstrong - ***CL King CL King & Associates - Analyst***

I see. Okay, thank you.

Operator

James Pan, CPE Partners.

James Pan - ***CPE Partners - Analyst***

Terrific results. I just have a series of questions. I am not sure if you can answer them given the real estate situation, but what do you think your biggest use of cash will be in the next 12 months?

Terry Burman - ***Signet Jewelers Ltd - CEO***

Last year at the beginning of the year we announced a two-year plan to navigate through the very difficult economic circumstances that all businesses were facing. We intend to continue that two-year plan, which was to strengthen our balance sheet, reduce expenses, reduce working capital in the business and reduce some capital expenditure.

We have moderated it a bit this year. We stopped reducing inventories and we accelerated some capital expenditure so that we didn't fall behind and create deferred maintenance.

Obviously we've got cash building up on our balance sheet. Once we are -- once we get through this next Christmas season, the Board will look at the needs of the business, the outlook for the economy, the opportunities for the business, and where we can earn our returns, and will start considering allocation -- further considering allocation of the capital.

Our preference is usually for space growth -- profitable space growth where we can earn our returns, because that strengthens our whole business. It creates synergy for the entire estate of the business, and gives us the ability to capture profitable market share and to drive operating margin.

However, given the real estate situation, we don't fully -- I am not confident we will have the opportunities that we had to increase space at the rate that our capital is building up. So obviously one of the things that we will be looking at would be shareholder distributions in our shareholder distribution policy.

Things have a way of -- other things could happen, so events can overtake us. If there were a desirable acquisition opportunity that met our return criteria that we felt was synergistic to our business, then we would certainly pursue and evaluate that opportunity. But we will also be looking closely at our shareholder distribution policy after the first of the year.

James Pan - ***CPE Partners - Analyst***

Fantastic. Just a follow-up question. You mentioned a 20% IRR target on any acquisitions, I believe. Could you just review the assumptions on that? Is it -- what is the capital structure assumption and what is the tax rate assumption on that?

Terry Burman *- Signet Jewelers Ltd - CEO*

Walker?

Walker Boyd *- Signet Jewelers Ltd - Finance Director*

What we would look for, we would look for, as Terry said, on any organic new store openings is a 20% IRR on a five-year DCF Basis. That is pretax, so we are not making an assumption on tax, and we are not assuming any capital structure. Now obviously that 20% IRR leaves a very healthy leeway between what we would regard as our weighted average cost of capital and the 20%.

So as I say, the 20% is pretax and we are comparing that, at least it has -- that 20% target has more than sufficient leeway between that and our weighted average cost of capital.

Operator

David Jeary, Investec.

David Jeary *- Investec - Analyst*

I've just got a question on the variance between the performance, if I may, of the Kay stores and the mall stores. It surprised me how narrow the [other] sales gap was between them relative certainly to recent history and certainly the full-year performance last year in Q4 last year. I wondered if you could shed a bit more light on whether you think your -- whether one of them has underperformed, one has over performed, or why that difference -- that differential is so narrow?

If I heard correctly, was there a big difference in the variance of the ASP within those two store formats? And to what extent might that have had any contribution to that differential on [OFL]?

Terry Burman *- Signet Jewelers Ltd - CEO*

There was a variance, and the two formats did perform closer than they have been in recent history, but that can happen from time to time. I think one of the factors that we have (technical difficulty) that were closing a lot of the underperforming poorer trendline regional branded stores. So that should help their overall performance, including like-for-like, or same-store sales performance.

There was a meaningful difference in the ASP between Kay and the regional stores. As I said in the -- as we were going through the slides, as far as we can tell, most of that difference in ASP is being driven by the advertising and the demand (technical difficulty) advertising is creating for certain product (technical difficulty) Kay. Does that answer your question?

David Jeary *- Investec - Analyst*

To some extent. I might have a further conversation, because I find it very interesting those dynamics. They are very different from past history to my recollection.

Terry Burman *- Signet Jewelers Ltd - CEO*

They are, but you can get anomalies in quarter-by-quarter, especially when you've got one large gift-giving period, Valentine's Day, and part of -- because part of Mother's Day occurs at the end of April. So you've got both of those -- you've got two large gift-giving periods.

Also, again, don't overlook the store closures, the number of store closures that we have in the regional branded stores.

David Jeary *- Investec - Analyst*

Sure. Okay, thanks very much, Terry.

Operator

Rod Whitehead, Deutsche Bank.

Rod Whitehead *- Deutsche Bank - Analyst*

First of all just a thank you to Walker, because I have a nasty feeling this might be his last conference call. Thank you very much for your very patient explanations on the financials over the years and balance guidance on the outlook.

Walker Boyd *- Signet Jewelers Ltd - Finance Director*

It has been a pleasure, most of the time.

Rod Whitehead *- Deutsche Bank - Analyst*

Just some specifics on the cost base. Could you tell us what happened to advertising in the quarter, and what your plans are for the year? And also, particularly in the US, just thinking about you had a very good start for the year. The staff bonuses are a significant element what kind of -- whether there is any variance in the rate of accrual for bonuses this year versus last year?

Finally, Terry, you mentioned that there were further changes in TILA in August. I am wondering what those are, what indications those might be?

Terry Burman *- Signet Jewelers Ltd - CEO*

Yes, there are further rules coming out in TILA in August, but we've got an assumption built into our $15 million to $20 million overall decrease in credit card income which we think is still valid and appropriate. But that is one where regulation that is going to start.

So if you took the first quarter, which is approximately a $3 million impact from TILA, obviously if you multiplied that by 4, you would come short of our $15 million to $20 million estimate. So by way of explanation we are -- what we are saying is there is a couple of more regulations that -- or rules that are going to come into effect in August that we are going to have to deal with, and that is the reason that it doesn't multiply out.

In terms of (multiple speakers).

Walker Boyd *- Signet Jewelers Ltd - Finance Director*

So an example of one of the regulations yet to be determined is there is discussion about a cap on the level of a late fee that could be charged, so we have made an estimate as to what we believe that is likely to be. But the exact terms have not yet been announced, so it is points of detail that have yet to come out, and that is an example of one of them that is outstanding.

Terry Burman *- Signet Jewelers Ltd - CEO*

In terms of expenses, advertising will be up year-on-year in absolute dollars that we spend. And we have taken another look at our advertising budget. The upfront buys are just starting out. And we have taken another look at our advertising budget based on an overachievement of our plan in the first quarter. The advertising budget was originally planned to be higher than last year.

In the first quarter we were slightly ahead in terms of prior year in terms of advertising impressions. And we expect to be similarly so for the balance of the year. However, we do expect advertising cost to inflate -- to have a healthy inflation rate this year. There is -- this is an election year, so there is a big demand -- there is going to be a big demand on TV advertising, which is our primary media, but we expect to be able to keep up with it and increase our advertising impressions and still remain below our traditional level of 6.5% to 7% gross spend on advertising. We think we will be more in the low 6% range -- 6%, low 6% range.

In terms of bonus accruals, that is always a good thing to happen, because Home office is based on profits, store managers are based on profits, and staff -- store staff are based on increased sales. So the absolute dollars will increase as our profitability increases. So, yes, the bonus accrual is -- the bonus accrual is increasing, especially in absolute dollars, but there is plenty of operating leverage there when those bonus accruals -- when those bonus accruals come through.

Walker Boyd - ***Signet Jewelers Ltd - Finance Director***

You are quite right. If you look quarter -- this first quarter this year against first quarter last year there is no difference in methodology, and therefore there is no impact in terms of the year-on-year movement. They are done entirely consistently, so there is no distorting impact in looking at the results.

Rod Whitehead - ***Deutsche Bank - Analyst***

Okay, lovely. Thank you very much.

Operator

John Baillie, Societe Generale.

John Baillie - ***Societe Generale - Analyst***

Terry, you mentioned the fashion product and the series of trials being on. I am wondering why -- especially how significant it is. Is it higher margin, but also will it entail -- or introduce greater risk into the business?

Terry Burman - ***Signet Jewelers Ltd - CEO***

Because of our testing practices it doesn't introduce greater risk into the business. We have said consistently that our proprietary products usually carry a small premium in the gross merchandise margin to more generic products. There is also less pressure to discount on those, so you can hold the price better on them. But there is not a greater risk. Unless I'm misunderstanding your question, I am not sure why there would be. There wouldn't be --.

John Baillie - ***Societe Generale - Analyst***

Because there is more risk of write-downs if they don't really work, the greater risk of level of discounting if it doesn't succeed, and given it is a fashion product.

Terry Burman - ***Signet Jewelers Ltd - CEO***

Well, if they don't succeed they won't get rolled out. They don't get -- we have a very well -- a very ingrained process within our business of testing products. These are being tested, depending on the program and up to a couple of hundred stores. The predictability has been very high

with -- whether they are new programs or new items, the predictability and the ability of our inventory management and planning team to be able to forecast out sales based on the sampling that we do and the testing that we do is a well developed skill within our business.

And they have been very good at that. It doesn't mean that they don't make mistakes or -- I'm sorry, that things don't always turn out exactly as planned. But we are not going to be far wrong and we always -- and they keep a very close watch on the sales trends that we can always back down -- we can always take our foot off the accelerator or put it on the accelerator harder, depending on how the products are performing when they rollout to all stores.

But usually there is a lift when we roll them out to all stores from the test, because then we get behind them with the advertising. That also has some predictability to it, how much of a lift you get from the advertising. But these assumptions are well tested, monitored, and things that we have been doing in this business for over a decade now.

John Baillie *- Societe Generale - Analyst*

Okay, thank you. Just one I would like to reiterate sort of Rod's comments and wish Walker well into the sunset, and thank him for his help.

Walker Boyd *- Signet Jewelers Ltd - Finance Director*

Thanks again.

Operator

(Operator Instructions). Jeff Stein, Soleil Securities.

Jeff Stein *- Soleil Securities - Analyst*

A couple of follow-up questions, Terry. First of all, given the fact that selling space really is at a premium right now, and given that even your regional brands are beginning to start -- are beginning to show positive year-on-year comps, any consideration being given to slowing the exit from the regional businesses? Because it would seem to me that you guys basically carry the same product. I know you're not supporting with advertising, but given your superior execution, I would think over time you can still incrementally capture market share and get back to your 20% internal rate of return goals by keeping those doors open.

Terry Burman *- Signet Jewelers Ltd - CEO*

Right. It is really a store-by-store decision. We are paid to keep stores open, make sales and profits out of those stores, so our bias is to keep -- is always keep stores open. Once you are in a location we will stretch our return criteria if we have any optimism that the store is on a recovery trend and can earn our returns.

When the store does start earning the returns then we are pleased to put capital in -- remodeling capital into those stores. So it is just basically a store-by-store-based analysis as the stores come up for lease renewal. But logically, to your question, logically as sales per door go up the rate at which we close stores should reduce. Now all boats don't rise evenly in this -- in the factor of sales per door. To the extent that sales are going up, it should reduce our rate of closure.

Jeff Stein *- Soleil Securities - Analyst*

Got it. Can you talk a little bit just about industry consolidation trends? Is it accelerating, decelerating or stabilizing based upon what you have seen since the end of the year?

Terry Burman *- Signet Jewelers Ltd - CEO*

Hard to tell. We don't have any metrics. There is no big -- there is no large liquidations such as we saw with Friedman's and Whitehall and Finlay, so we are not seeing those big hundreds of stores liquidations. We are seeing a lot of reduction from independents, but it is hard to keep track of that.

There haven't been having been any major bankruptcies since the start of the year. Jewelry industry sales are going up for -- went out for the first several months of the year, so that would also help slow the exit.

I guess stabilizing and reducing, maybe stabilizing back at some place closer to the former run rate of stores exiting the industry. There is a natural attrition out of stores that has been going on for several decades. With -- that has been somewhat offset on a net store count basis by new store opportunities and people opening -- companies opening new stores.

I think that the offset part of it is where we are going to have -- wind up with a greater level of net store reductions than we have had in the past, which was running about 400 stores a year, just because there just aren't a lot of -- people are cautious about opening new space and there aren't a lot of opportunities out there right now for good space.

So I do think it is going to be -- even if we return to the former rate of closure -- absolute closures, the net closures should go up because of the lack of new space availability and opportunity.

Jeff Stein *- Soleil Securities - Analyst*

Got it. A final question for you real quickly, and that is with regard to a question that was asked earlier on new product type, I presume if you are planning to roll some new ranges out this year, you have tested some of them for Valentine's Day/Mother's Day, and wondering how they have been testing and how you would compare these tests relative to, let's say as an example, Love's Embrace in terms of how they have been received thus far?

Terry Burman *- Signet Jewelers Ltd - CEO*

Right. I'm not going to -- I don't want to get an open line and start discussing the success of our products and whether we are going to roll them out or not. It is -- these are competitively sensitive issues and I really don't want to start giving our competitors roadmaps for which of our products they might want to emulate and which ones they wouldn't. So I don't want to speak about -- I really don't want to speak about the little of success that we are having.

We are going to be remained innovative. We are going to remain -- it is an objective of ours to continue to provide consumers with exciting product offerings. We've got a lot of programs and a lot of new items that are just -- you might call them more generic items, in test always, because that is our -- that is the job of our merchandise department, to provide compelling offerings to our consumers.

Jeff Stein *- Soleil Securities - Analyst*

Right. Okay, great. Thank you very much.

Operator

As there are no further questions in the queue that will conclude today's question-and-answer session. I would now like to turn the call back over to Mr. Burman for any closing or additional remarks.

Terry Burman *- Signet Jewelers Ltd - CEO*

Thanks, operator. We look forward to seeing many of you in Akron for our Investor Relations Day on June 15. I would encourage those of you that have not yet signed up to do so. It will be a very good opportunity to get a better understanding of our business, to see some of our sector-leading systems, and to meet the senior members of the US operating team.

Our next results call will be for the second quarter, and it is scheduled for August 26. Thank you all for your participation and goodbye.

Operator

Thank you, ladies and gentlemen. That will conclude today's conference call. You may now disconnect your lines.

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