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SIG - Q1 2010 Signet Jewelers Ltd Earnings Conference Call

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PRESENTATION

Operator

Good day and welcome to the Signet Jewelers Q1 results conference call. Today's conference is being recorded.

At the time I'd like to turn the call over to your host today, Mr. Terry Burman. Please go ahead, sir.

Terry Burman - *Signet Jewelers Ltd. - CEO*

Thank you, operator, and welcome to the conference call on Signet Jewelers first quarter results. I'm Terry Burman, Chief Executive, and I have with me Walker Boyd, finance director. Walker will start with the Safe Harbor statement following by a review of our financial performance. Next I will comment on our operations in the US and UK before making some closing remarks and then we'll take questions. Walker?

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

Thank you. 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 fact are subject to a number of risks and uncertainties and actual results may differ materially. We ask you to read the risk factors and cautionary language in the annual report on Form 20-F that was filed with the SEC on April 1, 2009 and 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-finan -- non-GAAP financial measures. For a reconciliation of those to the most directly comparable GAAP financial measures please refer to the release dated June 4, 2009 available on the latest news section of the Company's website.

Turning to the results. Achieving an increase in income and a significant cash flow in the quarter, were major accomplishments. However, the outlook for retail remains very uncertain. At constant exchange rates total sales were down 1.1%. As a result of the movement of the pound against the dollar, reported sales were down 7.3% to $762.6 million. Operating income was up 14.2% to $52.4 million against $45.9 million last year due to strong US results, which included a $4 million benefit arising from the previously-announced change in vacation policy. Operating margin was 6.9% compared to 5.6% in the first quarter of fiscal '09, benefiting from the US performance and a higher participation of the US division in the quarter as a result of the weaker pound.

Central costs were $2.7 million, reflecting the impact of the change in the average exchange rate and a gain on foreign exchange. Net financing costs were up about $5.2 million to $11 million over the comparable period, primarily reflecting one-off fees of $3.4 million relating -- related to the amended borrowing agreement and the cash outflow in fiscal 2009. The balance of the fees, some $5.9 million, will be amortized over the expected term of the borrowing. Q1 income before tax was $41.4 million, slightly ahead of last year's $40.1 million. The impact of one-off events was broadly balanced, with the benefit from the change in US vacation policy being similar to the fees associated with the borrowing amendments. The tax rate was 36.5%, in line with the anticipated full-year bay -- full-year rate. Basic and diluted earnings per share were $0.31 compared to $0.30 in the first quarter last year.

Looking at cash flow. There was a net cash inflow from operating activities in the quarter of $198 million against $22 million in the first quarter last year. This was predominantly due to a reduction in working capital of $134.9 million compared to an investment of $26.6 in the prior-year quarter. Inventory decreased by $43.2 million against an increase of $48.7 million in the comparable period. As well as benefiting from the better-than-expected sales performance in the quarter, it also reflected the unwinding of about $12 million of inventory involved in the discontinued drop diamond initiative, some $20 million from the sell-through of above plan inventory at the end of last year, and the timing of store closures.

For the year as a whole we continue to anticipate that the impact of space on inventory will be broadly neutral and that the reduction in inventory will be about $100 million. Timing of inventory payments and a lower year-end figure are reflected in the rise of payables of $65.9 million against $8.8 million in the comparable period. Net capital expenditure was $8.4 million against $25.4 million last year, with spend on refits and new stores brought significantly down. We continue to expect a full-year spend of about $55 million, some $60 million lower than in fiscal '09.

Free cash flow -- that is cash from operating activities less cash used in investing activities and amendment fees -- was 180.1 -- $181.2 million in the quarter against a $3.4 million outflow in the comparable period last year. We anticipate that, subject to the economic environment, fiscal 2010 free cash flow will be towards the top end of the $175 million to $225 million range given at the time of the fiscal 2009 results. Net debt of just over $290 million was down $87 million from the level 12 months ago despite the increase in net debt of $93.7 million during the final three quarters of fiscal 2009.

I'll now hand you back to Terry.

Operator

Mr. Burman, you may (inaudible) on your line.

Terry Burman - *Signet Jewelers Ltd. - CEO*

Thank you, Walker, and thanks, operator. Our strategy is to enhance our position as the strongest middle-market specialty jeweler, focus on profit and cash flow maximization to further strengthen the balance sheet and reduce business risk. In the current environment the ability to generate profits and cash, maintain a strong balance sheet and have reliable medium-term financing in place are significant competitive advantages within the specialty jewelry sector. It means that we can focus on re-enforcing our competitive strengths to gain profitable market share rather than be distracted by crisis management.

Looking at the US in detail, a number of features in the quarter stand out. First, same-store sales were down 2.6%, well ahead of the specialty jewelry sector, and a very significant improvement over the fourth quarter of fiscal 2009 in spite of continued challenging retail trading conditions. Second, gross margin was up 90 basis points. And finally, operating costs were down. As a result, US operating income increased by just over 20% to $56.4 million. This included a benefit of $4 million from the change in vacation policy. Total sales were little changed at $625 million, a major achievement given the performance of others within the jewelry sector. Same-store sales decreased by 2.6%, with Valentine's Day trading being marginally positive. Consumer confidence appears to be stabilizing but remains very weak and fragile. We believe that there is less liquidation and clearance activity in malls than last year. However, the level of these activities in the marketplace remains greater than normal.

We have benefited from sharp in -- from the sharp increase in capacity reductions that occurred last year. In addition, many remaining competitors are either distracted by financing issues or making draconian cuts to expenses. Not all of these actions are successful and additional liquidation and Chapter 11 filings have already taken place this year. We expect a further significant reduction in industry sales capacity during 2009, although probably a little less than in 2008. Kay same-store sales increased in the quarter while the regional brands and Jared were both down. Jared's underperformance is in contrast to longer-tern trends and reflects the weakness in spending among households with above-average income. This is consistent with other retailers operating in this part of the market.

In the current, very-challenging marketplace highly-motivated, well-trained and knowledgeable staff are crucial. When supported by differentiated merchandise and unbranded rangers -- ranges that offer superior value, together with national television advertising, the current trading conditions offer the opportunity to gain significant profitable market share. The advantage of a stable and experienced management team that can make commercial decisions based on return on investment and remain focused on improving performance of the business rather than making decisions driven by financial necessity was clearly seen in the quarter.

We have been able to maintain train -- staff training as a priority; take advantage of opportunities in the supply chain assisted by our strong balance sheet; expand differentiated merchandise programs, such as Leo diamonds, Le Vian, Open Hearts by Jane Seymour and the Russell Simmons collection, which enable us to stand out in the mall and helps us to drive merchandise margin and promote our brands in differentiated products with highly-effective innovative advertising. For example one of the Kay ads for Mother's Day had the highest recall of any new commercial in April according to Advertising Age.

Average transaction values were down about 9% in the mall brands and were some 7% lower on an underlying basis in Jared, adjusting for a new product launch. Transactions were up significantly in Kay and a little down in Jared on an underlying basis. For the quarter gross merchandise margin was up 90 basis points on the comparable period. This reflected the price increase implemented midway through the first quarter last year, mix benefits including the growth of differentiated merchandise, and a lower participation of some generic merchandise that the industry has priced aggressively last year, which more than offset the impact of higher gold cost.

For the year we continue to expect gross merchandise margin to be at least at last year's level. However, this is subject to commodity costs. The expense initiatives taken at the start of the year resulted in operating cost savings of $32 million being achieved in the quarter compared to our target of $100 million for the year. In the quarter we did experience higher-than-planned sales, which resulted in some additional variable cost. The net bad debt charge to sales ratio increased by 130 basis points on the comparable quarter, broadly in line with the trends seen during fiscal 2009. Credit participation was somewhat lower than in the first quarter last year and the approval rate was slightly down.

In the quarter the impact on operating margin from new store space was adverse by 20 points, reflecting additions last year. This will diminish the as the year proceeds and at the year end we now expect space to decrease by about 2%, slightly -- a slightly greater decrease than we had indicated in March. Reflecting the improved gross merchandise margin and the cost reductions, operating margin was 9%, up by 160 basis points on the same quarter last year, despite the 2.6% fall in same-store sales.

Turning now to the UK, the feature that stands out, as in the US, is the improvement in the same-store sale trends compared to the fourth quarter of fiscal '09. The H. Samuel 2% same-store sales decline was particularly notable. Again, as in the US we believe spending among households with above-average income was weaker, adversely impacting the Ernest Jones performance. The business continues to implement its long-term strategy of improving customer service by focusing on staff training and incentives; evolving the merchandise mix to better reflect our competitive strengths; executing our marketing more effectively; and investing in the real estate portfolio to significantly enhance the in-store environment. However, we have slowed the pace at which store refurbishments have been completed given the economic conditions.

At constant exchange rates total sales declined by about 2%. On a reported basis total sales were down 28% to $137.7 million, reflecting a significant adverse movement in the US dollar exchange rate from $1.98 to the pound to $1.45 to the pound. In the quarter the average selling price in both H. Samuel and Ernest Jones was up by 5% and 3% respectively on the first quarter of fiscal '09. Overall gross merchandise margin was up 40 basis points on the comparable period last year. However, for the year as a whole we continue to expect it to be somewhat below last year's level given the increasing cost in gold and weakness in sterling.

Tight control of cost has been maintained, although there was a small increase in the quarter largely reflecting property rents. For the year as a whole we continue to expect expenses to be broadly similar to last year. The UK reported an operating loss of $1.3 million compared with operating income of $3.5 million in the same period last year, a good performance given the trading environment.

In conclusion the economic outlook remains very uncertain on both sides of the Atlantic. Against this background our ability to gain profitable market share, improve operational execution, respond quickly to changing conditions and maintain a strong balance sheet will be key competitive advantages for at least the next 18 months. During that time, we expect to see further significant capacity reductions from competitors and the opportunity to widen our operational lead within this sector. We will, therefore, be well positioned when the consumer recovers. Operator, we'd now like to take any questions that may be posed.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions). We will now take our first question from Mr. Bill Armstrong from CL King & Associates. Please go ahead, your line is now open.

Bill Armstrong - *CL King & Associates - Analyst*

Good morning. Nice quarter. Are you seeing any signs of improvement in Jared recently, any signs that the higher-end consumer may be starting to come back a little bit?

Terry Burman - *Signet Jewelers Ltd. - CEO*

Actually the quick answer is no, we're not. We're not seeing any signs of that -- didn't see any signs of that through the quarter. I think that the consumer is responding to some of our merchandise initiatives, but as you can see, the consumers are trading down in price within that format.

Bill Armstrong - *CL King & Associates - Analyst*

Okay. Your inventories are way down on a year-over-year basis. Is there any risk that they may become too lean? They're certainly declining faster than your sales are declining.

Terry Burman - *Signet Jewelers Ltd. - CEO*

Right. They're down for a good reason. Sales -- and part of that reason is that sales are above expectations so that's a good thing. We will -- we are a bit under plan on inventory. I think we call that some timing differences and some above-expectation sales, but we'll fill in that gap and we don't expect any problem with acquiring inventory to stay on plan.

Bill Armstrong - *CL King & Associates - Analyst*

Okay. And then final just one housekeeping question. The vacation benefited, is that in SG&A or would that be in cost of sales?

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

To the extent in the quarter that would be in SG&A.

Bill Armstrong - *CL King & Associates - Analyst*

Okay, thank you.

Operator

Thank you. We'll now take our next question from James Pann from CPE Partners. Plead go ahead, your line is now open.

James Pann - *CPE Partners - Analyst*

Hi, congratulations on picking up market share and having a decent quarter.

Terry Burman - *Signet Jewelers Ltd. - CEO*

Thank you.

James Pann - *CPE Partners - Analyst*

Just a couple of questions. Just to confirm -- because you probably would have mentioned this in your call if it was affecting you guys -- but the recent credit card laws passed by the US congress, does that affect our financing ability for our customers, the first question? The second question is, our accounts payable was a large source of cash in the first quarter. How sustainable is that or is that going to be a use of cash going forward?

Terry Burman - *Signet Jewelers Ltd. - CEO*

Walker?

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

Yes. With respect to the cost -- the cash payable, I think as I mentioned, a large piece of that was driven by timing of receipts and also our year-end number which particularly was low and therefore it does affect some of the timing differences that occurred at the beginning of the year. But as we go through the year I would expect that much, as Terry just mentioned, on inventory I would expect some of that to come back in terms of being a source of use, and I think that just as in the inventory it's also benefiting from some timing differences as of the end of the quarter. So,no, the short answer is no, we're not looking for that to be a sustainable part of cash inflow and certainly wasn't part of the original $175 million to $225 million cash inflow, which was the range that we gave at the beginning of the year.

Terry Burman - *Signet Jewelers Ltd. - CEO*

In terms of the new credit card laws we don't expect it to -- we don't expect the laws to impact our ability to finance consumer credit. We are studying the laws and all the regulations have not been finalized to see what the impact would be on us in terms of account receivable revenues.

James Pann - *CPE Partners - Analyst*

Okay, thank you.

Operator

Thank you. We'll now take our next question from David Jeary from Investec. Please go ahead, your line is now open.

David Jeary - *Investec, Inc. - Analyst*

Good afternoon, Terry. Good afternoon, Walker. Two questions if I may please. One, could you give a bit more comment on the shape of the CapEx spend over the rest of the year given how low it was in Q1 relative to your full-year number, please? And secondly, Terry, I wondered if you could add a bit more color to one of the comments you made about take advantage of supply chain opportunities in the US, if you could give a bit more color on that, as well, please?

Terry Burman - *Signet Jewelers Ltd. - CEO*

Sure. Walker, why don't you handle the CapEx issue and then I'll take the supply chain.

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

Yes, David, as I've said on the call we still anticipate that group CapEx for the year as a whole would be in the $55 million range, which was the number we talked about when we talked about the overall cash flow expectation for the year. As far as the shape is concerned, the majority of it will still happen in the third quarter because a significant portion of the remaining balance is new openings in the US. We still expect to open about 15 new stores. The other fact that I think in terms of timing when you look at low level in Q1 is last year in the UK when we were doing 35 Ernest Jones refits we knew to do these number during the year we needed to make an early start. This year where we're doing only about half of these number of refits in Ernest Jones they will be predominantly in quarters two and three, so that probably explains why Q1 looks disproportionately low relative to the year as a whole.

David Jeary - *Investec, Inc. - Analyst*

Okay, thanks Walker.

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

In terms of supply chain, David, really there's opportunities along a range of issues in the supply chain. There's the normal commodity cost issues, especially diamonds. So there's been some volatility in the market and also some excesses in the market, which seem to be starting to get worked out of the market, but as the market adjusts for the level of demand there are certain sizes, qualities of diamonds that give us what we call opportunistic purchases. We take those opportunistic purchases and convert those into promotional items that we can run at exceptional values for the consumer and use some of that -- some of the pricing anomalies in our purchasing power to protect our margins while delivering a greater value to the consumer. So it's one of the initiatives we can take advantage of in the supply chain.

There are also some excesses in the market in certain of the qualities that we use. To the extent we can either use our balance sheet to buy ahead and take advantage of those, or use our buying skills to spot those pricing anomalies in the market and take advantage of this market to buy our regular goods and supplement our margin, then we're going to take advantage of those.

And finally, very importantly, we can -- we're the go-to company in terms of new merchandise program. We're the -- by far the most efficient distribution channel at retail out there and can support our merchandising programs with strong advertising and an efficient sales force, and we're also, in terms of the balance sheet, a company who the vendors have confidence in selling to. All of that means that we get normally first look at new merchandise programs. We can turn a lot of those into exclusives and differentiate ourselves from our competitors. So all of these in terms of -- all of these issues give us supply chain opportunities in terms of both pricing and in terms of the actual merchandise that we're buying.

David Jeary - *Investec, Inc. - Analyst*

Thanks Terry.

Terry Burman - *Signet Jewelers Ltd. - CEO*

You're welcome.

Operator

Thank you. We'll take the next question from Rod Whitehead from Deutsche Bank. Please go ahead, your line is now open.

Rod Whitehead - *Deutsche Bank - Analyst*

Good afternoon. Well done. Encouraging quarter. I might almost say very encouraging. Just on the advertising, I know that that's been one of the areas you've seen a significant reduction in your operating cost. Was that purely the number of adverts, or was the rate that you paid lower, as well, for that quarter?

Terry Burman - *Signet Jewelers Ltd. - CEO*

Rod, I'd say very encouraging but you know Walker, (LAUGHTER) he just wouldn't allow it. The advertising that we purchased this year was a part of last year's up-front buy, so the up-front buy is done in May and accounts for our Christmas, Valentine's and Mother's Day buys. So the advertising that you saw in the first quarter was actually purchased at last year's rates, and those rates were per impression higher than they were the prior year. We're now in the middle of negotiations as is -- as are all national advertisers. We're now in the middle of the up-front buy for the coming year -- or the coming 12 months and it remains to be seen what those rates will end up being.

Rod Whitehead - *Deutsche Bank - Analyst*

So does that mean if they are lower then at Christmas if you do less volume of advertising and you have a lower rate, the saving would be that much bigger than -- in the (inaudible) than in Q1 and has that been allowed for within your $100 million guidance, or can I view that as a potential upside should rates be lower than last year?

Terry Burman - *Signet Jewelers Ltd. - CEO*

If the rates are lower than last year -- the budget is fixed and if the rates are lower than last year we'll use that to increase our impressions over the planned number of impressions that we have.

Rod Whitehead - *Deutsche Bank - Analyst*

Okay. And one -- thank you. One little question. On the space you mentioned it would be potentially 2% down by the end of the year. Presumably that is a year-end number and I missed the reason. Is it more closures or less openings and which chains?

Terry Burman - *Signet Jewelers Ltd. - CEO*

It's -- a couple of the Jared stores have moved into ne -- into the following year, into fiscal 2011, so just because of planning issues or coordination issues with the landlord, those stores have moved into the next year where we had expected them to be in this year. So it's really no change in our overall plans for specific openings and closures, just a timing delay.

Rod Whitehead - *Deutsche Bank - Analyst*

Thank you. Thanks.

Operator

Thank you. We'll take the next question from Chia Kuo from Telsey Advisory Group. Please go ahead, your line is now open.

Chia Kuo - *Telsey Advisory Group - Analyst*

Hey, guys, great quarter. Just wanted to get more color on how overall May sales trended relative to the first quarter and whether the deterioration in the UK you saw towards the end of last quarter continued?. And then just on the Open Hearts collection how did that perform over Mother's Day and to what extent would you say that it's helping you to gain market share? Thanks.

Terry Burman - *Signet Jewelers Ltd. - CEO*

Thank you. These results are for our first quarter ending May 2nd and we're not going to comment on Mother's Day. Our Mother's Day, at least the last eight days of it which fall into the second quarter, will all be announced in the first quarter of August. In terms of the Open Hearts collection, it's definitely additive to our -- has been additive to our sales, has performed consistently well since we tested it last Mother's Day and rolled it out to all of our stores last fall. The consumers are responding to it very well.

We're expanding the range, bringing in new styles, and the consumers have shown great enthusiasm for the range of merchandise, for the emotion of the story and it's just another example of our -- being able to differentiate ourselves from our competitors and integrate all aspects of our business. Training our sales people to convey the Open Hearts philosophy that was develop by Jane Seymour, the great range of merchandise, and then also supported by our national advertising. So all of those factors come in together to make this a very successful roll out for us. And we will have -- we're currently working on additional new, differentiated merchandise programs that, if they continue to test successfully, we'll be rolling out for the Christmas season. But the Open Hearts is an important part of our merchandising, but it's by no means the only new program that we -- or exclusive program that we have.

Chia Kuo - *Telsey Advisory Group - Analyst*

Great, thank you.

Terry Burman - *Signet Jewelers Ltd. - CEO*

You're welcome.

Operator

Thank you. We'll take our next question from John Baillie from Societe Generale. Please go ahead, your line is now open.

John Baillie - *Societe Generale - Analyst*

Hello, gentlemen. Just a couple of ones. Maybe just following on on the exclusive ranges. Can you give a feel for how much exclusive ranges account for now in the US business and where you see that going to maybe by Q4? And secondly, on a more general question on capacity in the US, what are your expectations for the reduction in capacity over 2009 and '10?

Terry Burman - *Signet Jewelers Ltd. - CEO*

In terms of exclusive merchandise, which would include the Leo and Le Vian and Open Hearts and Russell Simmons and a range of other individual products, it probably accounts for 15% to 20% of our sales. Where it can go, it'll go as high as the success of the new differentiated programs that we are bringing in allows it to go and it'll go based on consumers' response. So I don't know how high is high.

John Baillie - *Societe Generale - Analyst*

[I'm trying to get a feel for the stuff the] -- the level of introductions coming through for this Q4 in terms of the number of lines put into context for us?

Terry Burman - *Signet Jewelers Ltd. - CEO*

Right. Well, we're get getting into competitive issue here. I want to be carefull on how much I say.

John Baillie - *Societe Generale - Analyst*

We're all on the same side, don't worry.

Terry Burman - *Signet Jewelers Ltd. - CEO*

And nobody else is listening, right? (LAUGHTER)

John Baillie - *Societe Generale - Analyst*

Absolutely.

Terry Burman - *Signet Jewelers Ltd. - CEO*

Let's just say that that there are several meaningful programs that we are testing and about to test to continue to develop exclusive ranges, and there's also expansion of our current exclusive ranges. So we hope to grow it, that's our operating strategy, but I really don't want to zero in on specifics about those.

John Baillie - *Societe Generale - Analyst*

And this is a margin -- it's a (inaudible) margin very different from --

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Terry Burman - *Signet Jewelers Ltd. - CEO*

Yes.

John Baillie - *Societe Generale - Analyst*

-- group average?

Terry Burman - *Signet Jewelers Ltd. - CEO*

It's benefic -- these programs are beneficial to margin and the pressure to discount them, especially the successful -- the very successful ones is -- you don't have the same pressure to discount, and you can get a somewhat higher margin, but it has to be measured in terms of the amount of additional margin you get on the exclusive programs otherwise your pricing architecture -- the new merchandise programs won't fit into your pricing architecture and it will be -- it won't be sensible to the consumer. So it's helpful, but it's again on a measured basis. John, I can't remember --

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John Baillie - *Societe Generale - Analyst*

So, yes, just on the capacity in industry and how much, really, [effect you see come out this year?] And maybe -- I don't know whether any feel for what Zales are going to do, have you got a strategic review of their portfolio at the moment and whats --?

Terry Burman - *Signet Jewelers Ltd. - CEO*

Right. They seem to -- in terms of Zales specifically they seem to -- well, they indicated that they were closing 115 stores and they seem to be indicating that they were doing a further review of their portfolio so we'll have to see where that comes out. I think that in terms of our expectation for total capacity, last year about 8% in number of stores and about 5% in sales came out of the industry, and we would expect something less than that but greater than normal.

So our expectations, I think, are in the -- in terms of sales that would be represented probably in the 3% to 4% range of capacity coming out. There also may be capacity coming out of the general sector, especially in department stores. We'll have to see if all the [Finlay] operations get replaced with jewelry departments and then how comprehensive the merchandise ranges are in those jewelry departments, and then also department stores are closing stores so there is some capacity coming out of that but it's much more difficult to track.

John Baillie - *Societe Generale - Analyst*

Thank you very much.

Operator

Thank you again. (Operator Instructions). We'll ll now take our next question from [Joel Rubin] from Kingsbridge. Please go ahead, your line is now open.

Joel Rubin - *Kingsbridge - Analyst*

Hi, thanks for taking my question. I'm just trying to understand a little bit better how to model for the credit card income from the US in-house business. I'm using a yield on the balance and then trying to estimate a bad debt expense. Is that the right way to go about doing it when I model for the contribution to overall operating earnings?

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

There are a couple of other factors you need to take into account because the operating income that we show in the accounts is clearly very largely the interest income from the portfolio. There are other streams of income that drive from it, such as late fees, et cetera, that are taken as a credit to SG&A but again are also included in SG&A we would have the direct costs of running the program and clearly in Akron we have teams of people who work on both authorization and collections. So in terms of the overall model, these two factors need to be taken into account. And we have said in the past that we would seek to broadly breakeven on the overall portfolio including an imputed interest charge for carrying the portfolio on our balance sheet. Clearly, at the moment, with a higher level of bad debt than we've had historically that would be running -- [that all-in model] we'd be running a small loss at the moment.

Joel Rubin - *Kingsbridge - Analyst*

Okay. Thanks very much. And did bad debt change much from the end off -- from the 2009 number we had in the first quarter?

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

Well, as we've said, compared to the first quarter of last year the bad debt as a percent total sales increased by about 130 basis points, which was broadly in line with the incremental trend that we saw during the previous fiscal year.

Joel Rubin - *Kingsbridge - Analyst*

Okay. Thanks very much.

Operator

Thank you. As we've no further questions at this time, Mr. Burman, I'd like to hand the call back over to you for any additional or closing remarks.

Terry Burman - *Signet Jewelers Ltd. - CEO*

Thank you, operator. And in closing I'd just like to remind you that our next scheduled announcement is the second quarter sales figures on August 6th and that our half-year results are expected to be announced on September 9th. Good bye and thank you for participating in this call.

Operator

Thank you. This concludes your conference call. You may now disconnect your line.