Signet Cautious After Slowdown in Holiday Quarter

Signet Jewelers' revenue dropped in the fourth fiscal quarter amid economic uncertainty in the US and an unfavorable comparison with the [previous year's record holiday season](#).

Net sales fell 5% year on year to $2.67 billion in the three months that ended January 28, the US jeweler reported Thursday. Same-store sales — at branches open for at least year — declined 9%, while net profit slid 12% to $277.3 million.

Signet, the owner of Kay Jewelers, Zales and Jared, blamed the impact of inflation on discretionary spending, as well as winter storm Elliott, which reduced US spending on the three shopping days leading up to Christmas. In addition, union strikes in the UK and the weakening of the British pound affected sales in that market, it said. The declines outweighed the impact of [adding online retailer Blue Nile](#) to Signet's portfolio. Higher-priced products performed better than cheaper categories, management explained in an earnings call.

The base of comparison was the strongest fourth quarter in Signet's history: Sales rose 29% in the equivalent three months a year ago, reflecting strong consumer demand, US government stimulus, and the company's strategic improvements.

For the full fiscal year that just ended, group revenues were flat at $7.84 billion, with same-store sales down 6%. Net profit slumped 51% to $376.7 million.

Revenue for the fiscal year that began on January 29 will likely be roughly flat — or slightly down — at $7.67 billion to $7.84 billion, Signet forecast. Jewelry industry-wide sales are expected to fall by mid-single digits, management predicted. Headwinds in the engagement segment will continue, while demand for pieces with lower price points is unlikely to rebound.

“While timing and magnitude is difficult to predict, Signet also anticipates a continued shift of consumer discretionary spending away from the jewelry category, reflecting decelerating levels of consumer confidence and pent-up demand for experience-oriented categories,” the company said. It also anticipates “further impacts of inflation and other macroeconomic factors on consumer spending.”

Image: A Kay Jewelers store. (Shutterstock)