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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 28, 2023

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 001-40515

VICTORIA'S SECRET & CO.
(Exact name of registrant as specified in its charter)

Delaware	**86-3167653**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
4 Limited Parkway East Reynoldsburg, Ohio	**43068**
(Address of principal executive offices)	(Zip Code)

(614) 577-7000
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 Par Value	VSCO	The New York Stock Exchange

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). Yes ☐ No ☒

As of November 24, 2023, the number of outstanding shares of the Registrant's common stock was 77,434,945 shares.

VICTORIA'S SECRET & CO.

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* Victoria's Secret & Co.'s fiscal year ends on the Saturday nearest to January 31. As used herein, "third quarter of 2023" and "third quarter of 2022" refer to the thirteen-week periods ended October 28, 2023 and October 29, 2022, respectively. "Year-to-date 2023" and "year-to-date 2022" refer to the thirty-nine-week periods ended October 28, 2023 and October 29, 2022, respectively, and "fiscal year 2023" and "fiscal year 2022" refer to the fifty-three-week period ending February 3, 2024 and the fifty-two-week period ended January 28, 2023, respectively.

PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

VICTORIA'S SECRET & CO.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in millions except per share amounts)
(Unaudited)

	Third Quarter		Year-to-Date	
	2023	2022	2023	2022
Net Sales	$ 1,265	$ 1,318	$ 4,099	$ 4,323
Costs of Goods Sold, Buying and Occupancy	(838)	(861)	(2,683)	(2,809)
Gross Profit	427	457	1,416	1,514
General, Administrative and Store Operating Expenses	(494)	(414)	(1,429)	(1,280)
Operating Income (Loss)	(67)	43	(13)	234
Interest Expense	(26)	(15)	(72)	(41)
Other Income (Loss)	—	2	—	(2)
Income (Loss) Before Income Taxes	(93)	30	(85)	191
Provision (Benefit) for Income Taxes	(22)	8	(17)	25
Net Income (Loss)	(71)	22	(68)	166
Less: Net Income (Loss) Attributable to Noncontrolling Interest	—	(2)	4	(9)
Net Income (Loss) Attributable to Victoria's Secret & Co.	$ (71)	$ 24	$ (72)	$ 175
Net Income (Loss) Per Basic Share Attributable to Victoria's Secret & Co.	$ (0.92)	$ 0.30	$ (0.93)	$ 2.12
Net Income (Loss) Per Diluted Share Attributable to Victoria's Secret & Co.	$ (0.92)	$ 0.29	$ (0.93)	$ 2.07

VICTORIA'S SECRET & CO.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)
(Unaudited)

	Third Quarter		Year-to-Date	
	2023	2022	2023	2022
Net Income (Loss)	$ (71)	$ 22	$ (68)	$ 166
Other Comprehensive Income (Loss), Net of Tax:				
Foreign Currency Translation	(2)	(9)	(4)	(10)
Amounts Reclassified from Accumulated Other Comprehensive Income to Paid-in Capital	—	—	—	3
Total Other Comprehensive Loss, Net of Tax	(2)	(9)	(4)	(7)
Total Comprehensive Income (Loss)	(73)	13	(72)	159
Less: Net Income (Loss) Attributable to Noncontrolling Interest	—	(2)	4	(9)
Less: Foreign Currency Translation Attributable to Noncontrolling Interest	(1)	(3)	(2)	(2)
Comprehensive Income (Loss) Attributable to Victoria's Secret & Co.	$ (72)	$ 18	$ (74)	$ 170

The accompanying Notes are an integral part of these Consolidated Financial Statements.

VICTORIA'S SECRET & CO.
CONSOLIDATED BALANCE SHEETS
(in millions except par value amounts)

	October 28, 2023 (Unaudited)	January 28, 2023	October 29, 2022 (Unaudited)
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 124	$ 427	$ 126
Accounts Receivable, Net	139	141	184
Inventories	1,211	1,052	1,242
Other	162	117	157
Total Current Assets	1,636	1,737	1,709
Property and Equipment, Net	871	846	855
Operating Lease Assets	1,311	1,232	1,228
Goodwill	365	365	—
Trade Names	286	289	246
Other Intangible Assets, Net	121	137	—
Deferred Income Taxes	15	18	20
Other Assets	82	87	84
Total Assets	$ 4,687	$ 4,711	$ 4,142
LIABILITIES AND EQUITY			
Current Liabilities:			
Accounts Payable	$ 449	$ 481	$ 397
Accrued Expenses and Other	625	737	618
Current Debt	4	4	4
Current Operating Lease Liabilities	288	310	305
Income Taxes	2	47	8
Total Current Liabilities	1,368	1,579	1,332
Deferred Income Taxes	60	53	59
Long-term Debt	1,530	1,271	1,244
Long-term Operating Lease Liabilities	1,279	1,201	1,207
Other Long-term Liabilities	212	206	48
Total Liabilities	4,449	4,310	3,890
Shareholders' Equity:			
Preferred Stock — $0.01 par value; 10 shares authorized; 0 shares issued and outstanding	—	—	—
Common Stock — $0.01 par value; 1,000 shares authorized; 77, 80, and 81 shares issued and outstanding, respectively	1	1	1
Paid-in Capital	223	195	187
Accumulated Other Comprehensive Income (Loss)	(1)	1	—
Retained Earnings (Accumulated Deficit)	(3)	186	47
Total Victoria's Secret & Co. Shareholders' Equity	220	383	235
Noncontrolling Interest	18	18	17
Total Equity	238	401	252
Total Liabilities and Equity	$ 4,687	$ 4,711	$ 4,142

The accompanying Notes are an integral part of these Consolidated Financial Statements.

VICTORIA'S SECRET & CO.
CONSOLIDATED STATEMENTS OF EQUITY
(in millions)
(Unaudited)

Third Quarter 2023

	Common Stock								
	Shares Outstanding	Par Value	Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Treasury Stock	Total Victoria's Secret & Co. Equity	Noncontrolling Interest	Total Equity
Balance, July 29, 2023	77	$ 1	$ 210	$ —	$ 68	$ —	$ 279	$ 21	$ 300
Net Loss	—	—	—	—	(71)	—	(71)	—	(71)
Other Comprehensive Loss	—	—	—	(1)	—	—	(1)	(1)	(2)
Total Comprehensive Loss	—	—	—	(1)	(71)	—	(72)	(1)	(73)
Share-based Compensation Expense	—	—	14	—	—	—	14	—	14
Tax Payments related to Share-based Awards	—	—	(1)	—	—	—	(1)	—	(1)
Distribution to Noncontrolling Interest	—	—	—	—	—	—	—	(2)	(2)
Balance, October 28, 2023	77	$ 1	$ 223	$ (1)	$ (3)	$ —	$ 220	$ 18	$ 238

Third Quarter 2022

	Common Stock								
	Shares Outstanding	Par Value	Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total Victoria's Secret & Co. Equity	Noncontrolling Interest	Total Equity
Balance, July 30, 2022	82	$ 1	$ 177	$ 6	$ 65	$ (2)	$ 247	$ 22	$ 269
Net Income (Loss)	—	—	—	—	24	—	24	(2)	22
Other Comprehensive Loss	—	—	—	(6)	—	—	(6)	(3)	(9)
Total Comprehensive Income (Loss)	—	—	—	(6)	24	—	18	(5)	13
Repurchases of Common Stock	(1)	—	—	—	—	(43)	(43)	—	(43)
Treasury Share Retirements	—	—	(3)	—	(42)	45	—	—	—
Share-based Compensation Expense	—	—	12	—	—	—	12	—	12
Tax Payments related to Share-based Awards	—	—	(1)	—	—	—	(1)	—	(1)
Other	—	—	2	—	—	—	2	—	2
Balance, October 29, 2022	81	$ 1	$ 187	$ —	$ 47	$ —	$ 235	$ 17	$ 252

The accompanying Notes are an integral part of these Consolidated Financial Statements.

VICTORIA'S SECRET & CO.
CONSOLIDATED STATEMENTS OF EQUITY
(in millions)
(Unaudited)

Year-to-Date 2023

	Common Stock								
	Shares Outstanding	Par Value	Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Treasury Stock	Total Victoria's Secret & Co. Equity	Noncontrolling Interest	Total Equity
Balance, January 28, 2023	80	$ 1	$ 195	$ 1	$ 186	$ —	$ 383	$ 18	$ 401
Net Income (Loss)	—	—	—	—	(72)	—	(72)	4	(68)
Other Comprehensive Loss	—	—	—	(2)	—	—	(2)	(2)	(4)
Total Comprehensive Income (Loss)	—	—	—	(2)	(72)	—	(74)	2	(72)
Repurchases of Common Stock	(3)	—	—	—	—	(126)	(126)	—	(126)
Treasury Share Retirements	—	—	(9)	—	(117)	126	—	—	—
Share-based Compensation Expense	—	—	41	—	—	—	41	—	41
Tax Payments related to Share-based Awards	(1)	—	(10)	—	—	—	(10)	—	(10)
Distribution to Noncontrolling Interest	—	—	—	—	—	—	—	(2)	(2)
Other	1	—	6	—	—	—	6	—	6
Balance, October 28, 2023	77	$ 1	$ 223	$ (1)	$ (3)	$ —	$ 220	$ 18	$ 238

Year-to-Date 2022

	Common Stock								
	Shares Outstanding	Par Value	Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total Victoria's Secret & Co. Equity	Noncontrolling Interest	Total Equity
Balance, January 29, 2022	85	$ 1	$ 125	$ 5	$ 126	$ —	$ 257	$ —	$ 257
Net Income (Loss)	—	—	—	—	175	—	175	(9)	166
Other Comprehensive Loss	—	—	—	(5)	—	—	(5)	(2)	(7)
Total Comprehensive Income (Loss)	—	—	—	(5)	175	—	170	(11)	159
Sale of Noncontrolling Interest	—	—	17	—	—	—	17	28	45
Repurchases of Common Stock	(5)	—	50	—	—	(264)	(214)	—	(214)
Treasury Share Retirements	—	—	(10)	—	(254)	264	—	—	—
Share-based Compensation Expense	—	—	38	—	—	—	38	—	38
Tax Payments related to Share-based Awards	(1)	—	(40)	—	—	—	(40)	—	(40)
Other	2	—	7	—	—	—	7	—	7
Balance, October 29, 2022	81	$ 1	$ 187	$ —	$ 47	$ —	$ 235	$ 17	$ 252

The accompanying Notes are an integral part of these Consolidated Financial Statements.

VICTORIA'S SECRET & CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

	Year-to-Date	
	2023	**2022**
Operating Activities:		
Net Income (Loss)	$ (68)	$ 166
Adjustments to Reconcile Net Income (Loss) to Net Cash Used for Operating Activities:		
Depreciation and Amortization of Long-lived Assets	216	208
Share-based Compensation Expense	41	38
Amortization of Fair Value Adjustment to Acquired Inventories	22	—
Deferred Income Taxes	7	(3)
Changes in Assets and Liabilities:		
Accounts Receivable	—	(23)
Inventories	(184)	(298)
Accounts Payable, Accrued Expenses and Other	(122)	(229)
Income Taxes	(83)	(131)
Other Assets and Liabilities	(29)	(7)
Net Cash Used for Operating Activities	(200)	(279)
Investing Activities:		
Capital Expenditures	(224)	(125)
Acquisition, Net of Cash Acquired	1	—
Investment in Frankies Bikinis, LLC	—	(18)
Other Investing Activities	—	(7)
Net Cash Used for Investing Activities	(223)	(150)
Financing Activities:		
Borrowings from Asset-based Revolving Credit Facility	405	267
Repayments of Borrowings from Asset-based Revolving Credit Facility	(145)	—
Repurchases of Common Stock	(125)	(214)
Tax Payments related to Share-based Awards	(10)	(40)
Proceeds from Stock Option Exercises	3	4
Payments of Long-term Debt	(3)	(3)
Cash Received from Noncontrolling Interest Partner	—	55
Other Financing Activities	(3)	(2)
Net Cash Provided by Financing Activities	122	67
Effects of Exchange Rate Changes on Cash and Cash Equivalents	(2)	(2)
Net Decrease in Cash and Cash Equivalents	(303)	(364)
Cash and Cash Equivalents, Beginning of Period	427	490
Cash and Cash Equivalents, End of Period	$ 124	$ 126

The accompanying Notes are an integral part of these Consolidated Financial Statements.

VICTORIA'S SECRET & CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business, Basis of Presentation and Summary of Significant Accounting Policies

Description of Business

Victoria’s Secret & Co. (together with its subsidiaries unless the context otherwise requires, the “Company”) is a specialty retailer of women's intimate and other apparel and beauty products marketed under the Victoria’s Secret, PINK and Adore Me brand names. The Company has more than 900 stores in the United States (“U.S.”), Canada and China as well as its own websites, www.VictoriasSecret.com, www.PINK.com and www.AdoreMe.com and other online channels worldwide. Additionally, the Company has more than 440 stores in nearly 70 countries operating under franchise, license and wholesale arrangements. The Company also includes the merchandise sourcing and production function serving the Company and its international partners. The Company operates as a single segment designed to serve customers worldwide seamlessly through stores and online channels.

On December 30, 2022, the Company completed its acquisition of 100% of AdoreMe, Inc. (“Adore Me”), a digitally-native intimates brand. For additional information, see Note 2, “Acquisition.”

In July 2022, the Company announced a new, simplified corporate leadership structure designed to unite the Company's brands, better align its teams with a shifting consumer landscape and enable better execution of its strategy. The restructuring eliminated approximately 160 management roles, or approximately 5% of the Company's home office headcount. In the fourth quarter of 2022 and in the first quarter of 2023, the Company implemented additional restructuring actions to continue to reorganize and improve its organizational structure. For additional information, see Note 4, “Restructuring Activities.”

Fiscal Year

The Company’s fiscal year ends on the Saturday nearest to January 31. As used herein, “third quarter of 2023” and “third quarter of 2022” refer to the thirteen-week periods ended October 28, 2023 and October 29, 2022, respectively. “Year-to-date 2023” and “year-to-date 2022” refer to the thirty-nine-week periods ended October 28, 2023 and October 29, 2022, respectively, and “fiscal year 2023” and “fiscal year 2022” refer to the fifty-three-week period ending February 3, 2024 and the fifty-two-week period ended January 28, 2023, respectively.

Basis of Presentation

The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States (“GAAP”).

Interim Financial Statements

The Consolidated Financial Statements as of and for the periods ended October 28, 2023 and October 29, 2022 are unaudited. These Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 17, 2023.

In the opinion of management, the accompanying Consolidated Financial Statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods.

Seasonality of Business

Due to the seasonal variations in the retail industry, the results of operations for the thirteen-week and thirty-nine week periods ended October 28, 2023 are not necessarily indicative of the results expected for any other interim period or the full fiscal year ending February 3, 2024.

Equity Method Investments

The Company accounts for investments in unconsolidated entities where it exercises significant influence, but does not have control, using the equity method. Under the equity method of accounting, the Company recognizes its share of the investee's net income or loss. Losses are only recognized to the extent the Company has positive carrying value related to the investee. Carrying values are only reduced below zero if the Company has an obligation to provide funding to the investee. The Company’s share of net income or loss of unconsolidated entities from which the Company purchases merchandise or merchandise components is included in Costs of Goods Sold, Buying and Occupancy in the Consolidated Statements of Income (Loss), and the Company's share of net income or loss from all other unconsolidated entities is included in General, Administrative and Store Operating Expenses in the Consolidated Statements of Income (Loss). The Company’s equity method investments are required to be reviewed for impairment when it is determined there may be an other-than-temporary loss in value.

In March 2022, the Company acquired a minority interest in swimwear brand Frankies Bikinis, LLC (“Frankies Bikinis”) in exchange for $18 million. The investment in Frankies Bikinis is accounted for using the equity method of accounting.

The carrying values of equity method investments were $56 million as of October 28, 2023, $56 million as of January 28, 2023 and $52 million as of October 29, 2022. These investments are recorded in Other Assets on the Consolidated Balance Sheets.

Noncontrolling Interest

The Company accounts for investments in entities where it has control over the entity by consolidating the entities' assets, liabilities and results of operations and including them in the Company's Consolidated Financial Statements. The share of the investment not owned by the Company is reflected in Noncontrolling Interest in the Consolidated Balance Sheets. The Company recognizes the share of net income or loss not attributable to the Company in Net Income (Loss) Attributable to Noncontrolling Interest in the Consolidated Statements of Income (Loss). Noncontrolling interest represents the portion of equity interests in a joint venture in China that is not owned by the Company. For additional information, see Note 4, “Restructuring Activities.”

Concentration of Credit Risk

The Company maintains cash and cash equivalents with various major financial institutions. The Company monitors the relative credit standing of financial institutions with whom the Company transacts with and limits the amount of credit exposure with any one entity. As of October 28, 2023, the Company's investment portfolio is primarily comprised of bank deposits.

The Company also periodically reviews the relative credit standing of franchise, license and wholesale partners and other entities to which the Company grants credit terms in the normal course of business. The Company determines the required allowance for expected credit losses using information such as customer credit history and financial condition. Amounts are recorded to the allowance when it is determined that expected credit losses may occur.

Supplier Finance Programs

The Company has agreements with designated third-party financial institutions to provide supplier finance programs which facilitate participating suppliers’ ability to finance payment obligations of the Company. Participating suppliers may finance one or more payment obligations of the Company prior to their scheduled due dates and receive a discounted payment from participating financial institutions. The Company’s obligations to its suppliers, including amounts due and scheduled payment dates, are not impacted by suppliers’ decisions to finance amounts under these arrangements. All amounts payable to financial institutions relating to suppliers participating in these programs are recorded in Accounts Payable in the Consolidated Balance Sheets and were $154 million as of October 28, 2023, $213 million as of January 28, 2023 and $140 million as of October 29, 2022.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates, and the Company revises its estimates and assumptions as new information becomes available.

Recently Issued Accounting Pronouncements

The Company did not adopt any new accounting standards during the third quarter of 2023 that had a material impact on the Company's results of operations, financial position or cash flows. In addition, there are no new accounting standards not yet adopted that are expected to have a material impact on the Company's results of operations, financial position or cash flows.

2. Acquisition

On December 30, 2022, the Company completed the acquisition of 100% of Adore Me. Adore Me is a direct-to-consumer lingerie and apparel brand with technology driven commerce service and a series of innovation-driven products. The acquisition creates the opportunity for the Company to leverage Adore Me's expertise and technology to continue to improve the Victoria's Secret and PINK customer shopping experience and accelerate the modernization of the Company's digital platform.

Under the terms of the definitive agreement setting forth the terms and conditions of the acquisition (the “Merger Agreement”), the Company made an upfront cash payment of $391 million at closing and will pay further cash consideration in an aggregate amount of at least $80 million, consisting of a fixed payment to be made on or prior to January 15, 2025, and up to $300 million based on the performance of Adore Me and achievement of specified strategic objectives and certain EBITDA and net revenue goals within the two-year period following closing of the transaction. Under the terms of the Merger Agreement, up to $60 million of the further cash consideration is subject to the continued employment of a certain Adore Me employee (“Contingent Compensation Payments”). These Contingent Compensation Payments are not included as consideration when applying the acquisition method of accounting and are recognized as compensation expense within General, Administrative and Store Operating Expenses in the Consolidated Statements of Income (Loss) if and when earned in future periods.

The total consideration when applying the acquisition method of accounting was initially $537 million, net of $22 million of cash acquired. The gross consideration as of the acquisition date of $559 million consisted of $391 million in cash paid at closing, $98 million which represented the fair value of the contingent cash consideration as of the acquisition date and $70 million which represented the fair value of the future fixed payment as of the acquisition date. During the second quarter of 2023, the Company received $1 million in cash for the final working capital settlement, which decreased the total consideration of the acquisition to $536 million.

The Company accounted for the acquisition of Adore Me using the acquisition method of accounting. Assets acquired and liabilities assumed have been recorded based on their preliminary fair values, and as a result, the estimates and assumptions are subject to change. The Company is still in the process of finalizing the valuation estimates and final purchase price allocation which includes potential adjustments related to amounts allocated to intangible assets. The Company expects to complete this process no later than twelve months after the closing of the acquisition. Year-to-date 2023, the Company recorded certain measurement period adjustments based on additional information, primarily related to assumed deferred income tax liabilities, assumed accrued expenses and other liabilities and acquired accounts receivable, resulting in a $2 million increase to Deferred Income Tax Liabilities, a $2 million decrease to Accrued Expenses and Other and a $1 million decrease to Accounts Receivable. The measurement period adjustments had an offsetting impact to Goodwill.

The following is a preliminary purchase price allocation of assets acquired and liabilities assumed as of December 30, 2022 related to the Adore Me acquisition:

	Initial Allocation	Measurement Period Adjustments	Adjusted Allocation
		(in millions)	
Accounts Receivable	$ 1	$ (1)	$ —
Inventories	105	—	105
Other Current Assets	7	—	7
Property and Equipment, Net	12	—	12
Operating Lease Assets	5	—	5
Goodwill	365	—	365
Trade Name	43	—	43
Other Intangible Assets	137	—	137
Other Assets	1	—	1
Accounts Payable	17	—	17
Accrued Expenses and Other	88	(2)	86
Current Operating Lease Liabilities	2	—	2
Deferred Income Tax Liabilities	21	2	23
Long-term Operating Lease Liabilities	3	—	3
Other Long-term Liabilities	8	—	8
Net Assets Acquired and Liabilities Assumed	**$ 537**	**$ (1)**	**$ 536**

The following table represents the definite-lived intangible assets acquired, the preliminary fair values and respective useful lives:

	Useful Life	Preliminary Fair Value (in millions)
Customer Relationships	7 years	$ 81
Developed Technology	6 years	56
Trade Name	10 years	43
Total Definite-Lived Intangible Assets		**$ 180**

The Company used the multi-period excess earnings method to value the customer relationships intangible assets and the relief from royalty method to value the developed technology and trade name intangible assets. The significant assumptions used to estimate the fair value of customer relationships included forecasted revenues, customer attrition rates and a discount rate. The significant assumptions used to estimate the fair value of developed technology and the trade name included forecasted revenues, royalty rates and a discount rate. These significant assumptions are forward-looking and could be affected by future economic and market conditions. The estimated weighted-average useful life was 7.4 years for definite-lived intangible assets.

Goodwill was calculated as the difference between the acquisition date fair value of the consideration transferred and the fair value of net assets recognized for Adore Me, and represents the future economic benefits, including synergies, and assembled workforce, that are expected to be achieved as a result of the consummation of the acquisition of Adore Me. The goodwill arising from the acquisition is not expected to be deductible for tax purposes.

The Company consolidates Adore Me's financial information on an approximate one-month reporting lag. Accordingly, given the acquisition closing date of December 30, 2022, the operating results of Adore Me for the period subsequent to the acquisition date are recorded in the Company's consolidated financial statements beginning in 2023.

In the third quarter and year-to-date 2023, the Company recognized the financial impact of purchase accounting items and additional acquisition-related costs, including recognition in gross profit of the fair value adjustment to acquired inventories as it is sold, recognition of changes in the estimated fair value of contingent consideration and Contingent Compensation Payments, as well as amortization of acquired intangible assets. During the third quarter of 2023, the Company recognized total related costs of $8 million, including $7 million in Costs of Goods Sold, Buying and Occupancy and $1 million in Interest Expense. Year-to-date 2023, the Company recognized total related costs of $49 million, including $22 million in Costs of Goods Sold, Buying and Occupancy, $24 million in General, Administrative and Store Operating Expenses and $3 million in Interest Expense. See Note 12, "Fair Value of Financial Instruments" for further information on the contingent consideration. The deferred consideration liability for the future fixed payment is included within Other Long-term Liabilities in the Consolidated Balance Sheets and was $74 million as of October 28, 2023 and $71 million as of January 28, 2023.

3. Revenue Recognition

Accounts receivable, net from revenue-generating activities were $102 million as of October 28, 2023, $101 million as of January 28, 2023 and $133 million as of October 29, 2022. Accounts receivable primarily relate to amounts due from the Company's franchise, license and wholesale partners. Under these arrangements, payment terms are typically 60 to 90 days.

The Company records deferred revenue when cash payments are received in advance of transfer of control of goods or services. Deferred revenue primarily relates to gift cards, loyalty and credit card programs and direct channel shipments, which are all impacted by seasonal and holiday-related sales patterns. Deferred revenue was $283 million as of October 28, 2023, $309 million as of January 28, 2023 and $229 million as of October 29, 2022. The Company recognized $109 million as revenue year-to-date 2023 from amounts recorded as deferred revenue at the beginning of the year. As of October 28, 2023, the Company recorded deferred revenue of $267 million within Accrued Expenses and Other, and $16 million within Other Long-term Liabilities on the Consolidated Balance Sheet.

The following table provides a disaggregation of Net Sales for the third quarter and year-to-date 2023 and 2022:

	Third Quarter		Year-to-Date	
	2023	2022	2023	2022
	(in millions)			
Stores – North America (a)	$ 723	$ 813	$ 2,326	$ 2,712
Direct (a)	382	342	1,281	1,176
International (b)	160	163	492	435
Total Net Sales	**$ 1,265**	**$ 1,318**	**$ 4,099**	**$ 4,323**

(a) Results in 2023 include Adore Me sales.
(b) Results include consolidated joint venture sales in China, royalties associated with franchised stores and wholesale sales.

The Company has a Victoria's Secret and PINK multi-tender loyalty program along with a co-branded credit card and U.S. private label credit card through which customers can earn points on purchases of Victoria's Secret and PINK product and through the co-branded credit card can earn points on purchases outside of the Company. A third-party financing company is the sole owner of the credit card accounts and underwrites the credit issued under the credit card programs. Revenue earned in connection with the Company's credit card arrangements with the third-party is primarily recognized based on credit card sales and usage.

The Company recognized Net Sales of $20 million and $29 million in the third quarter of 2023 and 2022, respectively, related to revenue earned in connection with its credit card arrangements. The Company recognized Net Sales of $66 million and $85 million year-to-date 2023 and 2022, respectively, related to revenue earned in connection with its credit card arrangements.

The Company’s international net sales include sales from Company-operated stores, royalty revenue from franchise and license arrangements, wholesale revenues and direct sales shipped internationally. Certain of these sales are subject to the impact of fluctuations in foreign currency. The Company’s net sales outside of the U.S. totaled $205 million and $211 million for the third quarter of 2023 and 2022, respectively. The Company’s net sales outside of the U.S. totaled $637 million and $594 million year-to-date 2023 and 2022, respectively.

4. Restructuring Activities

Organizational Restructuring

In the first quarter of 2023, the Company implemented additional restructuring actions to continue to reorganize and improve its organizational structure. As a result, pre-tax severance and related costs of $11 million, of which $8 million are included in General, Administrative and Store Operating Expenses and $3 million are included in Costs of Goods Sold, Buying and Occupancy, are included in the Year-to-Date 2023 Consolidated Statement of Loss.

During the second quarter and fourth quarter of 2022, the Company implemented restructuring actions to reorganize and improve its organizational structure. As a result of the restructuring actions in the second quarter of 2022, the Company incurred pre-tax severance and related costs of $29 million, of which $16 million are included in General, Administrative and Store Operating Expenses and $13 million are included in Costs of Goods Sold, Buying and Occupancy in the 2022 Consolidated Statements of Income. As a result of the restructuring actions in the fourth quarter of 2022, the Company incurred pre-tax severance and related costs of $6 million, of which $5 million are included in General, Administrative and Store Operating Expenses and $1 million are included in Costs of Goods Sold, Buying and Occupancy.

Year-to-date 2023, the Company made payments of $14 million related to severance and related costs associated with these reductions. As of October 28, 2023, liabilities, after accrual adjustments, related to these restructuring activities of $9 million are included in the October 28, 2023 Consolidated Balance Sheet.

Victoria's Secret China

In April 2022, the Company announced the completion of the joint venture agreement with Regina Miracle International (Holdings) Limited (“Regina Miracle”), a company listed on the Hong Kong Stock Exchange, related to its existing Company-owned business in China. The Company and Regina Miracle formed a joint venture to operate Victoria's Secret stores and the related online business in China. Under the terms of the agreement, the Company owns 51% of the joint venture and Regina Miracle owns the remaining 49%. The Company received $45 million in cash from Regina Miracle during the first quarter of 2022 as consideration for its investment in the joint venture. In connection with the execution of the agreement, the Company and Regina Miracle each contributed $10 million in cash to the joint venture. The cash received from Regina Miracle is reflected within Cash Received from Noncontrolling Interest Partner in the 2022 Consolidated Statement of Cash Flows.

Since the Company has retained control over the joint venture, the joint venture's assets, liabilities and results of operations will continue to be consolidated in the Company's consolidated financial statements. Regina Miracle's interest in the joint venture is now reflected in Noncontrolling Interest in the Consolidated Balance Sheets and in Net Income (Loss) Attributable to Noncontrolling Interest in the Consolidated Statements of Income (Loss).

5. Earnings (Loss) Per Share and Shareholders' Equity

Earnings (Loss) Per Share

Earnings (loss) per basic share is computed based on the weighted-average number of common shares outstanding. Earnings (loss) per diluted share include the weighted-average effect of dilutive restricted stock units, performance share units and options (collectively, "Dilutive Awards") on the weighted-average shares outstanding.

The following table provides the weighted-average shares utilized for the calculation of basic and diluted earnings (loss) per share for the third quarter and year-to-date 2023 and 2022:

	Third Quarter		Year-to-Date	
	2023	2022	2023	2022
	(in millions)			
Common Shares	77	81	78	83
Treasury Shares	—	—	—	—
Basic Shares	**77**	**81**	**78**	**83**
Effect of Dilutive Awards (a)(b)	—	2	—	2
Diluted Shares	**77**	**83**	**78**	**85**
Anti-dilutive Awards (a)	5	2	5	1

(a) Shares underlying certain restricted stock units, performance share units and options were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

(b) For the third quarter and year-to-date 2023, shares underlying outstanding restricted stock units, performance share units and options were excluded from dilutive shares as a result of the Company's net loss for the periods.

Shareholders' Equity

Common Stock Share Repurchases & Treasury Stock Retirements

Fiscal Year 2023

January 2023 Share Repurchase Program

In January 2023, the Company's Board of Directors approved a share repurchase program ("January 2023 Share Repurchase Program"), authorizing the repurchase of up to $250 million of the Company's common stock. The $250 million authorization is expected to be utilized to repurchase shares in the open market or as otherwise authorized by the Board of Directors, subject to market conditions and other factors. The January 2023 Share Repurchase Program began upon completion of the March 2022 Share Repurchase Program and will continue until exhausted, but no later than the end of fiscal year 2023.

In February 2023, as part of the January 2023 Share Repurchase Program, the Company entered into an accelerated share repurchase agreement ("ASR Agreement") with Goldman Sachs & Co. LLC ("Goldman Sachs") to repurchase $125 million of the Company's common stock. In February 2023, the Company made an initial payment of $125 million to Goldman Sachs and received an initial delivery of 2.4 million shares of the Company's common stock. As a result of the initial share delivery, there was an additional $1 million increase in Treasury Stock, which reflects the excise tax liability recorded related to the share repurchase in accordance with the Inflation Reduction Act of 2022.

In May 2023, upon final settlement of the ASR Agreement, the Company received an additional 1.3 million shares of the Company's common stock from Goldman Sachs. The final number of shares received was based on the volume-weighted average price of the Company's common stock during the term of the ASR Agreement, less a discount and subject to adjustments pursuant to the terms of the ASR Agreement.

The Company repurchased the following shares of its common stock under the January 2023 Share Repurchase Program during year-to-date 2023:

	Amount Authorized (in millions)	Shares Repurchased (in thousands)	Amount Repurchased (in millions)	Average Stock Price
January 2023 Share Repurchase Program	$ 250	3,652	$ 125	$ 34.22

As of October 28, 2023, the Company was authorized to repurchase up to $125 million of the Company's common stock under the January 2023 Share Repurchase Program.

In accordance with the Board of Directors' resolution, shares repurchased under the January 2023 Share Repurchase Program were immediately retired. As a result, the Company retired the 3.7 million shares repurchased in connection with the settlement of the ASR Agreement year-to-date 2023. The retirement resulted in a reduction of $126 million in Treasury Stock, less than $1 million in the par value of Common Stock, $9 million in Paid-in Capital and $117 million in Retained Earnings (Accumulated Deficit) year-to-date 2023.

Fiscal Year 2022

March 2022 Share Repurchase Program

In March 2022, the Company's Board of Directors approved a share repurchase program (“March 2022 Share Repurchase Program”), providing for the repurchase of up to $250 million of the Company's common stock. The $250 million authorization was utilized in fiscal year 2022 to repurchase shares in the open market, subject to market conditions and other factors.

The Company repurchased the following shares of its common stock under the March 2022 Share Repurchase Program during year-to-date 2022:

	Amount Authorized (in millions)	Shares Repurchased (in thousands)	Amount Repurchased (in millions)	Average Stock Price
March 2022 Share Repurchase Program	$ 250	5,104	$ 214	$ 41.91

In accordance with the Board of Directors' resolution, shares of the Company's common stock repurchased under the March 2022 Share Repurchase Program were retired upon repurchase. As a result, year-to-date 2022 the Company retired 5.1 million shares repurchased under the March 2022 Share Repurchase Program, which resulted in reductions of less than $1 million in the par value of Common Stock, $10 million in Paid-in Capital and $204 million in Retained Earnings.

December 2021 Accelerated Share Repurchase Agreement

In February 2022, upon final settlement of the Company's December 2021 accelerated share repurchase agreement (“December 2021 ASR Agreement”) with Goldman Sachs, the Company received an additional 0.3 million shares of the Company's common stock from Goldman Sachs. The delivery of shares resulted in an immediate reduction of the outstanding shares used to calculate the weighted-average common shares outstanding for basic and diluted net income per share. In connection with the settlement of the December 2021 ASR Agreement, $50 million previously recorded in Paid-in Capital as of January 29, 2022, was reclassified to Treasury Stock in the first quarter of 2022. In February 2022, the Company immediately retired the additional 0.3 million shares repurchased in connection with the settlement of the December 2021 ASR Agreement. The retirement resulted in a reduction of $50 million in Treasury Stock, less than $1 million in the par value of Common Stock, less than $1 million in Paid-in Capital and nearly $50 million in Retained Earnings.

6. Inventories

The following table provides details of Inventories as of October 28, 2023, January 28, 2023 and October 29, 2022:

	October 28, 2023	January 28, 2023	October 29, 2022
		(in millions)	
Finished Goods Merchandise	$ 1,159	$ 997	$ 1,186
Raw Materials and Merchandise Components	52	55	56
Total Inventories	**$ 1,211**	**$ 1,052**	**$ 1,242**

Inventories are principally valued at the lower of cost or net realizable value, on an average cost basis. The above amounts are net of valuation adjustments for inventory where the cost exceeds the amount the Company expects to realize from the ultimate sale or disposal of the inventory and net of loss adjustments for estimated physical inventory losses that have occurred since the date of the last physical inventory.

7. Long-Lived Assets

The following table provides details of Property and Equipment, Net as of October 28, 2023, January 28, 2023 and October 29, 2022:

	October 28, 2023	January 28, 2023	October 29, 2022
		(in millions)	
Property and Equipment, at Cost	$ 3,654	$ 3,716	$ 3,684
Accumulated Depreciation and Amortization	(2,783)	(2,870)	(2,829)
Property and Equipment, Net	**$ 871**	**$ 846**	**$ 855**

Depreciation expense was $65 million and $68 million for the third quarter of 2023 and 2022, respectively. Depreciation expense was $197 million and $208 million for year-to-date 2023 and 2022, respectively.

8. Intangible Assets

Goodwill

The Company's goodwill was established as a result of the acquisition of Adore Me on December 30, 2022. For additional information, see Note 2, “Acquisition.” Prior to the acquisition of Adore Me, the Company did not have any goodwill.

The following table shows the change in the carrying value of goodwill:

	(in millions)
Balance, January 28, 2023	**$ 365**
Adjustments (a)	—
Balance, October 28, 2023	**$ 365**

(a) Includes offsetting measurement period adjustments related to the acquisition of Adore Me. For additional information, see Note 2, “Acquisition.”

Trade Name - Indefinite-Lived

The Victoria's Secret trade name, an indefinite-lived intangible asset, was $246 million as of October 28, 2023, January 28, 2023 and October 29, 2022, respectively.

Definite-Lived Intangible Assets

The Company's definite-lived intangible assets were established as a result of the acquisition of Adore Me. Prior to the acquisition of Adore Me, the Company did not have any definite-lived intangible assets.

The following table provides details of the gross carrying amount and accumulated amortization of the Company's definite-lived intangible assets as of October 28, 2023 and January 28, 2023:

	October 28, 2023	January 28, 2023
	(in millions)	
Gross Definite-Lived Intangible Assets		
Customer Relationships	$ 81	$ 81
Developed Technology	56	56
Adore Me Trade Name	43	43
Total Gross Definite-Lived Intangible Assets	$ 180	$ 180
Accumulated Amortization		
Customer Relationships	$ (9)	$ —
Developed Technology	(7)	—
Adore Me Trade Name	(3)	—
Total Accumulated Amortization	(19)	—
Total Definite-Lived Intangible Assets, Net	**$ 161**	**$ 180**

Amortization expense for intangible assets was $6 million and $19 million for the third quarter of 2023 and year-to-date 2023, respectively. There was no amortization expense recorded related to these definite-lived intangible assets in fiscal year 2022.

9. Accrued Expenses and Other

The following table provides additional information about the composition of Accrued Expenses and Other as of October 28, 2023, January 28, 2023 and October 29, 2022:

	October 28, 2023	January 28, 2023	October 29, 2022
		(in millions)	
Deferred Revenue on Gift Cards	$ 213	$ 238	$ 168
Compensation, Payroll Taxes and Benefits	103	105	112
Deferred Revenue on Loyalty and Credit Card Programs	43	40	30
Taxes, Other than Income	39	40	21
Accrued Marketing	37	37	38
Accrued Interest	19	7	13
Contingent Consideration Related to Adore Me Acquisition	16	30	—
Returns Reserve	14	22	15
Accrued Freight and Other Logistics	11	16	23
Deferred Revenue on Direct Shipments not yet Delivered	11	13	12
Accrued Claims on Self-insured Activities	10	8	6
Rent	5	63	62
Other	104	118	118
Total Accrued Expenses and Other	**$ 625**	**$ 737**	**$ 618**

10. Income Taxes

The provision (benefit) for income taxes is based on the current estimate of the annual effective tax rate and is adjusted as necessary for quarterly events.

For the third quarter of 2023, the Company’s effective tax rate was 24.1% compared to 25.0% in the third quarter of 2022. The third quarter of 2023 rate differed from the Company’s combined estimated federal and state statutory rate primarily due to foreign earnings taxed at a lower rate than the Company’s combined federal and state statutory rate. The third quarter of 2022 rate was consistent with the Company’s combined federal and state statutory rate.

For year-to-date 2023, the Company’s effective tax rate was 20.6% compared to 13.2% for year-to-date 2022. The year-to-date 2023 rate differed from the Company's combined estimated federal and state statutory rate primarily due to non-deductible liabilities related to contingent consideration and Contingent Compensation Payments. The year-to-date 2022 rate was lower than the Company’s combined estimated federal and state statutory rate primarily due to the recognition of excess tax benefits related to share-based compensation awards that vested in the respective period.

The Company paid income taxes in the amount of $6 million and $18 million for the third quarter of 2023 and 2022, respectively. Year-to-date income taxes paid were $65 million and $158 million for 2023 and 2022, respectively.

11. Long-term Debt and Borrowing Facilities

The following table provides the Company's outstanding Long-term Debt balance, net of unamortized debt issuance costs and discounts and any current portion, as of October 28, 2023, January 28, 2023 and October 29, 2022:

	October 28, 2023	January 28, 2023	October 29, 2022
		(in millions)	
Senior Secured Debt with Subsidiary Guarantee			
$392 million Term Loan due August 2028 ("Term Loan Facility")	$ 385	$ 387	$ 388
Asset-based Revolving Credit Facility due August 2026 ("ABL Facility")	555	295	267
Total Senior Secured Debt with Subsidiary Guarantee	940	682	655
Senior Debt with Subsidiary Guarantee			
$600 million, 4.625% Fixed Interest Rate Notes due July 2029 ("2029 Notes")	594	593	593
Total Senior Debt with Subsidiary Guarantee	594	593	593
Total	1,534	1,275	1,248
Current Debt	(4)	(4)	(4)
Total Long-term Debt, Net of Current Portion	**$ 1,530**	**$ 1,271**	**$ 1,244**

Cash paid for interest was $54 million and $29 million for year-to-date 2023 and year-to-date 2022, respectively.

Credit Facilities

In September 2023, the Company entered into a delayed draw term loan, secured by certain real estate assets owned by the Company, to increase available liquidity in consideration of potential seasonal working capital needs. The delayed draw term loan has a maximum borrowing capacity of $75 million and any amounts borrowed will mature in December 2023. As of December 1, 2023, the Company has not drawn any amounts under this term loan. During the third quarter of 2023 and year-to-date 2023, fees incurred in relation to this delayed draw term loan were $1 million and are being amortized over the life of the delayed draw term loan through the maturity date.

On August 2, 2021, the Company entered into a term loan B credit facility in an aggregate principal amount of $400 million, which will mature in August 2028. The discounts and issuance costs from the Term Loan Facility are being amortized through the maturity date and are included within Long-term Debt on the Consolidated Balance Sheets. Commencing in December 2021, the Company is required to make quarterly principal payments on the Term Loan Facility in an amount equal to 0.25% of the original principal amount of $400 million. The Company made principal payments for the Term Loan Facility of $1 million during both the third quarter of 2023 and the third quarter of 2022 and $3 million during both year-to-date 2023 and year-to-date 2022.

In May 2023, the Company amended its Term Loan Facility to allow for an early transition to using the Term Secured Overnight Financing Rate ("Term SOFR") as the applicable reference rate to calculate interest instead of the London Interbank Offered Rate ("LIBOR"). Prior to the amendment, interest under the Term Loan Facility was calculated by reference to LIBOR or an alternative base rate, plus an interest rate margin equal to (i) in the case of LIBOR loans, 3.25% and (ii) in the case of alternate base rate loans, 2.25%. The LIBOR rate applicable to the Term Loan Facility was subject to a floor of 0.50%. In accordance with the amendment, interest on Term SOFR loans under the Term Loan Facility is now calculated by reference to Term SOFR, plus an interest rate margin ranging from 3.36% to 3.68%. The obligation to pay principal and interest on the loans under the Term Loan Facility is jointly and severally guaranteed on a full and unconditional basis by certain of the Company's wholly-owned domestic subsidiaries. The loans under the Term Loan Facility are secured on a first-priority lien basis by certain assets of the Company and guarantors that do not constitute priority collateral of the ABL Facility and on a second-priority lien basis by priority collateral of the ABL Facility, subject to customary exceptions. As of October 28, 2023, the interest rate on the loans under the Term Loan Facility was 8.90%.

On August 2, 2021, the Company also entered into a senior secured asset-based revolving credit facility. The ABL Facility allows for borrowings and letters of credit in U.S. dollars or Canadian dollars and has aggregate commitments of $750 million and an expiration date of August 2026. The availability under the ABL Facility is the lesser of (i) the borrowing base, determined primarily based on the Company's eligible U.S. and Canadian credit card receivables, eligible accounts receivable, eligible inventory and eligible real property, and (ii) the aggregate commitment. In May 2023, the Company amended its ABL Facility to allow for an early transition to using Term SOFR as the applicable reference rate to calculate interest instead of LIBOR. Prior to the amendment, interest on the loans under the ABL Facility was calculated by reference to (i) LIBOR or an alternative base rate and (ii) in the case of loans denominated in Canadian dollars, Canadian Dollar Offered Rate (“CDOR”) or a Canadian base rate, plus an interest rate margin based on average daily excess availability ranging from (x) in the case of LIBOR and CDOR loans, 1.50% to 2.00% and (y) in the case of alternate base rate loans and Canadian base rate loans, 0.50% to 1.00%. In accordance with the amendment, interest on Term SOFR loans under the ABL Facility is now calculated by reference to Term SOFR, plus an interest rate margin based on average daily excess availability ranging from 1.60% to 2.10%. Unused commitments under the ABL Facility accrue an unused commitment fee ranging from 0.25% to 0.30%. The obligation to pay principal and interest on the loans under the ABL Facility is jointly and severally guaranteed on a full and unconditional basis by certain of the Company's wholly-owned domestic and Canadian subsidiaries. The loans under the ABL Facility are secured on a first-priority lien basis by the Company's eligible U.S. and Canadian credit card receivables, eligible accounts receivable, eligible inventory and eligible real property and on a second-priority lien basis on substantially all other assets of the Company, subject to customary exceptions.

Year-to-date 2023, the Company borrowed $405 million and made payments of $145 million under the ABL Facility. As of October 28, 2023, there were borrowings of $555 million outstanding under the ABL Facility and the interest rate on the borrowings was 7.58%. The Company had $19 million of outstanding letters of credit as of October 28, 2023 that further reduced its availability under the ABL Facility. As of October 28, 2023, the Company's remaining availability under the ABL Facility was $176 million.

Subsequent to the end of the third quarter of 2023 and as of November 30, 2023, borrowings of $464 million remained outstanding under the ABL Facility.

The Company's long-term debt and borrowing facilities contain certain financial and other covenants, including, but not limited to, the maintenance of financial ratios. The 2029 Notes and the Term Loan Facility include the maintenance of a consolidated coverage ratio and a consolidated total leverage ratio, and the ABL Facility includes the maintenance of a fixed charge coverage ratio and a debt to earnings before interest, income taxes, depreciation, amortization and rent (“EBITDAR”) ratio. The financial covenants could, within specific predefined circumstances, limit the Company's ability to incur additional indebtedness, make certain investments, pay dividends or repurchase shares. As of October 28, 2023, the Company was in compliance with all covenants under its long-term debt and borrowing facilities.

The Company elected the optional expedient under Accounting Standards Update No. 2020-04, *Reference Rate Reform*, in connection with amending its Term Loan Facility and ABL Facility agreements to replace the reference rate from LIBOR to Term SOFR to consider the amendments as a continuation of the existing contract without having to perform an assessment that would otherwise be required under GAAP.

12. Fair Value of Financial Instruments

Cash and Cash Equivalents include cash on hand, deposits with financial institutions and highly liquid investments with original maturities of 90 days or less. The Company's Cash and Cash Equivalents are considered Level 1 fair value measurements as they are valued using unadjusted quoted prices in active markets for identical assets.

The following table provides a summary of the principal value and estimated fair value of the Company's outstanding debt as of October 28, 2023, January 28, 2023 and October 29, 2022:

	October 28, 2023	January 28, 2023	October 29, 2022
		(in millions)	
Principal Value	$ 992	$ 995	$ 996
Fair Value, Estimated (a)	830	894	870

(a) The estimated fair value of the Company’s publicly traded debt is based on reported transaction prices which are considered Level 2 inputs in accordance with ASC 820, *Fair Value Measurement*. The estimates presented are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Management believes that the carrying values of accounts receivable, accounts payable and accrued expenses approximate fair value because of their short maturity. Management further believes the principal value of the outstanding debt under the ABL Facility approximates its fair value as of October 28, 2023 based on the terms of the borrowings from the ABL Facility.

Recurring Fair Value Measurements

The following tables provide a summary of the Company's contingent consideration recognized at fair value related to the Adore Me acquisition as of October 28, 2023 and January 28, 2023 (in millions):

Balance Sheet Location	October 28, 2023	Level 1	Level 2	Level 3
Accrued Expenses and Other	$ 16	$ —	$ —	$ 16
Other Long-term Liabilities	71	—	—	71

Balance Sheet Location	January 28, 2023	Level 1	Level 2	Level 3
Accrued Expenses and Other	$ 30	$ —	$ —	$ 30
Other Long-term Liabilities	70	—	—	70

The estimated fair value of the contingent consideration is valued using a Scenario-Based method and a Monte Carlo simulation which utilize inputs including discount rates, estimated probability of achievement of certain milestones, forecasted revenues, forecasted EBITDA and volatility rates. These are considered Level 3 inputs in accordance with ASC 820, *Fair Value Measurement*. Changes in the fair value of the contingent consideration are recorded within General, Administrative and Store Operating Expenses on the Consolidated Statements of Income (Loss). For additional information regarding the contingent consideration, see Note 2, "Acquisition."

13. Comprehensive Income (Loss)

The following table provides the rollforward of accumulated other comprehensive income (loss) attributable to Victoria's Secret & Co. for year-to-date 2023:

	Foreign Currency Translation	Accumulated Other Comprehensive Income (Loss)
	(in millions)	
Balance as of January 28, 2023	$ 1	$ 1
Other Comprehensive Loss Before Reclassifications	(2)	(2)
Tax Effect	—	—
Current-period Other Comprehensive Loss	(2)	(2)
Balance as of October 28, 2023	$ (1)	$ (1)

The following table provides the rollforward of accumulated other comprehensive income attributable to Victoria's Secret & Co. for year-to-date 2022:

	Foreign Currency Translation	Accumulated Other Comprehensive Income (Loss)
	(in millions)	
Balance as of January 29, 2022	$ 5	$ 5
Other Comprehensive Loss Before Reclassifications	(8)	(8)
Amounts Reclassified from Accumulated Other Comprehensive Income to Paid-in Capital	3	3
Tax Effect	—	—
Current-period Other Comprehensive Loss	(5)	(5)
Balance as of October 29, 2022	$ —	$ —

As a result of the China joint venture agreement completed in April 2022, the Company reclassified $3 million of accumulated foreign currency translation adjustments related to the joint venture out of Accumulated Other Comprehensive Income and into Paid-in Capital in the first quarter of 2022 in order to reflect the amount attributable to the noncontrolling interest partner. For additional information see Note 4, "Restructuring Activities."

14. Commitments and Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes, insurance and other matters arising out of the normal course of business. Actions filed against the Company from time to time include commercial, tort, intellectual property, customer, employment, data privacy and other claims, including purported class action lawsuits. Management believes that the ultimate liability arising from such claims and contingencies, if any, is not likely to have a material adverse effect on the Company's results of operations, financial condition or cash flows.

Occupancy-related Legal Matter

The Company was a tenant of portions of a building known as Two Herald Square, New York, New York (the "Premises") pursuant to an Agreement of Lease dated August 22, 2001 (the "Lease") with Herald Square Owner LLC (the "Landlord"). On February 20, 2021, the Company surrendered the Premises to the Landlord. On February 16, 2021, the Landlord filed a Motion for Partial Summary Judgment seeking treble holdover damages against the Company for the period commencing June 9, 2020 through February 20, 2021, the date on which the Company vacated and surrendered the Premises. By an order dated July 21, 2021, the court granted the Landlord's motion and awarded it damages in an amount equal to three times the aggregate of the rents and charges payable under the Lease during the last month of the term of the Lease. On August 6, 2021, judgment was entered against the Company in the amount of $23 million. On September 15, 2021, the Landlord filed a Motion for Partial Summary Judgment seeking treble holdover damages against the Company for the period commencing February 21, 2021 through September 30, 2021. By an order dated April 22, 2022, the court granted the Landlord's motion and awarded it damages in an amount equal to three times the aggregate amount of the rents and charges payable under the Lease during the last month of the term of the Lease. On May 9, 2022, judgment was entered against the Company in the amount of $22 million. The Company appealed both judgments; on March 2, 2023, the appellate court issued a denial of the appeals. During the first quarter of 2023, the Company paid the Landlord for the judgment amount in full.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

We caution that any forward-looking statements (as such term is defined in the U.S. Private Securities Litigation Reform Act of 1995) contained in this report or made by us, our management, or our spokespeople involve risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. Accordingly, our future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements, and any future performance or financial results expressed or implied by such forward-looking statements are not guarantees of future performance. Forward-looking statements include, without limitation, statements regarding our future operating results, the implementation and impact of our strategic plans, and our ability to meet environmental, social, and governance goals. Words such as "estimate," "commit," "will," "target," "goal," "project," "plan," "believe," "seek," "strive," "expect," "anticipate," "intend," "potential" and any similar expressions are intended to identify forward-looking statements. Risks associated with the following factors, among others, could affect our financial performance and cause actual results to differ materially from those expressed or implied in any forward-looking statements:

- the spin-off from our Former Parent may not be tax-free for U.S. federal income tax purposes;
- we may not realize all of the expected benefits of the spin-off;
- general economic conditions, inflation and changes in consumer confidence and consumer spending patterns;
- market disruptions including pandemics or significant health hazards, severe weather conditions, natural disasters, terrorist activities, financial crises, political crises or other major events, or the prospect of these events;
- difficulties arising from turnover in company leadership or other key positions;
- our ability to attract, develop and retain qualified associates and manage labor-related costs;
- our dependence on mall traffic and the availability of suitable store locations on appropriate terms;
- our ability to successfully operate and expand internationally and related risks;
- our independent franchise, license, wholesale, and joint venture partners;
- our direct channel business;
- our ability to protect our reputation and the image of our brands;
- our ability to attract customers with marketing, advertising and promotional programs;
- the highly competitive nature of the retail industry and the segments in which we operate;
- consumer acceptance of our products and our ability to manage the life cycle of our brands, keep up with fashion trends, develop new merchandise and launch new product lines successfully;
- our ability to realize the potential benefits and synergies sought with the acquisition of Adore Me;
- our ability to incorporate artificial intelligence into our business operations successfully and ethically while effectively managing the associated risks;
- our ability to source, distribute and sell goods and materials on a global basis, including risks related to:
  - political instability, environmental hazards or natural disasters;
  - significant health hazards or pandemics;
  - legal and regulatory matters;
  - delays or disruptions in shipping and transportation and related pricing impacts; and
  - disruption due to labor disputes;
- our geographic concentration of vendor and distribution facilities in central Ohio and Southeast Asia;
- the ability of our vendors to deliver products in a timely manner, meet quality standards and comply with applicable laws and regulations;
- fluctuations in freight, product input and energy costs, including those caused by inflation;
- our and our third-party service providers' ability to implement and maintain information technology systems and to protect associated data and system availability;
- our ability to maintain the security of customer, associate, third-party and company information;
- stock price volatility;
- shareholder activism matters;
- our ability to maintain our credit rating;
- our ability to comply with regulatory requirements; and

- legal, tax, trade and other regulatory matters.

Except as may be required by law, we assume no obligation and do not intend to make publicly available any update or other revisions to any of the forward-looking statements contained in this report to reflect circumstances existing after the date of this report or to reflect the occurrence of future events, even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized. Additional information regarding these and other factors can be found in “Item 1A. Risk Factors” in our 2022 Annual Report on Form 10-K filed with the SEC on March 17, 2023.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The following information should be read in conjunction with our financial statements and the related notes included in Item 1. Financial Statements.

Executive Overview

Victoria’s Secret is an iconic global brand of women’s intimate and other apparel, personal care and beauty products. We sell our products through three brands, Victoria’s Secret, PINK and Adore Me. Victoria’s Secret is a category-defining global lingerie brand with a leading market position and a rich, over 45-year history of serving women across the globe. PINK is a lifestyle brand for the college-oriented customer, built around a strong intimates core. We also sell beauty products under both the Victoria’s Secret and PINK brands. Adore Me is a technology-led, digital first innovative intimates brand serving women of all sizes and budgets at all phases of life. Together, Victoria’s Secret, PINK, Victoria’s Secret Beauty and Adore Me support, inspire and celebrate women through every phase of their life.

Victoria’s Secret, PINK and Adore Me merchandise is sold online through e-commerce platforms, through retail stores located in the U.S., Canada and China, and through international stores and websites operated by partners under franchise, license, wholesale and joint venture arrangements. We have a presence in nearly 70 countries and we believe we benefit from global brand awareness, a wide and compelling product assortment and a powerful, deep connection with our customers.

In the third quarter of 2023, our operating loss was $67 million compared to operating income of $43 million in the third quarter of 2022, and our operating income (loss) rate (expressed as a percentage of net sales) was (5.3%) compared to 3.2% last year. The operating income (loss) decrease in the third quarter of 2023 compared to the third quarter of 2022 was primarily driven by an increase in general, administrative and store operating expense and a decrease in net sales and gross profit. Net sales decreased $53 million, or 4%, to $1.265 billion compared to $1.318 billion in the third quarter of 2022 and comparable sales decreased 7% in the third quarter of 2023. Our North American store sales decreased $90 million, to $723 million compared to $813 million in the third quarter of 2022, primarily driven by a decrease in traffic, average unit retail (which we define as the average price per unit purchased) and conversion (which we define as the percentage of customers who visit our stores and make a purchase) in the quarter compared to the third quarter of 2022. Our direct channel sales increased by 12%, or $40 million, to $382 million compared to $342 million in the third quarter of 2022, driven by the inclusion of Adore Me sales in our results beginning in fiscal year 2023. On a comparable basis, our direct channel sales decrease was driven by a decrease in average unit retail and traffic compared to the third quarter of 2022.

Despite a macro environment that remained challenging on the customer, we continue to focus on our strategic growth plan and the three priorities of our strategy: accelerating our core, igniting growth and transforming the foundation. We are committed to optimizing our performance in the current challenging environment by focusing on what is within our control, and we are confident in our strategic growth plan and remain committed to delivering long-term sustainable value for our shareholders.

For additional information related to our third quarter of 2023 financial performance, see “Results of Operations.”

Financial Impacts of the Adore Me Acquisition

We consolidate Adore Me's financial information on an approximate one-month reporting lag. Accordingly, given the acquisition closing date of December 30, 2022, the operating results of Adore Me for the period subsequent to the acquisition date are recorded in our results beginning in 2023.

In the third quarter and year-to-date 2023, we recognized the financial impact of purchase accounting items and additional acquisition-related costs, including recognition in gross profit of the fair value adjustment to acquired inventories as it is sold, recognition of changes in the estimated fair value of contingent consideration and Contingent Compensation Payments, as well as amortization of acquired intangible assets. For additional information, see Note 2, “Acquisition.”

Non-GAAP Financial Information

In addition to our results provided in accordance with GAAP above and throughout this Form 10-Q, provided below are non-GAAP financial measures that present operating income (loss), net income (loss) attributable to Victoria's Secret & Co. and net income (loss) per diluted share attributable to Victoria's Secret & Co. on an adjusted basis, which remove certain special items. We believe that these special items are not indicative of our ongoing operations due to their size and nature. The intangible asset amortization excluded from these non-GAAP financial measures is excluded because the amortization, unlike the related revenue, is not affected by operations of any particular period unless an intangible asset becomes impaired or the estimated useful life of an intangible asset is revised. We use adjusted financial information as key performance measures of results of operations for the purpose of evaluating performance internally. These non-GAAP measurements are not intended to replace the presentation of our financial results in accordance with GAAP. Instead, we believe that the presentation of adjusted financial information provides additional information to investors to facilitate the comparison of past and present operations. Further, our definition of adjusted financial information may differ from similarly titled measures used by other companies. The table below reconciles the GAAP financial measures to the non-GAAP financial measures.

	Third Quarter		Year-to-Date	
(in millions, except per share amounts)	**2023**	**2022**	**2023**	**2022**
Reconciliation of Reported to Adjusted Operating Income (Loss)				
Reported Operating Income (Loss) - GAAP	$ (67)	$ 43	$ (13)	$ 234
Adore Me Acquisition-related Items (a)	1	—	26	—
Amortization of Intangible Assets (b)	6	—	19	—
Restructuring Charges (c)	—	—	11	29
Occupancy-related Legal Matter (d)	—	—	—	22
Adjusted Operating Income (Loss)	$ (60)	$ 43	$ 43	$ 285
Reconciliation of Reported to Adjusted Net Income (Loss) Attributable to Victoria's Secret & Co.				
Reported Net Income (Loss) Attributable to Victoria's Secret & Co. - GAAP	$ (71)	$ 24	$ (72)	$ 175
Adore Me Acquisition-related Items (a)	2	—	30	—
Amortization of Intangible Assets (b)	6	—	19	—
Restructuring Charges (c)	—	—	11	29
Occupancy-related Legal Matter (d)	—	—	—	22
Tax Effect of Adjusted Items	(3)	—	(13)	(13)
Adjusted Net Income (Loss) Attributable to Victoria's Secret & Co.	$ (66)	$ 24	$ (25)	$ 213
Reconciliation of Reported to Adjusted Net Income (Loss) Per Diluted Share Attributable to Victoria's Secret & Co.				
Reported Net Income (Loss) Per Diluted Share Attributable to Victoria's Secret & Co. - GAAP	$ (0.92)	$ 0.29	$ (0.93)	$ 2.07
Adore Me Acquisition-related Items (a)	—	—	0.31	—
Amortization of Intangible Assets (b)	0.06	—	0.18	—
Restructuring Charges (c)	—	—	0.11	0.26
Occupancy-related Legal Matter (d)	—	—	—	0.19
Adjusted Net Income (Loss) Per Diluted Share Attributable to Victoria's Secret & Co.	$ (0.86)	$ 0.29	$ (0.33)	$ 2.52

(a) In the third quarter of 2023, we recognized a pre-tax charge of $2 million ($1 million after-tax) within net loss, $7 million included in costs of goods sold, buying and occupancy expense and $1 million included in interest expense, partially offset by $6 million income included in general, administrative and store operating expense, related to the financial impact of purchase accounting items related to the acquisition of Adore Me. Year-to-date 2023, we recognized pre-tax charges of $30 million ($24 million after-tax) within net loss, $22 million included in costs of goods sold, buying and occupancy expense, $5 million included in general, administrative and store operating expense and $3 million included in interest expense, related to the financial impact of purchase accounting items and professional service costs related to the acquisition of Adore Me. For additional information, see Note 2, “Acquisition” included in Item 1. Financial Statements.

(b) In the third quarter of 2023, we recognized $6 million of amortization expense ($5 million after-tax) included in general, administrative and store operating expense related to the acquisition of Adore Me. Year-to-date 2023, we recognized $19 million ($14 million after-tax) included in general, administrative and store operating expense related to the acquisition of Adore Me. For additional information, see Note 2, "Acquisition" and Note 8, "Intangible Assets" included in Item 1. Financial Statements.

(c) In the first quarter of 2023, we recognized a pre-tax charge of $11 million ($8 million after-tax), $8 million included in general, administrative and store operating expense and $3 million included in buying and occupancy expense, related to restructuring activities to continue to reorganize and improve our organizational structure. In the second quarter of 2022, we recognized a pre-tax charge of $29 million ($22 million after-tax), $16 million included in general, administrative and store operating expense and $13 million included in buying and occupancy expense, related to restructuring activities to reorganize our leadership structure. For additional information, see Note 4, "Restructuring Activities" included in Item 1. Financial Statements.

(d) In the first quarter of 2022, we recognized a pre-tax charge of $22 million ($16 million after-tax), included in buying and occupancy expense, related to a legal matter with a landlord regarding a high-profile store that we surrendered to the landlord prior to our separation from the Former Parent. For additional information, see Note 14, "Commitments and Contingencies" included in Item 1. Financial Statements.

Store Data

The following table compares the third quarter of 2023 U.S. company-operated store data to the third quarter of 2022 and year-to-date 2023 to year-to-date 2022:

	Third Quarter			Year-to-Date		
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
Sales per Average Selling Square Foot (a)	$ 122	$ 136	(10 %)	$ 391	$ 456	(14 %)
Sales per Average Store (in thousands) (a)	$ 833	$ 945	(12 %)	$ 2,681	$ 3,158	(15 %)
Average Store Size (selling square feet)	6,833	6,919	(1 %)			
Total Selling Square Feet (in thousands)	5,610	5,618	— %			

(a) Sales per average selling square foot and sales per average store, which are indicators of store productivity, are calculated based on store sales for the period divided by the average, including the beginning and end of period, of total square footage and store count, respectively.

The following table represents store data for year-to-date 2023:

	Stores at January 28, 2023	**Opened**	**Closed**	**Stores at October 28, 2023**
Company-Operated:				
U.S.	812	12	(9)	815
Canada	25	—	(1)	24
Subtotal Company-Operated	837	12	(10)	839
China Joint Venture:				
Beauty & Accessories (a)	39	2	(6)	35
Full Assortment	33	2	(1)	34
Subtotal China Joint Venture	72	4	(7)	69
Partner-Operated:				
Beauty & Accessories	308	13	(24)	297
Full Assortment	135	23	(9)	149
Subtotal Partner-Operated	443	36	(33)	446
Adore Me	6	—	—	6
Total	**1,358**	**52**	**(50)**	**1,360**

(a) Includes fourteen partner-operated stores as of October 28, 2023.

The following table represents store data for year-to-date 2022:

	Stores at January 29, 2022	Opened	Closed	Reclassed to Joint Venture	Stores at October 29, 2022
Company-Operated:					
U.S.	808	11	(7)	—	812
Canada	26	—	—	—	26
Subtotal Company-Operated	834	11	(7)	—	838
China Joint Venture:					
Beauty & Accessories (a)	35	2	(6)	8	39
Full Assortment	30	2	(1)	—	31
Subtotal China Joint Venture	65	4	(7)	8	70
Partner-Operated:					
Beauty & Accessories	335	10	(30)	(8)	307
Full Assortment	128	16	(8)	—	136
Subtotal Partner-Operated	463	26	(38)	(8)	443
Total	**1,362**	**41**	**(52)**	**—**	**1,351**

(a) Includes nine partner-operated stores as of October 29, 2022.

Results of Operations

Third Quarter of 2023 Compared to Third Quarter of 2022

Operating Income (Loss)

For the third quarter of 2023, operating income (loss) decreased $110 million, to an operating loss of $67 million, compared to operating income of $43 million in the third quarter of 2022, and the operating income (loss) rate (expressed as a percentage of net sales) decreased to (5.3%) from 3.2%. The drivers of the operating income (loss) results are discussed in the following sections.

Net Sales

The following table provides net sales for the third quarter of 2023 in comparison to the third quarter of 2022:

Third Quarter	2023	2022	% Change
	(in millions)		
Stores – North America (a)	$ 723	$ 813	(11 %)
Direct (a)	382	342	12 %
International (b)	160	163	(2 %)
Total Net Sales	**$ 1,265**	**$ 1,318**	**(4 %)**

(a) Results for the third quarter of 2023 include Adore Me sales.
(b) Results include consolidated joint venture sales in China, royalties associated with franchised stores and wholesale sales.

The following table provides a reconciliation of net sales from the third quarter of 2022 to the third quarter of 2023:

		(in millions)
2022 Net Sales	$	1,318
Comparable Store Sales		(78)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net (a)		(3)
Direct Channels (a)(b)		56
Credit Card Programs		(9)
International Wholesale, Royalty and Sourcing		(17)
Foreign Currency Translation		(2)
2023 Net Sales	**$**	**1,265**

(a) Results for the third quarter of 2023 include Adore Me sales.
(b) Results include consolidated joint venture direct sales in China.

The following table compares the third quarter of 2023 comparable sales to the third quarter of 2022:

	2023	2022
Comparable Sales (Stores and Direct) (a)	(7 %)	(11 %)
Comparable Store Sales (a)	(11 %)	(10 %)

(a) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. The change in comparable sales provides an indication of period over period growth (decline). A store is typically included in the calculation of comparable sales when it has been open 12 months or more and it has not had a change in selling square footage of 20% or more. Closed stores are excluded from the comparable sales calculation if they have been closed for four consecutive days or more. Upon re-opening, the stores are included in the calculation. Additionally, stores are excluded if total selling square footage in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales is calculated on a comparable calendar period as opposed to a fiscal basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.

Net sales in the third quarter of 2023 decreased $53 million, or 4%, to $1.265 billion compared to $1.318 billion in the third quarter of 2022.

In the stores channel, our North America net sales decreased $90 million, or 11%, to $723 million compared to the third quarter of 2022 driven by a decrease in traffic, average unit retail and conversion in the quarter compared to the third quarter of 2022.

In the direct channel, net sales increased $40 million, or 12%, to $382 million, driven by the inclusion of Adore Me sales in our results beginning in fiscal year 2023. On a comparable basis, our direct channel sales decrease was driven by a decrease in average unit retail and traffic compared to the third quarter of 2022.

In the international channel, net sales decreased $3 million, or 2%, to $160 million compared to the third quarter of 2022. Increases in net sales in the third quarter of 2023 compared to the third quarter of 2022 related to net sales in China and royalties earned associated with franchised stores and online sales in many countries outside of North America were offset by a decrease in net sales related to sourcing sales to our partners.

Gross Profit

For the third quarter of 2023, our gross profit decreased $30 million compared to the third quarter of 2022 to $427 million, and our gross profit rate (expressed as a percentage of net sales) decreased to 33.8% from 34.7%.

The decrease in gross profit dollars was primarily due to the decrease in merchandise margin dollars driven by the decrease in net sales and the increase in targeted promotional activity, partially offset by a decrease in supply chain costs compared to the third quarter of 2022. Buying and occupancy expenses were higher compared to the third quarter of 2022, primarily driven by the inclusion of Adore Me buying and occupancy expenses in the current year. Additionally, the decrease in gross profit dollars was driven by the partial recognition in gross profit of the inventory fair value step-up adjustment related to acquired inventory from Adore Me.

The gross profit rate decrease was driven by deleverage in buying and occupancy expenses in the quarter as a result of the decrease in sales compared to the third quarter of 2022.

General, Administrative and Store Operating Expenses

For the third quarter of 2023, our general, administrative and store operating expenses increased $80 million, or 19%, compared to the third quarter of 2022 to $494 million. The increase in general, administrative and store operating expenses compared to the third quarter of 2022 was primarily due to strategic marketing investments including the Victoria's Secret World Tour, the inclusion of Adore Me general, administrative and store operating expenses beginning in fiscal year 2023 and technology investments to enhance our digital business.

The general, administrative and store operating expense rate (expressed as a percentage of net sales) increased to 39.1% from 31.5% due to strategic marketing investments including the Victoria's Secret World Tour, deleverage driven by the decrease in sales compared to the third quarter of 2022 and the inclusion of Adore Me general, administrative and store operating expenses beginning in fiscal year 2023.

Interest Expense

For the third quarter of 2023, our interest expense increased $11 million to $26 million compared to the third quarter of 2022, primarily driven by the increase in our outstanding debt due to the borrowings from the ABL Facility and a higher average borrowing rate for our Term Loan Facility.

Provision (Benefit) for Income Taxes

For the third quarter of 2023, the Company's effective tax rate was 24.1% compared to 25.0% in the third quarter of 2022. The third quarter of 2023 rate differed from the Company's combined estimated federal and state statutory rate primarily due to foreign earnings taxed at a lower rate than the Company's combined federal and state statutory rate. The third quarter of 2022 rate was consistent with the Company's combined federal and state statutory rate.

Results of Operations

Year-to-Date 2023 Compared to Year-to-Date 2022

Operating Income (Loss)

For year-to-date 2023, operating income (loss) decreased $247 million, to an operating loss of $13 million, compared to operating income of $234 million year-to-date 2022, and the operating income (loss) rate (expressed as a percentage of net sales) decreased to (0.3%) from 5.4%. The drivers of the operating income (loss) results are discussed in the following sections.

Net Sales

The following table provides net sales for year-to-date 2023 in comparison to year-to-date 2022:

Year-to-Date	2023	2022	% Change
	(in millions)		
Stores – North America (a)	$ 2,326	$ 2,712	(14 %)
Direct (a)	1,281	1,176	9 %
International (b)	492	435	13 %
Total Net Sales	**$ 4,099**	**$ 4,323**	**(5 %)**

(a) Results for year-to-date 2023 include Adore Me sales.
(b) Results include consolidated joint venture sales in China, royalties associated with franchised stores and wholesale sales.

The following table provides a reconciliation of net sales from year-to-date 2022 to year-to-date 2023:

		(in millions)
2022 Net Sales	$	4,323
Comparable Store Sales		(322)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net (a)		(36)
Direct Channels (a)(b)		158
Credit Card Programs		(19)
International Wholesale, Royalty and Sourcing		5
Foreign Currency Translation		(10)
2023 Net Sales	**$**	**4,099**

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(a) Results for year-to-date 2023 include Adore Me sales.
(b) Results include consolidated joint venture direct sales in China.

The following table compares year-to-date 2023 comparable sales to year-to-date 2022:

	2023	2022
Comparable Sales (Stores and Direct) (a)	(10 %)	(9 %)
Comparable Store Sales (a)	(13 %)	(7 %)

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(a) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. The change in comparable sales provides an indication of period over period growth (decline). A store is typically included in the calculation of comparable sales when it has been open 12 months or more and it has not had a change in selling square footage of 20% or more. Closed stores are excluded from the comparable sales calculation if they have been closed for four consecutive days or more. Upon re-opening, the stores are included in the calculation. Additionally, stores are excluded if total selling square footage in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales is calculated on a comparable calendar period as opposed to a fiscal basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.

Net sales year-to-date 2023 decreased $224 million, or 5%, to $4.099 billion compared to $4.323 billion year-to-date 2022.

In the stores channel year-to-date 2023, our North America net sales decreased $386 million, or 14%, to $2.326 billion, compared to year-to-date 2022 driven by a decrease in traffic which was down compared to year-to-date 2022. Our North American store sales were also impacted by decreases in average unit retail and conversion compared to year-to-date 2022.

In the direct channel, net sales increased $105 million, or 9%, to $1.281 billion, driven by the inclusion of Adore Me sales in our results beginning in fiscal year 2023. On a comparable basis, our direct channel sales decrease was driven by a decrease in average unit retail, conversion and traffic compared to year-to-date 2022.

In the international channel, net sales increased $57 million, or 13%, to $492 million compared to year-to-date 2022, as stores and online sales increased in many countries outside of North America driven by new full assortment store growth, comparable store sales growth driven in part by increased traffic and strong e-commerce performance, as well as positive customer acceptance of our product assortment.

Gross Profit

For year-to-date 2023, our gross profit decreased $98 million to $1.416 billion, and our gross profit rate (expressed as a percentage of net sales) decreased to 34.6% from 35.0%.

The decrease in gross profit dollars was primarily due to the decrease in merchandise margin dollars driven by the decrease in net sales and the increase in promotional activity, partially offset by a decrease in supply chain costs compared to year-to-date 2022. Buying and occupancy expenses were down compared to year-to-date 2022, primarily driven by a legal reserve of $22 million related to a landlord matter in the first quarter of 2022 and restructuring charges of $13 million in the second quarter of 2022, partially offset by the inclusion of Adore Me buying and occupancy expenses beginning in fiscal year 2023. Additionally, the decrease in gross profit dollars was driven by the partial recognition in gross profit of the inventory fair value step-up adjustment related to acquired inventory from Adore Me.

The gross profit rate decrease was primarily driven by increased promotional activity and deleverage in buying and occupancy expenses as a result of the decrease in net sales compared to year-to-date 2022, partially offset by a decrease in supply chain costs compared to year-to-date 2022.

General, Administrative and Store Operating Expenses

For year-to-date 2023, our general, administrative and store operating expenses increased $149 million, or 12%, to $1.429 billion. The increase in general, administrative and store operating expenses compared to year-to-date 2022 was primarily due to the inclusion of Adore Me general, administrative and store operating expenses beginning in fiscal year 2023 and strategic marketing investments including the Victoria’s Secret World Tour in fiscal year 2023. The increase in general, administrative and store operating expenses in 2023 was also due to the amortization of intangible assets acquired from Adore Me of $19 million, recognition of $8 million of restructuring charges to continue to reorganize and improve our organizational structure in the first quarter of 2023, partially offset by restructuring charges of $16 million in the second quarter of 2022 and lower store selling expenses in the current year due to improvements in our labor model.

The general, administrative and store operating expense rate (expressed as a percentage of net sales) increased to 34.9% from 29.6% due to the inclusion of Adore Me general, administrative and store operating expenses beginning in fiscal year 2023, deleverage driven by the decrease in sales compared to 2022 and strategic marketing investments including the Victoria’s Secret World Tour.

Interest Expense

For year-to-date 2023, our interest expense increased $31 million to $72 million compared to year-to-date 2022, primarily driven by the increase in our outstanding debt due to the borrowings from the ABL Facility and a higher average borrowing rate for our Term Loan Facility.

Provision (Benefit) for Income Taxes

For year-to-date 2023, the Company’s effective tax rate was 20.6% compared to 13.2% year-to-date 2022. The year-to-date 2023 rate differed from the Company’s combined estimated federal and state statutory rate primarily due to non-deductible liabilities related to contingent consideration and Contingent Compensation Payments. The year-to-date 2022 rate was lower than the Company’s combined estimated federal and state statutory rate primarily due to the recognition of excess tax benefits related to share-based compensation awards that vested in the respective period.

FINANCIAL CONDITION

Liquidity and Capital Resources

Liquidity, or access to cash, is an important factor in determining our financial stability. We are committed to maintaining adequate liquidity. Cash generated from our operating activities provides the primary resources to support current operations, growth initiatives, seasonal funding requirements and capital expenditures. Our cash provided by (used for) operations is impacted by our net income (loss) and working capital changes. Our net income (loss) is impacted by, among other things, sales volume, seasonal sales patterns, success of new product introductions, profit margins and income taxes. Historically, sales are higher during the fourth quarter of the fiscal year due to seasonal and holiday-related sales patterns. Generally, our need for working capital peaks during the summer and fall months as inventory builds in anticipation of the holiday period.

Our ability to fund our operating needs is primarily dependent upon our ability to continue to generate positive cash flow from operations, as well as borrowing capacity under our ABL Facility, which we rely on to supplement cash generated by our operating activities, particularly when our need for working capital peaks in the summer and fall months as discussed above. Management believes that our cash balances and funds provided by operating activities, along with the borrowing capacity under our ABL Facility, taken as a whole, provide (i) adequate liquidity to meet all of our current and long-term obligations when due, (ii) adequate liquidity to fund capital expenditures, and (iii) flexibility to consider investment opportunities that may arise. However, certain investment opportunities or seasonal funding requirements may require us to seek additional debt or equity financing, and there can be no assurances that we will be able to obtain additional debt or equity financing on acceptable terms, if at all, in the future.

We expect to utilize our cash flows to continue to invest in our brands, talent and capabilities, and growth strategies as well as to repay our indebtedness over time. We believe that our available short-term and long-term capital resources are sufficient to fund our working capital and other cash flow requirements over the next 12 months.

Working Capital and Capitalization

Based upon our cash balances and funds provided by operating activities, along with the borrowing capacity under our ABL Facility, we believe we will be able to continue to meet our working capital needs.

The following table provides a summary of our working capital position and capitalization as of October 28, 2023, January 28, 2023 and October 29, 2022:

	October 28, 2023	January 28, 2023	October 29, 2022
		(in millions)	
Net Cash Provided by (Used for) Operating Activities (a)	$ (200)	$ 437	$ (279)
Capital Expenditures (a)	224	164	125
Working Capital	268	158	377
Capitalization:			
Long-term Debt	1,530	1,271	1,244
Victoria's Secret & Co. Shareholders' Equity	220	383	235
Total Capitalization	$ 1,750	$ 1,654	$ 1,479
Amounts Available Under the ABL Facility (b)	$ 176	$ 259	$ 441

(a) The October 28, 2023 and October 29, 2022 amounts represent thirty-nine-week periods and the January 28, 2023 amounts represent a fifty-two-week period.

(b) For the reporting period ended October 28, 2023, the availability under the ABL Facility was limited to the maximum aggregate commitment amount of $750 million, less outstanding borrowings of $555 million and letters of credit of $19 million. For the reporting period ended January 28, 2023, the availability was limited by our borrowing base of $596 million, less outstanding borrowings of $295 million and letters of credit of $42 million. For the reporting period ended October 29, 2022, the availability under the ABL Facility was limited to the maximum aggregate commitment amount of $750 million, less outstanding borrowings of $267 million and letters of credit of $42 million.

Cash Flow

The following table provides a summary of our cash flow activity for year-to-date 2023 and 2022:

	Year-to-Date	
	2023	2022
	(in millions)	
Cash and Cash Equivalents, Beginning of Period	$ 427	$ 490
Net Cash Flows Used for Operating Activities	(200)	(279)
Net Cash Flows Used for Investing Activities	(223)	(150)
Net Cash Flows Provided by Financing Activities	122	67
Effects of Exchange Rate Changes on Cash and Cash Equivalents	(2)	(2)
Net Decrease in Cash and Cash Equivalents	(303)	(364)
Cash and Cash Equivalents, End of Period	$ 124	$ 126

Operating Activities

Net cash used for operating activities reflects net income (loss) adjusted for non-cash items, including depreciation and amortization, share-based compensation expense and deferred tax expense, as well as changes in working capital. Net cash used for operating activities year-to-date 2023 was $200 million, an increase in net cash flows from operating activities of $79 million compared to year-to-date 2022. The increase in net cash flows from operating activities year-to-date 2023 was primarily driven by lower operating cash outflows associated with working capital changes, partially offset by lower net income (loss). The most significant working capital driver resulting in the increase in operating cash flows this year compared to last year was the timing of payments related to the increased inventory levels last year, which were primarily driven by modal mix changes and longer in-transit shipment times. The other significant working capital driver resulting in the increase in operating cash flows this year is related to income taxes paid of $65 million year-to-date 2023 compared to $158 million paid year-to-date 2022.

Investing Activities

Net cash used for investing activities year-to-date 2023 was $223 million, consisting primarily of capital expenditures of $224 million. The capital expenditures were primarily related to our store capital program and investments in technology related to our strategic initiatives to drive growth and technology investments relating to separation activities from our Former Parent.

Net cash used for investing activities year-to-date 2022 was $150 million, consisting primarily of capital expenditures of $125 million and our $18 million investment in Frankies Bikinis. The capital expenditures were primarily related to our store capital program, along with investments in technology, distribution and logistics to support our retail capabilities.

We are estimating capital expenditures to be approximately $255 million for fiscal year 2023. We expect that capital expenditures during fiscal year 2023 will be primarily focused on our store capital program along with investments in technology related to our strategic initiatives to drive growth and technology investments relating to separation activities from our Former Parent.

Financing Activities

Net cash provided by financing activities year-to-date 2023 was $122 million, consisting primarily of borrowings of $405 million from the ABL Facility, partially offset by $145 million of repayments under the ABL Facility and $125 million of share repurchases.

Net cash provided by financing activities year-to-date 2022 was $67 million, consisting primarily of $267 million of borrowings from the ABL Facility and $55 million of cash received from Regina Miracle in connection with the joint venture agreement completed in the first quarter of 2022. Those proceeds were partially offset by $214 million of share repurchases and $40 million of payments for taxes on share-based compensation awards issued.

Common Stock Share Repurchases & Treasury Stock Retirements

Our Board of Directors determines share repurchase authorizations, giving consideration to our levels of profit and cash flows, capital requirements, current and forecasted liquidity, the restrictions placed upon us by our borrowing arrangements and the Tax Matters Agreement with the Former Parent, as well as financial and other conditions existing at the time. We use cash flows generated from operating activities to fund our share repurchase programs. Once authorized by our Board of Directors, the timing and amount of any share repurchases are made at our discretion, taking into account a number of factors, including market conditions.

Fiscal Year 2023

January 2023 Share Repurchase Program

In January 2023, our Board of Directors approved the January 2023 Share Repurchase Program, authorizing the repurchase of up to $250 million of our common stock. The $250 million authorization is expected to be utilized to repurchase shares in the open market or as otherwise authorized by the Board of Directors, subject to market conditions and other factors. The January 2023 Share Repurchase Program began upon completion of the March 2022 Share Repurchase Program and will continue until exhausted, but no later than the end of fiscal year 2023.

In February 2023, as part of the January 2023 Share Repurchase Program, we entered into the ASR Agreement with Goldman Sachs to repurchase $125 million of our common stock. In February 2023, we made an initial payment of $125 million to Goldman Sachs and received an initial delivery of 2.4 million shares of our common stock. As a result of the initial share delivery, there was an additional $1 million increase in Treasury Stock, which reflects the excise tax liability recorded related to the share repurchase in accordance with the Inflation Reduction Act of 2022.

In May 2023, upon final settlement of the ASR Agreement, we received an additional 1.3 million shares of our common stock from Goldman Sachs. The final number of shares received was based on the volume-weighted average price of our common stock during the term of the ASR Agreement, less a discount and subject to adjustments pursuant to the terms of the ASR Agreement.

We repurchased the following shares of our common stock under the January 2023 Share Repurchase Program during year-to-date 2023:

	Amount Authorized (in millions)	Shares Repurchased (in thousands)	Amount Repurchased (in millions)	Average Stock Price
January 2023 Share Repurchase Program	$ 250	3,652	$ 125	$ 34.22

As of October 28, 2023, we were authorized to repurchase up to $125 million of our common stock under the January 2023 Share Repurchase Program.

In accordance with the Board of Directors' resolution, shares repurchased under the January 2023 Share Repurchase Program were immediately retired. As a result, we retired the 3.7 million shares repurchased in connection with the settlement of the ASR Agreement year-to-date 2023. The retirement resulted in a reduction of $126 million in Treasury Stock, less than $1 million in the par value of Common Stock, $9 million in Paid-in Capital and $117 million in Retained Earnings (Accumulated Deficit) year-to-date 2023.

Fiscal Year 2022

March 2022 Share Repurchase Program

In March 2022, our Board of Directors approved the March 2022 Share Repurchase Program, providing for the repurchase of up to $250 million of our common stock. The $250 million authorization was utilized in fiscal year 2022 to repurchase shares in the open market, subject to market conditions and other factors.

We repurchased the following shares of its common stock under the March 2022 Share Repurchase Program during year-to-date 2022:

	Amount Authorized (in millions)	Shares Repurchased (in thousands)	Amount Repurchased (in millions)	Average Stock Price
March 2022 Share Repurchase Program	$ 250	5,104	$ 214	$ 41.91

In accordance with the Board of Directors' resolution, shares of our common stock repurchased under the March 2022 Share Repurchase Program were retired upon repurchase. As a result, year-to-date 2022 we retired 5.1 million shares repurchased under the March 2022 Share Repurchase Program, which resulted in reductions of less than $1 million in the par value of Common Stock, $10 million in Paid-in Capital and $204 million in Retained Earnings.

December 2021 ASR Agreement

In February 2022, upon final settlement of our December 2021 ASR Agreement with Goldman Sachs, we received an additional 0.3 million shares of our common stock from Goldman Sachs. The delivery of shares resulted in an immediate reduction of the outstanding shares used to calculate the weighted-average common shares outstanding for basic and diluted net income per share. In connection with the settlement of the December 2021 ASR Agreement, $50 million previously recorded in Paid-in Capital as of January 29, 2022, was reclassified to Treasury Stock in the first quarter of 2022. In February 2022, we immediately retired the additional 0.3 million shares repurchased in connection with the settlement of the December 2021 ASR Agreement. The retirement resulted in a reduction of $50 million in Treasury Stock, less than $1 million in the par value of Common Stock, less than $1 million in Paid-in Capital and nearly $50 million in Retained Earnings.

Dividend Policy and Procedures

We have not paid any cash dividends since becoming an independent, publicly traded company. We cannot guarantee that we will pay a dividend in the future or continue to pay any dividends if and when we commence paying dividends. The declaration and amount of any dividends to holders of our common stock will be at the discretion of our Board of Directors and will depend upon many factors, including our financial condition, earnings, cash flows, capital requirements of our business, covenants associated with our debt obligations, legal requirements, regulatory constraints, industry practice and any other factors the Board of Directors deems relevant. We would use cash flow generated from operating and financing activities to fund our dividends.

Long-term Debt and Borrowing Facilities

The following table provides our outstanding Long-term Debt balance, net of unamortized debt issuance costs and discounts and any current portion, as of October 28, 2023, January 28, 2023 and October 29, 2022:

	October 28, 2023	January 28, 2023	October 29, 2022
		(in millions)	
Senior Secured Debt with Subsidiary Guarantee			
$392 million Term Loan due August 2028 ("Term Loan Facility")	$ 385	$ 387	$ 388
Asset-based Revolving Credit Facility due August 2026 ("ABL Facility")	555	295	267
Total Senior Secured Debt with Subsidiary Guarantee	940	682	655
Senior Debt with Subsidiary Guarantee			
$600 million, 4.625% Fixed Interest Rate Notes due July 2029 ("2029 Notes")	594	593	593
Total Senior Debt with Subsidiary Guarantee	594	593	593
Total	1,534	1,275	1,248
Current Debt	(4)	(4)	(4)
Total Long-term Debt, Net of Current Portion	**$ 1,530**	**$ 1,271**	**$ 1,244**

Cash paid for interest was $54 million and $29 million for year-to-date 2023 and year-to-date 2022, respectively.

Credit Facilities

In September 2023, we entered into a delayed draw term loan, secured by certain real estate assets owned by us, to increase available liquidity in consideration of potential seasonal working capital needs. The delayed draw term loan has a maximum borrowing capacity of $75 million and any amounts borrowed will mature in December 2023. As of December 1, 2023, we have not drawn any amounts under this term loan. During the third quarter of 2023 and year-to-date 2023, fees incurred in relation to this delayed draw term loan were $1 million and are being amortized over the life of the delayed draw term loan through the maturity date.

On August 2, 2021, we entered into a term loan B credit facility in an aggregate principal amount of $400 million, which will mature in August 2028. The discounts and issuance costs from the Term Loan Facility are being amortized through the maturity date and are included within Long-term Debt on the Consolidated Balance Sheets. Commencing in December 2021, we are required to make quarterly principal payments on the Term Loan Facility in an amount equal to 0.25% of the original principal amount of $400 million. We made principal payments for the Term Loan Facility of $1 million during both the third quarter of 2023 and the third quarter of 2022 and $3 million during both year-to-date 2023 and year-to-date 2022.

In May 2023, we amended our Term Loan Facility to allow for an early transition to using Term SOFR as the applicable reference rate to calculate interest instead of LIBOR. Prior to the amendment, interest under the Term Loan Facility was calculated by reference to the LIBOR or an alternative base rate, plus an interest rate margin equal to (i) in the case of LIBOR loans, 3.25% and (ii) in the case of alternate base rate loans, 2.25%. The LIBOR rate applicable to the Term Loan Facility was subject to a floor of 0.50%. In accordance with the amendment, interest on Term SOFR loans under the Term Loan Facility is now calculated by reference to Term SOFR, plus an interest rate margin ranging from 3.36% to 3.68%. The obligation to pay principal and interest on the loans under the Term Loan Facility is jointly and severally guaranteed on a full and unconditional basis by certain of our wholly-owned domestic subsidiaries. The loans under the Term Loan Facility are secured on a first-priority lien basis by certain assets of ours and guarantors that do not constitute priority collateral of the ABL Facility and on a second-priority lien basis by priority collateral of the ABL Facility, subject to customary exceptions. As of October 28, 2023, the interest rate on the loans under the Term Loan Facility was 8.90%.

On August 2, 2021, we also entered into a senior secured asset-based revolving credit facility. The ABL Facility allows for borrowings and letters of credit in U.S. dollars or Canadian dollars and has aggregate commitments of $750 million and an expiration date of August 2026. The availability under the ABL Facility is the lesser of (i) the borrowing base, determined primarily based on our eligible U.S. and Canadian credit card receivables, eligible accounts receivable, eligible inventory and eligible real property, and (ii) the aggregate commitment. In May 2023, we amended our ABL Facility to allow for an early transition to using Term SOFR as the applicable reference rate to calculate interest instead of LIBOR. Prior to the amendment, interest on the loans under the ABL Facility was calculated by reference to (i) LIBOR or an alternative base rate and (ii) in the case of loans denominated in Canadian dollars, CDOR or a Canadian base rate, plus an interest rate margin based on average daily excess availability ranging from (x) in the case of LIBOR and CDOR loans, 1.50% to 2.00% and (y) in the case of alternate base rate loans and Canadian base rate loans, 0.50% to 1.00%. In accordance with the amendment, interest on Term SOFR loans under the ABL Facility is now calculated by reference to Term SOFR, plus an interest rate margin based on average daily excess availability ranging from 1.60% to 2.10%. Unused commitments under the ABL Facility accrue an unused commitment fee ranging from 0.25% to 0.30%. The obligation to pay principal and interest on the loans under the ABL Facility is jointly and severally guaranteed on a full and unconditional basis by certain of our wholly-owned domestic and Canadian subsidiaries. The loans under the ABL Facility are secured on a first-priority lien basis by our eligible U.S. and Canadian credit card receivables, eligible accounts receivable, eligible inventory and eligible real property and on a second-priority lien basis on substantially all other assets of ours, subject to customary exceptions.

Year-to-date 2023, we borrowed $405 million and made payments of $145 million under the ABL Facility. As of October 28, 2023, there were borrowings of $555 million outstanding under the ABL Facility and the interest rate on the borrowings was 7.58%. We had $19 million of outstanding letters of credit as of October 28, 2023 that further reduced our availability under the ABL Facility. As of October 28, 2023, our remaining availability under the ABL Facility was $176 million.

Subsequent to the end of the third quarter of 2023 and as of November 30, 2023, borrowings of $464 million remained outstanding under the ABL Facility.

Our long-term debt and borrowing facilities contain certain financial and other covenants, including, but not limited to, the maintenance of financial ratios. The 2029 Notes and the Term Loan Facility include the maintenance of a consolidated coverage ratio and a consolidated total leverage ratio, and the ABL Facility includes the maintenance of a fixed charge coverage ratio and a debt to EBITDAR ratio. The financial covenants could, within specific predefined circumstances, limit our ability to incur additional indebtedness, make certain investments, pay dividends or repurchase shares. As of October 28, 2023, we were in compliance with all covenants under our long-term debt and borrowing facilities.

We elected the optional expedient under Accounting Standards Update No. 2020-04, *Reference Rate Reform*, in connection with amending our Term Loan Facility and ABL Facility agreements to replace the reference rate from LIBOR to Term SOFR to consider the amendments as a continuation of the existing contract without having to perform an assessment that would otherwise be required under GAAP.

Credit Ratings

The following table provides our credit ratings as of October 28, 2023:

	Moody's	S&P
Corporate	Ba3	BB-
Senior Secured Debt with Subsidiary Guarantee	Ba2	BB+
Senior Unsecured Debt with Subsidiary Guarantee	B1	BB-
Outlook	Stable	Stable

Contingent Liabilities and Contractual Obligations

Contractual Obligations

Our contractual obligations primarily consist of long-term debt and the related interest payments, operating leases, purchase orders for merchandise inventory and other long-term obligations. These contractual obligations impact our short-term and long-term liquidity and capital resource needs. Except with respect to the additional $260 million of outstanding borrowings under the ABL Facility, there have been no material changes in our contractual obligations since January 28, 2023, as discussed in "Contingent Liabilities and Contractual Obligations" in our 2022 Annual Report on Form 10-K filed with the SEC on March 17, 2023. Certain of our contractual obligations may fluctuate during the normal course of business (primarily changes in our merchandise inventory-related purchase obligations, which fluctuate throughout the year as a result of the seasonal nature of our operations).

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

We did not adopt any new accounting standards during the third quarter of 2023 that had a material impact on our results of operations, financial position or cash flows. In addition, there are no new accounting standards not yet adopted that are expected to have a material impact on our results of operations, financial position or cash flows.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies related to estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, management evaluates its accounting policies, estimates and judgments, including those related to inventories, long-lived assets, claims and contingencies, income taxes and revenue recognition. Management bases our estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

There have been no material changes to the critical accounting policies and estimates disclosed in our 2022 Annual Report on Form 10-K filed with the SEC on March 17, 2023.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

The market risk inherent in our financial instruments represents the potential loss in fair value, earnings or cash flows arising from adverse changes in foreign currency exchange rates or interest rates. We may use derivative financial instruments like foreign currency forward contracts, cross-currency swaps and interest rate swap arrangements to manage exposure to market risks. We do not use derivative financial instruments for trading purposes.

Foreign Exchange Rate Risk

We have operations and investments in unconsolidated entities in foreign countries which expose us to market risk associated with foreign currency exchange rate fluctuations. Our Canadian dollar and Chinese Yuan denominated earnings are subject to exchange rate risk as substantially all our merchandise sold in Canada and China is sourced through U.S. dollar transactions. From time to time we may adjust our exposure to foreign exchange rate risk by entering into foreign currency forward contracts, however, these measures may not succeed in offsetting all the short-term impact of foreign currency rate movements and generally may not be effective in offsetting the long-term impact of sustained shifts in foreign currency rates.

Further, although our royalty arrangements with our international partners are denominated in U.S. dollars, the royalties we receive in U.S. dollars are calculated based on sales in the local currency. As a result, our royalties in these arrangements are exposed to foreign currency exchange rate fluctuations.

Interest Rate Risk

Our investment portfolio primarily consists of interest-bearing instruments that are classified as cash and cash equivalents based on their original maturities. Our investment portfolio is maintained in accordance with our investment policy, which specifies permitted types of investments, specifies credit quality standards and maturity profiles and limits credit exposure to any single issuer. The primary objective of our investment activities is the preservation of principal, the maintenance of liquidity and the maximization of interest income while minimizing risk. As of October 28, 2023, our investment portfolio is primarily comprised of bank deposits. Given the short-term nature and quality of investments in our portfolio, we do not believe there is any material risk to principal associated with increases or decreases in interest rates.

Our long-term debt as of October 28, 2023 consists of the 2029 Notes, which have a fixed interest rate, the $392 million in outstanding borrowing under the Term Loan Facility, which has a variable interest rate based on Term SOFR, and the $555 million in outstanding borrowing under the ABL Facility, which has a variable interest rate based on Term SOFR. Our exposure to interest rate changes is limited to the fair value of the debt outstanding as well as the interest we pay on the Term Loan Facility and ABL Facility, which we believe would not have a material impact on our earnings or cash flows.

Fair Value of Financial Instruments

The following table provides a summary of the principal value and estimated fair value of our outstanding debt as of October 28, 2023, January 28, 2023 and October 29, 2022:

	October 28, 2023	January 28, 2023	October 29, 2022
		(in millions)	
Principal Value	$ 992	$ 995	$ 996
Fair Value, Estimated (a)	830	894	870

(a) The estimated fair value of our publicly traded debt is based on reported transaction prices which are considered Level 2 inputs in accordance with ASC 820, *Fair Value Measurement*. The estimates presented are not necessarily indicative of the amounts that we could realize in a current market exchange.

As of October 28, 2023, we believe that the carrying values of accounts receivable, accounts payable and accrued expenses approximate fair value because of their short maturity. We further believe the principal value of the outstanding debt under the ABL Facility approximates its fair value as of October 28, 2023 based on the terms of the borrowings from the ABL Facility.

Concentration of Credit Risk

We maintain cash and cash equivalents with various major financial institutions. We monitor the relative credit standing of financial institutions with whom we transact and limit the amount of credit exposure with any one entity. As of October 28, 2023, our investment portfolio is primarily comprised of bank deposits. We also periodically review the relative credit standing of franchise, license and wholesale partners and other entities to which we grant credit terms in the normal course of business.

Item 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective and designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting. We are integrating Adore Me into our internal controls over financial reporting beginning in fiscal year 2023. Other than the changes with regard to Adore Me, there were no changes in our internal control over financial reporting that occurred during the third quarter of 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

We are a defendant in a variety of lawsuits arising in the ordinary course of business. Actions filed against us from time to time may include commercial, tort, intellectual property, customer, employment, data privacy, securities and other claims, including purported class action lawsuits. Although it is not possible to predict with certainty the eventual outcome of any litigation, in the opinion of management, our current legal proceedings are not expected to have a material adverse effect on our financial position or results of operations.

Item 1A. RISK FACTORS

The risk factors that affect our business and financial results are set forth under “Item 1A. Risk Factors” in our 2022 Annual Report on Form 10-K filed with the SEC on March 17, 2023. There have been no material changes to the risk factors from those described in the 2022 Annual Report on Form 10-K. We wish to caution the reader that the risk factors discussed in “Item 1A. Risk Factors” in our 2022 Annual Report on Form 10-K and those described in this report or other SEC filings could cause actual results to differ materially from those stated in any forward-looking statements.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides our repurchases of shares of our common stock during the third quarter of 2023:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares (or Approximate Dollar Value) that May Yet be Purchased Under the Plans or Programs (c)
	(in thousands)		(in thousands)	
July 30, 2023 - August 26, 2023 (“August 2023”)	18	$ 20.63	—	$ 125,000
August 27, 2023 - September 30, 2023 (“September 2023”)	28	$ 17.93	—	125,000
October 1, 2023 - October 28, 2023 (“October 2023”)	25	$ 14.76	—	125,000
Total	71		—	

(a) The total number of shares repurchased includes shares repurchased as part of publicly announced programs, with the remainder relating to shares repurchased in connection with tax withholding payments due upon vesting of employee restricted stock awards and the use of shares of our common stock to pay the exercise price on employee stock options.

(b) The average price paid per share includes any broker commissions.

(c) The January 2023 Share Repurchase Program, which was publicly announced on January 11, 2023, authorizes the purchase of up to $250 million of our common stock, subject to market conditions and other factors. The January 2023 Share Repurchase Program will continue until exhausted, but no later than the end of fiscal year 2023.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

Exhibits	
3.1*	Amended and Restated Certificate of Incorporation of Victoria's Secret & Co. (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on August 3, 2021).
3.2*	Second Amended and Restated Bylaws of Victoria's Secret & Co. (incorporated by reference to Exhibit 3.2 to the Company's Form 10-K filed on March 17, 2023).
31.1	Section 302 Certification of CEO.
31.2	Section 302 Certification of CFO.
32	Section 906 Certification (by CEO and CFO).
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

*** Previously filed.**

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VICTORIA'S SECRET & CO.
(Registrant)
By: /s/ Timothy Johnson
Timothy Johnson
Chief Financial and Administrative Officer *

Date: December 1, 2023

* Mr. Johnson is the principal financial officer and the principal accounting officer and has been duly authorized to sign on behalf of the Registrant.

Section 302 Certification

I, Martin Waters, certify that:

1. I have reviewed this report on Form 10-Q of Victoria's Secret & Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Martin Waters
Martin Waters
Chief Executive Officer

Date: December 1, 2023

Exhibit 31.2

Section 302 Certification

I, Timothy Johnson, certify that:

1. I have reviewed this report on Form 10-Q of Victoria's Secret & Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Timothy Johnson

Timothy Johnson

Chief Financial and Administrative Officer

Date: December 1, 2023

Exhibit 32

Section 906 Certification

Martin Waters, the Chief Executive Officer, and Timothy Johnson, the Chief Financial and Administrative Officer, of Victoria's Secret & Co. (the "Company"), each certifies that, to the best of his knowledge:

(i) the Quarterly Report of the Company on Form 10-Q dated December 1, 2023 for the period ended October 28, 2023 (the "Form 10-Q"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Martin Waters
Martin Waters
Chief Executive Officer

/s/ Timothy Johnson
Timothy Johnson
Chief Financial and Administrative Officer

Date: December 1, 2023