

**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 April 30, 2022

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

(State or other jurisdiction of incorporation or organization)

86-3167653

(IRS Employer Identification No.)

4 Limited Parkway East

Reynoldsburg, Ohio

(Address of principal executive offices)

43068

(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, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 May 27, 2022, the number of outstanding shares of the Registrant's common stock was 83,078,907 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, "first quarter of 2022" and "first quarter of 2021" refer to the thirteen-week periods ended April 30, 2022 and May 1, 2021, respectively.

PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	First Quarter	
	2022	2021
Net Sales	\$ 1,484	\$ 1,554
Costs of Goods Sold, Buying and Occupancy	(962)	(882)
Gross Profit	522	672
General, Administrative and Store Operating Expenses	(428)	(446)
Operating Income	94	226
Interest Expense	(12)	(1)
Other Loss	(4)	—
Income Before Income Taxes	78	225
Provision for Income Taxes	2	51
Net Income	76	174
Less: Net Loss Attributable to Noncontrolling Interest	(5)	—
Net Income Attributable to Victoria's Secret & Co.	\$ 81	\$ 174
Net Income Per Basic Share Attributable to Victoria's Secret & Co.	\$ 0.96	\$ 1.97
Net Income Per Diluted Share Attributable to Victoria's Secret & Co.	\$ 0.93	\$ 1.97

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

	First Quarter	
	2022	2021
Net Income	\$ 76	\$ 174
Other Comprehensive Income (Loss), Net of Tax:		
Foreign Currency Translation	1	4
Unrealized Loss on Cash Flow Hedges	—	(1)
Amounts Reclassified from Accumulated Other Comprehensive Income to Paid-in Capital	3	—
Total Other Comprehensive Income, Net of Tax	4	3
Total Comprehensive Income	80	177
Less: Net Loss Attributable to Noncontrolling Interest	(5)	—
Less: Foreign Currency Translation Attributable to Noncontrolling Interest	1	—
Comprehensive Income Attributable to Victoria's Secret & Co.	\$ 84	\$ 177

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

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

	April 30, 2022 (Unaudited)	January 29, 2022	May 1, 2021 (Unaudited)
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 204	\$ 490	\$ 332
Accounts Receivable, Net	152	162	111
Inventories	1,046	949	761
Other	112	90	95
Total Current Assets	1,514	1,691	1,299
Property and Equipment, Net	901	957	1,036
Operating Lease Assets	1,299	1,369	1,602
Trade Name	246	246	246
Deferred Income Taxes	17	17	13
Other Assets	88	64	51
Total Assets	\$ 4,065	\$ 4,344	\$ 4,247
LIABILITIES AND EQUITY			
Current Liabilities:			
Accounts Payable	\$ 443	\$ 538	\$ 366
Accrued Expenses and Other	607	714	693
Current Debt	4	4	—
Current Operating Lease Liabilities	299	340	356
Income Taxes	98	102	29
Total Current Liabilities	1,451	1,698	1,444
Deferred Income Taxes	63	58	45
Long-term Debt	977	978	—
Long-term Debt due to Former Parent	—	—	97
Long-term Operating Lease Liabilities	1,274	1,314	1,541
Other Long-term Liabilities	49	39	113
Total Liabilities	3,814	4,087	3,240
Shareholders' Equity:			
Preferred Stock — \$0.01 par value; 10 shares authorized; none issued	—	—	—
Common Stock — \$0.01 par value; 1,000 shares authorized; 83, 85, and 0 shares issued and outstanding, respectively	1	1	—
Paid-in Capital	166	125	—
Accumulated Other Comprehensive Income	8	5	7
Retained Earnings	52	126	—
Net Investment by Former Parent	—	—	1,000
Total Victoria's Secret & Co. Shareholders' Equity	227	257	1,007
Noncontrolling Interest	24	—	—
Total Equity	251	257	1,007
Total Liabilities and Equity	\$ 4,065	\$ 4,344	\$ 4,247

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

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

First Quarter 2022

	Common Stock		Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock, at Average Cost	Total Victoria's Secret & Co. Equity	Noncontrolling Interest	Total Equity
	Shares Outstanding	Par Value							
Balance, January 29, 2022	85	\$ 1	\$ 125	\$ 5	\$ 126	\$ —	\$ 257	\$ —	\$ 257
Net Income (Loss)	—	—	—	—	81	—	81	(5)	76
Other Comprehensive Income	—	—	—	3	—	—	3	1	4
Total Comprehensive Income (Loss)	—	—	—	3	81	—	84	(4)	80
Sale of Noncontrolling Interest	—	—	17	—	—	—	17	28	45
Repurchases of Common Stock	(3)	—	50	—	—	(159)	(109)	—	(109)
Treasury Share Retirements	—	—	(4)	—	(155)	159	—	—	—
Share-based Compensation Expense	—	—	12	—	—	—	12	—	12
Tax Payments related to Share-based Awards	(1)	—	(38)	—	—	—	(38)	—	(38)
Other	2	—	4	—	—	—	4	—	4
Balance, April 30, 2022	83	\$ 1	\$ 166	\$ 8	\$ 52	\$ —	\$ 227	\$ 24	\$ 251

First Quarter 2021

	Common Stock		Paid-in Capital	Net Investment by Former Parent	Accumulated Other Comprehensive Income	Retained Earnings	Total Victoria's Secret & Co. Equity	Noncontrolling Interest	Total Equity
	Shares Outstanding	Par Value							
Balance, January 30, 2021	—	\$ —	\$ —	\$ 887	\$ 4	\$ —	\$ 891	\$ —	\$ 891
Net Income	—	—	—	174	—	—	174	—	174
Other Comprehensive Income	—	—	—	—	3	—	3	—	3
Total Comprehensive Income	—	—	—	174	3	—	177	—	177
Net Transfers to Former Parent	—	—	—	(61)	—	—	(61)	—	(61)
Balance, May 1, 2021	—	\$ —	\$ —	\$ 1,000	\$ 7	\$ —	\$ 1,007	\$ —	\$ 1,007

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

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

	First Quarter	
	2022	2021
Operating Activities:		
Net Income	\$ 76	\$ 174
Adjustments to Reconcile Net Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation of Long-lived Assets	70	80
Share-based Compensation Expense	12	7
Deferred Income Taxes	5	34
Changes in Assets and Liabilities:		
Accounts Receivable	10	10
Inventories	(98)	(60)
Accounts Payable, Accrued Expenses and Other	(200)	(97)
Income Taxes	(12)	14
Other Assets and Liabilities	(9)	(60)
Net Cash Provided by (Used for) Operating Activities	(146)	102
Investing Activities:		
Capital Expenditures	(21)	(19)
Investment in Frankies Bikinis, LLC	(18)	—
Other Investing Activities	(9)	—
Net Cash Used for Investing Activities	(48)	(19)
Financing Activities:		
Repurchases of Common Stock	(109)	—
Cash Received from Noncontrolling Interest Partner	55	—
Tax Payments related to Share-based Awards	(38)	—
Proceeds from Stock Option Exercises	3	—
Payments of Long-term Debt	(1)	—
Net Transfers to Former Parent	—	(88)
Other Financing Activities	(1)	—
Net Cash Used for Financing Activities	(91)	(88)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	(1)	2
Net Decrease in Cash and Cash Equivalents	(286)	(3)
Cash and Cash Equivalents, Beginning of Period	490	335
Cash and Cash Equivalents, End of Period	\$ 204	\$ 332

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

VICTORIA'S SECRET & CO.
NOTES TO CONSOLIDATED AND COMBINED 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 and PINK brand names. The Company has more than 890 Victoria's Secret and PINK stores in the U.S., Canada and China as well as online at www.VictoriasSecret.com and www.PINK.com and other online channels worldwide. Additionally, Victoria's Secret and PINK have more than 450 stores in more than 70 countries operating under franchise, license and wholesale arrangements. The Company also includes the Victoria's Secret and PINK 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.

Victoria's Secret & Co. Spin-Off

On July 9, 2021, L Brands, Inc. ("L Brands" or the "Former Parent") announced that its Board of Directors approved the previously announced separation of the Victoria's Secret business, including PINK, into an independent, publicly traded company (the "Separation"). Prior to the Separation, L Brands operated the Bath & Body Works, Victoria's Secret and PINK retail brands.

On August 2, 2021 (the "Distribution Date"), after the New York Stock Exchange ("NYSE") market closing, the Separation of the Victoria's Secret business was completed. On August 3, 2021, Victoria's Secret & Co. became an independent, publicly traded company trading on the NYSE under the stock symbol "VSCO."

The Separation was achieved through the Former Parent's distribution of 100% of the shares of the Company's common stock to holders of the Former Parent's common stock as of the close of business on the record date of July 22, 2021. The Former Parent's stockholders of record received one share of the Company's common stock for every three shares of the Former Parent's common stock. In connection with the Separation, the Company made a cash payment of approximately \$976 million to the Former Parent on August 2, 2021 from the issuances of certain debt (discussed in Note 10, "Long-term Debt and Borrowing Facilities"). The Former Parent retained no ownership interest in the Company following the Separation.

The Company entered into several agreements with the Former Parent that, among other things, effect the Separation and govern the relationship of the parties following the Separation, including a Separation and Distribution Agreement, a Tax Matters Agreement, an L Brands to VS Transition Services Agreement, a VS to L Brands Transition Services Agreement, an Employee Matters Agreement and a Domestic Transportation Services Agreement. For additional information, see Note 2, "Transactions with Former Parent."

Fiscal Year

The Company's fiscal year ends on the Saturday nearest to January 31. As used herein, "first quarter of 2022" and "first quarter of 2021" refer to the thirteen-week periods ended April 30, 2022 and May 1, 2021, respectively.

Basis of Presentation - Unaudited Consolidated and Combined Financial Statements

The Company's financial statements for periods through the Separation date of August 2, 2021 are combined financial statements prepared on a carve-out basis as discussed below. The Company's financial statements for the period from August 3, 2021 through April 30, 2022 are consolidated financial statements based on the reported results of Victoria's Secret & Co. as a standalone company.

The Consolidated and Combined Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP"). The Consolidated and Combined Financial Statements may not be indicative of the Company's future performance and do not necessarily reflect what the financial position, results of operations, and cash flows would have been had it operated as an independent company during all of the periods presented.

Basis of Presentation - Prior to Separation

Through the Separation date, the Company's combined financial statements are prepared on a "carve-out" basis. The Combined Financial Statements have been derived from the consolidated financial statements and accounting records of the Former Parent in conformity with GAAP.

Intracompany transactions have been eliminated. Transactions between the Company and the Former Parent have been included in these financial statements. For those transactions between the Company and the Former Parent that were historically settled in cash, the Company reflected such balances in the Consolidated and Combined Balance Sheets in Other Current Assets for balances due from the Former Parent and in Accrued Expenses and Other for balances due to the Former Parent. The aggregate net effect of transactions between the Company and the Former Parent that were historically settled other than in cash are reflected in the Consolidated and Combined Balance Sheets as Net Investment by Former Parent and in the Consolidated and Combined Statements of Cash Flows as Net Transfers to Former Parent. For additional information, see Note 2, "Transactions with Former Parent."

The Consolidated and Combined Balance Sheets include certain of the Former Parent's assets and liabilities that were specifically identifiable or otherwise attributable to the Company. The Former Parent's third-party long-term notes payable and the related interest expense have not been allocated to the Company for any of the periods presented as the Company was not the legal obligor of such debt. Except for Long-term Debt due to Former Parent, the debt reflected in the Consolidated and Combined Balance Sheets relate to third-party borrowings specifically attributable to, and legal obligations of, the Company.

The Former Parent utilized a centralized approach to cash management and financing its operations. The Cash and Cash Equivalents held by the Former Parent at the corporate level were not specifically identifiable to the Company and, therefore, were not reflected in the Company's Consolidated and Combined Balance Sheets. Cash transfers between the Former Parent and the Company were accounted for through Net Investment by the Former Parent. Cash and Cash Equivalents in the Consolidated and Combined Balance Sheets represent cash and cash equivalents held by the Company at period-end prior to any potential transfer to the centralized cash management pool of the Former Parent.

The Consolidated and Combined Statements of Income include costs for certain functions, including information technology, human resources and store design and construction, that historically were provided and administered on a centralized basis by the Former Parent. Starting in the third quarter of 2020, as part of the steps to prepare the Company to operate as a separate, standalone company, these functions were transitioned to the business and began to be operated and administered as part of Victoria's Secret & Co. Costs applicable to the Company related to these functions are included in the Consolidated and Combined Statements of Income for all periods presented. Prior to the transition of these functions, these costs were directly charged to the Company by the Former Parent.

In addition, for purposes of preparing the combined financial statements on a "carve-out" basis prior to the Separation, a portion of the Former Parent's corporate expenses were allocated to the Company. These expense allocations include the cost of corporate functions and resources provided by, or administered by, the Former Parent including, but not limited to, executive management and other corporate and governance functions, such as corporate finance, internal audit, tax and treasury. The related employee payroll and benefit costs associated with such functions, such as share-based compensation, were included in the expense allocations. Corporate expenses of \$19 million in the first quarter of 2021 were allocated and included within General, Administrative and Store Operating Expenses in the 2021 Consolidated and Combined Statement of Income.

Costs were allocated to the Company based on direct usage when identifiable or, when not directly identifiable, on the basis of proportional net sales. Management considers the basis on which the expenses have been allocated to reasonably reflect the utilization of services provided to, or the benefit received by, the Company during the periods presented. However, the allocations may not reflect the expenses the Company would have incurred if the Company had been a standalone company for the periods presented. Actual costs that may have been incurred if the Company had been a standalone company would depend on a number of factors, including the organizational structure, whether functions were outsourced or performed by employees, and strategic or capital decisions. Going forward, the Company may perform these functions using its own resources or outsourced services. For a period following the Separation, however, some of these functions will continue to be provided by the Former Parent under a transition services agreement, and the Company will provide some services to the Former Parent under a transition services agreement. The Company has also entered into certain commercial arrangements with the Former Parent in connection with the Separation. For more information, see Note 2, "Transactions with Former Parent."

During the periods prior to the Separation that are presented in these Consolidated and Combined Financial Statements, the Company's income tax expense (benefit) and deferred tax balances were included in the Former Parent's income tax returns. Income tax expense (benefit) and deferred tax balances contained in these Consolidated and Combined Financial Statements for periods prior to the Separation are presented on a separate return basis, as if the Company had filed its own income tax returns. As a result, actual tax transactions included in the consolidated financial statements of the Former Parent may or may not be included in the Consolidated and Combined Financial Statements of the Company. Similarly, the tax treatment of certain items reflected in the Consolidated and Combined Financial Statements of the Company may or may not be reflected in the consolidated financial statements and income tax returns of the Former Parent. The taxes recorded in the Consolidated and Combined Statement of Income for periods prior to the Separation are not necessarily representative of the taxes that may arise in the future when the Company files its income tax returns independent from the Former Parent's returns.

Interim Financial Statements

The Consolidated and Combined Financial Statements as of and for the periods ended April 30, 2022 and May 1, 2021 are unaudited. These Consolidated and Combined Financial Statements should be read in conjunction with the audited Consolidated and Combined Financial Statements and Notes thereto included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 18, 2022.

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

Impacts of COVID-19

The coronavirus pandemic ("COVID-19") has created significant public health concerns as well as economic disruption, uncertainty and volatility. The Company remains focused on the safe operation of its business, including its stores, distribution, fulfillment and call centers. There remains the potential for COVID-19-related risks of closure or operating restrictions, as well as risks related to delays or disruptions in our supply chain and related pricing impacts, which could materially impact the Company's operations and financial performance in future periods.

Seasonality of Business

Due to the seasonal variations in the retail industry, the results of operations for the interim period are not necessarily indicative of the results expected for the full fiscal year.

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 and Combined Statements of Income, 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 and Combined Statements of Income. 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 \$54 million as of April 30, 2022, \$35 million as of January 29, 2022 and \$32 million as of May 1, 2021. These investments are recorded in Other Assets on the Consolidated and Combined 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 and Combined Financial Statements. The share of the investment not owned by the Company is reflected in Noncontrolling Interest in the Consolidated and Combined Balance Sheets. The Company recognizes the share of net income or loss not attributable to the Company in Net Loss Attributable to Noncontrolling Interest in the Consolidated and Combined Statements of Income. Noncontrolling interest in the first quarter of 2022 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."

Net Investment by Former Parent

Net Investment by Former Parent in the Consolidated and Combined Balance Sheets represents the Former Parent's historical investment in the Company, the accumulated net earnings after taxes and the net effect of the transactions with and allocations from the Former Parent. All transactions reflected in Net Investment by Former Parent in the accompanying Consolidated and Combined Balance Sheets have been considered as financing activities for purposes of the Consolidated and Combined Statements of Cash Flows.

For additional information, see Basis of Presentation above and Note 2, "Transactions with Former Parent."

Derivative Financial Instruments

The Company from time to time uses derivative financial instruments to manage exposure to foreign currency exchange rates. The Company does not use derivative instruments for trading purposes. All derivative instruments are recorded on the Consolidated and Combined Balance Sheets at fair value.

The earnings of the Company's foreign operations are subject to exchange rate risk as substantially all the merchandise is sourced through U.S. dollar transactions. The Company from time to time utilizes foreign currency forward contracts designated as cash flow hedges to mitigate this foreign currency exposure. Amounts for these designated cash flow hedges are reclassified from accumulated other comprehensive income (loss) upon sale of the hedged merchandise to the customer. These gains and losses are recognized in Costs of Goods Sold, Buying and Occupancy in the Consolidated and Combined Statements of Income. During the second quarter of 2021, the Company terminated its foreign currency forward contracts designated as cash flow hedges that were used to mitigate foreign currency exposure for its Canadian operations. The fair value of designated cash flow hedges is not significant for any period presented.

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 April 30, 2022, the Company's investment portfolio is primarily comprised of bank deposits. Prior to the Separation, cash generated by the Company was invested by the Former Parent in U.S. government obligations and U.S. Treasury and AAA-rated money market funds.

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.

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 first quarter of 2022 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. Transactions with Former Parent

Prior to the Separation, the Company's financial statements were prepared on a "carve-out" basis and were derived from the consolidated financial statements and accounting records of the Former Parent. The following discussion summarizes activity between the Company and the Former Parent.

Allocation of General Corporate Expenses

Prior to the Separation, for purposes of preparing the financial statements on a "carve-out" basis, the Company was allocated a portion of the Former Parent's total corporate expenses. See Note 1 for a discussion of the methodology used to allocate corporate-related costs for purposes of preparing the financial statements on a "carve-out" basis.

Balances Between the Company and the Former Parent Prior to the Separation

Balances between the Company and the Former Parent or its affiliates prior to the Separation, that are derived from transactions that historically were cash settled, are reflected in the Consolidated and Combined Balance Sheets in Other Current Assets for balances due from the Former Parent and in Accrued Expenses and Other for balances due to the Former Parent for periods prior to the Separation.

Balances between the Company and the Former Parent or its affiliates prior to the Separation, that are derived from transactions that were historically settled other than in cash, are included in Net Investment by Former Parent within Shareholders' Equity on the Consolidated and Combined Balance Sheets for periods prior to the Separation.

Long-term Debt due to Former Parent

Prior to the Separation, during 2020, the Company borrowed \$97 million from the Former Parent to pay down outstanding debt with external parties. This borrowing was due in September 2025 and had a variable interest rate based on the China Loan Prime Rate. As a result of the Separation, the Company no longer has this Long-term Debt due to Former Parent. Prior to the Separation, the Company recognized \$1 million of interest expense in the first quarter of 2021 related to this borrowing.

Net Transfers from (to) Former Parent

The following table presents the components of Net Transfers from (to) Former Parent prior to the Separation in the first quarter of 2021 Consolidated and Combined Statement of Equity:

	<u>First Quarter</u>
	<u>2021</u>
Cash Pooling and General Financing Activities, Net	\$ (108)
Long-lived Assets (a)	20
Corporate Expense Allocations	19
Share-based Compensation Expense	7
Assumed Income Tax Payments	1
Total Net Transfers to Former Parent	\$ (61)

(a) Represents long-lived assets transferred between the Company and the Former Parent as a result of asset allocation decisions made during the period.

Agreements with Former Parent

The Company entered into several agreements with the Former Parent that, among other things, effect the Separation and govern the relationship of the parties following the Separation, including a Separation and Distribution Agreement, a Tax Matters Agreement, an L Brands to VS Transition Services Agreement, a VS to L Brands Transition Services Agreement, an Employee Matters Agreement and a Domestic Transportation Services Agreement.

Under the terms of the transition services agreements, the Company will provide its Former Parent, on a transitional basis, certain services or functions, including information technology, certain logistics functions, customer marketing and customer call center services. Additionally, the Former Parent will provide to the Company various services or functions, many of which currently use a shared technology platform, including human resources, payroll and certain logistics functions. Generally, these services will be provided for a period of up to two years following the Separation, except for information technology services, which will be provided for a period of up to three years following the Separation and may be extended for a maximum of two additional one-year periods subject to increased administrative charges. Consideration and costs for the transition services will be determined using several billing methodologies as described in the agreements, including customary billing, pass-through billing, percent of sales billing or fixed fee billing. Costs for transition services provided by the Former Parent are recorded within the Consolidated and Combined Statements of Income based on the nature of the services. Consideration for transition services provided to the Former Parent are recorded within the Consolidated and Combined Statements of Income based on the nature of the services and as an offset to expenses incurred to provide the services. Following the Separation, the Company recognized consideration of \$20 million for services provided to the Former Parent and recognized costs of \$19 million for services provided by the Former Parent in the first quarter of 2022 pursuant to the transition services agreements.

Under the terms of the Domestic Transportation Services Agreement, the Former Parent will continue to provide transportation services to the Company for certain personal care and apparel merchandise in the United States and Canada for an initial term of three years following the Separation, which term will thereafter continuously renew unless and until either party elects to terminate the arrangement upon written prior notice. Costs for the transportation services will be determined using customary billing and fixed billing methodologies, which are described in the agreement, and are subject to an administrative charge. Costs for transition services are recorded within Costs of Goods Sold, Buying and Occupancy in the Consolidated and Combined Statements of Income. During the first quarter of 2022, the Company recognized costs of \$18 million pursuant to the Domestic Transportation Services Agreement.

Prior to the Separation, certain Company employees participated in the stock option and performance incentive plan of the Former Parent. Under the terms of the Employee Matters Agreement, in connection with the Separation, restricted stock and stock option equity awards held by Company employees were converted to awards representing approximately 6.0 million shares of the Company's common stock under the Company's 2021 Stock Option and Performance Incentive Plan.

3. Revenue Recognition

Accounts receivable, net from revenue-generating activities were \$100 million as of April 30, 2022, \$101 million as of January 29, 2022 and \$74 million as of May 1, 2021. 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 \$238 million as of April 30, 2022, \$258 million as of January 29, 2022 and \$230 million as of May 1, 2021. The Company recognized \$81 million as revenue in the first quarter of 2022 from amounts recorded as deferred revenue at the beginning of the year. As of April 30, 2022, the Company recorded deferred revenue of \$217 million within Accrued Expenses and Other, and \$21 million within Other Long-term Liabilities on the Consolidated and Combined Balance Sheet.

The following table provides a disaggregation of Net Sales for the first quarter of 2022 and 2021:

	First Quarter	
	2022	2021
	(in millions)	
Stores – North America	\$ 931	\$ 933
Direct	421	521
International (a)	132	100
Total Net Sales	\$ 1,484	\$ 1,554

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

In April 2022, the Company launched a new co-branded credit card in which customers can earn points on purchases of company product as well as on purchases outside of the Company. The co-branded credit card is in addition to the Company's existing U.S. private label credit card.

The Company recognized Net Sales of \$26 million and \$28 million for the first quarter of 2022 and 2021, 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 \$184 million and \$163 million for the first quarter of 2022 and 2021, respectively.

4. Restructuring Activities

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 on the Hong Kong Stock Exchange, related to its existing company-owned business in China. The Company and Regina Miracle have 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 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 and Combined 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 sheet and in Net Loss Attributable to Noncontrolling Interest in the consolidated statement of income.

5. Earnings Per Share and Shareholders' Equity

Earnings Per Share

Earnings per basic share is computed based on the weighted-average number of common shares outstanding. Earnings per diluted share include the weighted-average effect of dilutive restricted stock and options on the weighted-average shares outstanding.

On August 2, 2021, the Separation was achieved through the Former Parent's distribution of 100% of the shares of the Company's common stock to holders of the Former Parent's common stock as of the close of business on the record date of July 22, 2021. The Former Parent's stockholders of record received one share of the Company's common stock for every three shares of the Former Parent's common stock. As a result, on August 3, 2021, the Company had 88 million shares of common stock outstanding. This share amount is being utilized for the calculation of basic and diluted earnings per share for all periods presented prior to the Separation. After the Separation, actual outstanding shares are used to calculate both basic and diluted weighted-average number of common shares outstanding.

The following table provides the weighted-average shares utilized for the calculation of basic and diluted earnings per share for the first quarter of 2022 and 2021:

	First Quarter	
	2022	2021
	(in millions)	
Common Shares	84	88
Treasury Shares	—	—
Basic Shares	84	88
Effect of Dilutive Options and Restricted Stock	3	—
Diluted Shares	87	88
Anti-dilutive Options and Awards (a)	1	—

(a) These options and awards were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

Shareholders' Equity

Common Stock Share Repurchases

In February 2022, upon final settlement of the Company's December 2021 accelerated share repurchase agreement (“ASR Agreement”) with Goldman Sachs & Co. LLC (“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 ASR Agreement, \$50 million previously recorded in Paid-in Capital as of January 29, 2022, was reclassified to Treasury Stock.

In March 2022, the Company's Board of Directors approved a new 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 is expected to be utilized to repurchase shares in the open market, subject to market conditions and other factors. Shares acquired through the March 2022 Share Repurchase Program will be available to meet obligations under equity compensation plans and for general corporate purposes. The March 2022 Share Repurchase Program will continue until exhausted, but no later than January 28, 2023.

The Company repurchased the following shares of its common stock during the first quarter of 2022 under its March 2022 Share Repurchase Program:

Repurchase Program	Amount Authorized (in millions)	Shares Repurchased (in thousands)	Amount Repurchased (in millions)	Average Stock Price
March 2022	\$ 250	2,162	\$ 109	\$ 50.43

The March 2022 Share Repurchase Program has \$141 million remaining as of April 30, 2022.

Subsequent to April 30, 2022, the Company repurchased an additional 0.5 million shares for \$23 million through June 2, 2022 under the March 2022 Share Repurchase Program.

Treasury Stock Retirements

In February 2022, the Company immediately retired the additional 0.3 million shares repurchased in connection with the settlement of the 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.

In accordance with the Board of Directors' resolution, shares of common stock repurchased under the March 2022 Share Repurchase Program will be retired and cancelled upon repurchase. As a result, the Company retired the 2.2 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, \$4 million in Paid-in Capital and \$105 million in Retained Earnings.

6. Inventories

The following table provides details of inventories as of April 30, 2022, January 29, 2022 and May 1, 2021:

	April 30, 2022	January 29, 2022	May 1, 2021
	(in millions)		
Finished Goods Merchandise	\$ 996	\$ 898	\$ 721
Raw Materials and Merchandise Components	50	51	40
Total Inventories	\$ 1,046	\$ 949	\$ 761

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 April 30, 2022, January 29, 2022 and May 1, 2021:

	April 30, 2022	January 29, 2022	May 1, 2021
	(in millions)		
Property and Equipment, at Cost	\$ 3,675	\$ 3,795	\$ 3,774
Accumulated Depreciation and Amortization	(2,774)	(2,838)	(2,738)
Property and Equipment, Net	\$ 901	\$ 957	\$ 1,036

Depreciation expense was \$70 million and \$80 million for the first quarter of 2022 and 2021, respectively.

8. Accrued Expenses and Other

The following table provides additional information about the composition of Accrued Expenses and Other as of April 30, 2022, January 29, 2022 and May 1, 2021:

	April 30, 2022	January 29, 2022	May 1, 2021
	(in millions)		
Deferred Revenue on Gift Cards	\$ 181	\$ 198	\$ 163
Compensation, Payroll Taxes and Benefits	88	152	104
Rent	65	45	64
Accrued Marketing	34	36	37
Accrued Freight and Other Logistics	30	62	16
Deferred Revenue on Loyalty and Credit Card Programs	24	36	35
Taxes, Other than Income	24	24	45
Returns Reserve	18	23	21
Accrued Interest	12	5	—
Deferred Revenue on Direct Shipments not yet Delivered	12	16	22
Accrued Claims on Self-insured Activities	4	4	17
Supplemental Retirement Plan	—	—	57
Other	115	113	112
Total Accrued Expenses and Other	\$ 607	\$ 714	\$ 693

9. Income Taxes

Prior to the Separation, the Company's U.S. operations and certain of its non-U.S. operations were historically included in the income tax returns of the Former Parent or its subsidiaries that may not be part of the Company. For the periods prior to the Separation, the income tax expense (benefit) and all tax liabilities that are presented in these financial statements were calculated on a "carve-out" basis, which applied the accounting guidance as if we filed income tax returns for the Company on a standalone, separate return basis. The Company believes the assumptions supporting its allocation and presentation of income taxes on a separate return basis are reasonable. However, the Company's tax results, as presented in these financial statements for periods prior to the Separation, may not be reflective of the results that the Company expects to generate in the future.

Post-Separation, the Company is filing a consolidated U.S. federal income tax return as well as separate and combined income tax returns in numerous state, local and international jurisdictions. Income tax expense (benefit) for the period prior to the Separation is based on the combined financial statements prepared on a "carve-out" basis. Income tax expense (benefit) for the period after the Separation is based on the consolidated results of the Company on a standalone basis.

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

For the first quarter of 2022, the Company's effective tax rate was 2.4% compared to 22.5% in the first quarter of 2021. Both rates were 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 awards that vested in the respective quarter.

The Company paid income taxes in the amount of \$10 million and \$1 million for the first quarter of 2022 and 2021, respectively.

On August 2, 2021, the Company and the Former Parent entered into a Tax Matters Agreement. Under the agreement, the Former Parent will generally be responsible for all U.S. federal, state, local and non-U.S. income taxes of the Company for any taxable period, or portion of such period, ending on or before the Distribution Date. As such, the net liabilities associated with uncertain tax positions that were presented in the financial statements in prior periods on a carve-out basis were not transferred to the Company as part of the Separation.

10. Long-term Debt and Borrowing Facilities

The following table provides the Company's outstanding debt balance, net of unamortized debt issuance costs and discounts, as of April 30, 2022, January 29, 2022 and May 1, 2021:

	April 30, 2022	January 29, 2022	May 1, 2021
	(in millions)		
Senior Secured Debt with Subsidiary Guarantee			
\$398 million Term Loan due August 2028 ("Term Loan Facility")	\$ 389	\$ 390	\$ —
Total Senior Secured Debt with Subsidiary Guarantee	389	390	—
Senior Debt with Subsidiary Guarantee			
\$600 million, 4.625% Fixed Interest Rate Notes due July 2029 ("2029 Notes")	592	592	—
Total Senior Debt with Subsidiary Guarantee	592	592	—
Long-term Debt due to Former Parent	—	—	97
Total	981	982	97
Current Debt	(4)	(4)	—
Total Long-term Debt, Net of Current Portion	\$ 977	\$ 978	\$ 97

Cash paid for interest was \$4 million in the first quarter of 2022.

Issuance of Notes

In July 2021, the Company issued \$600 million of 4.625% notes due in July 2029 in a transaction exempt from registration under the Securities Act of 1933, as amended. The obligation to pay principal and interest on the 2029 Notes is jointly and severally guaranteed on a full and unconditional basis by certain of the Company's wholly-owned subsidiaries.

On August 2, 2021, the Company used cash proceeds of \$592 million, which were net of issuance costs of \$8 million, from the 2029 Notes, to partially fund the approximately \$976 million cash payment to the Former Parent in connection with the Separation. The issuance costs are being amortized through the maturity date and are included within Long-term Debt on the April 30, 2022 and January 29, 2022 Consolidated and Combined Balance Sheets.

Credit Facilities

On August 2, 2021, the Company entered into a term loan B credit facility in an aggregate principal amount of \$400 million (the "Term Loan Facility"), which will mature in August 2028. Commencing in December 2021, the Company will 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 a principal payment of \$1 million for the Term Loan Facility during the first quarter of 2022.

Interest under the Term Loan Facility will be calculated by reference to the London Interbank Offered Rate ("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 will be subject to a floor of 0.50%. 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 asset-based revolving credit facility and on a second-priority lien basis by priority collateral of the asset-based revolving credit facility, subject to customary exceptions.

On August 2, 2021, the Company also entered into a senior secured asset-based revolving credit facility (the "ABL 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 will be 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. Interest on the loans under the ABL Facility will be 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%. Unused commitments under the ABL Facility will accrue an unused commitment fee ranging from 0.25% to 0.30%.

For the reporting period ending April 30, 2022, the Company's borrowing base was \$651 million and there were no borrowings outstanding under the ABL Facility. The Company had \$40 million of outstanding letters of credit as of April 30, 2022 that reduced its availability under the ABL Facility.

On August 2, 2021, the Company used the net cash proceeds from the credit facilities of \$384 million, which were net of issuance and financing costs of \$10 million for the Term Loan Facility and \$6 million for the ABL Facility, to partially fund the approximately \$976 million cash payment to the Former Parent in connection with the Separation. 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 April 30, 2022 and January 29, 2022 Consolidated and Combined Balance Sheets.

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 April 30, 2022, the Company was in compliance with all covenants under its long-term debt and borrowing facilities.

Foreign Facilities

Certain of the Company's China subsidiaries previously utilized revolving and term loan bank facilities to support their operations ("Foreign Facilities"). As of May 1, 2021, there were no borrowings outstanding under the Foreign Facilities. During the second quarter of 2021, with no borrowings outstanding, the Company terminated the Foreign Facilities.

Long-term Debt due to Former Parent

During 2020, the Company borrowed \$97 million from the Former Parent to pay down outstanding debt with external parties. This borrowing was due in September 2025 and had a variable interest rate based on the China Loan Prime Rate. As a result of the Separation, the Company no longer has this Long-term Debt due to Former Parent. Prior to the Separation, the Company recognized \$1 million of interest expense during the first quarter of 2021 related to this borrowing.

11. 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 publicly traded debt as of April 30, 2022, January 29, 2022 and May 1, 2021:

	April 30, 2022	January 29, 2022	May 1, 2021
	(in millions)		
Principal Value	\$ 998	\$ 999	\$ —
Fair Value, Estimated (a)	881	975	—

(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.

12. Comprehensive Income (Loss)

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

	Foreign Currency Translation	Accumulated Other Comprehensive Income
	(in millions)	
Balance as of January 29, 2022	\$ 5	\$ 5
Other Comprehensive Income Before Reclassifications	—	—
Amounts Reclassified from Accumulated Other Comprehensive Income to Paid-in Capital	3	3
Tax Effect	—	—
Current-period Other Comprehensive Income	3	3
Balance as of April 30, 2022	<u>\$ 8</u>	<u>\$ 8</u>

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."

The following table provides the rollforward of accumulated other comprehensive income attributable to Victoria's Secret & Co. for the first quarter of 2021:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income
	(in millions)		
Balance as of January 30, 2021	\$ 4	\$ —	\$ 4
Other Comprehensive Income (Loss) Before Reclassifications	4	(1)	3
Tax Effect	—	—	—
Current-period Other Comprehensive Income (Loss)	4	(1)	3
Balance as of May 1, 2021	<u>\$ 8</u>	<u>\$ (1)</u>	<u>\$ 7</u>

13. Retirement Benefits

The Company sponsors a tax-qualified defined contribution retirement plan for employees who meet certain age and service requirements. The qualified plan permits participating associates to elect contributions up to the maximum limits allowable under the Internal Revenue Code. The Company matches associate contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates' eligible annual compensation and years of service. Associate contributions and Company matching contributions vest immediately. Additional Company contributions and the related investment earnings are subject to vesting based on years of service. Total expense recognized related to the qualified plan was \$12 million and \$10 million for the first quarter of 2022 and 2021, respectively.

The Former Parent previously sponsored a non-qualified supplemental retirement plan. The non-qualified plan was an unfunded plan which provided benefits beyond the Internal Revenue Code limits for qualified defined contribution plans. On June 27, 2020, the Human Capital and Compensation Committee of the Former Parent's Board of Directors authorized the termination of the non-qualified plan. All benefits and obligations due under the non-qualified plan were fully paid during the second quarter of 2021. Total expense recognized related to the non-qualified plan was not significant for any period presented.

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.

Former Parent Derivative Lawsuits

As previously disclosed by the Former Parent, on May 19, 2020 and January 12, 2021, the Former Parent's shareholders filed derivative lawsuits in the Court of Common Pleas for Franklin County, Ohio (subsequently removed to the United States District Court for the Southern District of Ohio) and the Delaware Court of Chancery, respectively, naming as defendants certain current and former directors and officers of the Former Parent and alleging, among other things, breaches of fiduciary duty through asserted violations of law and failures to monitor workplace conduct (the "Lawsuits"). In addition, the Former Parent also received litigation and books-and-records demands from other shareholders related to the same matters (together with the Lawsuits, the "Actions").

In July 2021, the Former Parent announced the global settlement resolving the Actions. The settlement resolves all derivative claims that have been or could have been asserted in the Actions or that involve in any way the allegations referred to in the Actions and releases all such claims against the Former Parent (and its subsidiaries, including the Company) and past and present employees, officers and directors, among others. As part of the settlement, the Former Parent (and its subsidiaries, including the Company) has agreed to implement certain management and governance measures, including the maintenance of a Diversity, Equity, and Inclusion Council. Following the Separation, the settlement terms apply to both the Former Parent and the Company. Each company has committed to invest \$45 million over at least five years to fund the management and governance measures. The settlement was preliminarily approved on August 25, 2021, and a fairness hearing occurred on January 18, 2022. On May 16, 2022, the United States District Court of the Southern District of Ohio granted final approval of the settlement.

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. The Company has appealed this judgment; the appeal has not yet been decided by the appellate court. 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 plans to appeal the judgment. As of the end of the first quarter, we are fully accrued for both judgments.

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 the Company, 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. 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,” “target,” “goal,” “project,” “plan,” “believe,” “seek,” “strive,” “expect,” “anticipate,” “intend,” “potential” and any similar expressions may 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;
- a loss of synergies from separating the businesses that could negatively impact our balance sheet, profit margins or earnings;
- we may not realize all of the expected benefits of the spin-off;
- general economic conditions, inflation, consumer confidence, consumer spending patterns and 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;
- the novel coronavirus (COVID-19) global pandemic has had and may continue to have an adverse effect on our business and results of operations;
- the seasonality of our business;
- 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 grow through new store openings and existing store remodels;
- 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;
- our ability to maintain, enforce and protect our trade names, trademarks and patents;
- 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 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, which could result in closed factories, reduced workforces, scarcity of raw materials, and scrutiny or embargoing of goods produced in impacted areas;
 - duties, taxes and other charges;
 - legal and regulatory matters;
 - volatility in currency exchange rates;
 - local business practices and political issues;
 - delays or disruptions in shipping and transportation and related pricing impacts;
 - disruption due to labor disputes; and
 - changing expectations regarding product safety due to new legislation;
- 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 ability to adequately protect our assets from loss and theft;
- claims arising from our self-insurance;
- our and our third-party service providers' ability to implement and maintain information technology systems and to protect associated data;
- 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 service or refinance our debt and maintain compliance with our restrictive covenants;
- our ability to comply with laws, regulations and technology platform rules or other obligations related to data privacy and security;
- our ability to comply with regulatory requirements;
- legal and compliance matters; and
- 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, 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 this Form 10-Q and in "Item 1A. Risk Factors" in our Annual Report on Form 10-K filed with the SEC on March 18, 2022.

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 and Combined 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 primarily through two brands, Victoria's Secret and PINK. Victoria's Secret is a category-defining global lingerie brand with a leading market position and a rich, 40-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. Together, Victoria's Secret, PINK and Victoria's Secret Beauty support, inspire and celebrate women through every phase of their life.

Victoria's Secret and PINK merchandise is sold online through our e-commerce platform, 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 over 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 first quarter of 2022, our operating income was \$94 million as compared to \$226 million in first quarter of 2021, and our operating income rate was 6.3% as compared to 14.5% last year. The operating income decrease in the first quarter of 2022 as compared to the first quarter of 2021 was primarily driven by a decrease in net sales and merchandise margin as compared to the first quarter of 2021. Merchandise margin in the quarter as compared to last year decreased approximately \$80 million as a result of incremental supply chain and inflationary cost pressures. Additionally, the decrease in net sales and merchandise margin in the quarter was driven by incremental net sales and merchandise margin recognized in the first quarter last year as a result of federal stimulus benefits. Net sales decreased \$70 million, or 5%, to \$1.484 billion compared to \$1.554 billion in the first quarter of 2021. Our North American store sales decreased \$2 million, to \$931 million compared to \$933 million in the first quarter of 2021. In our North American stores, an increase in traffic in the first quarter of 2022 as compared to the first quarter of 2021 was offset by a decrease in conversion (which we define as the percentage of customers who visit our stores and make a purchase). Our direct channel sales decreased by 19%, or \$100 million, to \$421 million compared to \$521 million in the first quarter of 2021, primarily due to a decline in traffic and average unit retail (which we define as the average price per unit purchased).

We remain committed to our brand transformation focused on evolving our positioning and promoting inclusivity and diversity, which we believe will allow us to attract new customers while also deepening our connection with existing ones. We will continue our advocacy for women, our commitment to being best at bras, and our focus on enhancing the customer experience. We plan to continue to enhance our omni-channel capabilities and personalization, increase our "store of the future" footprint and expand internationally into new markets while growing our digital presence. We will continue to search for new growth opportunities, including new brands we develop as well as partnerships with existing brands that help us attract new customers and better meet the needs of existing ones. This will include continuing to partner and invest in women-led companies that are potential sources of growth, either in revenue or customer goodwill, or both.

We continue to focus on maximizing our performance and leveraging the strength of our brands and connection to our customers. Despite the supply chain cost and macroeconomic pressures we expect to continue to face, we are confident in our opportunities and remain committed to delivering long-term sustainable value for our shareholders.

For additional information related to our first quarter 2022 financial performance, see "Results of Operations."

Impacts of Victoria's Secret Spin-Off

The spin-off of Victoria's Secret & Co. into an independent, publicly traded company was completed on August 2, 2021. We believe the spin-off will enable us to maximize management focus and financial flexibility to thrive in an evolving retail environment and deliver long-term profitable growth.

In connection with the Separation, we expect incremental, future capital and expense related to the implementation of new information technology platforms. We currently estimate that our total incremental expenditures could be \$100 million to \$150 million over the next several years. These estimated costs will consist of internal and external labor, software licensing, networking, security and physical infrastructure required to separate the current information technology capabilities (systems and infrastructure) in support of two independent companies. Such estimates are subject to change as our work continues. We will provide technology services to the Former Parent under the transition services agreements while independent systems environments are created, which we believe will help to minimize dis-synergies. The above estimates are preliminary in nature, are based solely on information available to us as of the date of this quarterly report and are inherently uncertain and subject to change.

Impacts of COVID-19

The coronavirus pandemic has created significant public health concerns as well as economic disruption, uncertainty and volatility. We remain focused on the safe operation of our business, including our stores, distribution, fulfillment and call centers. There remains the potential for COVID-19-related risks of closure or operating restrictions, as well as risks related to delays or disruptions in our supply chain and related pricing impacts, which could materially impact our operations and financial performance in future periods.

Basis of Presentation

Our financial statements for periods through the Separation date of August 2, 2021 are combined financial statements prepared on a "carve-out" basis, which reflects the business as historically managed within the Former Parent. The balance sheets and cash flows for the periods prior to the Separation include only those assets and liabilities directly related to the Victoria's Secret business, and the statements of income include the historically reported results of the Victoria's Secret business along with allocations of a portion of the Former Parent's total corporate expenses. Our financial statements for the period from August 3, 2021 through April 30, 2022 are consolidated financial statements based on our reported results as a standalone company. For additional information on the "carve-out" basis of accounting, see Note 1, "Description of Business, Basis of Presentation and Summary of Significant Accounting Policies."

Adjusted 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, net income attributable to Victoria's Secret & Co., and net income 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. 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.

(in millions, except per share amounts)	First Quarter	
	2022	2021
Reconciliation of Reported to Adjusted Operating Income		
Reported Operating Income - GAAP	\$ 94	\$ 226
Occupancy-related Legal Matter (a)	22	—
Adjusted Operating Income	<u>\$ 116</u>	<u>\$ 226</u>
Reconciliation of Reported to Adjusted Net Income Attributable to Victoria's Secret & Co.		
Reported Net Income Attributable to Victoria's Secret & Co. - GAAP	\$ 81	\$ 174
Occupancy-related Legal Matter (a)	22	—
Tax Effect of Adjusted Items	(6)	—
Adjusted Net Income Attributable to Victoria's Secret & Co.	<u>\$ 97</u>	<u>\$ 174</u>
Reconciliation of Reported to Adjusted Net Income Per Diluted Share Attributable to Victoria's Secret & Co.		
Reported Net Income Per Diluted Share Attributable to Victoria's Secret & Co. - GAAP	\$ 0.93	\$ 1.97
Occupancy-related Legal Matter (a)	0.19	—
Adjusted Net Income Per Diluted Share Attributable to Victoria's Secret & Co.	<u>\$ 1.11</u>	<u>\$ 1.97</u>

- (a) 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 the Separation. For additional information see Note 14, "Commitments and Contingencies" included in Item 1. Financial Statements.

Store Data

The following table compares the first quarter of 2022 U.S. company-operated store data to the first quarter of 2021:

	First Quarter		
	2022	2021	% Change
Sales per Average Selling Square Foot (a)	\$ 158	\$ 154	3 %
Sales per Average Store (in thousands) (a)	\$ 1,096	\$ 1,064	3 %
Average Store Size (selling square feet)	6,943	6,885	1 %
Total Selling Square Feet (in thousands)	5,589	5,790	(3 %)

- (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 the first quarter of 2022:

	Stores at January 29, 2022	Opened	Closed	Reclassified to Joint Venture (a)	Stores at April 30, 2022
Company-Operated:					
U.S.	808	—	(3)	—	805
Canada	26	—	—	—	26
Subtotal Company-Operated	834	—	(3)	—	831
China Joint Venture:					
Beauty & Accessories (a)	35	—	(2)	8	41
Full Assortment	30	—	—	—	30
Subtotal China Joint Venture	65	—	(2)	8	71
Partner-Operated:					
Beauty & Accessories	335	1	(4)	(8)	324
Full Assortment	128	3	—	—	131
Subtotal Partner-Operated	463	4	(4)	(8)	455
Total	1,362	4	(9)	—	1,357

(a) Includes eight partner-operated stores.

The following table represents store data for the first quarter of 2021:

	Stores at January 30, 2021	Opened	Closed	Stores at May 1, 2021
Company-Operated:				
U.S.	846	—	(5)	841
Canada	25	1	—	26
China - Beauty & Accessories	36	1	(1)	36
China - Full Assortment	26	—	—	26
Subtotal Company-Operated	933	2	(6)	929
Partner-Operated:				
Beauty & Accessories	338	2	(3)	337
Full Assortment	120	1	—	121
Subtotal Partner-Operated	458	3	(3)	458
Total	1,391	5	(9)	1,387

Results of Operations

First Quarter of 2022 Compared to First Quarter of 2021

Operating Income

For the first quarter of 2022, operating income decreased \$132 million, to \$94 million, compared to operating income of \$226 million in the first quarter of 2021, and the operating income rate (expressed as a percentage of net sales) decreased to 6.3% from 14.5%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for the first quarter of 2022 in comparison to the first quarter of 2021:

First Quarter	2022		2021		% Change
	(in millions)				
Stores – North America	\$	931	\$	933	— %
Direct		421		521	(19 %)
International (a)		132		100	32 %
Total Net Sales	\$	1,484	\$	1,554	(5 %)

(a) 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 for the first quarter of 2022 to the first quarter of 2021:

	(in millions)	
2021 Net Sales	\$	1,554
Comparable Store Sales		(24)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net		12
Direct Channel		(93)
Credit Card Programs		(2)
International Wholesale, Royalty and Other		35
Foreign Currency Translation		2
2022 Net Sales	\$	1,484

The following table compares the first quarter of 2022 comparable sales to the first quarter of 2021:

	2022	2021
Comparable Sales (Stores and Direct) (a)	(8 %)	25 %
Comparable Store Sales (a)	(3 %)	3 %

(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. Therefore, comparable sales results exclude the closure period of stores that were closed for four consecutive days or more as a result of the COVID-19 pandemic. 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 first quarter of 2022 as compared to the first quarter of 2021 were impacted by incremental net sales recognized in the first quarter last year as a result of federal stimulus benefits.

In the stores channel, our North America net sales decreased \$2 million to \$931 million as compared to the first quarter of 2021 as an increase in traffic was offset by a decrease in conversion. Net sales in stores outside of North America increased in the first quarter of 2022 compared to the first quarter of 2021 as a result of fewer COVID-19-related store restrictions.

In the direct channel, net sales decreased \$100 million, or 19%, to \$421 million, primarily due to a decrease in traffic and average unit retail.

Gross Profit

For the first quarter of 2022, our gross profit decreased \$150 million compared to the first quarter of 2021 to \$522 million, and our gross profit rate (expressed as a percentage of net sales) decreased to 35.1% from 43.2%.

The gross profit decrease was due to the decrease in merchandise margin dollars related to the decrease in net sales and incremental supply chain and inflationary cost pressures of approximately \$80 million. Additionally, the decrease in net sales and merchandise margin in the quarter was driven by incremental net sales and merchandise margin recognized in the first quarter last year as a result of federal stimulus benefits.

The gross profit rate decrease was driven by a decrease in the merchandise margin rate reflecting lower net sales and increased supply chain and inflationary cost pressures, and slight buying and occupancy expense deleverage driven by the decrease in net sales.

General, Administrative and Store Operating Expenses

For the first quarter of 2022, our general, administrative and store operating expenses decreased \$18 million, or 4%, compared to the first quarter of 2021 to \$428 million due to lower incentive compensation and selling expenses.

The general, administrative and store operating expense rate (expressed as a percentage of net sales) increased to 28.8% from 28.7% due to slight deleverage driven by the decrease in net sales.

Interest Expense

For the first quarter of 2022, our interest expense increased \$11 million to \$12 million compared to the first quarter of 2021, driven by the increase in our outstanding debt during 2021 due to the issuance of the 2029 Notes in July 2021 and entering into the Term Loan Facility upon Separation in August 2021.

Provision for Income Taxes

For the first quarter of 2022, the Company's effective tax rate was 2.4% compared to 22.5% in the first quarter of 2021. Both rates were 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 awards that vested in the respective quarter.

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 from operations is impacted by our net income and working capital changes. Our net income 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.

Prior to the Separation, we generated annual cash flow from operating activities. However, we were operating within the Former Parent's cash management structure, which used a centralized approach to cash management and financing of our operations. As a result, a substantial portion of our cash was transferred to the Former Parent. This arrangement was not reflective of the manner in which we would have financed our operations had we been an independent, publicly traded company during the periods presented prior to the Separation.

The cash and cash equivalents held by the Former Parent at the corporate level prior to the Separation were not specifically identifiable to us and, therefore, were not reflected in the Consolidated and Combined Balance Sheets. The Former Parent's third-party long-term debt and the related interest expense were not allocated to us for any of the periods presented prior to the Separation as we were not the legal obligor of such debt.

Following the Separation from the Former Parent, our capital structure and sources of liquidity changed from the historical capital structure because we no longer participate in the Former Parent's centralized cash management program. Our ability to fund our operating needs is dependent upon our ability to continue to generate positive cash flow from operations, and on our ability to maintain our debt financing on acceptable terms. Based upon our history of generating positive cash flows, we believe we will be able to meet our short-term liquidity needs. Management believes that our cash balances and funds provided by operating activities, along with borrowing capacity and access to capital markets, taken as a whole, provide (i) adequate liquidity to meet all of our current and long-term obligations when due, including third-party debt that we incurred in connection with the Separation, (ii) adequate liquidity to fund capital expenditures, and (iii) flexibility to meet investment opportunities that may arise. However, there can be no assurances that we will be able to obtain additional debt or equity financing on acceptable terms 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 requirements over the next 12 months.

Working Capital and Capitalization

Prior to the Separation, we generated annual cash flow from operating activities to support our working capital needs. However, we were operating within the Former Parent's cash management structure, which used a centralized approach to cash management and financing of our operations. As a result, a substantial portion of our cash was transferred to the Former Parent. This arrangement was not reflective of the manner in which we would have financed our operations had we been an independent, publicly traded company during the periods presented prior to the Separation. Based upon our history of generating positive cash flows, 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 for the periods post-Separation as of April 30, 2022 and January 29, 2022:

	April 30, 2022	January 29, 2022
	(in millions)	
Net Cash Provided by (Used for) Operating Activities (a)	\$ (146)	\$ 851
Capital Expenditures (a)	21	169
Working Capital	63	(7)
Capitalization:		
Long-term Debt	977	978
Victoria's Secret & Co. Shareholders' Equity	227	257
Total Capitalization	\$ 1,204	\$ 1,235
Amounts Available Under the ABL Facility (b)	\$ 611	\$ 523

(a) The April 30, 2022 amounts represent a thirteen-week period and the January 29, 2022 amounts represent a fifty-two-week period.

(b) For the reporting periods ending April 30, 2022 and January 29, 2022, our borrowing base was \$651 million and \$564 million, respectively, and there were no borrowings outstanding under the ABL Facility for either period. We had outstanding letters of credit, which reduce our availability under the ABL Facility, of \$40 million as of April 30, 2022 and \$41 million as of January 29, 2022.

Cash Flow

The following table provides a summary of our cash flow activity for the first quarter of 2022 and 2021:

	First Quarter	
	2022	2021
	(in millions)	
Cash and Cash Equivalents, Beginning of Period	\$ 490	\$ 335
Net Cash Flows Provided by (Used for) Operating Activities	(146)	102
Net Cash Flows Used for Investing Activities	(48)	(19)
Net Cash Flows Used for Financing Activities	(91)	(88)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	(1)	2
Net Decrease in Cash and Cash Equivalents	(286)	(3)
Cash and Cash Equivalents, End of Period	\$ 204	\$ 332

Operating Activities

Net cash provided by (used for) operating activities reflects net income adjusted for non-cash items, including depreciation, share-based compensation expense and deferred tax expense, as well as changes in working capital. Net cash used for operating activities in the first quarter of 2022 was \$146 million, a decrease in net cash flows from operating activities of \$248 million compared to the first quarter of 2021. The decrease in net cash from operating activities in the first quarter of 2022 was primarily driven by higher cash outflows associated with working capital changes and lower net income. The most significant working capital driver resulting in the decrease in operating cash flows is our increased inventory levels, primarily driven by higher cost of goods due to supply chain cost pressures and longer in-transit shipment times which we began to experience in the third and fourth quarter of 2021, and the associated impact on accounts payable due to the timing of payments for inventory.

Investing Activities

Net cash used for investing activities in the first quarter of 2022 was \$48 million, consisting primarily of capital expenditures of \$21 million and our \$18 million investment in Frankies Bikinis. The capital expenditures were primarily related to our store refresh program and technology to support our retail capabilities and general infrastructure needs as we separate into a standalone company.

Net cash used for investing activities in the first quarter of 2021 was \$19 million for capital expenditures. The capital expenditures were primarily related to spending on technology and logistics to support our digital business and other retail capabilities.

Financing Activities

Net cash used for financing activities in the first quarter of 2022 was \$91 million, consisting primarily of \$109 million of share repurchases and \$38 million of payments for taxes on share-based compensation awards issued, partially offset by \$55 million of cash received from Regina Miracle in connection with the joint venture agreement completed in April 2022.

Net cash used for financing activities in the first quarter of 2021 was \$88 million related to net transfers to the Former Parent.

Common Stock Share Repurchases

Our Board of Directors will determine share repurchase authorizations, giving consideration to our levels of profit and cash flow, 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 flow generated from operating activities to fund our share repurchase programs. The timing and amount of any repurchases will be made at our discretion, taking into account a number of factors, including market conditions.

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 ASR Agreement, \$50 million previously recorded in Paid-in Capital as of January 29, 2022, was reclassified to Treasury Stock as of April 30, 2022.

In March 2022, our Board of Directors approved a new share repurchase program ("March 2022 Share Repurchase Program"), providing for 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, subject to market conditions and other factors. Shares acquired through the March 2022 Share Repurchase Program will be available to meet obligations under equity compensation plans and for general corporate purposes. The March 2022 Share Repurchase Program will continue until exhausted, but no later than January 28, 2023.

We repurchased the following shares of our common stock during the first quarter of 2022 under our March 2022 Share Repurchase Program:

<u>Repurchase Program</u>	<u>Amount Authorized</u> <u>(in millions)</u>	<u>Shares Repurchased</u> <u>(in thousands)</u>	<u>Amount Repurchased</u> <u>(in millions)</u>	<u>Average Stock Price</u>
March 2022	\$ 250	2,162	\$ 109	\$ 50.43

The March 2022 Share Repurchase Program has \$141 million remaining as of April 30, 2022.

Subsequent to April 30, 2022, we repurchased an additional 0.5 million shares for \$23 million through June 2, 2022 under the March 2022 Share Repurchase Program.

Treasury Stock Retirements

In February 2022, we immediately retired the additional 0.3 million shares repurchased in connection with the settlement of the 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.

In accordance with the Board of Directors' resolution, shares of common stock repurchased under the March 2022 Share Repurchase Program will be retired and cancelled upon repurchase. As a result, we retired the 2.2 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, \$4 million in Paid-in Capital and \$105 million in Retained Earnings.

Dividend Policy and Procedures

We have not paid any cash dividends since the Separation. 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 debt balance, net of unamortized debt issuance costs and discounts, as of April 30, 2022, January 29, 2022 and May 1, 2021:

	April 30, 2022	January 29, 2022	May 1, 2021
	(in millions)		
Senior Secured Debt with Subsidiary Guarantee			
\$398 million Term Loan due August 2028 ("Term Loan Facility")	\$ 389	\$ 390	\$ —
Total Senior Secured Debt with Subsidiary Guarantee	389	390	—
Senior Debt with Subsidiary Guarantee			
\$600 million, 4.625% Fixed Interest Rate Notes due July 2029 ("2029 Notes")	592	592	—
Total Senior Debt with Subsidiary Guarantee	592	592	—
Long-term Debt due to Former Parent	—	—	97
Total	981	982	97
Current Debt	(4)	(4)	—
Total Long-term Debt, Net of Current Portion	\$ 977	\$ 978	\$ 97

Cash paid for interest was \$4 million in the first quarter of 2022.

Issuance of Notes

In July 2021, we issued \$600 million of 4.625% notes due in July 2029 in a transaction exempt from registration under the Securities Act of 1933, as amended. The obligation to pay principal and interest on the 2029 Notes is jointly and severally guaranteed on a full and unconditional basis by certain of our wholly-owned subsidiaries.

On August 2, 2021, we used cash proceeds of \$592 million, which were net of issuance costs of \$8 million, from the 2029 Notes, to partially fund the approximately \$976 million cash payment to the Former Parent in connection with the Separation. The issuance costs are being amortized through the maturity date and are included within Long-term Debt on the April 30, 2022 and January 29, 2022 Consolidated and Combined Balance Sheets.

Credit Facilities

On August 2, 2021, we entered into a term loan B credit facility in an aggregate principal amount of \$400 million (the "Term Loan Facility"), which will mature in August 2028. Commencing in December 2021, we will 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 a principal payment of \$1 million for the Term Loan Facility during the first quarter of 2022.

Interest under the Term Loan Facility will be calculated by reference to the London Interbank Offered Rate ("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 will be subject to a floor of 0.50%. 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 asset-based revolving credit facility and on a second-priority lien basis by priority collateral of the asset-based revolving credit facility, subject to customary exceptions.

On August 2, 2021, we also entered into a senior secured asset-based revolving credit facility (the “ABL 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 will be 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. Interest on the loans under the ABL Facility will be 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%. Unused commitments under the ABL Facility will accrue an unused commitment fee ranging from 0.25% to 0.30%.

For the reporting period ending April 30, 2022, our borrowing base was \$651 million and there were no borrowings outstanding under the ABL Facility. We had \$40 million of outstanding letters of credit as of April 30, 2022 that reduced our availability under the ABL Facility.

On August 2, 2021, we used the net cash proceeds from the credit facilities of \$384 million, which were net of issuance and financing costs of \$10 million for the Term Loan Facility and \$6 million for the ABL Facility, to partially fund the approximately \$976 million cash payment to the Former Parent in connection with the Separation. 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 April 30, 2022 and January 29, 2022 Consolidated and Combined Balance Sheets.

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 April 30, 2022, we were in compliance with all covenants under our long-term debt and borrowing facilities.

Foreign Facilities

Certain of our China subsidiaries previously utilized revolving and term loan bank facilities to support their operations (“Foreign Facilities”). As of May 1, 2021, there were no borrowings outstanding under the Foreign Facilities. During the second quarter of 2021, with no borrowings outstanding, we terminated the Foreign Facilities.

Long-term Debt due to Former Parent

During 2020, we borrowed \$97 million from the Former Parent to pay down outstanding debt with external parties. This borrowing was due in September 2025 and had a variable interest rate based on the China Loan Prime Rate. As a result of the Separation, we no longer have this Long-term Debt due to Former Parent. Prior to the Separation, we recognized \$1 million of interest expense during the first quarter of 2021 related to this borrowing.

Credit Ratings

The following table provides our credit ratings as of April 30, 2022:

	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. There have been no material changes in our contractual obligations since January 29, 2022, as discussed in “Contingent Liabilities and Contractual Obligations” in our Annual Report on Form 10-K filed with the SEC on March 18, 2022. 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 first quarter of 2022 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 Annual Report on Form 10-K filed with the SEC on March 18, 2022.

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 April 30, 2022, our investment portfolio is primarily comprised of bank deposits. Prior to the Separation, cash generated by us was invested by the Former Parent in U.S. government obligations and U.S. Treasury and AAA-rated money market funds. 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 April 30, 2022 consists of the 2029 Notes, which have a fixed interest rate, and the \$398 million Term Loan Facility, which has a variable interest rate based on either the LIBOR or an alternate base rate. Our exposure to interest rate changes is limited to the fair value of the debt issued as well as the interest we pay on the Term Loan Facility, which 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 publicly traded debt as of April 30, 2022, January 29, 2022 and May 1, 2021:

	April 30, 2022	January 29, 2022	May 1, 2021
	(in millions)		
Principal Value	\$ 998	\$ 999	\$ —
Fair Value, Estimated (a)	881	975	—

(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 April 30, 2022, we believe that the carrying values of accounts receivable, accounts payable and accrued expenses approximate fair value because of their short maturity.

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 April 30, 2022, our investment portfolio is primarily comprised of bank deposits. Prior to the Separation, cash generated by us was invested by the Former Parent in U.S. government obligations and U.S. Treasury and AAA-rated money market funds. 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. There were no changes in our internal control over financial reporting that occurred during the first quarter of 2022 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 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.

As previously disclosed by the Former Parent, on May 19, 2020 and January 12, 2021, the Former Parent's shareholders filed derivative lawsuits in the Court of Common Pleas for Franklin County, Ohio (subsequently removed to the United States District Court for the Southern District of Ohio) and the Delaware Court of Chancery, respectively, naming as defendants certain current and former directors and officers of the Former Parent and alleging, among other things, breaches of fiduciary duty through asserted violations of law and failures to monitor workplace conduct (the "Lawsuits"). In addition, the Former Parent also received litigation and books-and-records demands from other shareholders related to the same matters (together with the Lawsuits, the "Actions").

In July 2021, the Former Parent announced the global settlement resolving the Actions. The settlement resolves all derivative claims that have been or could have been asserted in the Actions or that involve in any way the allegations referred to in the Actions and releases all such claims against the Former Parent (and its subsidiaries, including us) and past and present employees, officers and directors, among others. As part of the settlement, the Former Parent (and its subsidiaries, including us) has agreed to implement certain management and governance measures, including the maintenance of a Diversity, Equity, and Inclusion Council. Following the Separation, the settlement terms apply to both the Former Parent and us. Each company has committed to invest \$45 million over at least five years to fund the management and governance measures. The settlement was preliminarily approved on August 25, 2021, and a fairness hearing occurred on January 18, 2022. On May 16, 2022, the United States District Court of the Southern District of Ohio granted final approval of the settlement.

Item 1A. RISK FACTORS

The risk factors that affect our business and financial results are set forth under "Item 1A. Risk Factors" in our 2021 Annual Report on Form 10-K filed with the SEC on March 18, 2022. There have been no material changes to the risk factors from those described in the 2021 Annual Report on Form 10-K. We wish to caution the reader that the risk factors discussed in "Item 1A. Risk Factors" in our 2021 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 our common stock during the first quarter of 2022:

<u>Period</u>	<u>Total Number of Shares Purchased (a)</u> (in thousands)	<u>Average Price Paid per Share (b)</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Programs</u>	<u>Maximum Number of Shares (or Approximate Dollar Value) that May Yet be Purchased Under the Program</u> (in thousands)
February 2022	319	(b)	317	\$ —
March 2022	2,691	\$ 49.76	1,912	153,737
April 2022	265	50.74	250	140,984
Total	<u>3,275</u>		<u>2,479</u>	

(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 payments due upon vesting of employee restricted stock awards and the use of our stock to pay the exercise price on employee stock options.

(b) The amount purchased in February 2022 includes the delivery of 0.317 million shares pursuant to the ASR Agreement discussed in Note 5, "Earnings Per Share and Shareholders' Equity" included in Item 1. Financial Statements. The average price paid per share, including any broker commissions, in February 2022 for shares not purchased pursuant to the ASR Agreement was \$57.49.

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*	Amended and Restated Bylaws of Victoria's Secret & Co. (incorporated by reference to Exhibit 3.2 to the Company's Form 8-K filed on August 3, 2021).
10.1	Executive Severance Agreement by and between VS Service Company, LLC and Dein Boyle, dated as of June 28, 2021.
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

Executive Vice President and Chief Financial Officer *

Date: June 3, 2022

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

EXECUTIVE SEVERANCE AGREEMENT

THIS EXECUTIVE SEVERANCE AGREEMENT (this “Agreement”) is made and entered into as of the last date of signature below (the “Effective Date”), by and between the Company and Dein Boyle (the “Executive”) (hereinafter collectively referred to as the “Parties”).

WHEREAS, the Executive currently serves as a key employee of the Company and the Executive’s services and knowledge are valuable to the Company; and

WHEREAS, in consideration of the Executive’s continued employment, the Company has determined that it is in its best interests to provide the Executive with the severance protections in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the foregoing, and in view of the promises and other good and valuable consideration described in this Agreement (the sufficiency and receipt of which are hereby acknowledged) the Parties agree as follows:

1. Effective Date and Term of this Agreement. This Agreement shall be effective on the Effective Date and will remain in effect unless and until (i) the Executive’s employment with the Company is terminated by either Party in accordance with Section 2, and (ii) all payments and/or benefits to which the Executive is entitled under this Agreement, if any, have been made or provided to the Executive in accordance with the terms of this Agreement.

2. Termination of Employment. The Executive’s employment with the Company shall terminate upon the earlier of: (i) automatically thirty (30) days after the Executive provides a written Notice of Termination of his or her resignation for any reason other than for Good Reason; (ii) thirty (30) days following the Executive providing a Notice of Termination indicating the existence of a condition(s) constituting Good Reason other than to the extent that such condition is cured; (iii) immediately upon the Executive’s Disability or death; (iv) automatically thirty (30) days after the Executive receives written Notice of Termination from the Company of his or her Termination without Cause; or (v) the date set forth in the Notice of Termination from the Company of the Executive’s termination of employment with the Company for Cause (collectively, the earlier of being the “Termination Date”). The Company may elect to pay the Executive in lieu of the thirty (30) days’ written notice, but will still deliver a Notice of Termination.

3. Non-Qualifying Termination.

(a) Notwithstanding anything herein or in any other agreement to the contrary, if the Executive’s employment is terminated by the Company for Cause, the Company’s sole obligation shall be to pay the Executive the Accrued Amounts and the Executive shall not be entitled to severance benefits under this Agreement or any other agreement or severance plan, policy or program of the Company (or any of its affiliates).

(b) Notwithstanding anything herein or in any other agreement to the contrary, to the extent that the Executive experiences a Termination for any reason while a Company-led internal investigation into facts that could reasonably give rise to the Executive’s Termination for Cause is pending: (i) the Executive shall not be entitled to receive any severance benefits under this Agreement (other than the Accrued Amounts) or any other agreement or severance plan, policy or program of the Company (or any of its affiliates); and (ii) the Executive shall not be entitled to vest in or receive any Variable Compensation, in either case, unless and until the Company concludes its investigation with a finding that grounds for a Termination for Cause did not in fact exist, and only to the extent provided for under the terms of the applicable agreement, plan, policy or program.

(c) If the Executive experiences a Termination by reason of the Executive’s death or if the Executive gives the Company a written Notice of Termination other than for Good Reason, the Company’s sole obligation shall be to pay the Executive the Accrued Amounts.

(d) If the Executive’s experiences a Termination by reason of the Executive’s Disability, the Company’s sole obligation shall be to pay the Executive the Accrued Amounts and the Executive shall be entitled to receive disability benefits available under the Company’s (or any affiliate’s) long-term disability plan, to the extent applicable.

4. Severance Upon a Qualifying Termination Not Within the Protection Period. If the Executive experiences a Qualifying Termination not within the Protection Period, then, subject to Section 6, the Company will provide the Executive with the following (collectively, the “Severance Benefits”):

(a) Accrued Amounts;

(b) The Company shall continue to pay the Executive's Base Salary for a period of two (2) years following the Qualifying Termination, less applicable withholding, payable as follows: (i) on the Company's first regularly scheduled pay date falling on or after sixty (60) days from the Executive's Termination Date (the "First Payment Date"), the Company will pay the Executive, without interest, the number of missed payroll installments that would have been paid during the period beginning on the Termination Date and ending on the First Payment Date had the installments been paid on the Company's regularly scheduled payroll dates, and (ii) each of the remaining installments shall be paid on the Company's regularly scheduled pay dates during the remainder of such two (2)-year period;

(c) For up to two (2) years following the Termination Date, and provided that the Executive pays the applicable contribution amount required to be paid by similarly-situated active employees for such coverage, the Company shall provide to the Executive and the Executive's covered dependents, medical and dental benefits substantially similar in the aggregate to the those provided to similarly-situated active employees, provided that the Company's contribution toward the cost of such coverage shall be treated as taxable income to the Executive and the Executive must continue to pay his or her portion of the cost of this coverage with after-tax dollars (the "Benefit Continuation"). The Company's obligation to provide the Benefit Continuation shall cease upon the Executive becoming eligible for similar benefits as the result of employment with another employer. Notwithstanding the foregoing, if the Executive is not eligible to continue to participate in the relevant plan(s) providing the Benefit Continuation or if providing the Benefit Continuation would violate the nondiscrimination rules under Section 105(h) of the Code, or the rules applicable to non-grandfathered health plans under the Patient Protection and Affordable Care Act of 2010 ("PPACA"), or result in the imposition of penalties under the Code and/or PPACA and the related regulations and guidance promulgated thereunder, the Parties agree to reform this section in a manner as necessary to comply with applicable law, while, to the extent permitted by applicable law, preserve its intended economic benefit;

(d) If, prior to a Retention Date (as defined in the Retention Agreement by and between one of the subsidiaries of L Brands, Inc. and the Executive dated August 7, 2020 (the "Retention Agreement")), the Retention Payment (as defined in the Retention Agreement) scheduled to be paid for the Retention Date immediately following the Termination Date shall be paid, less applicable withholding, on the First Payment Date;

(e) The Company shall pay the Executive any incentive compensation under the IC Plan that the Executive would have received if the Executive had remained employed with the Company for a period of one (1) year after the Termination Date based on actual performance, less applicable withholding, subject to the terms of the IC Plan. The foregoing payments shall be paid at the same time as payments under the IC Plan are typically paid, but in no event earlier than three (3) months following the Executive's Qualifying Termination and in no event later than March 15th of the year following the year in which the applicable season is completed. For the purposes of clarity, under this subsection, the Executive shall not be entitled to payments under the IC Plan pursuant to this provision for partial performance periods that are not then-completed on the first anniversary of the Termination Date; and

(f) The treatment of any outstanding equity awards will be determined as follows:

(i) A pro-rata portion of the outstanding unvested equity awards that are held by the Executive as of the Termination Date and vest only based on the passage of time shall vest and be settled on the First Payment Date, which pro-rata vesting shall be determined by (A) multiplying (x) the number of shares subject to the award by (y) a fraction, the numerator of which is the number of complete months between the first day of the applicable time-based vesting period and the Termination Date, and the denominator of which is the aggregate number of months in the time-based vesting period, less (B) the number of shares subject to the award that had already vested pursuant to the award's terms prior to the Termination Date, if any;

(ii) A pro-rata portion of the outstanding unvested equity awards that are held by the Executive as of the Termination Date and vest based, at least in part, on the satisfaction of performance goals shall vest and be settled by the later of the First Payment Date and sixty (60) days following the end of the applicable performance period, which pro-rata vesting shall be determined by (A) multiplying the number of shares that the Executive would have earned for the entire performance period based on the level of performance determined in accordance with the applicable plan and award agreements by (B) a fraction, the numerator of which is the number of complete months between the first day of the applicable performance period and the Termination Date, and the denominator of which is the aggregate number of months in the performance period;

(iii) To the extent that any outstanding unvested equity award that is held by the Executive as of the Termination Date would vest at a greater percentage under the terms of the applicable plan and award agreement than as provided for under Sections 4(f)(i)-(ii), the terms of such award agreement shall instead to determine the number of shares covered by such equity award that will vest under this Section 4(f), subject to Sections 4(f)(iv)-(v);

(iv) Notwithstanding the foregoing, no equity awards that are outstanding as of the Termination Date will be forfeited during the three (3)-month period commencing upon the Termination Date, provided, that, (x) to the extent a VS Change in Control occurs during such three (3)-month period, any such equity awards that are outstanding and unvested as of the VS Change in Control will instead be treated in accordance with Section 5; and (y) to the extent a VS Change in Control does not occur during such three (3)-month period, any portion of the equity awards outstanding as of Termination Date that do not vest pursuant to Sections 4(f)(i)-(iii) shall be forfeited; and

(v) To the extent that the payment or settlement of any equity awards in accordance with the foregoing would constitute an impermissible change in the time or form of payment under Section 409A of the Code, then such portion shall be payable at a time that would be permitted under Section 409A of the Code and that is as near as possible to the payment timing contemplated by the foregoing.

5. Severance Upon a Qualifying Termination Within the Protection Period. If the Executive has a Qualifying Termination within the Protection Period, then, subject to Section 6, the Company will provide the Executive with the following (collectively, the “Change in Control Severance Benefits”):

(a) The payments and benefits described in Sections 4(a), (b), (c), and (d);

(b) A payment equal to the sum of the incentive compensation payouts that the Executive actually received under the IC Plan for the four (4) completed seasons immediately preceding the Termination Date (the “Bonus Amount”). The Bonus Amount shall be paid, less applicable withholding, in a lump sum cash payment on the First Payment Date;

(c) A payment equal to the product of (i) the IC Plan payment that the Executive would have earned for the season during which the Executive’s Qualifying Termination occurs, based on actual performance, multiplied by (ii) a fraction, the numerator of which is the number of days in the season (within the meaning of the IC Plan) in which the Termination Date occurs that elapsed through the Termination Date and the denominator of which is the total number of days in such season. The foregoing payment, less applicable withholding, shall be paid at the same time as payments under the IC Plan are typically paid, but in no event earlier than the First Payment Date and in no event later than March 15th of the year following the year in which the applicable season is completed; and

(d) All of the outstanding and unvested equity awards held by the Executive immediately before such Qualifying Termination will immediately become fully vested and payable on the First Payment Date, provided that, to the extent that paying any portion of such amount in accordance with the foregoing would constitute an impermissible change in the time or form of payment under Section 409A of the Code, then such portion shall be payable at a time that would be permitted under Section 409A of the Code and that is as near as possible to the payment timing contemplated by the foregoing. To the extent that an equity award vests based on the achievement of performance goals, performance goals will be deemed to be achieved at target levels if less than one-third of the applicable performance period has elapsed as of the date of the Change in Control, otherwise performance goals will be deemed achieved at maximum levels.

In the event that the Termination Date occurs during the portion of the Protection Period that precedes a VS Change in Control and the Executive has already commenced receiving payments and/or benefits under Section 4 prior to the VS Change in Control, then (i) the Executive will be entitled to the payments and benefits under this Section 5 in lieu of any additional payments or benefits under Section 4, but only to the extent an equivalent payment and/or benefit has not already been paid or provided pursuant to Section 4; and (ii) any payments that the Executive would have otherwise been entitled to under this Section 5 that have not otherwise been paid to the Executive as of the VS Change in Control will be paid to the Executive in a single lump sum payment as soon as administratively practicable, but no later than sixty (60) calendar days following the occurrence of the VS Change in Control.

6. Release Requirement. Notwithstanding any other provisions of this Agreement to the contrary, the Company shall not make or provide the Severance Benefits or the Change in Control Severance Benefits (in each case, other than the Accrued Amounts), unless the Executive timely executes and delivers to the Company a release of claims in favor of the Company, its affiliates and their respective officers and directors in a form provided by the Company (the “Release”) and such Release becomes effective and irrevocable within sixty (60) days following the Executive’s Termination Date. If the foregoing requirements are not satisfied by the Executive, then no Severance Benefits nor Change in Control Severance Benefits (in each case, other than the Accrued Amounts) shall be due to the Executive pursuant to this Agreement.

7. Effect on Other Plans, Agreements and Benefits.

(a) Any severance benefits payable to the Executive under this Agreement will be in lieu of and not in addition to: (i) any severance benefits to which the Executive would otherwise be entitled under any general severance policy or severance plan maintained by the Company (or any of its affiliates) or any agreement between the Executive and the Company (or any of its affiliates) that provides for severance benefits; (ii) unused PTO remaining upon the Termination Date; and (iii) salary continuation provided for under the Confidentiality, Noncompetition and Intellectual Property Agreement.

(b) Any severance benefits payable to the Executive under this Agreement will not be counted as compensation for purposes of determining benefits under any other benefit policies or plans of the Company (or any of its affiliates), except to the extent expressly provided therein.

(c) The Executive’s entitlement to any other benefits not expressly referenced herein shall be determined in accordance with the applicable employee benefit plans then in effect.

(d) The Executive expressly agrees that any amounts the Executive may owe to the Company as of the Termination Date may be deducted from the amounts that the Company would otherwise owe to the Executive under this Agreement.

(e) Notwithstanding anything herein or in any other agreement to the contrary, if the Executive incurs a Termination for Cause, then all Variable Compensation shall be immediately canceled for no consideration. If the Executive incurs a Termination for Cause, or the Company becomes aware (after the Executive's Termination) of conduct on the part of the Executive that would have been grounds for a Termination for Cause, then, the Executive will be required to deliver to the Company, immediately upon request, the Variable Compensation (in shares and/or cash), granted on or after the Effective Date and paid or delivered to the Executive within the three (3) years prior to the Termination Date, including the profit the Executive realized upon the exercise of stock options.

8. Section 280G of the Code.

(a) Notwithstanding anything in this Agreement to the contrary, if the Executive is a "disqualified individual" (as defined in Section 280G(c) of the Code), and the payments and benefits provided for in this Agreement, together with any other payments and benefits which the Executive has the right to receive from the Company or any other person, would constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code), then the payments and benefits provided for in this Agreement will be either (a) reduced (but not below zero) so that the present value of such total amounts and benefits received by the Executive from the Company and/or such person(s) will be \$1.00 less than three (3) times the Executive's "base amount" (as defined in Section 280G(b)(3) of the Code) and so that no portion of such amounts and benefits received by the Executive will be subject to the excise tax imposed by Section 4999 of the Code or (b) paid in full, whichever produces the better "net after-tax position" to the Executive (taking into account any applicable excise tax under Section 4999 of the Code and any other applicable taxes).

(b) The reduction of payments and benefits hereunder, if applicable, will be made by reducing, first, payments or benefits to be paid in cash hereunder in the order in which such payment or benefit would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time) and, then, reducing any benefit to be provided in-kind hereunder in a similar order.

(c) The determination as to whether any such reduction in the amount of the payments and benefits provided hereunder is necessary will be made applying principles, assumptions and procedures consistent with Section 280G of the Code by an accounting firm or law firm of national reputation that is selected for this purpose by the Company (the "280G Firm"). In order to assess whether payments under this Agreement or otherwise qualify as reasonable compensation that is exempt from being a parachute payment under Section 280G of the Code, the 280G Firm or the Company may retain the services of an independent valuation expert.

(d) If a reduced payment or benefit is made or provided and through error or otherwise that payment or benefit, when aggregated with other payments and benefits from the Company (or its affiliates) used in determining if a "parachute payment" exists, exceeds \$1.00 less than three (3) times the Executive's base amount, then the Executive must immediately repay such excess to the Company upon notification that an overpayment has been made. Nothing in this Section 8 will require the Company to be responsible for, or have any liability or obligation with respect to, the Executive's excise tax liabilities under Section 4999 of the Code.

9. Arbitration and Class and Representative Action Waiver.

(a) The Parties agree that, subject to Section 9(b), any controversy or claim between the Company and the Executive arising out of or relating to this Agreement or its termination shall be settled and determined by a single arbitrator whose award shall be accepted as final and binding upon the parties. If Executive initiates arbitration, Executive will be responsible for paying a filing fee of \$300 or the filing fee in federal court in Columbus, Ohio, whichever is lower. Each Party will be responsible for its/her own attorney's fees. The Parties shall jointly select an arbitrator from JAMS, Inc. ("JAMS") or the American Arbitration Association ("AAA") with at least ten (10) years of experience in employment disputes. The arbitration shall be conducted on a confidential basis by the AAA or JAMS and administered under their Employment Arbitration Rules, which are currently available at <http://www.adr.org> and <http://www.jamsadr.com>, respectively. The arbitrator shall have the authority to allow for appropriate discovery and exchange of information before a hearing, including, but not limited to, production of documents, information requests, depositions and subpoenas. Unless the arbitrator determines additional discovery is necessary to adequately arbitrate Executive's claims, discovery shall be conducted in accordance with the then-current version of the Federal Rules of Civil Procedure. Those rules can be found at <https://www.law.cornell.edu/rules/frcp>. The arbitration shall take place in Columbus, Ohio. Notwithstanding the AAA or JAMS rules, all parties to the arbitration shall have the right to file a dispositive motion and shall not be required to seek permission from the arbitrator to do so. Any decision or award as a result of any such arbitration proceeding shall be in writing and shall provide an explanation for all conclusions of law and fact and shall include the assessment of costs, expenses, and reasonable attorneys' fees. Judgment on the award may be entered in any court having jurisdiction.

(b) This Arbitration provision does not include:

- (i) Any claim arising under or related to the Confidentiality, Noncompetition and Intellectual Property Agreement;
- (ii) A claim for workers' compensation benefits;

(iii) A claim for unemployment compensation benefits;

(iv) A claim based upon the Company's current (successor or future) employee benefits and/or welfare plans that contain an appeal procedure or other procedure for the resolution of disputes under this Agreement; and

(v) A claim of sexual harassment, including hostile work environment, "sexual assault" (defined as actual or threatened unwelcomed touching of a sexual nature), gender discrimination, and retaliation related to same.

(c) This Agreement also does not prevent Executive from filing a claim or charge with a federal, state or local administrative agency, such as the Equal Employment Opportunity Commission, the National Labor Relations Board, or similar state or local agencies.

(d) This Agreement does not prohibit those limited circumstances under which either Party finds it necessary to seek emergency or temporary injunctive relief, such as a preliminary injunction or a temporary restraining order, from a court that may be necessary to protect any rights or property of either Party pending the establishment of the arbitral tribunal or its determination of the merits of the dispute.

(e) **CLASS ACTION WAIVER.** To the extent permissible by law, there shall be no right or authority for any dispute to be arbitrated as a class action or collective action ("Class Action Waiver"). **THIS MEANS THAT, EXCEPT AS EXPLICITLY PROVIDED HEREIN, ALL DISPUTES BETWEEN THE PARTIES THAT ARISE, OR HAVE ARISEN, OUT OF EXECUTIVE'S EMPLOYMENT OR THE TERMINATION OF EXECUTIVE'S EMPLOYMENT SHALL PROCEED IN ARBITRATION SOLELY ON AN INDIVIDUAL BASIS, AND THAT THE ARBITRATOR'S AUTHORITY TO RESOLVE ANY DISPUTE AND TO MAKE WRITTEN AWARDS WILL BE LIMITED TO EXECUTIVE'S INDIVIDUAL CLAIMS.**

(f) **REPRESENTATIVE ACTION WAIVER.** To the extent permissible by law, there shall be no right or authority for any dispute to be arbitrated as a representative action or as a private attorney general action, including but not limited to claims brought pursuant to the Private Attorney General Act of 2004, Cal. Lab. Code § 2698, et seq. ("Representative Action Waiver"). **THIS MEANS THAT, TO THE EXTENT CONSISTENT WITH APPLICABLE LAW, EXECUTIVE MAY NOT SEEK RELIEF ON BEHALF OF OTHERS IN ARBITRATION, INCLUDING BUT NOT LIMITED TO SIMILARLY AGGRIEVED EMPLOYEES. THE ARBITRATOR'S AUTHORITY TO RESOLVE ANY DISPUTE AND TO MAKE WRITTEN AWARDS WILL BE LIMITED TO EXECUTIVE'S INDIVIDUAL CLAIMS.**

(g) The Parties agree that only a court of competent jurisdiction may interpret this Section 9 and resolve challenges to its validity and enforceability, including but not limited to the validity, enforceability and interpretation of the Class Action Waiver and Representative Action Waiver. The arbitrator shall have no jurisdiction or power to make such determinations. The Federal Arbitration Act, 9 U.S.C. §§ 1-16, shall govern the interpretation and enforcement of the duty to arbitrate found in this Section 9 and all arbitration proceedings under this Agreement.

(h) Any conflict between the rules and procedures set forth in either the JAMS or AAA rules and those set forth in this Agreement shall be resolved in favor of those in this Agreement.

(i) The burden of proof at an arbitration shall at all times be on the Party seeking relief.

(j) In reaching a decision, the arbitrator shall apply the governing substantive law applicable to the claims, causes of action and defenses asserted by the Parties, as applicable in Ohio. The arbitrator shall have the power to award all remedies that could be awarded by a court or administrative agency in accordance with the governing and applicable substantive law, including, without limitation, Title VII, the Age Discrimination in Employment Act, the Family and Medical Leave Act.

(k) The aggrieved Party must give written notice of any claim to the other Party as soon as possible after the aggrieved Party first knew or should have known of the facts giving rise to the claim. The written notice shall describe the nature of all claims asserted, the facts upon which those claims are based, and shall set forth the aggrieved Party's intention to pursue arbitration. The notice shall be mailed to the other Party by certified or registered mail, return receipt requested. A copy of the notice may be sent by electronic mail.

10. Amendment. No provision of this Agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and signed by the Executive and the Company.

11. At-Will Employment. This Agreement does not alter the status of each Executive as an at-will employee of the Company. Nothing contained herein shall be deemed to give the Executive the right to remain employed by the Company or to interfere with the rights of the Company to terminate the employment of the Executive at any time, with or without Cause.

12. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement is held by a court of competent jurisdiction to be illegal, invalid, void or unenforceable, such provision shall be deemed modified, amended and narrowed to the extent necessary to render such provision legal, valid and enforceable, and the other remaining provisions of this Agreement shall not be affected but shall remain in full force and effect. If a court of competent jurisdiction finds the Class Action Waiver and/or Representative Action Waiver in Section 9 is unenforceable for any reason, then the unenforceable waiver provision shall be severable from this Agreement, and any claims covered by any deemed unenforceable waiver provision may only be litigated in a court of competent jurisdiction, but the remainder of the Agreement shall be binding and enforceable.

13. Headings and Subheadings. Headings and subheadings contained in this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the heading or subheading of any section or paragraph.

14. Unfunded Obligations. The amounts to be paid to the Executive under this Agreement are unfunded obligations of the Company. The Company is not required to segregate any monies or other assets from its general funds with respect to these obligations. The Executive shall not have any preference or security interest in any assets of the Company other than as a general unsecured creditor.

15. Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement (including the Notice of Termination and a notice of a claim for which a Party seeks arbitration) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid, or upon receipt if overnight delivery service or facsimile is used, addressed as follows:

To the Executive:

Dein Boyle
8189 Creek Hollow Road
Blacklick, OH 43004

To the Company:

VS Service Company, LLC
Four Limited Parkway,
Reynoldsburg, Ohio 43068
Attn: Chief Legal Officer

16. Successors and Assigns. The Company may assign its rights and obligations under this Agreement without the Executive's consent: to (i) an affiliate of the Company, or (ii) in the event that the Company shall hereafter effect a reorganization, consolidate with, or merge into, any other entity or person, or transfer all or substantially all of its properties, stock, or assets to any other entity or person, to the acquirer or resulting entity in such transaction. This Agreement will be binding upon any successor of the Company (whether direct or indirect, by purchase, merger, consolidation or otherwise), in the same manner and to the same extent that the Company would be obligated under this Agreement if no succession had taken place. Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, the Executive's beneficiaries or legal representatives, except by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative.

17. Waiver. Any Party's failure to enforce any provision or provisions of this Agreement will not in any way be construed as a waiver of any such provision or provisions, nor prevent any Party from thereafter enforcing each and every other provision of this Agreement.

18. Counterparts. This Agreement may be executed in one or more counterparts, all of which taken together shall be deemed to constitute one and the same original.

19. Governing Law. Unless otherwise noted in this Agreement, this Agreement shall be construed in accordance with and governed by the laws of Ohio without regard to conflicts of law principles.

20. Withholding. The Company shall have the right to withhold from any amount payable hereunder any Federal, state and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

21. Section 409A of the Code. This Agreement is intended to either avoid the application of, or comply with, Section 409A of the Code. To that end, this Agreement shall at all times be interpreted in a manner that is consistent with Section 409A of the Code. Notwithstanding any other provision in this Agreement to the contrary, the Company shall have the right, in its sole discretion, to adopt such amendments to this Agreement or take such other actions (including amendments and actions with retroactive effect) as it determines is necessary or appropriate for this Agreement to comply with Section 409A of the Code. Further:

(a) Any reimbursement of any costs and expenses by the Company to the Executive under this Agreement shall be made by the Company in no event later than the close of the Executive's taxable year following the taxable year in which the cost or expense is incurred by the Executive. The expenses incurred by the Executive in any calendar year that are eligible for reimbursement under this Agreement shall not affect the expenses incurred by the Executive in any other calendar year that are eligible for reimbursement hereunder and the Executive's right to receive any reimbursement hereunder shall not be subject to liquidation or exchange for any other benefit.

(b) Any payment following a separation from service that would be subject to Section 409A(a)(2)(A)(i) of the Code as a distribution following a separation from service of a "specified employee" (as defined under Section 409A(a)(2)(B)(i) of the Code) shall be made on the first to occur of (i) ten (10) days after the expiration of the six (6)-month period following such separation from service, (ii) death, or (iii) such earlier date that complies with Section 409A of the Code.

(c) Each payment that the Executive may receive under this Agreement shall be treated as a "separate payment" for purposes of Section 409A of the Code.

(d) Payments under this Agreement are intended to be exempt from the requirements of Section 409A of the Code to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4), the involuntary separation pay plan exception described in Treasury Regulation Section 1.409A-1(b)(9)(iii), or otherwise. Any payments and benefits provided under this Agreement may be accelerated in time or schedule by the Company, in its sole discretion, to the extent permitted by Section 409A of the Code.

22. Definitions. Capitalized terms used but not otherwise defined herein have the meanings set forth in this Section 22.

(a) "2020 Stock Plan" means the L Brands, Inc. 2020 Stock Option and Performance Incentive Plan, as amended from time to time.

(b) "Accrued Amounts" means: (i) unpaid Base Salary through the Termination Date; and (ii) unreimbursed business expenses incurred by the Executive on behalf of the Company during the term of his or her employment in accordance with the Company's standard policies (including expense verification policies) regarding the reimbursement of business expenses, as the same may be modified from time to time.

(c) "Base Salary" means the Executive's annual base salary in effect as of the Termination Date (without giving effect to any reduction resulting in a Qualifying Termination for Good Reason).

(d) "Cause" means, as determined by the Company in its sole discretion, that the Executive (i) was grossly negligent in the performance of the Executive's duties with the Company (other than a failure resulting from the Executive's incapacity due to physical or mental illness); (ii) has pled "guilty" or "no contest" to, or has been convicted of, an act which is defined as a felony under federal or state law; (iii) engaged in misconduct in bad faith that could reasonably be expected to materially harm the Company's business or its reputation; or (iv) commits or engages in Subject Conduct. No event of condition described in subsections (i), (iii) or (iv) of the immediately preceding sentence shall constitute Cause unless (x) the Company provides the Executive a Notice of Termination stating the grounds for such termination; (y) such grounds for termination (if susceptible to correction) are not corrected by the Executive within thirty (30) days of the Executive's receipt of the Notice of Termination; and (z) the Company terminates the Executive's employment with the Company (any its affiliates) immediately following expiration of such thirty-day (30) period. Notwithstanding anything in this Agreement to the contrary, if the Executive's experiences a Termination other than by the Company for Cause, the Company shall have the sole discretion to later use after-acquired evidence to retroactively re-characterize the prior Termination as a Termination for Cause if such after-acquired evidences supports such an action.

(e) "Change in Control" means a VS Change in Control and/or an LB Change in Control.

(f) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code shall be deemed to include a reference to any regulations promulgated thereunder.

(g) "Company" means VS Service Company, LLC, a Delaware limited liability company or its successors and permitted assigns.

(h) "Disability" means a physical or mental infirmity that impairs the Executive's ability to substantially perform the Executive's duties for the Company for a period of at least six (6) months in any twelve (12)-month calendar period as determined in accordance with the Company's (or any affiliate's) long-term disability plan, to the extent applicable.

(i) "IC Plan" means the incentive compensation plan of the Company (or any of its affiliates) in which the Executive participates as of the Termination Date.

(j) “Good Reason” means (i) a material reduction in the Executive’s positions, duties, authority, responsibilities or reporting requirements; (ii) the failure of the Company to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company within fifteen (15) days after a merger, consolidation, sale, or similar transaction; (iii) a material reduction in the Executive’s Base Salary or annual bonus opportunity under the IC Plan other than pursuant to an across-the-board reduction applicable to all similarly-situated employees; or (iv) the relocation of the Executive’s principal place of employment from the Columbus, Ohio area. “Good Reason” shall not include acts taken by the Company by reason of the Executive’s physical or mental infirmity which impairs the Executive’s ability to substantially perform his or her duties. Notwithstanding the foregoing provisions of this definition, any assertion by the Executive of a termination for Good Reason shall not be effective unless all of the following conditions are satisfied: (x) the Executive has provided a Notice of Termination to the Company indicating the existence of the condition(s) providing grounds for termination for Good Reason within sixty (60) days of the initial existence of such condition becoming known (or should have become known) to him or her; (y) the condition(s) specified in such notice must remain uncorrected by the Company for thirty (30) days following the Company’s receipt of such written notice; and (x) the Executive terminates employment immediately following the expiration of such thirty-day (30) period.

(k) “LB Change in Control” means a “Change in Control” under the 2020 Stock Plan.

(l) “Notice of Termination” means a written notice that (i) indicates the specific termination provision in this Agreement relied upon, if applicable, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for the Executive’s Termination under the provision so indicated, and (iii) if the Termination Date is other than the date of receipt of such notice, specifies the Termination Date.

(m) “Protection Period” means, (i) the period beginning three (3) months prior to a VS Change in Control and ending twenty-four (24) months following a VS Change in Control, and (ii) only to the extent that an LB Change in Control occurs prior to a VS Change in Control, the period beginning on the date of an LB Change in Control and ending twenty-four (24) months thereafter.

(n) “Qualifying Termination” means the Executive’s Termination either: (i) by the Company without Cause; or (ii) by the Executive for Good Reason.

(o) “Subject Conduct” means sexual harassment (including creation of a hostile work environment), gender discrimination and retaliation related to the foregoing or a violation of any policy of the Company (or any of its affiliates) relating to sexual harassment (including creation of a hostile work environment), gender discrimination and retaliation related to the foregoing.

(p) “Termination” means the Executive’s termination of employment with the Company, for any reason, whether voluntary or involuntary, provided that such termination constitutes a “separation from service” as defined and applied under Section 409A of the Code.

(q) “Variable Compensation” means any cash-based performance or incentive award paid by or any equity compensation awarded by the Company (or any of its affiliates), including, but not limited to, under the 2020 Stock Plan (and any successor thereto) and the IC Plan.

(r) “VS Change in Control” means, (i) the consummation of any transaction (including, without limitation, any sale of stock, merger, consolidation or spin-off), the result of which is that L Brands no longer owns, directly or indirectly, at least fifty percent (50%) of the voting securities of VS&Co. then outstanding; (ii) any Person (other than an Excluded Person) becomes, together with all “affiliates” and “associates” (each as defined under Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the “Act”)) the “beneficial owner” (as defined under Rule 13d-3 of the Act) of securities representing fifty percent (50%) or more of the combined voting power of the Voting Stock of VS&Co. then outstanding, unless such Person becomes the “beneficial owner” of fifty percent (50%) or more of the combined voting power of such Voting Stock then outstanding solely as a result of an acquisition of such Voting Stock by VS&Co. which, by reducing the Voting Stock of VS&Co. outstanding, increases the proportionate Voting Stock beneficially owned by such Person (together with all “affiliates” and “associates” of such Person) to fifty percent (50%) or more of the combined voting power of the Voting Stock of VS&Co. then outstanding; provided that if a Person shall become the “beneficial owner” of fifty percent (50%) or more of the combined voting power of the Voting Stock of VS&Co. then outstanding by reason of such Voting Stock acquisition by VS&Co. and shall thereafter become the “beneficial owner” of any additional Voting Stock of VS&Co. which causes the proportionate voting power of Voting Stock beneficially owned by such Person to increase to fifty percent (50%) or more of the combined voting power of the Voting Stock of VS&Co. then outstanding, such Person shall, upon becoming the “beneficial owner” of such additional Voting Stock of VS&Co., be deemed to have become the “beneficial owner” of fifty percent (50%) or more of the combined voting power of the Voting Stock then outstanding other than solely as a result of such Voting Stock acquisition by VS&Co.; (iii) the sale or other disposition of all or substantially all of the assets of VS&Co.; or (iv) the consummation of a complete liquidation or dissolution of VS&Co. For the purposes of the foregoing definition, “Person,” “Excluded Person,” and “Voting Stock” shall have their respective meanings set forth in the 2020 Stock Plan as of the Effective Date, provided that any reference therein to the Company shall be deemed a reference to VS&Co.

(s) VS&Co. means Victoria’s Secret & Company.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Executive has executed this Agreement as of the day and year first above written.

DEIN BOYLE
/s/ Dein Boyle _____

DATE
6/28/2021 _____

VS SERVICE COMPANY, LLC
By: /s/ Martin Waters _____

DATE
6/28/2021 _____

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 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)) 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) 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
 - (c) 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 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: June 3, 2022

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 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)) 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) 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
 - (c) 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 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

Executive Vice President and Chief Financial Officer

Date: June 3, 2022

Section 906 Certification

Martin Waters, the Chief Executive Officer, and Timothy Johnson, the Executive Vice President and Chief Financial 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 June 3, 2022 for the period ending April 30, 2022 (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

Executive Vice President and Chief Financial Officer

Date: June 3, 2022