

VS&CO THIRD QUARTER 2023 EARNINGS COMMENTARY

November 29, 2023

Introduction

- Victoria's Secret & Co. is providing this third quarter commentary ahead of its live earnings call scheduled for November 30, 2023 at 8:00 a.m. EST.
- We remind you that any forward-looking statements made in this commentary are subject to our safe harbor statement found in our SEC filings and in our press releases.
- Our third quarter earnings release and related financial information are available on our website, www.victoriasssecretandco.com/investors under Financial Information, Quarterly Results. Also available on that portion of our website is an investor presentation.
- Certain results included in this commentary are adjusted results and exclude the impact of certain items as described in our press release, our SEC filings and the investor presentation posted on our website. Reconciliations of these and other non-GAAP measures to the most comparable GAAP measures are included in our press release, our SEC filings and the investor presentation posted on our website.

Third Quarter 2023 Results

- Our sales trend in North America continued to improve as planned each month throughout the third quarter with October being the best month of the year to-date period. We delivered third quarter results within our guidance range, and while the macro environment remains uncertain, we are encouraged by the improving sales trend as we transition into the all-important holiday season. Our teams have been focused on what is within our control and executed multiple growth initiatives designed to create sales momentum heading into holiday, initiatives such as our new multi-tender loyalty program, new customer experience enhancements in our digital business, product launches to enhance the Victoria's Secret brand and accelerate our beauty business, a reimagined merchandise strategy for our PINK brand, and the return of our iconic fashion show with the Victoria's Secret World Tour. At the same time, teams are doing an excellent job of managing selling margins, diligently controlling costs and delivering inventory levels at our Victoria's Secret and PINK businesses down 9% compared to last year with agility heading into the holiday season.
- Turning to the results for the third quarter, we reported third quarter adjusted loss per diluted share of \$0.86, which was within our guidance range of \$0.70 to \$0.90 per diluted share. This result compared to earnings per diluted share of \$0.29 in the third quarter of 2022.
- Net sales for the quarter were \$1.265 billion, a decrease of 4% compared to third quarter of 2022 sales of \$1.318 billion. This result was at the midpoint of

our guidance range of down 3% to 5%. In North America, sales trends improved from spring season to the third quarter in both our stores and digital channels driven by a sequential improvement in average basket size and traffic in the third quarter as compared to the second quarter. Conversion in our digital channel also improved as compared to the second quarter this year while it was roughly similar in our stores. Adore Me, which was acquired on December 30, 2022 and is new to our results this year, is included in our Direct sales reporting for North America in the total sales table found in our press release. Sales of the Adore Me business were up year over year again this quarter and represented about five percentage points of total sales growth for VS&Co in the third quarter.

- From a merchandising perspective, sales trends for the intimates market in North America as a whole decreased in the mid-single digits in the quarter compared to last year. We remain the leader in market share for the intimates category, including both bras and panties. Our market share remained essentially flat, with digital share up slightly and stores share down slightly.
- From a merchandise category perspective, starting with Victoria's Secret, our beauty business continues to be our best performing category. We also saw significant trend improvement in panties, bras and sleepwear in the quarter. Within PINK, intimates and sleepwear outperformed apparel. Our new reimagined PINK apparel merchandising assortment began delivering to our stores and digital customers during the third quarter. We acknowledge that it will take time to turn around the business and believe we are on a path

towards improvement. We estimate that the apparel challenges in PINK negatively impacted the third quarter sales results by approximately 3 to 4 points.

- Our international business continues to experience momentum, with international system-wide retail sales up high-teens in the third quarter, and we experienced profitable growth across stores and digital as compared to last year. International net sales were up 39% on a two-year comparative basis and down 2% compared to the third quarter last year. Sales in the third quarter were driven by significant year-over-year growth in China and globally with our franchise partners. The comparison of our net sales in the third quarter as compared to the third quarter last year was challenged as a result of a shift in timing of sourcing sales to our partners. In the past twelve months, we have entered four new countries and opened eight new digital sites to increase our global footprint, and we have approximately 20 net new stores planned to open in the fourth quarter. We continue to be optimistic about sales, profit and store growth opportunities for all of our partners around the world.
- The adjusted gross margin rate for the third quarter 2023 of 34.3% was near the high-end of our guidance of 33.5% to 34.5%, and decreased 40 basis points compared to the third quarter of 2022. Our adjusted selling margin rate was up for the quarter primarily as the result of favorable merchandise mix, lower inbound freight costs, partially offset by targeted event-driven promotional activity. Our adjusted gross margin rate for the quarter decreased due to

deleverage in buying and occupancy expenses of 120 basis points on the decline in sales.

- The adjusted SG&A rate was 39.1% compared to our guidance of 38% to 39% and third quarter of 2022's rate of 31.5%. Adjusted SG&A dollars of \$494 million were up \$79 million year-over-year driven by higher marketing, predominantly the Victoria's Secret World Tour, Adore Me in our base for the first time this year and technology investments to enhance our digital business. The core Victoria's Secret and PINK expense base was relatively flat year over year.
- Third quarter adjusted operating loss was \$60 million and within our guidance range of \$45 million to \$65 million. This result was lower than the \$43 million of operating income in the third quarter of 2022 due to the previously mentioned decrease in sales and gross margin dollars and the planned increase in strategic investments in marketing and technology.
- Adjusted non-operating expenses, consisting principally of interest expense, was \$25 million and our tax rate for the quarter was 22.8%. Both of these metrics were broadly consistent with our forecast.
- Third quarter 2023 adjusted net loss was \$66 million compared to net income of \$24 million in the third quarter of 2022.
- Turning to the balance sheet, we ended the third quarter with total inventories

in our core Victoria's Secret and PINK business down 9% compared to last year, which is prudent and positioned lower than current and expected sales trends as we move forward into the fourth quarter. Total VS&Co inventories, including the addition of Adore Me this year, were \$1.211 billion as of the end of the quarter.

- From a liquidity standpoint, we ended the third quarter with a cash balance of \$124 million, a strong balance sheet, and ample liquidity to execute our strategic plans. Our free cash outflow for the year-to-date period is \$424 million compared to \$404 million last year. The \$20 million increase is directly related to planned higher capex for the year-to-date period to expand our store of the future concept and enhance our technology capabilities aimed at customer engagement, partially offset by disciplined inventory management and improved accounts payable leverage. We ended the third quarter with \$555 million in outstanding borrowings on our \$750 million ABL credit facility, which includes net borrowings of \$260 million in the third quarter as a result of the peak in working capital needs leading into the holiday season. As planned, we began paying down our ABL balance in November and our ABL outstanding balance today (November 29) sits at \$494 million. We anticipate our ABL balance at the end of fiscal 2023 will be significantly lower than \$295 million at the end of last year.
- Weighted average diluted shares at the end of the third quarter were approximately 77 million. In January 2023 we announced a new share repurchase program providing for the repurchase of up to \$250 million of the

Company's common stock through the end of fiscal year 2023. As a component of the January 2023 Share Repurchase Program, in February 2023 the Company entered into an accelerated share repurchase agreement ("ASR") to repurchase \$125 million of the Company's common stock. Under the terms of the ASR, the Company repurchased approximately 3.7 million shares of the Company's common stock in the first and second quarter of 2023. There was no share repurchase activity during the third quarter as the Company focused capital and ABL availability solely on investing in holiday inventory for sale in the all-important November and December months.

- Aside from the financials, over the last 90 days, we have executed several key actions in support of our strategy and brand positioning for the long-term, including:
 - We focused on the Victoria's Secret and PINK customer experience, and with our multi-tender loyalty program we now have more than 22 million members who drive approximately 75% of our sales on a weekly basis.
 - The *Victoria's Secret World Tour* began streaming on September 26th on Amazon Prime Video and provides an unrivaled viewing experience that celebrates the mission of Victoria's Secret – to uplift and champion women – on a global scale, creating a media frenzy, getting Victoria's Secret back into the conversation about popular culture and creating a host of brand assets to be used into the future.

- We kicked-off the holiday season with new product arrivals and a powerful marketing message featuring Mariah Carey, the voice of Christmas.
- From a technology perspective, we launched over 50 new releases impacting the overall customer experience on our digital platforms and VS & PINK apps.
- And, we expanded our Store of the Future fleet to 71 stores (or approximately 8% of the fleet) in North America.

Outlook for Remainder of 2023

- We are excited with early holiday sales trends in November in North America both in our stores and through our digital experiences online. The November sales and margin result was our best monthly performance in nearly two years and further evidence our initiatives are working. Outside of North America, our business also has momentum, our footprint is growing both in stores and online, our partners are performing very well, and we continue to be excited about performance in China.
- Quarter to date through Cyber Monday, we estimate we have generated roughly one-third of our fourth quarter sales with many very large days and weeks to come in December. We are forecasting sales for the fourth quarter of 2023 to increase in the range of 2% to 4%, compared to sales of \$2.021 billion in the fourth quarter of 2022. Forecasted sales for the fourth quarter of 2023 assumes our Victoria's Secret and PINK business is down low- to mid-single digits for 13 weeks with strength in our holiday, giftable merchandise

assortment for Victoria's Secret and beauty being partially offset by lingering challenges in PINK apparel, approximately 4 points of growth from Adore Me which is new to our results in 2023, approximately 1 point of growth due to our international business continuing to grow double digits, and approximately 4 points of growth, or about \$75 million in sales, due to the 53rd week in fiscal 2023 (fourth quarter 2023 will consist of 14 weeks).

- At this forecasted level of sales, fourth quarter 2023 adjusted operating income is expected to be in the range of \$245 million to \$285 million compared to adjusted operating income of \$280 million in the fourth quarter of 2022.
- We are forecasting fourth quarter 2023 adjusted earnings per diluted share to be in the range of \$2.20 to \$2.60 compared to adjusted earnings per diluted share of \$2.47 in the fourth quarter of 2022. The benefit of the 53rd week is estimated to be about \$0.15 to \$0.20 per share.
- We expect the fourth quarter 2023 adjusted gross margin rate to be approximately 38.5% to 39.5%, or up approximately 100 to 200 basis points compared to last year's adjusted rate of 37.6%. We are forecasting our selling margin rate to be up to last year driven by favorable merchandise mix, disciplined inventory management, lower inbound freight costs, and cost of goods reductions related to our transform the foundation initiative to modernize our supply chain operating model. We expect the buying and occupancy expense rate to be roughly flat to last year at the forecasted sales growth rate.

- We expect the fourth quarter 2023 adjusted SG&A rate to be approximately 26% to 27%, compared to the fourth quarter of 2022's adjusted rate of 23.7%. The rate deleverage is primarily attributable to continued strategic investments in technology to enhance our digital customer experiences and increase sales, the introduction of Adore Me SG&A expenses for the first time this year and incentive compensation expense as compared to the fourth quarter last year.
- We anticipate adjusted net non-operating expense of approximately \$25 million in the fourth quarter of 2023.
- We estimate a tax rate of approximately 21% to 22% for the fourth quarter of 2023.
- We estimate weighted average shares outstanding of approximately 78 million for the fourth quarter of 2023.
- We expect inventory levels in our core Victoria's Secret and PINK business to end the fourth quarter of 2023 down low- to mid-single digits compared to last year.
- For the full year 2023, we are forecasting sales to decrease in the range of 2% to 3% compared to sales of \$6.344 billion last year. Forecasted sales for 2023 assumes our Victoria's Secret and PINK business is down high-single digits

for 52 weeks, approximately 4 to 5 points of growth from Adore Me which is new to our results in 2023, approximately 1 point of growth due to our international business continuing to grow double digits, and approximately 1 point of growth, or about \$75 million in sales, due to the 53rd week in fiscal 2023 (fourth quarter 2023 will consist of 14 weeks).

- At this forecasted level of sales, full year 2023 adjusted operating income is expected to be in the range of \$290 million to \$330 million compared to adjusted operating income of \$566 million in 2022.
- We are forecasting full year 2023 adjusted earnings per diluted share to be in the range of \$1.85 to \$2.25 compared to adjusted earnings per diluted share of \$4.95 in 2022. The benefit of the 53rd week is estimated to be about \$0.15 to \$0.20 per share.
- We estimate weighted average shares outstanding of approximately 78 million for the full year 2023.
- We estimate capital expenditures of approximately \$255 million for the year, or about 4% of sales. Capital investments will be focused on our store capital program along with investments in technology related to our strategic initiatives to drive growth and technology investments relating to the separation activities. Depreciation is estimated to be approximately \$260 million for the year.

- We continue to closely evaluate our store real estate. In North America in 2023, we continue to plan to open approximately 15 new stores, mostly in off-mall locations and in the Store of the Future design, and estimate approximately 15 to 18 store closures. We also expect about 50 renovations in the Store of the Future design in 2023, with more than half consisting of square footage reductions or consolidations of co-located Victoria's Secret and PINK stores. Square footage in our North America stores in 2023 is expected to decrease approximately 2% compared to 2022.
- Turning to liquidity, we continue to expect 2023 free cash flow (operating cash flow less capital expenditures) of approximately \$150 million to \$200 million. This level of cash flow coupled with availability under our ABL credit facility results in sufficient liquidity to fund our working capital, capital expenditures and any other foreseeable needs.
- The Company's financial guidance for fourth quarter and full year 2023 excludes the financial impact of purchase accounting items related to the Adore Me acquisition as described in our press release.
- At our Investor Day in October, we discussed our strategic plan to accelerate our core, leverage our market leadership position and unlock our opportunity to convert our significant cultural influence into long-term financial growth. Our message about our brand is clear. Victoria's Secret & Co.'s commitment to diversity, equity and inclusion is at the core of who we are and how we operate. We provide the best products to help women express their

confidence, sexiness and power and we use our platform to honor the extraordinary diversity of their experiences. We believe our strategies will position the business to deliver the potential of our category-defining brands. We remain confident and are committed to delivering our long-term financial targets and returning value to our shareholders.

- We invite you to join us for our live earnings call tomorrow morning at 8:00 a.m. Eastern by dialing 1-800-619-9066 (international dial-in number: 1-212-519-0836). The conference ID is 5358727.