VS&CO THIRD QUARTER 2022 EARNINGS COMMENTARY

November 30, 2022

Introduction

- Victoria's Secret & Co. is providing this third quarter commentary ahead of its live earnings call scheduled for December 1, 2022 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.victoriassecretandco.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 special 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 also included in our press release, our SEC filings and the investor presentation posted on our website.

- As a reminder, results prior to the separation from L Brands in August 2021 are on a carve-out basis and include the Victoria's Secret Segment and a portion of the unallocated overhead costs as part of L Brands.

Third Quarter Results

- We delivered operating income and earnings per share results in the third quarter above our guidance despite an operating and macroeconomic environment that remained challenging. Today's announced results represent our fifth consecutive quarter since the separation that we delivered adjusted operating income and adjusted earnings per share results within or above our guidance range. We believe this type of performance demonstrates the strength and progress of our brand repositioning and our domestic market share leadership position in the intimates category. In addition, we have created a solid financial platform with our new, more agile operating structure, that allows us, along with our team's relentless focus on execution, to deliver solid operating profit performance in a challenging environment.

- We reported third quarter earnings per diluted share of $0.29 which was above our guidance range of $0.00 to $0.25 per diluted share. This result compared to earnings per diluted share of $0.81 in the third quarter of 2021.

- Net sales for the quarter were $1.318 billion, a decrease of 9% compared to third quarter of 2021 sales of $1.441 billion. This result was in-line with our guidance of down high-single digits. Traffic was up in our stores in the quarter as compared to the third quarter last year, and our average unit retail remained healthy and at or near record highs in most categories across both channels enabling us to drive profitable sales. However, in both our stores and direct channels, average basket size and conversion rates were down in the quarter compared to last year, highlighting a customer who is very cautious and cost conscious in this current environment.

- From a merchandise category perspective, beauty was our best performing category and significantly outperformed the balance of the business, followed by bras whose performance was in-line with the overall business. For the third consecutive quarter, we have seen growth compared to last year in our domestic market share for the intimates category. Panties and apparel performance in the quarter lagged the balance of the business amidst an extremely promotional environment.

- Our international business continues to be a bright spot with sales up 43% compared to last year as we continued to experience momentum in our business recovering from prior year COVID-related restrictions. The international business has been profitable in each of the last three quarters, with most lines of business and countries performing well. We continue to be optimistic about sales and profit growth for all of our partners around the world.

- The gross margin rate decreased 450 basis points to 34.7% compared to the third quarter of 2021 due to the following in order of magnitude: 1) targeted promotional activity to remain competitive and help mitigate pressure on the consumer given the challenging environment; 2) deleverage in buying and occupancy expenses in the quarter as a result of lower sales; and 3) an increase in shrink levels as expected as the operating environment in our stores continues to normalize now that fitting rooms and store entrances are fully open and operational. As anticipated, the impact of incremental supply chain and raw material cost pressures were roughly similar to last year at approximately $50 million.

- SG&A expense dollars in the third quarter decreased 9%, or $42 million, compared to last year driven by improvement in our store labor model, and our ongoing disciplined expense management initiatives. The SG&A rate was 31.5% and leveraged by 20 basis points compared to the third quarter last year. We believe lower SG&A dollars and SG&A rate leverage on a sales decline in the high-single digits in the quarter demonstrates our proactive, planned initiatives to improve the cost structure of our business.

- Third quarter operating income was $42.6 million, or 3.2% of sales, and was above our guidance range of $10 million to $40 million. This result was down compared to $107.9 million in the third quarter of 2021 due to the previously mentioned decrease in sales and gross margin dollars, partially offset by a decrease in SG&A expense dollars.

- Our tax rate for the quarter of 25.0% was consistent with our forecast.

- Third quarter net income was $24.4 million compared to $75.2 million in 2021.

- Turning to the balance sheet, we ended the quarter with total inventories of $1.242 billion, or up 22% compared to last year, in-line with expectations. As referenced in prior quarters, the majority of the increase is related to supply chain impacts and strategic decisions to support our identified growth initiatives. We estimate supply chain impacts (modal mix changes, cost increases and delivery slide impacts from last year) represent approximately 65% of the dollar increase year over year. We estimate strategic inventory decisions (international growth, size inclusivity and expansions and beauty on Amazon) represent approximately 25% of the dollar increase year over year, and the balance of the increase represents inventory carryover. We believe our inventory is well positioned for the holiday season.

- From a liquidity standpoint, we ended the third quarter with a cash balance of $126 million. During the third quarter, we borrowed on our $750 million ABL credit facility to support seasonal working capital needs in support of the holiday season. We ended the quarter with $267 million in outstanding borrowings on the ABL credit facility.

- Weighted average diluted shares at the end of the third quarter were about 83 million. During the third quarter, we invested $43 million to repurchase 1.2 million shares under our share repurchase program we announced in March 2022. Year to date, we have invested $214 million to repurchase 5.1 million shares at an average price of $41.91. At quarter-end, we had $36 million remaining under the program, and we continue to expect to complete the repurchase program by the end of the fiscal year.

- Aside from the financials, over the last 90 days, we have executed several key actions in support of our strategy and positioning for the long-term, including:
    - We signed a definitive agreement to acquire *Adore Me*, a digitally-native, technology-first intimates brand. We believe the deal will strategically position us for growth by allowing us to leverage Adore Me's expertise and technology to continue to improve the Victoria's Secret and PINK customer shopping experience and to accelerate the modernization of the VS&Co digital platform;
    - We launched our *Undefinable* campaign to cement the brand's continued commitment to welcoming and championing all women;
    - We delivered newness and innovation with the launch of *So Obsessed*, our new push up bra, which provides the fit and shaping of a traditional wired bra in an extremely comfortable wireless frame;
    - We further enhanced the shopping experience by expanding our bra fit services with the launch of new bra fit technology that will help customers more easily find the right size when shopping on the Victoria's Secret app;
    - We continued to expand our channels of distribution and began featuring a portion of our PINK apparel assortment in our Amazon storefront;
    - We expanded our Store of the Future fleet to 23 total stores (12 in the United States and 11 internationally);

- And, we continued to make progress on our ESG journey by publishing in November our ESG materiality assessment and strategy.

Outlook for Remainder of 2022

- Looking to the balance of the year, we remain mindful of the continued economic headwinds and pressure on our customer that will likely drive a highly promotional retail environment. As such, we expect continued sales and margin volatility. We believe we are well-positioned for the holiday season, and are confident in our ability to navigate this shifting landscape by aggressively pursuing our share of consumer spending to optimize sales and margin, and at the same time being extremely diligent on costs and inventory management.

- Also, as previously announced, we expect our acquisition of Adore Me to close by the end of calendar January 2023, subject to customary closing conditions and regulatory clearances. Our forecast for the remainder of 2022 excludes any impact related to this transaction.

- We are expecting third quarter trends to continue and are forecasting fourth quarter sales to decrease in the high-single digit range compared to sales of $2.175 billion in the fourth quarter of last year.

- Fourth quarter sales performance up until Black Friday was a continuation of the trend from the third quarter which reflected a cautious customer in a challenging economic environment. However, from Black Friday through

Cyber Monday, we experienced improved traffic and conversion trends, both in stores and online, as our customers have responded positively to our marketing message and promotional activity. These were very important, high volume days for our business, and quarter to date through Cyber Monday, we estimate we have registered approximately 30% of our fourth quarter sales. We anticipate the balance of the quarter, or the remaining 70%, will continue to be highly competitive and promotional, and we are prepared to be aggressive in getting our fair share of consumer spending.

- At this forecasted level of sales, operating income is expected to be in the range of $240 million to $290 million compared to $333.2 million last year. We expect operating income rate to be in the range of 12% to 14%.

- We are forecasting fourth quarter earnings to be in the range of $2.00 to $2.45 per diluted share compared to $2.70 per diluted share last year.

- We expect the fourth quarter gross margin rate to be approximately 37% to 38%, down compared to last year's rate of 39.2%. We expect the impact of supply chain and raw material cost pressures to be less than the fourth quarter last year by approximately $65 million. Given the challenging environment we are planning for higher promotional activity in the quarter, deleverage in buying and occupancy expenses on the lower forecasted sales and continued pressure on our inventory shrink rates in our stores.

- We expect the SG&A rate to be approximately 24% to 25%, deleveraging compared to last year's rate of 23.9% on the forecasted high-single digit decline in sales. SG&A dollars in the fourth quarter are forecasted to decrease mid-single digits compared to last year.

- We anticipate net non-operating expense of approximately $18 million to $20 million in the fourth quarter.

- We estimate a tax rate of about 25% for the fourth quarter.

- We estimate shares outstanding of approximately 83 million for the fourth quarter and approximately 84 million for the full year.

- Turning to the full year 2022 forecast, based on the actual results for the first three quarters and our fourth quarter guidance, we expect sales to decrease 6% to 7% compared to $6.785 billion last year.

- At this forecasted level of sales, we expect adjusted operating income to be in the range of $525 million to $575 million, or approximately 8% to 9% of sales, which is below last year's result of $870 million. Given today's challenging economic environment, we believe an adjusted operating income rate in the high-single digits demonstrates stabilization of our business and represents a solid base we will leverage when more normal macro trends return in North America.

- We are forecasting full year adjusted earnings to be in the range of $4.50 to $4.95 per diluted share compared to $7.18 per diluted share last year.

- Over the last several months, we proactively adjusted our fall inventory receipt plans in response to the challenges facing our customers and are confident in our ability to manage inventory throughout the holiday season in a dynamic retail environment. We continue to expect inventory levels to finish the year up in the mid-single digit range versus last year, or down mid-single digits excluding the impacts of modal mix shifts. We also continue to expect inventory levels will further normalize in the front half of 2023 as we fully anniversary the modal mix shifts and strategic merchandise assortment investments.

- We continue to estimate capital expenditures of approximately $200 million for the year, or about 3% of sales. Capital investments are focused on our store capital program, along with investments in technology, distribution and logistics capabilities. Depreciation continues to be estimated to be approximately $270 million, consistent with our previous guidance.

- We continue to closely evaluate our store real estate. In North America in 2022 we will have opened 16 new stores, mostly in off-mall locations. We are estimating 10 to 15 closures this year in North America. We also will have about 10 renovations in the Store of the Future design this year, with nearly half resulting from square footage reductions or consolidations of co-located

Victoria's Secret and PINK stores. We continue to expect square footage in our North America stores for the year to be roughly flat to last year.

- Turning to liquidity, we expect 2022 free cash flow (operating cash flow less capital expenditures) of approximately $300 million to $325 million. This level of cash flow coupled with availability under our ABL credit facility results in very strong liquidity, which we expect is more than sufficient to fund our working capital, capital expenditures and any other foreseeable needs, including the planned acquisition of Adore Me. We plan to finance the transaction at closing with cash on hand.

- We are committed to optimizing our performance in the current challenging environment by focusing on what's within our control … our brand transformation, being best at bras, enhancing the customer experience and a relentless focus on costs and inventory management. At our Investor Day in October, we discussed our strategic growth plan which we believe outlines significant runway ahead guided by our three principles: 1) strengthen our core; 2) ignite growth; and 3) transform the foundation. Led by our two category-defining brands (Victoria's Secret and PINK), a merchandise leadership position in intimates and beauty and a global business positioned to increase market share, our goal is clear – to be the world's leading fashion retailer of intimate apparel.

- Our focus as leaders, and as a company, is on ensuring we are a future facing business that becomes more and more culturally relevant in this shifting consumer environment. We are confident in our opportunities and remain committed to delivering long-term sustainable value for 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.