VS&CO FOURTH QUARTER 2022 EARNINGS COMMENTARY

March 2, 2023

Introduction

- Victoria's Secret & Co. is providing this fourth quarter commentary ahead of its live earnings call scheduled for March 3, 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 fourth 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 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.

- As a reminder, results prior to our 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.

Fourth Quarter and Full Year 2022 Results

- We delivered adjusted operating income and adjusted earnings per diluted share results in the fourth quarter above our most recent guidance despite a macroeconomic environment that remained challenging for our customer throughout the holiday quarter. We controlled what we could control while navigating a highly promotional retail 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. In our core Victoria's Secret and PINK businesses, we exited the year with inventory levels down double digits when adjusting for the modal mix shift impact and are prudently positioned as we begin 2023.

- Today's announced results represent our sixth consecutive quarter since the separation that we have delivered adjusted operating income and adjusted earnings per share results within or above our guidance range. We continue to believe this type of performance demonstrates the stability of our business and progress of our brand repositioning, our domestic market share leadership position in the intimates category, and our new, more agile operating structure that allows us to deliver solid operating profit performance in a challenging environment.

- We reported fourth quarter adjusted earnings per diluted share of $2.47, which was above our most recent guidance range of $2.25 to $2.35 per diluted share. This result compared to earnings per diluted share of $2.70 in the fourth quarter of 2021.

- Net sales for the quarter were $2.021 billion, a decrease of 7% compared to fourth quarter of 2021 sales of $2.175 billion, and were in-line with our most recent guidance of down 7% to 8%. During the quarter, traffic was up in our stores and online as compared to the fourth quarter last year. Our conversion rates were down in the quarter compared to the fourth quarter last year but remained above pre-pandemic levels. As a result of the positive response to our aggressive promotional position and the strength of peak selling periods, our average unit retail was down in the quarter as compared to the fourth quarter last year, but remained healthy and at or near record highs in most categories. We were encouraged by our sales performance during peak time periods during the quarter. In particular, from Black Friday through Cyber Monday and during the semi-annual sale period, we experienced our best traffic and conversion trends in the quarter, both in stores and online, as our customers responded positively to our marketing messages and targeted promotional activity, highlighting a customer who is very cautious and cost conscious in this current environment.

- From a merchandising perspective, we remain the leader in domestic market share for the intimates category, and on a rolling twelve month basis, we experienced slight growth compared to last year. From a category perspective, starting with Victoria's Secret, beauty was our best performing business followed by sleepwear and bras. Within PINK, intimates outperformed sleepwear and apparel which had a difficult quarter.

- Our international business continues to perform very well. The business has been in a period of significant growth over the past several quarters as it recovered from COVID-related restrictions. The business has been profitable in each of the last four quarters and continues to experience momentum, with most countries performing very well. We continue to be optimistic about sales and profit growth for our partners around the world.

- The adjusted gross margin rate for fourth quarter 2022 was in-line with our guidance of 37% to 38% and decreased 160 basis points to 37.6% compared to the fourth quarter of 2021. The decrease in the gross margin rate was primarily due to targeted promotional activity, in particular during peak holiday moments, to remain competitive and to help mitigate pressure on the consumer along with deleverage in buying and occupancy expenses on the decline in sales. As anticipated, the impact of supply chain and raw material cost pressures were less than the fourth quarter last year by approximately $65 million.

- Adjusted SG&A expense dollars in the fourth quarter decreased 8%, or $40 million, compared to last year driven by improvement in our store labor model, lower incentive compensation expense and our ongoing disciplined expense management initiatives. The SG&A rate was 23.7%, better than our guidance of 24% to 25%, and leveraged by 20 basis points compared to the fourth quarter last year. We believe SG&A rate leverage on a 7% sales decline in the quarter demonstrates our proactive, planned initiatives to improve the cost structure of our business.

- Fourth quarter adjusted operating income was $280.5 million, or 13.9% of sales, and was above our most recent guidance range of $265 million to $275 million. This result was lower than the $333.2 million in the fourth quarter of 2021 due to the previously mentioned decrease in sales and gross margin dollars, partially offset by lower SG&A expense dollars.

- Our tax rate for the quarter of 23.2% was favorable to our forecasted rate of approximately 25%.

- Fourth quarter adjusted net income was $203.0 million compared to $246.1 million in 2021.

- Turning to the full year 2022, net sales were $6.344 billion, a 6% decrease from 2021, and total comparable sales decreased 8%.

- The full year adjusted gross margin rate decreased 430 basis points to 36.4% compared to 2021, primarily driven by increased promotional activity driven by the challenging economic environment the last three quarters of the year, buying and occupancy expense deleverage on the decline in sales and the net impact of supply chain and raw material cost pressures.

- Adjusted SG&A expense dollars for the full year decreased 8%, or $147 million, compared to 2021. The full year adjusted SG&A rate was 27.5% and leveraged by 40 basis points despite the decline in sales.

- Adjusted operating income for the full year was $565.7 million compared to operating income of $869.5 in 2021. The adjusted operating income rate was 8.9% for the full year 2022.

- Full year adjusted earnings per diluted share were $4.95 compared to earnings per diluted share of $7.18 in 2021.

- Turning to the balance sheet, we ended the year with total inventories in our core Victoria's Secret and PINK businesses, or excluding Adore Me, of $947 million, or flat compared to last year. Excluding the modal mix shift impact, total inventories in our core Victoria's Secret and PINK businesses ended the year down low-teens, better than our guidance of down in the mid-single digit range. Including the recent acquisition of Adore Me, total VS&Co inventories were $1.052 billion as of the end of the year.

- From a liquidity standpoint, we ended the year with a cash balance in our core business, or excluding Adore Me, of $405 million. Free cash flow (operating cash flow less capital expenditures) for the year was $273 million. We ended the year with $295 million in outstanding borrowings on our $750 million ABL credit facility.

- Capital expenditures for the year were $164 million, or about 3% of sales, and below our guidance of approximately $200 million, primarily driven by the timing of certain store capital projects sliding into 2023. Capital investments for the year were focused on our store capital program, along with investments in technology, distribution and logistics capabilities. Depreciation for the year was $274 million and in-line with our guidance of approximately $270 million.

- Weighted average diluted shares at the end of the fourth quarter were about 82 million. During the fourth quarter, we invested $36 million to repurchase 0.9 million shares, which completed the $250 million share repurchase program that we announced in March 2022. For the year, we invested $250 million to repurchase 6.0 million shares at an average price of $41.77.

- 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. In February 2023, as a component of the broader share repurchase program, we entered into an accelerated share repurchase agreement ("ASR") with Goldman Sachs to repurchase $125 million of the Company's common stock. Under the terms of the ASR, the Company made a payment of $125 million to Goldman Sachs on February 2, 2023 and received an initial delivery of approximately 2.4 million shares of the Company's common stock. The final number of shares to be repurchased will be based on the volume-weighted average price of the Company's common stock during the term of the ASR, less a discount and subject to certain adjustments. The final settlement of the ASR is expected to be completed in the second quarter of 2023.

- 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 completed our acquisition of *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 announced the launch of our new Victoria's Secret and PINK customer loyalty program which is the Company's first rewards program to allow customers to earn rewards regardless of payment method. The new loyalty program is the latest step in our transformation journey as we aim to create lifelong relationships with customers, while bringing them exciting new opportunities to engage with the brands and one another;
    - We recently launched the new *Victoria's Secret x Naomi Osaka* collection, a first design collaboration with Victoria's Secret Collective Partner Naomi Osaka. The collection, which includes our first ever pad that can be recycled in a closed loop system, is inspired by self-love, and includes

a variety of casual sleepwear pieces and intimates that celebrate the beauty of embracing your dreams;

  - We expanded our Store of the Future fleet to 52 total stores (25 in the United States and 27 internationally);
  - We continued to make progress on our ESG journey and are planning to publish our 2022 ESG Report in April;
  - And, we were recently named one of America's Greatest Workplaces for Diversity by Newsweek.

<u>Outlook for First Quarter and Full Year 2023</u>

- As we begin 2023, we recognize the domestic economic environment continues to be challenging and continues to pressure our customers. However, we are evolving and innovating our business focused on our three key pillars: 1) strengthening our core; 2) igniting growth; and 3) transforming the foundation of the company. We have organic growth strategies and new customer experiences well identified for 2023, including the recent launch of our new Victoria's Secret and PINK customer loyalty program. Our international business has momentum with partner expansion plans for new stores and new countries planned out through the next two years. We recently acquired Adore Me, a technology-led growth vehicle. We plan to leverage some of their technology on our scaled platforms starting in the second quarter and continuing through the fall season. And most importantly, we are a bra company and the market leader in the intimates category positioned for future growth, both in our core and with Adore Me now in the family.

- For the full year 2023 forecast, while the macro environment remains uncertain, we are assuming sales trends and comparisons will improve throughout 2023 as we anniversary softer sales trends which began in the second quarter of 2022, and as we begin to benefit from our new growth strategies and new customer experience initiatives being rolled out this year. For the full year 2023, we are forecasting sales to increase in the mid-single digit range compared to $6.344 billion last year. Forecasted sales for 2023 assumes our Victoria's Secret and PINK business is relatively flat year over year for 52 weeks, approximately 1 to 2 points of growth due to the 53rd week in fiscal 2023 (fourth quarter 2023 will consist of 14 weeks), and Adore Me which is new to our results in 2023 and forecasted up mid-teens compared to approximately $250 million recorded in their most recently completed fiscal year.

- At this level of sales, we expect our adjusted operating income rate for 2023 to be similar to 2022. Given the 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.

- At our Investor Day in October, we discussed an opportunity to drive operating margin expansion through our initiatives to transform the foundation of the company by modernizing the operating model. These initiatives are well under way and we remain committed to the total $250 million opportunity that we discussed at our Investor Day. We will begin realizing benefits related to these initiatives in 2023, with more than two-thirds of the total savings expected to be realized in 2024 and 2025.

- Non-operating expenses, consisting principally of interest expense, are projected to be about $75 million to $80 million for the year.

- We estimate our tax rate will be approximately 24% to 25% for the year.

- We estimate shares outstanding of approximately 80 million for the first quarter and full year 2023. These estimates include the February 2023 ASR activity as well as the assumed completion of the share repurchase agreement announced in January 2023.

- Given these inputs, we are forecasting full year adjusted earnings to be approximately $4.90 per diluted share compared to $4.95 per diluted share in 2022.

- We estimate capital expenditures of approximately $275 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 we opened 16 new stores during 2022, mostly in off-mall locations, and closed 13 stores. We also renovated 7 stores in the Store of the Future design. At the end of fiscal 2022, we had 25 stores in the Store of the Future format in North America. Square footage in our North America stores in 2022 was flat to last year.

- In North America in 2023, we plan to open approximately 15 to 20 new stores, mostly in off-mall locations, and estimate approximately 15 to 20 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 1% to 2% compared to 2022.

- Turning to liquidity, we expect 2023 free cash flow (operating cash flow less capital expenditures) of approximately $300 million to $350 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.

- For the first quarter of 2023, we are forecasting sales to decrease in the mid-single digit range compared to sales of $1.484 billion in the first quarter of 2022.

- At this forecasted level of sales, first quarter 2023 adjusted operating income is expected to be in the range of $55 million to $85 million compared to $116 million in the first quarter of 2022.

- We are forecasting first quarter 2023 adjusted earnings to be in the range of $0.30 to $0.60 per diluted share compared to $1.11 per diluted share in the first quarter of 2022.

- We expect the first quarter 2023 adjusted gross margin rate to be approximately 37% to 38%, up compared to last year's rate of 36.6%. We expect to benefit by approximately $60 million from lower supply chain and raw material cost pressures compared to the first quarter of 2022. Given the challenging environment, we expect higher promotional activity than the first quarter last year, and we are forecasting deleverage in buying and occupancy expenses on the lower forecasted sales.

- We expect the first quarter of 2023 adjusted SG&A rate to be approximately 32% to 33%, deleveraging compared to the first quarter of 2022's rate of 28.8% principally driven by the forecasted mid-single digit decline in sales, and as a result of investments in technology related to our strategic growth initiatives, to support the technology separation activities from Bath & Body Works, the launch of our new customer loyalty program, the introduction of Adore Me SG&A expenses and forecasted higher incentive compensation expense compared to the first quarter of 2022. Since the spin-off, we have been working to separate the information technology capabilities in support of two independent companies. The majority of costs related to the separation will be incurred by the end of 2023, which is when the separation of the technology systems is expected to be predominately completed.

- We anticipate net non-operating expense of approximately $20 million in the first quarter of 2023.

- We estimate a tax rate of about 25% for the first quarter of 2023.

- We expect inventory levels in our core Victoria's Secret and PINK business at the end of the first quarter of 2023 to be down high-single digits to low-double digits compared to the first quarter of 2022. Including the recent acquisition of Adore Me, we expect total VS&Co consolidated inventories to be down low-single digits at the end of the first quarter of 2023.

- The Company's financial guidance for first quarter and full year 2023 includes forecasted operating results for Adore Me subsequent to the acquisition on December 30, 2022. The Company will reflect the operating results of Adore Me on an approximate one-month reporting lag in its consolidated financial statements. The guidance excludes the financial impact of purchase accounting items related to the acquisition, including the amortization of acquired intangible assets, recognition in gross profit of purchase fair value adjustments to acquired inventories as it is sold, and expense (income) related to changes in the estimated fair value of contingent consideration and performance-based payments.

- Our focus as leaders, and as a company, is on ensuring we continue to be a future facing business that becomes more and more culturally relevant in this shifting consumer environment. We are committed to optimizing our performance in the current challenging environment by focusing on what's within our control, and we are confident in our strategic growth plan and remain committed to delivering long-term sustainable value for our shareholders. 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.

- 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.