



Fourth Quarter Earnings

March 6, 2024

VS&Co
VICTORIA'S SECRET & CO.

Forward Looking Statements

- 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 presentation or made by us, our management, or our spokespeople involve risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. Accordingly, our future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements, and any future performance or financial results expressed or implied by such forward-looking statements are not guarantees of future performance. Forward-looking statements include, without limitation, statements regarding our future operating results, the implementation and impact of our strategic plans, and our ability to meet environmental, social, and governance goals. Words such as “estimate,” “commit,” “will,” “target,” “goal,” “project,” “plan,” “believe,” “seek,” “strive,” “expect,” “anticipate,” “intend,” “continue,” “potential” and any similar expressions are intended to identify forward-looking statements. Risks associated with the following factors, among others, could affect our results of operations and financial performance and cause actual results to differ materially from those expressed or implied in any forward-looking statements:
 - we may not realize all of the expected benefits of the spin-off from Bath & Body Works, Inc. (f/k/a L Brands, Inc.);
 - general economic conditions, inflation, and changes in consumer confidence, and consumer spending patterns;
 - market disruptions including pandemics or significant health hazards, severe weather conditions, natural disasters, terrorist activities, financial crises, political crises or other major events, or the prospect of these events;
 - our ability to successfully implement our strategic plan;
 - 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 traffic to our stores and the availability of suitable store locations on satisfactory terms;
 - our ability to successfully operate and expand internationally and related risks;
 - the operations and performance of our franchisees, licensees, wholesalers, and joint venture partners;
 - our ability to successfully operate and grow our direct channel business;
 - our ability to protect our reputation and the image and value of our brands;
 - our ability to attract customers with marketing, advertising and promotional programs;
 - the highly competitive nature of the retail industry and the segments in which we operate;
 - consumer acceptance of our products and our ability to manage the life cycle of our brands, remain current with fashion trends, and develop and launch new merchandise, product lines and brands successfully;
 - our ability to realize the potential benefits and synergies sought with the acquisition of AdoreMe, Inc.;
 - our ability to incorporate artificial intelligence into our business operations successfully and ethically while effectively managing the associated risks;
 - our ability to source materials and produce, distribute and sell merchandise on a global basis, including risks related to:
 - political instability and geopolitical conflicts;
 - environmental hazards and natural disasters;
 - significant health hazards and pandemics;
 - delays or disruptions in shipping and transportation and related pricing impacts; and
 - disruption due to labor disputes;
 - our geographic concentration of production and distribution facilities in central Ohio and Southeast Asia;
 - the ability of our vendors to manufacture and deliver products in a timely manner, meet quality standards and comply with applicable laws and regulations;
 - fluctuations in freight, product input and energy costs;
 - our and our third-party service providers' ability to implement and maintain information technology systems and to protect associated data and system availability;
 - our ability to maintain the security of customer, associate, third-party and company information;
 - stock price volatility;
 - shareholder activism matters;
 - our ability to maintain our credit rating;
 - our ability to comply with regulatory requirements; and
 - legal, tax, trade and other regulatory matters.
- Except as may be required by law, we assume no obligation and do not intend to make publicly available any update or other revisions to any of the forward-looking statements contained in this presentation to reflect circumstances existing after the date of this presentation or to reflect the occurrence of future events, even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized. Additional information regarding these and other factors can be found in “Item 1A. Risk Factors” in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 17, 2023.

Adjusted¹ Consolidated Statements of Income

Fourteen Weeks Ended February 3, 2024 & Thirteen Weeks Ended January 28, 2023
(Unaudited – In millions except per share amounts)

	2023	2022	Increase (Decrease)	% Increase (Decrease)
Net Sales	\$2,082.5	\$2,021.2	\$61.3	3%
<i>Comparable Store Sales</i>	<i>-8%</i>	<i>-7%</i>		
<i>Comparable Sales</i>	<i>-6%</i>	<i>-6%</i>		
Gross Profit	833.0	760.3	72.7	10%
<i>% of Sales</i>	<i>40.0%</i>	<i>37.6%</i>	<i>240 bps</i>	
General, Administrative and Store Operating Expenses	549.6	479.8	69.8	15%
<i>% of Sales</i>	<i>26.4%</i>	<i>23.7%</i>	<i>270 bps</i>	
Operating Income	283.4	280.5	2.9	1%
<i>% of Sales</i>	<i>13.6%</i>	<i>13.9%</i>	<i>(30 bps)</i>	
Interest Expense and Other	24.5	17.5	7.0	40%
Income Before Income Taxes	258.9	263.0	(4.1)	-2%
Provision for Income Taxes	52.9	60.9	(8.0)	-13%
<i>% of Pre-Tax Income</i>	<i>20.4%</i>	<i>23.2%</i>		
Net Income	206.0	202.1	3.9	2%
<i>% of Sales</i>	<i>9.9%</i>	<i>10.0%</i>	<i>(10 bps)</i>	
Less: Net Income (Loss) Attributable to Noncontrolling Interest	2.4	(0.9)	3.3	367%
Net Income Attributable to Victoria's Secret & Co.	\$203.6	\$203.0	\$0.6	0%
<i>% of Sales</i>	<i>9.8%</i>	<i>10.0%</i>	<i>(20 bps)</i>	
Net Income Per Diluted Share Attributable to Victoria's Secret & Co.	\$2.58	\$2.47	\$0.11	4%
Weighted Average Shares Outstanding	78.9	82.3		

¹ 2023 and 2022 results are on an adjusted basis.

Refer to Non-GAAP Financial Information table in the Appendix for additional information including a reconciliation to the most directly comparable GAAP financial measure.



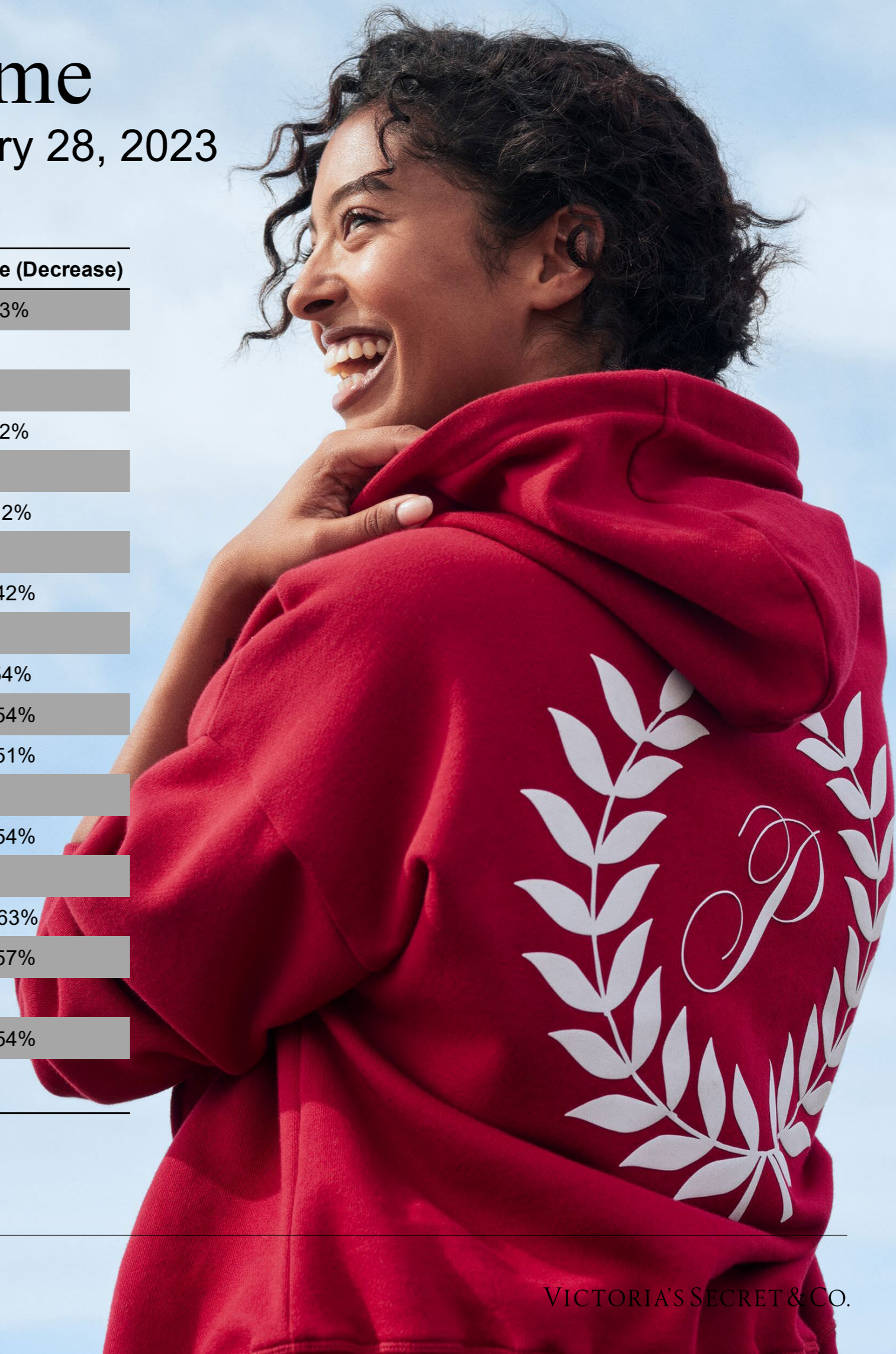
Adjusted¹ Consolidated Statements of Income

Fifty-Three Weeks Ended February 3, 2024 & Fifty-Two Weeks Ended January 28, 2023
(Unaudited – In millions except per share amounts)

	2023	2022	Increase (Decrease)	% Increase (Decrease)
Net Sales	\$6,181.8	\$6,344.3	(\$162.5)	-3%
<i>Comparable Store Sales</i>	-11%	-7%		
<i>Comparable Sales</i>	-9%	-8%		
Gross Profit	2,274.4	2,309.3	(34.9)	-2%
<i>% of Sales</i>	36.8%	36.4%	40 bps	
General, Administrative and Store Operating Expenses	1,947.5	1,743.6	203.9	12%
<i>% of Sales</i>	31.5%	27.5%	400 bps	
Operating Income	326.9	565.7	(238.8)	-42%
<i>% of Sales</i>	5.3%	8.9%	(360 bps)	
Interest Expense and Other	93.7	60.8	32.9	54%
Income Before Income Taxes	233.2	504.9	(271.7)	-54%
Provision for Income Taxes	48.5	99.0	(50.5)	-51%
<i>% of Pre-Tax Income</i>	20.8%	19.6%		
Net Income	184.7	405.9	(221.2)	-54%
<i>% of Sales</i>	3.0%	6.4%	(340 bps)	
Less: Net Income (Loss) Attributable to Noncontrolling Interest	6.6	(10.5)	17.1	163%
Net Income Attributable to Victoria's Secret & Co.	\$178.1	\$416.4	(\$238.3)	-57%
<i>% of Sales</i>	2.9%	6.6%	(370 bps)	
Net Income Per Diluted Share Attributable to Victoria's Secret & Co.	\$2.27	\$4.95	(\$2.68)	-54%
Weighted Average Shares Outstanding	78.6	84.1		

¹ 2023 and 2022 results are on an adjusted basis.

Refer to Non-GAAP Financial Information table in the Appendix for additional information including a reconciliation to the most directly comparable GAAP financial measure.



Consolidated Balance Sheets

(Unaudited – In thousands)

	February 3, 2024	January 28, 2023
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$269,645	\$426,801
Accounts Receivable, Net	152,174	141,053
Inventories	985,093	1,052,100
Other	126,229	117,261
Total Current Assets	1,533,141	1,737,215
Property and Equipment, Net	842,665	846,123
Operating Lease Assets	1,351,344	1,231,971
Goodwill	366,960	364,731
Trade Names	284,460	288,700
Other Intangible Assets, Net	116,102	137,000
Deferred Income Taxes	19,912	17,627
Other Assets	85,742	87,839
TOTAL ASSETS	\$4,600,326	\$4,711,206
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts Payable	\$512,287	\$480,539
Accrued Expenses and Other	810,407	737,344
Current Debt	4,070	4,065
Current Operating Lease Liabilities	267,018	309,707
Income Taxes	19,881	46,955
Total Current Liabilities	1,613,663	1,578,610
Deferred Income Taxes	36,978	53,310
Long-Term Debt	1,119,749	1,271,379
Long-Term Operating Lease Liabilities	1,311,815	1,200,974
Other Long-Term Liabilities	80,353	205,892
Victoria's Secret & Co. Shareholders' Equity	417,251	383,641
Noncontrolling Interest	20,517	17,400
TOTAL LIABILITIES AND EQUITY	\$4,600,326	\$4,711,206



2024 Outlook

(As of March 6, 2024)

	First Quarter	Full Year
Net Sales	Decrease mid-single digits compared to \$1.407 billion in 2023	Approximately \$6.0 billion, decrease low-single digits compared to 2023 excluding the extra week
Adjusted Gross Margin Rate	Approximately 36.5% to 37.5%, flat to up compared to 2023 rate of 36.5%	-
Adjusted SG&A Expense Rate	Approximately 35.0% to 36.0%, deleveraging compared to 2023 rate of 32.6%	-
Adjusted Operating Income	Approximately \$10 million to \$35 million	Approximately \$250 million to \$275 million
Adjusted Net Non-Operating Expense	Approximately \$20 million	Approximately \$85 million
Adjusted Tax Rate / Expense (before discrete items)	Approximately \$5 million	Approximately 25% to 26%
Weighted Average Diluted Shares Outstanding	Approximately 80 million	Approximately 81 million
Adjusted Net Income (Loss) Per Diluted Share Attributable to VS&Co	Approximately (\$0.15) to \$0.10	-
Capital Expenditures	-	Approximately \$230 million
Free Cash Flow ¹	-	Approximately \$175 million to \$200 million

¹ Defined as operating cash flow less capital expenditures.



Store Count & Selling Sq Ft – 2023 Actuals

	Beginning of Year	New Stores	Closures	Total Reconstructions and Change in SSF	End of Year	Increase / (Decrease)	
Company-Operated							
U.S.							
Store Count	812	15	(19)	55	808	(4)	0%
Selling Sq Ft 000's	5,617	63	(68)	(70)	5,542	(75)	(1%)
Canada							
Store Count	25	-	(2)	2	23	(2)	(8%)
Selling Sq Ft 000's	246	-	(28)	(6)	212	(34)	(14%)
Subtotal Company-Operated							
Store Count	837	15	(21)	57	831	(6)	(1%)
Selling Sq Ft 000's	5,863	63	(96)	(76)	5,754	(109)	(2%)
China Joint Venture							
Beauty & Accessories Store Count	39	2	(7)	-	34	(5)	(13%)
Full Assortment Store Count	33	4	(1)	-	36	3	9%
Subtotal China Joint Venture Store Count	72	6	(8)	-	70	(2)	(3%)
Partner-Operated							
Beauty & Accessories Store Count	308	31	(32)	-	307	(1)	0%
Full Assortment Store Count	135	33	(12)	-	156	21	16%
Subtotal Partner-Operated Store Count	443	64	(44)	-	463	20	5%
Adore Me							
Store Count	6	-	-	-	6	-	-
Selling Sq Ft 000's	23	-	-	-	23	-	-
Total Store Count	1,358	85	(73)	-	1,370	12	1%



Store Count & Selling Sq Ft – 2024 Forecast

	Beginning of Year	New Stores	Closures	Total Reconstructions and Change in SSF	End of Year	Increase / (Decrease)	
Company-Operated							
U.S.							
Store Count	808	14	(35)	50 to 57	787	(21)	(3%)
Selling Sq Ft 000's	5,542	78	(137)	(39 to 43)	5,440 to 5,444	(102 to 98)	(2%) to (1%)
Canada							
Store Count	23	1	-	3	24	1	4%
Selling Sq Ft 000's	212	5	-	(6)	211	(1)	0%
Subtotal Company-Operated							
Store Count	831	15	(35)	53 to 60	811	(20)	(2%)
Selling Sq Ft 000's	5,754	83	(137)	(45 to 49)	5,651 to 5,655	(103 to 99)	(2%) to (1%)
China Joint Venture							
Beauty & Accessories Store Count	34	0 to 2	(2 to 4)	-	30 to 34	(4) to 0	(12%) to 0%
Full Assortment Store Count	36	2 to 4	(2 to 3)	-	35 to 38	(1) to 2	(3%) to 6%
Subtotal China Joint Venture Store Count	70	2 to 6	(4 to 7)	-	65 to 72	(5) to 2	(7%) to 3%
Partner-Operated							
Beauty & Accessories Store Count	307	43 to 52	(28 to 32)	-	318 to 331	11 to 24	4% to 8%
Full Assortment Store Count	156	30 to 37	(6 to 9)	-	177 to 187	21 to 31	13% to 20%
Subtotal Partner-Operated Store Count	463	73 to 89	(34 to 41)	-	495 to 518	32 to 55	7% to 12%
Adore Me							
Store Count	6	-	-	-	6	-	-
Selling Sq Ft 000's	23	-	-	-	23	-	-
Total Store Count	1,370	90 to 110	(73 to 83)	-	1,377 to 1,407	7 to 37	1% to 3%

APPENDIX



Consolidated Statements of Income

Fourteen Weeks Ended February 3, 2024 & Thirteen Weeks Ended January 28, 2023
(Unaudited – In thousands except per share amounts)

	2023	2022
Net Sales	\$2,082,452	\$2,021,206
Costs of Goods Sold, Buying and Occupancy	(1,256,611)	(1,276,938)
Gross Profit	825,841	744,268
General, Administrative and Store Operating Expenses	(567,475)	(500,857)
Operating Income	258,366	243,411
Interest Expense	(26,586)	(19,666)
Other Income	956	2,236
Income Before Income Taxes	232,736	225,981
Provision for Income Taxes	49,200	53,890
Net Income	183,536	172,091
Less: Net Income (Loss) Attributable to Noncontrolling Interest	2,449	(898)
Net Income Attributable to Victoria's Secret & Co.	\$181,087	\$172,989
Net Income Per Diluted Share Attributable to Victoria's Secret & Co.	\$2.29	\$2.10
Weighted Average Shares Outstanding	78,909	82,299



Consolidated Statements of Income

Fifty-Three Weeks Ended February 3, 2024 & Fifty-Two Weeks Ended January 28, 2023
(Unaudited – In thousands except per share amounts)

	2023	2022
Net Sales	\$6,181,790	\$6,344,298
Costs of Goods Sold, Buying and Occupancy	(3,939,607)	(4,085,901)
Gross Profit	2,242,183	2,258,397
General, Administrative and Store Operating Expenses	(1,996,617)	(1,780,764)
Operating Income	245,566	477,633
Interest Expense	(99,363)	(60,376)
Other Income (Loss)	1,184	(419)
Income Before Income Taxes	147,387	416,838
Provision for Income Taxes	31,582	79,175
Net Income	115,805	337,663
Less: Net Income (Loss) Attributable to Noncontrolling Interest	6,605	(10,443)
Net Income Attributable to Victoria's Secret & Co.	\$109,200	\$348,106
Net Income Per Diluted Share Attributable to Victoria's Secret & Co.	\$1.39	\$4.14
Weighted Average Shares Outstanding	78,554	84,069



Selected Data

Fourteen Weeks Ended February 3, 2024 & Thirteen Weeks Ended January 28, 2023
(Unaudited – In thousands)

Capital Expenditures	2023	2022
First Quarter	\$54,851	\$21,181
Second Quarter	89,105	37,058
Spring Season	\$143,956	\$58,239
Third Quarter	79,630	67,052
Fourth Quarter	32,100	38,636
Year	\$255,686	\$163,927

Depreciation & Amortization	2023 ¹	2022
First Quarter	\$72,555	\$70,288
Second Quarter	72,654	69,889
Spring Season	\$145,209	\$140,177
Third Quarter	70,341	67,558
Fourth Quarter	68,815	66,099
Year	\$284,365	\$273,834

¹ Year-to-date 2023 includes \$25.1 million of intangible asset amortization expense related to the acquisition of Adore Me.



Non-GAAP Financial Information

Fifty-Three Weeks Ended February 3, 2024 & Fifty-Two Weeks Ended January 28, 2023
(Unaudited – In millions)

In addition to our results provided in accordance with GAAP, this presentation provides 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. The intangible asset amortization excluded from these non-GAAP financial measures is excluded because the amortization, unlike the related revenue, is not affected by operations of any particular period unless an intangible asset becomes impaired or the estimated useful life of an intangible asset is revised. We use adjusted financial information as key performance measures of results of operations for the purpose of evaluating performance internally. These non-GAAP measurements are not intended to replace the presentation of our financial results in accordance with GAAP. Instead, we believe that the presentation of adjusted financial information provides additional information to investors to facilitate the comparison of past and present operations. Further, our definition of adjusted financial information may differ from similarly titled measures used by other companies. The tables below reconcile the GAAP financial measures to the non-GAAP financial measures.

Free Cash Flow ¹

	2023	2022
Net Cash Provided by Operating Activities	\$ 389	\$ 437
Capital Expenditures	(256)	(164)
Free Cash Outflow	\$ 133	\$ 273

¹ - Defined as operating cash flow less capital expenditures.



Non-GAAP Financial Information

(Unaudited – In thousands except per share amounts)

	Fourth Quarter		Year-to-Date	
	2023	2022	2023	2022
Reconciliation of Reported to Adjusted Gross Profit				
Reported Gross Profit - GAAP	\$825,841	\$744,268	\$2,242,183	\$2,258,397
% Net Sales	39.7%	36.8%	36.3%	35.6%
Adore Me Acquisition-related Items (a)	7,162	-	28,897	-
Restructuring Charges (c)	-	880	3,276	14,043
Occupancy-related Legal Matter (d)	-	-	-	21,679
Happy Nation Restructuring Charge (e)	-	15,143	-	15,143
Adjusted Gross Profit	\$833,003	\$760,291	\$2,274,356	\$2,309,262
% Net Sales	40.0%	37.6%	36.8%	36.4%
Reconciliation of Reported to Adjusted General, Administrative and Store Operating Expenses				
Reported General, Administrative and Store Operating Expenses - GAAP	\$567,475	\$500,857	\$1,996,617	\$1,780,764
% Net Sales	27.3%	24.8%	32.3%	28.1%
Adore Me Acquisition-related Items (a)	(11,613)	(15,424)	(16,139)	(15,424)
Amortization of Intangible Assets (b)	(6,284)	-	(25,136)	-
Restructuring Charges (c)	-	(4,824)	(7,849)	(21,009)
Happy Nation Restructuring Charge (e)	-	(783)	-	(783)
Adjusted General, Administrative and Store Operating Expenses	\$549,578	\$479,826	\$1,947,493	\$1,743,548
% Net Sales	26.4%	23.7%	31.5%	27.5%
Reconciliation of Reported to Adjusted Operating Income				
Reported Operating Income - GAAP	\$258,366	\$243,411	\$245,566	\$477,633
% Net Sales	12.4%	12.0%	4.0%	7.5%
Adore Me Acquisition-related Items (a)	18,775	15,424	45,036	15,424
Amortization of Intangible Assets (b)	6,284	-	25,136	-
Restructuring Charges (c)	-	5,704	11,125	35,052
Occupancy-related Legal Matter (d)	-	-	-	21,679
Happy Nation Restructuring Charge (e)	-	15,926	-	15,926
Adjusted Operating Income	\$283,425	\$280,465	\$326,863	\$565,714
% Net Sales	13.6%	13.9%	5.3%	8.9%
Reconciliation of Reported to Adjusted Net Income Attributable to Victoria's Secret & Co.				
Reported Net Income Attributable to Victoria's Secret & Co. - GAAP	\$181,087	\$172,989	\$109,200	\$348,106
Adore Me Acquisition-related Items (a)	19,954	15,424	49,500	15,424
Amortization of Intangible Assets (b)	6,284	-	25,136	-
Restructuring Charges (c)	-	5,704	11,125	35,052
Occupancy-related Legal Matter (d)	-	-	-	21,679
Happy Nation Restructuring Charge (e)	-	15,926	-	15,926
Tax Effect of Adjusted Items	(3,745)	(7,040)	(16,879)	(19,795)
Adjusted Net Income Attributable to Victoria's Secret & Co.	\$203,580	\$203,003	\$178,082	\$416,392
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	\$2.29	\$2.10	\$1.39	\$4.14
Adore Me Acquisition-related Items (a)	0.23	0.17	0.53	0.16
Amortization of Intangible Assets (b)	0.06	-	0.24	-
Restructuring Charges (c)	-	0.05	0.11	0.31
Occupancy-related Legal Matter (d)	-	-	-	0.19
Happy Nation Restructuring Charge (e)	-	0.15	-	0.14
Adjusted Net Income Per Diluted Share Attributable to Victoria's Secret & Co.	\$2.58	\$2.47	\$2.27	\$4.95

Refer to the following page for details regarding the certain items excluded in the adjusted results.



Non-GAAP Financial Information

(Unaudited)

Adjusted results exclude the following items:

- (a) In the fourth quarter of 2023, we recognized a \$20.0 million pre-tax charge (\$17.9 million net of tax of \$2.1 million), \$11.6 million included in general, administrative and store operating expense, \$7.2 million included in costs of goods sold and \$1.2 million included in interest expense, related to the financial impact of purchase accounting items related to the acquisition of Adore Me. Year-to-date 2023, we recognized \$49.5 million pre-tax charges (\$41.9 million net of tax of \$7.6 million), \$28.9 million included in costs of goods sold, \$16.1 million included in general, administrative and store operating expense and \$4.5 million included in interest expense, related to the financial impact of purchase accounting items and professional service costs related to the acquisition of Adore Me. In the fourth quarter of 2022, we recognized a \$15.4 million pre-tax charge (\$13.7 million net of tax of \$1.7 million), included in general, administrative and store operating expense, related to professional services and other transaction-related costs associated with the acquisition of Adore Me.
- (b) In the fourth quarter of 2023, we recognized \$6.3 million of amortization expense (\$4.6 million net of tax of \$1.7 million) included in general, administrative and store operating expense related to the acquisition of Adore Me. Year-to-date 2023, we recognized \$25.1 million of amortization expense (\$18.6 million net of tax of \$6.5 million) included in general, administrative and store operating expense related to the acquisition of Adore Me.
- (c) In the first quarter of 2023, we recognized a \$11.1 million pre-tax charge (\$8.4 million net of tax of \$2.7 million), \$7.8 million included in general, administrative and store operating expense and \$3.3 million included in buying and occupancy expense, related to restructuring activities to continue to reorganize and improve our organizational structure. In the fourth quarter of 2022, we recognized a \$5.7 million pre-tax charge (\$4.3 million net of tax of \$1.4 million), \$4.8 million included in general, administrative and store operating expense and \$0.9 million included in buying and occupancy expense, related to restructuring activities to continue to reorganize and improve our organizational structure. Year-to-date 2022, we recognized \$35.1 million pre-tax charges (\$26.3 million net of tax of \$8.8 million), \$21.0 million included in general, administrative and store operating expense and \$14.1 million included in buying and occupancy expense, related to restructuring activities to continue to reorganize and improve our organizational structure.
- (d) In the first quarter of 2022, we recognized a \$21.7 million pre-tax charge (\$16.2 million net of tax of \$5.5 million), included in buying and occupancy expense, related to a legal matter with a landlord regarding a high-profile store that we surrendered to the landlord prior to our separation from our former parent company.
- (e) In the fourth quarter of 2022, we recognized a \$15.9 million pre-tax charge (\$12.1 million net of tax of \$3.9 million), \$15.1 million included in cost of goods sold, buying and occupancy expense and \$0.8 million included in general, administrative and store operating expense, for inventory and other costs related to restructuring actions associated with Happy Nation.

Forecasted adjusted operating income and adjusted net income (loss) per diluted share for the full year and first quarter 2024 excludes the financial impact of purchase accounting items related to the Adore Me acquisition, including recognition in gross profit of purchase accounting 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, as well as the amortization of intangible assets. We are not able to provide a reconciliation of forward-looking adjusted operating income or adjusted net income (loss) per diluted share to the most directly comparable forward-looking GAAP financial measures because we are unable to provide a meaningful or accurate reconciliation or estimation of certain reconciling items without unreasonable effort, due to the inherent difficulty in forecasting the timing of, and quantifying, the various purchase accounting items that are necessary for such reconciliation.

“International system-wide retail sales” means the sales of merchandise sold through stores and digital channels operated by our partners under franchise, license, wholesale and joint venture arrangements. While international system-wide retail sales are not recorded as net sales in our financial statements, management believes the information is important in understanding our financial performance because these sales are the basis on which we calculate and record certain net sales for our International business and are indicative of the financial health of our franchise, license, wholesale and joint venture partners and the prospects for growth of our International business.

