

**VS&CO SECOND QUARTER 2021 EARNINGS COMMENTARY**  
**AUGUST 18, 2021**

Introduction

- Victoria's Secret & Co. is providing this second quarter 2021 commentary ahead of its live earnings call scheduled for August 19, 2021 at 9:30 a.m.
- 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 second quarter financial results release and related financial information are available on our website, [www.victoriasssecretandco.com](http://www.victoriasssecretandco.com). Also available on our website is an investor presentation.
- All of the 2020 results included in this commentary are adjusted results, and exclude the significant items as described in our press release.
- The results 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.

Spin-off

- As we announced on August 3, 2021, the separation of Victoria's Secret & Co.

into an independent public company is complete. We believe establishing Victoria's Secret & Co. as a standalone company will enable us to maximize management focus and financial flexibility to thrive in an evolving retail environment and deliver profitable growth.

- The separation follows the significant progress we have made over the last twelve months in the turnaround of the business, implementing merchandise and marketing initiatives to drive growth, as well as executing on a series of cost reduction actions, which together have dramatically increased profitability. As a result of these efforts, we are well-positioned for the future as the new Victoria's Secret & Co.

### Second Quarter Results

- We delivered strong results in the second quarter, and we could not have done so without the hard work and dedication of our team of associates and partners. We'd like to express our deep appreciation for their efforts.
- We reported second quarter earnings of \$1.71 per share compared to an adjusted loss per share of \$0.97 last year.
- Net sales for the quarter were \$1.614 billion. Net sales for the second quarter of 2021 decreased 10% compared to net sales of \$1.785 billion in the second quarter of 2019, reflecting the net closure of 240 company-operated stores since the second quarter of 2019.

- Second quarter comparable sales increased 5% compared to 2019. Direct sales increased 26% to \$469 million, partially offset by a 3% decrease in comparable store sales.
- International sales were \$108 million and decreased 40% compared to 2019 driven primarily by a change in revenue recognition related to the transition of our U.K. business from company-operated to a joint venture agreement with Next.
- Sales and margin results were solid throughout the quarter and these positive trends have continued into the third quarter, which is highlighted later in this summary.
- Customers are responding positively to our merchandise assortments. We are pleased with our sales and margin performance in all three lines of business, Lingerie, Pink and Beauty, compared to 2019.
- The gross margin rate increased nearly 2,000 basis points to 41.5% compared to 2020. Compared to 2019, the gross margin rate increased by nearly 1,200 basis points. These improvements were driven by significant merchandise margin rate improvement and buying and occupancy expense leverage. The margin rate improvement was driven by improved response to our merchandise assortments, disciplined inventory management, as well as strong selling execution in stores and online, which enabled us to reduce promotional activity during the quarter.

- The SG&A rate leveraged by 330 basis points on the significant increase in sales given pandemic related store closures last year. Compared to 2019, SG&A expense dollars decreased by about 11%, driven by our profit improvement plan and permanent store closures, and leveraged by about 40 basis points. SG&A expenses include \$30 million in 2021 related to the allocated portion of corporate overhead costs as part of L Brands.
- Second quarter operating income was \$203 million, an increase of \$314 million compared to last year, and the operating income rate was 12.6%. Compared to 2019, operating income increased \$197 million.
- Second quarter operating income on a historical segment reporting basis as part of L Brands totaled \$233 million, exceeding our previously communicated guidance of more than \$200 million.
- Turning to the balance sheet, total inventories ended the quarter down 19% compared to last year, in line with expectations, and reflects our commitment to inventory management disciplines crucial to improving our profitability.

#### Outlook for Remainder of 2021

- While we feel very positive about our brand repositioning strategies and our progress attracting and re-attracting customers, we are mindful of the uncertainty around COVID-19 related challenges in our base of supply and

the potential impact on our ability to receive merchandise in a timely manner. Our teams around the world are working non-stop to mitigate the potential effect of these challenges by repositioning deliveries, expediting deliveries, and in certain situations, cancelling deliveries. We believe the COVID-19 related disruption to our base of supply could increase our freight and product costs by as much as an incremental \$100 million in the fall season, the majority of which would impact our fourth quarter profitability. In addition to higher costs, we believe these challenges will minimize our flexibility to chase winners and deliver increased sales versus our forecast, which in turn may inhibit our ability to accelerate sales growth year-over-year beyond what we are forecasting for the third quarter and what we experienced in the spring season.

- With these challenges as a backdrop, we do believe we have sufficient visibility into current trends and can estimate a potential range of outcomes for the third quarter. However, we will not be providing financial guidance for the fourth quarter.
- We are forecasting third quarter earnings in the range of \$0.60 to \$0.70 per diluted share.
- Operating income on a historical segment reporting basis as part of L Brands, before standup and separation costs, is expected to be in a range of \$110 million to \$120 million, in line with last year's result of \$115 million.

- We are projecting third quarter sales to increase mid- to high-single digits versus last year's third quarter sales of \$1.35 billion, and a decrease in the high single digits compared to 2019 sales of \$1.58 billion. Our sales forecast is consistent with our second quarter results, despite the aforementioned COVID-19 related supply challenges.
- We are pleased with our performance to date in August to start the fall season. Customer response to new screen sets/floor sets and new product launches has been encouraging. These early indicators reinforce our belief that our teams are operating at a high level and delivering product that is trend-right and culturally relevant.
- We expect the third quarter gross margin rate to be in the high 30s, up compared to last year's rate of 36.7%, driven by B&O leverage from the store sales growth and lapping temporary closures last year.
- We expect the SG&A rate to be up to last year's third quarter rate of 29.5%, driven by higher store selling costs and marketing investments, each of which were lower than normal last year due to COVID-19 related challenges.
- We expect net non-operating expense of approximately \$12 million, a tax rate of approximately 25%, and weighted average diluted shares outstanding of 93 million for the third quarter.
- With respect to the fourth quarter, we have confidence in our assortments and strategies, and still believe it is possible to drive sales at growth rates similar

to our third quarter forecast. We believe the supply chain headwinds may significantly impact merchandise flow and the promotional cadence of the business.

- Additionally, as a reminder, we are lapping the benefit of one-time pandemic-related rent abatements in fall 2020 – approximately \$80 million of favorability with the majority occurring in the fourth quarter last year.
- For fiscal 2021, we are estimating capital expenditures to be approximately \$170 million. We are investing in a store “refresh” program and we will be investing in technology, distribution and logistics capabilities.
- We continue to closely evaluate our store real estate, especially more vulnerable centers, for risk of closure. We anticipate about 30-40 net company-operated closures for the full year 2021.
- Despite the near-term COVID-19 related challenges in our base of supply, we are comfortable with our three to five year mid-teens operating margin target we communicated in our Investor Day. We believe this target is appropriate for the Company, reflects the right value and quality proposition for our customers, and an appropriate level of investment in merchandise product innovation, digital capabilities, and best-in-class store and online experiences.

- We invite you to join us for our live earnings call tomorrow morning at 9:30 a.m. Eastern by dialing 1-800-619-9066 (international dial-in number: 1-212-519-0836). The conference ID is 5358727.