

VS&CO SECOND QUARTER 2024 EARNINGS COMMENTARY

August 28, 2024

Introduction

- Victoria's Secret & Co. is providing this second quarter commentary ahead of its live earnings call scheduled for August 29, 2024 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 second 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.

Second Quarter 2024 Results

- In the second quarter, we delivered sales, adjusted operating income and adjusted net income per diluted share at or above the high-end of our initial guidance for the quarter. These results also met or exceeded the high-end of the range of our preliminary results shared on August 14 as we recorded year-over-year quarterly operating income growth for the first time since the third quarter of 2021. We were encouraged by the continued sequential improvement in quarterly sales results in North America for the fourth consecutive quarter, as sales trends improved in both our stores and digital channels. Our customers responded to new merchandise deliveries and events with particular success in the launch of our Victoria's Secret Dream bra collection, in apparel with our PINK Friday back to campus event in late July, and with consistent, steady improvement of VS sport as merchandise flowed to stores and digital. Improving product acceptance and disciplined inventory management led to gross margin dollar growth and rate expansion, and our teams continue to relentlessly focus on improving our cost structure, driving a decrease in SG&A dollars and leverage year-over-year. In addition to improving trends for Victoria's Secret and PINK, we experienced sales growth in the high-single digits for both our International business and Adore Me.
- Turning to the results for the second quarter, we reported second quarter adjusted net income per diluted share of \$0.40, which was above the high-end of our initial guidance range of adjusted net income per diluted share of \$0.05 to \$0.20, and slightly above the high-end of the range of our preliminary

results shared on August 14 of adjusted net income per diluted share of \$0.34 to \$0.39. This result compared to adjusted net income per diluted share of \$0.24 in the second quarter of 2023.

- Net sales for the second quarter 2024 were \$1.417 billion, a decrease of 1% compared to sales of \$1.427 billion in the second quarter of 2023. This result was at the better-end of our initial guidance range of a net sales decrease of low-single digits in the second quarter, and at the better-end of our preliminary results shared on August 14 of a net sales decrease of 1% to 2%. We estimate that the retail calendar shift as a result of the extra week last year drove about 1 point of benefit to second quarter sales as compared to last year. Total comparable sales decreased 3% in the quarter compared to last year.
- In North America, we experienced improved sequential quarterly sales trends for the fourth consecutive quarter. The improvement in sales trends was evident in both our stores and in our digital businesses during the quarter. Momentum experienced at the end of the first quarter in April continued into May. As anticipated, sales performance during our semi-annual sale period in the June timeframe was lower than last year driven by fewer units on sale, particularly in PINK apparel. We saw strength in July driven by the introduction of product newness with the Victoria's Secret Dream bra collection, in apparel in conjunction with our PINK Friday back to campus event and consistent, steady improvement of VS sport. From a stores perspective, we experienced improvement in traffic in our stores, which outperformed the balance of the mall for the quarter with meaningful

outperformance in late July during our PINK Friday back to campus event. In terms of our digital business, traffic levels improved in the quarter and were up compared to the second quarter last year, while conversion was down in the quarter, in particular during our semi-annual sale period where we had fewer units on sale in our digital channel compared to last year.

- From a market perspective, third-party market data indicates that the sales trend in the overall intimates market in North America got a little bit softer in the second quarter than what was reported in the first quarter. Our combined Victoria's Secret and PINK market share in the intimates category remained at about 20%. We were encouraged to see our digital market share increase in both bras and panties along with an overall increase in our sports bra market share for the second consecutive quarter. This was partially offset by a slight decrease in market share in the stores channel where value or lower price points appear to be gaining share.
- From a merchandise category perspective for Victoria's Secret, our beauty business continues to be our best performing category with year-over-year growth for the fourth consecutive quarter, followed by strong acceptance of VS sport as merchandise available for sale grew throughout the quarter in anticipation of a major launch in the third quarter. In bras and panties, newness and innovation sold well and several older, legacy styles were exited or down trended during the spring season.

- PINK's sales trend overall improved in the quarter, both in total and in most major categories. Specifically, in apparel, we were especially encouraged by the improving customer response to product newness during our PINK Friday back to campus event in late July as we ended the quarter. This strength continued into August to start of the third quarter as the back to campus event continued in stores and online.
- Adjusted gross margin dollars of \$501 million in the second quarter were up \$8 million, or 2%, year-over-year. The adjusted gross margin rate for the second quarter 2024 was 35.4%, an increase of 80 basis points compared to last year, and near the high-end of our guidance range of 34.5% to 35.5%. Our adjusted merchandise margin rate was up in the quarter compared to last year primarily as the result of lower cost of goods related to our transform the foundation initiative to modernize our supply chain operating model, partially offset by targeted traffic-driving promotional activity and certain strategic raw material investments in new product, materials and fit. Our buying and occupancy expense dollars decreased year-over-year in the second quarter and the buying and occupancy expense rate was essentially flat compared to last year.
- Adjusted SG&A dollars of \$439 million in the second quarter were down \$5 million, or 1%, year-over-year. The adjusted SG&A rate for the second quarter 2024 was 31.0%, better than our guidance of approximately 32.0% and leveraging 20 basis points compared to 31.2% in the second quarter last year. Our adjusted SG&A rate was better than our guidance primarily due to

disciplined and proactive expense management initiatives, which were only partially offset by normal wage rate or inflationary pressures.

- Adjusted operating income for the second quarter 2024 was \$62 million which was above the high-end of our initial guidance range of \$30 million to \$45 million, and at the high-end of the range of our preliminary results shared on August 14 of adjusted operating income of \$57 million to \$62 million. This result was higher than adjusted operating income in the second quarter 2023 of \$49 million due to the increase in gross margin dollars and decrease in SG&A dollars.
- Adjusted non-operating expenses, consisting principally of interest expense, was \$20 million in the second quarter and in-line with our guidance. Our tax rate in the second quarter was 25.1%, better than our forecasted tax rate driven by earnings coming in higher than our guidance.
- Adjusted net income for the second quarter 2024 was \$31 million compared to adjusted net income of \$19 million in the second quarter 2023.
- Turning to the balance sheet, total inventories ended the second quarter down 2% compared to last year, favorable to our guidance of flat to up slightly and well-positioned heading into the fall season.
- From a liquidity standpoint, we ended the second quarter with a cash balance of \$169 million, a strong balance sheet and ample liquidity to execute our

strategic plans. At the end of the second quarter, our outstanding balance was \$145 million under our \$750 million ABL credit facility, or the same as at the end of the first quarter 2024 and the end of fiscal year 2023.

- Weighted average diluted shares in the second quarter 2024 were approximately 80 million. In March 2024, we announced that the Company's Board of Directors approved a new share repurchase program ("March 2024 Share Repurchase Program") authorizing the repurchase of up to \$250 million of the Company's common stock. Share repurchases under the March 2024 Share Repurchase Program will be made at management's discretion and from time to time, subject to market conditions and other factors, through open market, accelerated share repurchase or privately negotiated transactions. The March 2024 Share Repurchase Program is open-ended in term and will continue until exhausted. No shares have been repurchased under the program to-date.

- 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:
 - In July, we introduced newness with the launch of Victoria's Secret Dream, a collection of bras, panties and sexy sleep that combines the ultimate experience in beauty and everyday comfort. Also in July, we added a new style to our top-selling sports bra, with the launch of the Featherweight Max front close -- where maximum support meets maximum comfort, now with an easy front-zip closure. Additionally,

within the Victoria's Secret brand, we launched the Tease Sugar Fleur beauty collection, a limited-edition version of fan favorite Tease.

- We continued to create meaningful and memorable connections with our customers, including the return of PINK Friday the last weekend of July as our collegiate customers get ready to head back to campus, and with the celebration of National Underwear Day in early August.
- The Victoria's Secret Fashion Show is returning on October 15 in New York City, with an amazing cast of talented women including, Candice Swanepoel, Devyn Garcia, Grace Elizabeth, Imaan Hammam, Mayowa Nicholas, Paloma Elsesser, Taylor Hill and many more. The show's return will deliver precisely what our customers have been asking for – glamour, runway, fashion, fun, wings, entertainment – all through a powerful, modern lens reflecting who we are today.
- And, we continue to further develop our understanding of our Victoria's Secret and PINK customer through our multi-tender loyalty program which has now been active for just over one year. We have 32 million members who drive about 80% of our sales on a weekly basis. Through insights and data, we are focused on turning our understanding of our customers into world-class seamless customer experiences.

Outlook for Fiscal Year and Third Quarter 2024

- We are encouraged our North America business trends have continued to improve as we've moved through August and the start of third quarter. Early customer feedback on our fall assortments is encouraging for both the

Victoria's Secret and PINK brands, and our beauty business has continued solid performance and is driving traffic to our stores. Strategically, we have several exciting events planned for the balance of the third quarter including a major VSX sport launch and the return of our Victoria's Secret Fashion show to kickoff the all-important holiday season. While we are optimistic about the positive signs we're seeing in our business, we recognize the consumer environment remains challenging and our customer is pressured economically. We remain focused on what we can control which is leveraging our market position in intimates and delivering on multiple initiatives to drive growth in our business over the longer-term.

- For the 52-week fiscal year 2024, we are raising our forecast to reflect second quarter and spring outperformance to our original expectations, and also some level of modest improvement in our fall assumptions. We now expect sales to be down approximately 1%, versus prior guidance of down low-single digits, to a comparative 52-weeks from fiscal year 2023. This forecast reflects sequential improvement in North America along with continued strength in our International business, and tracks in-line with the positive trajectory we have been discussing for 2024. At this forecasted level of sales, we now expect our adjusted operating income in 2024 to be about \$275 million to \$300 million, compared to prior guidance of \$250 million to \$275 million.
- For the third quarter of 2024, we are forecasting sales to increase low-single digits compared to sales of \$1.265 billion in the third quarter of 2023. We

estimate the retail calendar shift as a result of the extra week last year will drive about 2 points of benefit to third quarter sales as compared to last year.

- At this forecasted level of sales, third quarter 2024 adjusted operating loss is expected to be in the range of \$40 million to \$60 million compared to an adjusted operating loss of \$60 million in the third quarter of 2023.
- We are forecasting third quarter 2024 adjusted net loss per diluted share to be in the range of \$0.60 to \$0.80 compared to an adjusted net loss per diluted share of \$0.86 in the third quarter of 2023.
- We expect the third quarter 2024 adjusted gross margin rate to be approximately 34.3% to 35.0%, or flat to up 70 basis points compared to third quarter of 2023's adjusted rate of 34.3%. We are forecasting lower cost of goods related to our initiative to modernize our supply chain operating model and leverage in buying and occupancy expenses. We are forecasting these benefits to be partially offset by a combination of higher transportation costs, both ocean and air, and certain strategic raw material investments in new product, materials and fit.
- We expect the third quarter 2024 adjusted SG&A rate to be approximately 38.0% to 39.0%, leveraging compared to the third quarter of 2023's adjusted rate of 39.1%. Adjusted SG&A dollars are expected to be flat to slightly down and leveraging the forecasted sales increase.

- We anticipate net adjusted non-operating expense, consisting principally of interest expense, of approximately \$20 million in the third quarter of 2024.
- We estimate shares outstanding of approximately 79 million for the third quarter of 2024. This estimate reflects an estimate of basic shares outstanding given the forecasted loss in the third quarter and does not include potential share repurchase activity related to the March 2024 Share Repurchase Program.
- We estimate a tax rate ranging from approximately 22% to 23% for the third quarter of 2024.
- We expect total inventories to end the third quarter of 2024 up mid- to high-single digits compared to last year driven by the anticipated earlier receipt of holiday shipments this year. We are forecasting to end the fiscal year 2024 with inventories flat to up slightly compared to last year, or below expected future sales trends.
- We now estimate capital expenditures of approximately \$200 million in fiscal year 2024, or approximately 3% of sales. Capital investments this year are focused on our store capital program along with investments in technology related to our strategic initiatives to drive growth. Our capital expenditures forecast for fiscal year 2024 is down \$30 million principally due to successful cost per store reduction for store buildouts, lower store remodel project count, and rationalizing and reallocating technology capital. Depreciation expense

(excluding intangible asset amortization expense related to the acquisition of Adore Me which is adjusted for non-GAAP purposes) is now estimated to be approximately \$230 million in fiscal year 2024, compared to prior guidance of \$240 million.

- Turning to liquidity, we now expect 2024 adjusted free cash flow of approximately \$200 million to \$225 million, compared to prior guidance of \$175 million to \$200 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.
- In 2024, we plan to open approximately 15 to 17 new stores in North America, mostly in the Store of the Future design in off-mall locations. We estimate 40 to 45 store closures which will mostly be consolidations of co-located Victoria's Secret and PINK stores. We also expect about 35 renovations in the Store of the Future design in 2024, with approximately 90% consisting of square footage reductions or consolidations of co-located Victoria's Secret and PINK stores. Square footage in our North America stores in 2024 is expected to decrease approximately 2% to 3% compared to 2023. At the end of 2024, our Store of the Future presence will be approximately 135 stores (or approximately 17% of the fleet) in North America. Internationally, our Store of the Future presence at the end of 2024 is expected to be approximately 150 to 170 stores (or approximately 30% of the fleet).

- The Company's financial guidance for third quarter and fiscal year 2024 excludes the financial impact of severance and related charges as a result of organizational leadership changes and purchase accounting items related to the Adore Me acquisition as described in our press release, our SEC filings and our investor presentation on our website.
- 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.