VS&CO FOURTH QUARTER 2024 EARNINGS COMMENTARY

March 5, 2025

Introduction

- Victoria's Secret & Co. is providing this fourth quarter commentary ahead of its live earnings call scheduled for March 6, 2025 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, the fourth quarter of 2023 included an extra week due to the retail calendar (fourth quarter 2024 consists of 13-weeks compared to 14-weeks in the fourth quarter 2023; fiscal year 2024 consists of 52-weeks compared to 53-weeks in fiscal year 2023). We estimate the extra week in the fourth quarter of 2023 represented approximately $80 million in incremental net sales, approximately $20 million in incremental operating income and incremental net income per diluted share of approximately $0.20.

Fourth Quarter 2024 Results

- We are pleased with our fourth quarter results and are encouraged by the momentum in our business which continued from the third quarter through the holiday season. Our business in North America during the quarter was strong with net sales up on a comparative basis year-over-year for the second quarter in a row in both our Victoria's Secret and PINK brands. Our strength in sales and disciplined inventory management translated to healthy margins, and our teams continue to be relentless on controlling costs in our business. We exited the holiday and our January semi-annual sale in a good inventory position.

- Turning to the results for the fourth quarter, we reported adjusted operating income of $299 million and adjusted net income per diluted share of $2.60 for the 13-week fourth quarter 2024. This result compares favorably to adjusted operating income of $283 million and adjusted net income per diluted share of $2.58 for the 14-week fourth quarter 2023.

- In addition to items excluded from our results to arrive at our adjusted non-GAAP results for the fourth quarter 2024, in the fourth quarter we recorded a change in our accounting estimate relating to expected future redemption on outstanding gift cards issued by the company. As a result of this change in accounting estimate, we recognized a cumulative adjustment which increased net sales, gross margin and operating income by approximately $26 million in the fourth quarter 2024.

- Excluding the estimated impact of the extra week last year and the change in accounting estimate relating to outstanding gift cards, fourth quarter 2024 results compared favorably to last year, and represent the third quarter in a row we've had year-over-year growth in adjusted operating income. Excluding the extra week last year and the impact of the change in accounting estimate relating to outstanding gift cards, fourth quarter 2024 net sales were up approximately 4% and at the high-end of our previously communicated guidance of a net sales increase of 3% to 4%, and fourth quarter 2024 adjusted operating income would have been approximately $273 million, or slightly above the high-end of our previously communicated guidance range of $260 million to $270 million.

- Net sales for the 13-week fourth quarter 2024 were $2.106 billion, an increase of 1% compared to net sales of $2.082 billion in the 14-week fourth quarter 2023. Excluding the impact of the extra week last year (approximately $80 million or about 390 basis points of year-over-year pressure) and the impact of the change in its accounting estimate relating to outstanding gift cards (approximately $26 million or about 130 basis points of year-over-year benefit), fourth quarter 2024 net sales were up approximately 4% compared to the fourth quarter last year. In addition, as previously communicated, we estimate that the retail calendar shift as a result of the extra week last year drove about 2 points of pressure to fourth quarter sales as compared to last year. Adjusting for the timing impact as a result of the retail calendar shift, sales trends in the fourth quarter in North America were slightly better than the third quarter. Total comparable sales increased 5% in the quarter compared to last year.

- In North America, Victoria's Secret and PINK recorded its sixth consecutive quarter of sequential sales improvement dating back to the third quarter of 2023. The quarter started off strong with the positive momentum from our holiday floorset further accentuated by the brand heat and media support from the return of the VS Fashion Show in October, which was a tremendous kickoff to the holiday season. We won the major moments during the quarter, and from a merchandise perspective, our giftable holiday product assortments driven by sleep and beauty across both brands were winners again this holiday season. Delayering the sales growth, on a comparative basis traffic and average unit retails were both up compared to last year in our stores and digital channels. Specifically, our store level traffic outperformed the mall and our teams provided excellent customer service that led to solid conversion on the higher levels of traffic. Our digital traffic was also strong during the quarter benefitting from dozens of digital site enhancements during the fall season. From a market perspective, third-party market data indicates that sales in the overall intimates market in North America were down low-single digits in the quarter. Our intimates business outperformed the market for the second consecutive quarter which was encouraging.

- From a merchandise perspective for Victoria's Secret, casual sleep was our top performing category during the quarter with comparative sales up high-single digits. Our beauty business continued to show strength during the holiday season with comparative sales up mid-single digits and sales growth for the sixth consecutive quarter. Comparative sales in our intimates category (bras and panties) were about flat in the fourth quarter with bras and panties performing about the same.

- From a merchandise perspective for PINK, casual sleep was our top performing category during the quarter with comparative sales up mid-teens. PINK apparel had a significant trend change at the beginning of the fall season, and its strong performance continued in the fourth quarter with comparative sales up mid-single digits. Comparative sales for PINK intimates (bras and panties) were down in the fourth quarter with bras outperforming panties.

- Outside of North America, our international business continued its strong performance with international system-wide retail sales on a comparative basis up double digits in the fourth quarter. Retail sales in the fourth quarter were driven by year-over-year growth with our franchise and travel retail partners along with strong performance in our joint ventures in both China and the U.K. International reported net sales for the 13-week fourth quarter of 2024 were down 1% compared to reported net sales in the 14-week fourth quarter of 2023. Excluding the impact of the extra week last year, net sales in the quarter were up mid-single digits despite being negatively impacted by the retail calendar shift with the promotional period for Singles Day in China beginning earlier than last year, which drove sales into the third quarter, and a shift in timing of sourcing sales to our partners compared to last year.

- Adjusted gross margin dollars were $835 million and our adjusted gross margin rate was 39.7% in the fourth quarter 2024. Excluding the impact of the change in accounting estimate relating to outstanding gift cards which resulted in a $26 million increase to net sales and gross margin, our fourth quarter 2024 adjusted gross margin dollars would have been $809 million and our adjusted gross margin rate would have been 38.9%, or roughly in the middle of our previously communicated guidance of approximately 38.5% to 39.5%, and down compared to the 14-week fourth quarter 2023 adjusted rate of 40.0%. Positive comparable store sales growth in North America and our fifth consecutive quarter of positive margin impact from our cost of goods initiative benefitted the margin rate for the quarter. However, as expected, these benefits were more than offset by higher transportation costs (both ocean and air), buying and occupancy expense de-leverage related to the extra week of sales last year and increased incentive compensation expense related to the above plan results for the fourth quarter and the fall season. While the types and breadth of traffic-driving promotional activities in the quarter were down slightly to the fourth quarter last year and in-line with our expectations, the customer response to our key moments during the quarter exceeded our expectations.

- Adjusted SG&A dollars were $536 million and our adjusted SG&A rate was 25.4% in the fourth quarter 2024, which was better than our guidance of 26.5% and 100 basis points lower than last year's 14-week fourth quarter adjusted rate of 26.4%. Our adjusted SG&A rate was better than last year due to the increase in sales in the quarter, a decrease in marketing spend along with continued disciplined and proactive expense management initiatives, which were only partially offset by normal merit inflation and higher incentive compensation expense related to the above plan results for the fourth quarter and the fall season.

- Adjusted non-operating expenses, consisting principally of interest expense, were $22 million in the fourth quarter 2024, and above our guidance of approximately $18 million. While we meaningfully reduced our weighted average borrowings during the quarter and our interest rate incurred was also lower, this favorable action was more than offset by expense relating to collectability reserves established against a unique, non-core business matter.

- Our adjusted tax rate in the fourth quarter was 21.7%, lower than our guidance of approximately 24%.

- Turning to the balance sheet, total inventories ended the fourth quarter down 3% compared to last year, or lower than our guidance of flat to slightly positive.

- From a liquidity standpoint, we ended the fourth quarter with a cash balance of $227 million, a strong balance sheet and ample liquidity to execute our strategic plans. We generated adjusted free cash flow of $681 million in the fourth quarter 2024 and $286 million for the full year, which was slightly above the high-end our guidance range of $250 million to $280 million. As planned, in the fourth quarter we made payments of $440 million on our $750 million ABL credit facility and paid off our balance entirely. This is the first time since the third quarter of 2022 that we have ended the quarter without an outstanding balance on our ABL credit facility.

- Weighted average diluted shares were approximately 83 million in the fourth quarter 2024. In March 2024, we announced that the Company's Board of Directors approved a 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.

<u>Outlook for First Quarter and Fiscal Year 2025</u>

- As we look into the new year, we are optimistic about the positive signs and opportunities for growth we're seeing in our business, but we are also mindful that macro-environment challenges and uncertainty are putting pressure on the consumer. The retail environment and our business specifically became more pressured in the back half of January which continued throughout February. In addition to the macro pressures, unseasonal weather in certain regions of the U.S. in January and February was also a headwind that we believe had a negative impact on mall traffic.

- Our forecast assumes the macro-environment challenges and pressure we're currently seeing in our business will continue through the first quarter. While the environment remains uncertain, our forecast assumes that the environment will gradually get better as we move through the year, and together with the positive signs in our North America and International businesses and our growth strategies, will result in an improving sales trend throughout the year.

- For fiscal year 2025, we are forecasting net sales to be in the range of $6.2 billion to $6.3 billion compared to net sales of $6.204 billion in fiscal year 2024, which excludes the gift card breakage benefit of $26 million recognized in the fourth quarter of 2024. At this forecasted level of sales, we expect our adjusted operating income for fiscal year 2025 to be in the range of $300 million to $350 million.

- Our forecast currently embeds an additional 10% tariff on goods imported from China into the U.S. beginning February 4 and assumes this additional tariff will remain in place for the remainder of fiscal year 2025. We estimate this could reduce operating income results in the range of $10 to $20 million, and this impact has been considered in our annual guidance. Our forecast currently excludes the impact of any additional tariffs relating to any other countries pending further clarity and/or enactment.

- Adjusted non-operating expenses, consisting principally of interest expense, are projected to be about $70 million for fiscal year 2025, down from $84 million in fiscal year 2024 driven by expected lower levels of weighted average borrowings along with lower interest rates.

- We estimate our tax rate will be approximately 24% to 25% for fiscal year 2025.

- We estimate weighted average diluted shares outstanding of approximately 84 million for the first quarter and fiscal year 2025. These estimates do not include potential share repurchase activity related to the March 2024 Share Repurchase Program.

- Given these inputs, we are forecasting fiscal year 2025 adjusted net income per diluted share to be in the range of $2.00 to $2.45 compared to adjusted net income per diluted share of $2.69 in fiscal year 2024.

- We estimate capital expenditures of approximately $240 million in fiscal year 2025, or slightly less than 4% of sales. Capital investments will be focused on our store capital program along with investments in technology and logistics related to our strategic initiatives to drive growth and support productivity. Depreciation expense (excluding intangible asset amortization expense related to the acquisition of Adore Me which is adjusted for non-GAAP purposes) is estimated to be approximately $230 million in fiscal year 2025.

- In 2024, we opened 17 new stores in North America, mostly in the Store of the Future design in off-mall locations. We closed 42 stores in 2024 which were mostly the consolidation of co-located Victoria's Secret and PINK stores. We also completed the renovation of 36 stores 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 decreased approximately 3% compared to 2023. At the end of 2024, we had 135 stores (or 17% of the fleet) in Store of the Future design in North America. Internationally, we ended 2024 with the Store of the Future design in 155 stores (or 25% of the international fleet).

- In 2025, we plan to open 15 to 17 new stores in North America, mostly in the Store of the Future design in off-mall locations. We estimate approximately 30 to 40 store closures in 2025 which will mostly be consolidations of co-located Victoria's Secret and PINK stores. We also expect about 45 renovations in North America in the Store of the Future design in 2025, with the majority consisting of square footage reductions or consolidations of co-located

Victoria's Secret and PINK stores. Square footage in our North America stores in 2025 is expected to decrease approximately 1% to 3% compared to 2024. At the end of 2025, we estimate our Store of the Future presence will be approximately 190 stores (or approximately 25% of the fleet) in North America. Internationally, we estimate our Store of the Future presence at the end of 2025 will be approximately 220 to 240 stores (or nearly 40% of the international fleet).

- Turning to liquidity, we expect 2025 adjusted free cash flow of approximately $180 million to $220 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 2025, we are forecasting net sales to be in the range of $1.30 billion to $1.33 billion compared to net sales of $1.359 billion in the first quarter 2024. This forecast reflects our expectation that the retail consumer environment in North America will remain pressured and choppy along with the negative impacts from weather to start the quarter. We believe these challenges will be partially offset by the continued strength in our international business.

- At this forecasted level of sales, first quarter 2025 adjusted operating income is expected to be in the range of $10 million to $30 million compared to adjusted operating income of $40 million in the first quarter 2024.

- We are forecasting first quarter 2025 adjusted net income (loss) per diluted share to be in the range of ($0.10) to $0.10 compared to adjusted net income per diluted share of $0.12 in the first quarter 2024.

- We expect the first quarter 2025 adjusted gross margin rate to be approximately 36.5%, compared to first quarter 2024's adjusted rate of 36.9%. We are forecasting our promotional activity in North America will be down slightly compared to last year as we continue to test and learn our way to lower promotional activity. Buying and occupancy expense dollars are expected to be down and generate leverage compared to last year. Offsetting these benefits are forecasted higher transportation costs (both ocean and air) as compared to last year.

- The adjusted SG&A rate in the first quarter 2025 is expected to be approximately 34.5% to 35.5%, compared to the first quarter 2024's adjusted rate of 34.0%. SG&A dollars are forecasted to increase slightly based on merit rate inflation and normalization of incentive compensation expense.

- We anticipate net adjusted non-operating expense, consisting principally of interest expense, of approximately $17 million in the first quarter 2025, down from $20 million in the first quarter of 2024 driven by expected lower levels of weighted average borrowings along with lower interest rates.

- We estimate tax expense in the first quarter 2025 will be approximately $0 to $5 million.

- We expect total inventories to end the first quarter 2025 up mid-single digits compared to last year. The expected increase is partially driven by the initial build of inventory at our new distribution center in Europe as we strategically position inventory closer to our international customers.

- The Company's financial guidance for first quarter and fiscal year 2025 excludes the financial impact of 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 passcode is 5358727.