

# Bath & Body Works®

## Q1 2024 Results & 2024 Guidance

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*June 4, 2024*



# Forward-Looking Statements

## Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

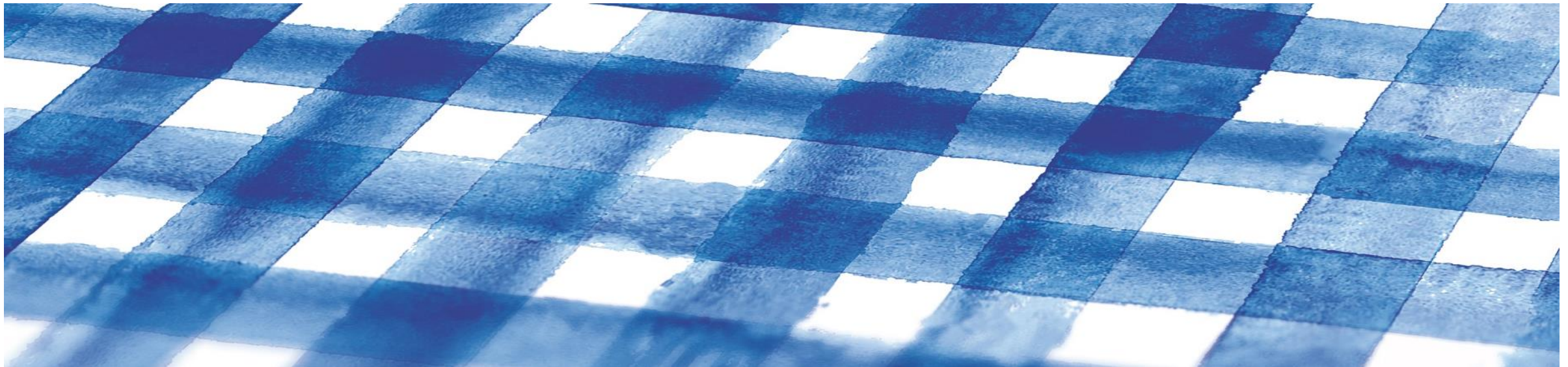
We caution that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this presentation or made by our company or our management involve risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. Accordingly, our future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Words such as “estimate,” “project,” “plan,” “believe,” “expect,” “anticipate,” “intend,” “planned,” “potential,” “target,” “goal” and any similar expressions may identify forward-looking statements. Risks associated with the following factors, among others, in some cases have affected and in the future could affect our financial performance and actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements included in this presentation or otherwise made by our company or our management:

- general economic conditions, inflation, consumer confidence, consumer spending patterns and 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;
- the seasonality of our business;
- our ability to attract, develop and retain qualified associates and manage labor-related costs;
- difficulties arising from turnover in Company leadership or other key positions;
- the dependence on store traffic and the availability of suitable store locations on appropriate terms;
- our continued growth in part through new store openings and existing store remodels and expansions;
- our ability to successfully operate and expand internationally and related risks;
- our independent franchise, license, wholesale and other distribution-related partners;
- our direct channel business;
- our ability to protect our reputation and our brand image;
- our ability to attract customers with marketing, advertising, promotional programs and our loyalty program;
- our ability to maintain, enforce and protect our trade names, trademarks and patents;
- 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 brand, develop new merchandise and launch and expand new product lines successfully;
- our ability to source, distribute and sell goods and materials on a global basis, including risks related to:
  - political instability, wars and other armed conflicts, environmental hazards or natural disasters;
  - significant health hazards or pandemics, which could result in closed factories and/or stores, reduced workforces, scarcity of raw materials, and scrutiny or embargoing of goods produced in impacted areas;
  - duties, taxes and other charges;
  - legal and regulatory matters;
  - volatility in currency exchange rates;
  - local business practices and political issues;
  - delays or disruptions in shipping and transportation and related pricing impacts;
  - disruption due to labor disputes; or
  - changing expectations regarding product safety due to new legislation;
- our ability to successfully complete environmental, social and governance initiatives, and associated costs thereof;
- the geographic concentration of third-party manufacturing facilities and our distribution facilities in central Ohio;
- our reliance on a limited number of suppliers to support a substantial portion of our inventory purchasing needs;
- the ability of our vendors to deliver products in a timely manner, meet quality standards and comply with applicable laws and regulations;
- the spin-off of Victoria’s Secret may not be tax-free for U.S. federal income tax purposes;
- fluctuations in foreign currency exchange rates;
- fluctuations in product input costs;
- fluctuations in energy costs;
- our ability to adequately protect our assets from loss and theft;
- claims arising from our self-insurance;
- our and our third-party service providers’ ability to implement and maintain information technology systems and to protect associated data;
- our ability to maintain the security of customer, associate, third-party and Company information;
- stock price volatility;
- our ability to pay dividends and make share repurchases under share repurchase authorizations;
- shareholder activism matters;
- our ability to maintain our credit ratings;
- our ability to service or refinance our debt and maintain compliance with our restrictive covenants;
- our ability to comply with laws, regulations and technology platform rules or other obligations related to data privacy and security;
- our ability to comply with regulatory requirements;
- legal and compliance matters; and
- tax, trade and other regulatory matters.

We are not under any 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 2023 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, and our subsequent filings.

# **First Quarter 2024**

## **Financial Results and Highlights**



# Q1 2024 Financial Results Exceeded Expectations

**\$1.4B**

**Net Sales**

**Down 0.9% YoY<sup>1</sup>**

**43.8%**

**Gross Margin**

**Up 110bp to LY**

**13.5%**

**Operating Margin**

**Up 60bp to LY**

**\$0.38**

**Diluted EPS**

**Up 15% to LY  
Adjusted EPS**

**We delivered solid financial results exceeding our expectations for both Net Sales & EPS**

- ✓ Net sales outperformance was driven by strong floorsets in March that reflected the newness in the quarter, partially offset by weaker-than-expected International wholesale revenue<sup>2</sup>, which is generated by the product we sell to our franchise partners
- ✓ EPS outperformance was driven by better-than-expected net sales and, to a lesser extent, buying and occupancy costs, which were fueled by strong execution within our fulfillment operations

1 – The change in year-over-year net sales benefited by approximately 200 basis points from the shifted fiscal calendar as expected, offset by an impact of approximately 170 basis points resulting from weaker than expected results from certain international markets.

2 - There are two components to our total international system-wide retail sales: (1) royalties collected from franchise retail sales, and (2) wholesale revenue generated by the product we sell to our franchise partners. In aggregate, these are the net sales of all Bath & Body Works stores and digital channels located outside North America and owned and/or operated by the company's franchise, license and wholesale partners. While total international system-wide retail sales are not recorded as net sales by the company, management believes the information is important in understanding the company's financial performance because these sales are the basis on which the company calculates and records certain net sales for its International business and are indicative of the financial health of the company's franchise, license and wholesale partners and the prospects for growth of the company's International business.

# Enhancing Shareholder Value

## ✓ **First Quarter Capital Investment of \$46 million**

- We continue to plan for \$300 million - \$325 million in capital projects during the year, focused on brick-and-mortar stores and technology

## ✓ **Paid First Quarter Dividend of \$45 Million; Announced Second Quarter Dividend of \$0.20 Per Share**

## ✓ **First Quarter Stock Repurchases Totaling \$99 Million**

- We repurchased 2.2 million shares of common stock, at an average price of \$45.61

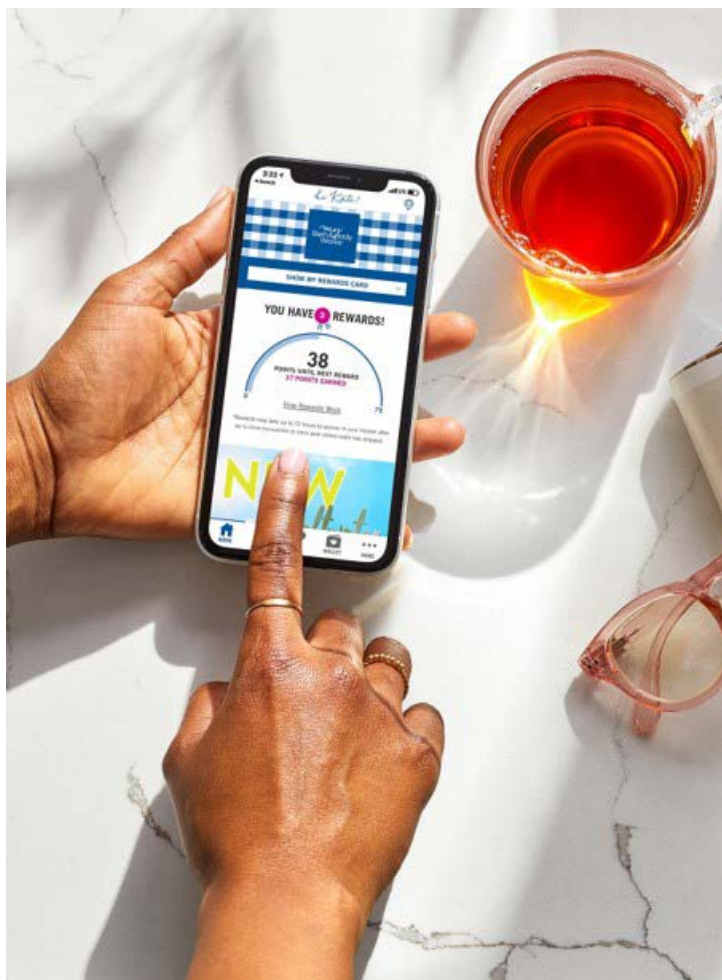
## ✓ **Held Steady at 2.8x Gross Adjusted Debt-to-EBITDAR on a Four-Quarter Trailing Basis**

- We repurchased \$109 million principal amount of senior notes for \$110 million

## ✓ **2024 Full-Year Free Cash Flow Guidance Between \$675 Million - \$775 Million**

- We expect to continue our annual dividend of \$0.80 per share, with intention to increase with sustained earnings growth
- We expect to repurchase approximately \$300 million of shares opportunistically throughout fiscal 2024
- We will continue to consider opportunistic debt repurchases

# Strong Loyalty Program



**~37M**

**Active<sup>1</sup> loyalty members as of  
the end of Q1 2024**

**up more than 18% to  
Q1 LY**

**~80%**

**Of Q1 2024 U.S. sales were made  
by loyalty members**

**up ~7 pts to Q1 LY**

1 - Active members of our loyalty program represent loyalty program members who have purchased at least once directly from the company during the preceding twelve-month period.

To provide the best sense of the health of the business, loyalty metrics in this presentation are all on a comparable calendar basis, which is the 13 weeks ended May 4, 2024, versus the 13 weeks ended May 6, 2023.

# First Quarter 2024 Exceeded Expectations

## Key Highlights

- ❑ Net sales were \$1.4 billion and declined 0.9% compared to the prior year.
  - ❑ The change in year-over-year net sales benefited by approximately 200 basis points from the shifted fiscal calendar as expected, offset by an impact of approximately 170 basis points resulting from weaker than expected results from certain international markets.
  - ❑ Net Sales also reflect a decrease in average dollar sale as we continue to see customers carefully manage their spending.
- ❑ Merchandise margin rate improved 110 basis points year-over-year, driven by lower mix of International sales and lower transportation costs, partially offset by modest AUR decline.
- ❑ Buying and occupancy expense as a percent of net sales was flat to last year.
- ❑ SG&A deleveraged by 60 basis points versus last year driven by investments in marketing, partially offset by benefits from our cost optimization initiatives and lapping one-time discrete corporate expenses in the first quarter last year.
- ❑ Our cost optimization work spans across both gross profit and SG&A and delivered benefits of ~\$40 million in the quarter.

\$ in millions, except earnings per share

Metric	Actuals	LY	Guidance (February 29, 2024 <sup>1</sup> )
<b>Net Sales</b>	\$1,384, down 0.9%	\$1,396	Down 4.5% - Down 2.0%
<b>Gross Profit Rate</b>	43.8%	42.7%	~ 42.5%
<b>SG&amp;A Expense Rate</b>	30.3%	29.7%	~30.5%
<b>Operating Margin Rate</b>	13.5%	12.9%	N/A
<b>Net Non-Operating Expense</b>	\$69	\$68	~\$70
<b>Adjusted Net Non-Operating Expense</b>	-	\$75	
<b>Weighted Average Diluted Shares Outstanding</b>	226 million	230 million	~ 226 million
<b>Earnings Per Diluted Share</b>	\$0.38	\$0.35	\$0.28 - \$0.33
<b>Adjusted Earnings Per Diluted Share</b>	-	\$0.33	

1- The company's first quarter guidance was provided as a part of the company's fourth quarter 2023 earnings materials.

Note: See slide 15 for important information regarding the non-GAAP financial measures, including reconciliations of reported-to-adjusted results.

# Q1 2024 North American Category – Grew Overall Unit Share

## Change to LY

## Highlights

Body Care

**Sales Up Low-Single Digits while we maintained market share**

- Body Care outperformed the shop. Year-over-year growth drivers included: Lip, Hair, Men’s and Fine Fragrance Mist.
- Limited launch of Everyday Luxuries collection of fine fragrance, approximately one-third of our U.S. stores.
  - Fine fragrance mist outperformed the shop during that period.
  - Slightly younger and more diverse set of customers.
  - Will relaunch this line across the full North American fleet in the Fall.
- Men’s continued to be one of our fastest growing categories in Body Care and benefited from new forms introduced last year, including grooming and antiperspirant deodorant, and the newness we infused into the core collection in the first quarter.
- Travel outpaced the shop as we continue to take advantage of the trial and travel mindset.
- Our new lip fixture and expanded assortment is doubling sales of Lip in stores with the fixture and we are on track to complete the rollout to nearly all North American stores by July.

Home Fragrance

**Sales Down Mid-Single Digits while we slightly grew market share**

- Candles continued to decline from last year as macro level normalization continued and we have narrowed our assortment of single-wick candles, which contributed to the decline.
- Market share of air fresheners, or Wallflowers, grew modestly in the quarter, which drove the increase in Home Fragrance market share.

Soaps & Sanitizers

**Sales Down Low-Single Digits while slightly declining in market share**

- Soaps increased, driven by the performance of our refills, which make up slightly less than 10% of the soap business.
- Sanitizers declined, driven by our decision to exit the full-size form due to continued normalization in the category.
- Pocketbacs grew versus the same period last year.

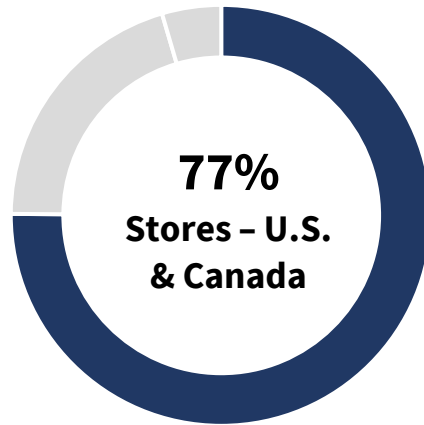
Other

- Giftsets increased 6% in the quarter as customers continue to look to us as an important gifting destination.
- Accelerated Laundry roll-out and will be in all U.S. stores in the late Fall.

To provide the best sense of the health of the business, all category sales results and market share data in this presentation are all on a comparable calendar basis, which is the 13 weeks ended May 4, 2024, versus the 13 weeks ended May 6, 2023.



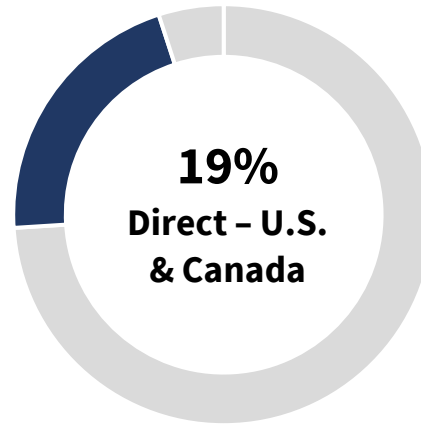
# Sales by Channel Q1 2024



**77%**  
Stores - U.S.  
& Canada

**\$1,065M**  
**+3% to Q1 LY**

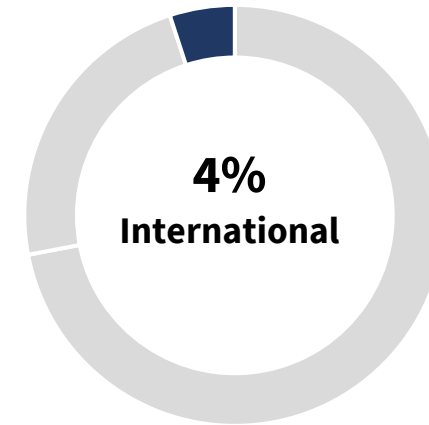
- In line with our performance in Q4 of 2023 on a comparable calendar basis.
- Adjusted for BOPIS, stores and direct growth are more comparable.



**19%**  
Direct - U.S.  
& Canada

**\$261M**  
**-7% to Q1 LY**

- BOPIS net sales are recognized as store net sales, and we delivered approximately 50% growth in demand year-over-year.
- BOPIS represents approximately 25% of direct demand.
- Adjusted for BOPIS, stores and direct growth are more comparable.



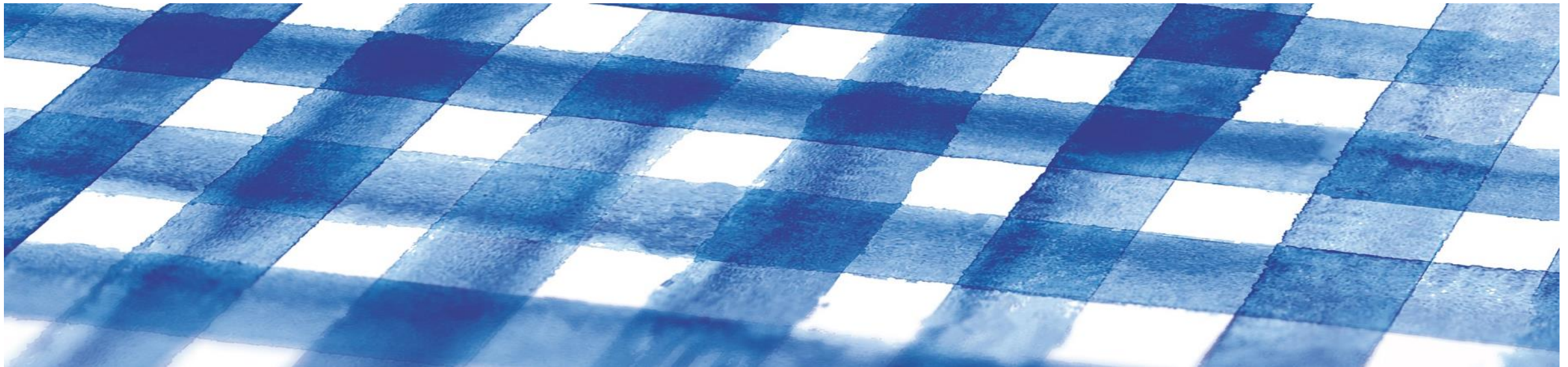
**4%**  
International

**\$58M**  
**-29% to Q1 LY**

- Decline was driven by lower wholesale revenue due to markets affected by the war in the Middle East, as these partners continue to manage their inventory levels in the face of subdued forecasts.
- International system-wide retail sales were roughly flat to the prior year, with international system-wide retail sales up mid-teens outside of areas affected by the war in the Middle East while sales improved sequentially in areas impacted by the war.

# 2024 Guidance

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# FY 2024 Guidance – Raised the Mid-Point while Maintaining the High

## Key Highlights

- ❑ We now expect net sales results to range between down 2.5% to flat year-over-year. At both the midpoint and at the high-end of our guidance, we continue to expect net sales growth to turn positive in the second half of the year, on a comparable week basis, as our new marketing initiatives and product launches are scaled.
  - ❑ Adjusting for the 53rd week in 2023, we expect net sales results to range between down 1.5% to up 1% with the extra week representing a headwind of approximately 100 basis points to our 2024 growth.
- ❑ Total annual cost optimization goal is ~\$250 million, across fiscal 2023 and 2024. After generating ~\$150 million in 2023, ~\$100 million is expected in 2024.
  - ❑ Majority of savings are being generated in five areas: transportation costs, store labor and selling productivity efficiencies, call center optimization, home office expenses, and indirect spend.
- ❑ We now expect gross profit rate to be approximately 43.7% and SG&A rate to be 26.7%. The benefits of our cost optimization work, have realized to be more weighted to gross profit than SG&A at a split of approximately 60 and 40 percent, respectively.
- ❑ Gross profit rate represents continued merchandise margin improvement, partially offset by deleverage in B&O expense as a percent to sales driven by our investments in store real estate.
- ❑ Expecting modest increases in AURs compared to the prior year.
- ❑ SG&A expense rate expected to deleverage, driven by higher marketing investment and wage inflation, partially offset by cost optimization initiatives.

\$ in millions, except earnings per share

Metric	Guidance (June 4, 2024 <sup>1</sup> )	Guidance (February 29, 2024 <sup>1</sup> )
Net Sales	Down 2.5% - Flat	Down 3.0% - Flat
Gross Profit Rate	~43.7%	~43.5%
SG&A Expense Rate	~26.7%	~26.5%
Net Non-Operating Expense	~\$270	~\$270
Tax Rate	~27%	~27%
Weighted Average Diluted Shares Outstanding	~224 million	~224 million
Earnings Per Diluted Share	\$3.05 - \$3.35	\$3.00 - \$3.35
Capital Expenditures	\$300 - \$325	\$300 - \$325
Free Cash Flow	\$675 - \$775	\$675 - \$775

<sup>1</sup> - Our guidance includes the expectation to repurchase approximately \$300 million of shares throughout fiscal 2024.

# Q2 2024 Guidance

## Key Highlights

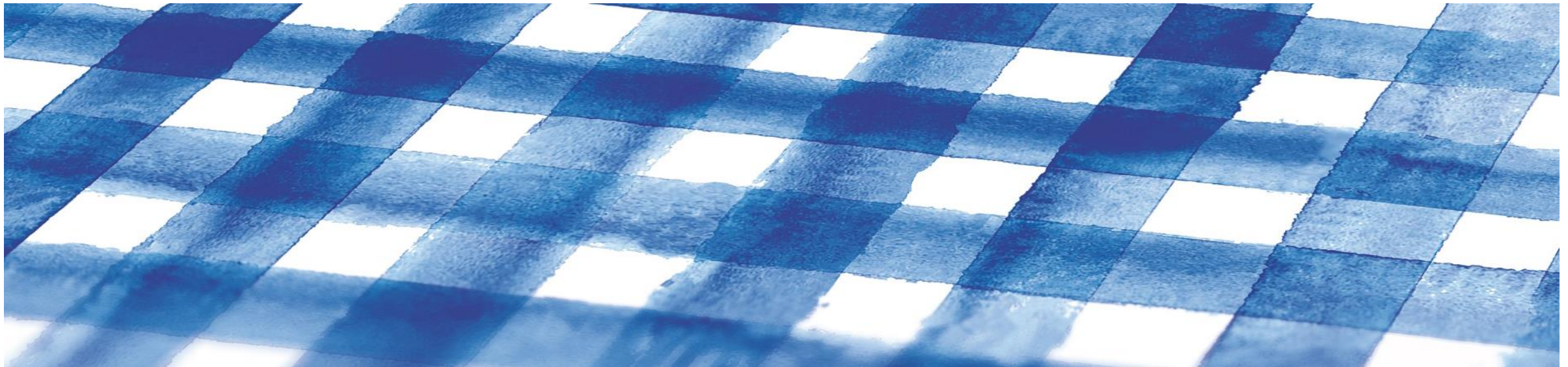
- ❑ We expect second quarter sales range of down 2.0% to flat versus prior year, with the high end of the range reflecting sequential improvement over the prior quarter. We do not expect the calendar shift will have a significant impact in Q2.
- ❑ Gross profit rate is expected to be ~40%.
  - ❑ Our forecast reflects moderate improvement in year-over-year merchandise margin rate, as we begin to lap merchandise margin rate expansion in the prior year.
  - ❑ Offset by deleverage in buying & occupancy expense as a percent of net sales, driven by our investments in store real estate.
- ❑ AURs are expected to be roughly flat compared to the second quarter of the prior year.
- ❑ SG&A expense rate expected to increase compared to the second quarter of the prior year, driven largely by higher marketing investment and wage inflation, partially offset by the benefits of cost optimization initiatives.

\$ in millions, except earnings per share

Metric	Guidance
Net Sales	Down 2.0% - Flat
Gross Profit Rate	~40%
SG&A Expense Rate	~29%
Net Non-Operating Expense	~\$65
Tax Rate	~27%
Weighted Average Diluted Shares Outstanding	~224 million
Earnings Per Diluted Share	\$0.31 - \$0.36

# Appendix - Other Financial Information

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# Long-Term Debt Maturities

as of May 4, 2024

\$'s in Millions

\$1,000

\$900

\$800

\$700

\$600

\$500

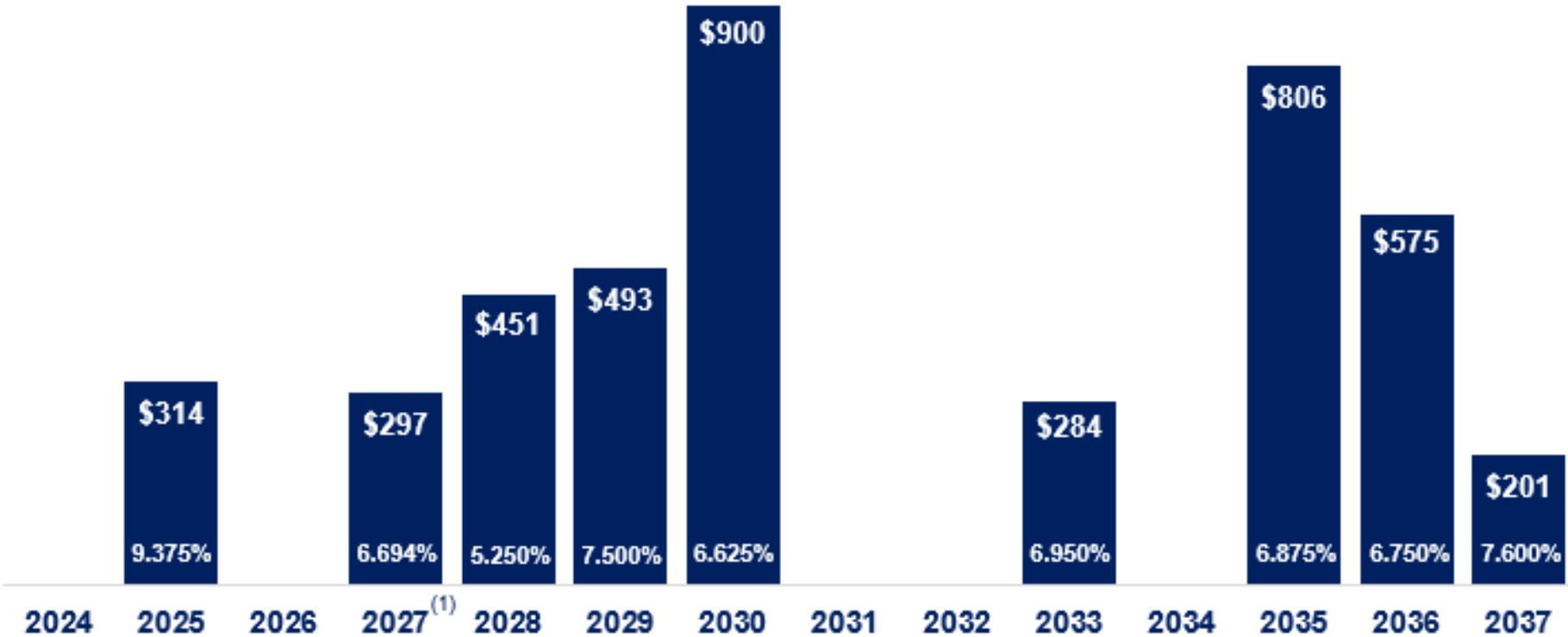
\$400

\$300

\$200

\$100

\$0



<sup>(1)</sup> The 2027 Notes mature on 1/15/27, which falls in fiscal year 2026.

# Adjusted Financial Information

\$ in millions, except per share amounts

	First Quarter	
	2024	2023
<b><u>Reconciliation of Net Non-Operating Expense to Adjusted Net Non-Operating Expense</u></b>		
Reported Net Non-Operating Expense	\$69	\$68
Gain on Extinguishment of Debt	-	7
Adjusted Net Non-Operating Expense	<u>\$69</u>	<u>\$75</u>
<b><u>Reconciliation of Net Income Per Diluted Share to Adjusted Net Income Per Diluted Share</u></b>		
Reported Net Income Per Diluted Share	\$0.38	\$0.35
Gain on Extinguishment of Debt	-	(0.03)
Tax Effect of Gain on Extinguishment of Debt	-	0.01
Adjusted Net Income Per Diluted Share	<u>\$0.38</u>	<u>\$0.33</u>

**The first quarter of 2023 adjusted results exclude:**

- A \$7 million pre-tax gain (\$5 million net of tax of \$2 million), included in other income, associated with the early extinguishment of outstanding notes.

## Q1 2024 v Q1 2023 General, Administrative and Store Operating Expenses Summary

\$ in millions

	2024		2023		Change	
	Q1		Q1		Q1	
	\$s	% of Net Sales	\$s	% of Net Sales	\$s	% of Net Sales
Selling Expenses	\$ 247	17.8%	\$ 243	17.4%	\$ 4	40 bp
Home Office & Marketing Expenses	172	12.5%	172	12.3%	-	20 bp
<b>Total</b>	<b>\$ 419</b>	<b>30.3%</b>	<b>\$ 415</b>	<b>29.7%</b>	<b>\$ 4</b>	<b>60 bp</b>
<b>Net Sales</b>	<b>\$ 1,384</b>		<b>\$ 1,396</b>			



## Store Count and Company-Operated Selling Square Feet – Q1 2024 Actuals

### Total Company-Operated Stores:

	Stores				Selling Sq. Ft. (000's)			
	2/3/2024	Opened	Closed	5/4/2024	2/3/2024	Opened / Remodeled	Closed	5/4/2024
Bath & Body Works U.S.	1,739	16	(11)	1,744	4,916	45	(25)	4,936
Bath & Body Works Canada	111	-	-	111	314	-	-	314
<b>Total Bath &amp; Body Works</b>	<u>1,850</u>	<u>16</u>	<u>(11)</u>	<u>1,855</u>	<u>5,230</u>	<u>45</u>	<u>(25)</u>	<u>5,250</u>

### Total Partner-Operated Stores:

	Stores			
	2/3/2024	Opened	Closed	5/4/2024
International	454	12	(11)	455
International - Travel Retail	31	-	-	31
<b>Total International</b>	<u>485</u>	<u>12</u>	<u>(11)</u>	<u>486</u>