UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-8344

BATH & BODY WORKS, INC.
(Exact name of registrant as specified in its charter)

Delaware		**31-1029810**
(State or other jurisdiction of incorporation or organization)		(IRS Employer Identification No.)
Three Limited Parkway		
Columbus,	**Ohio**	**43230**
(Address of principal executive offices)		(Zip Code)

(614) 415-7000
(Registrant's Telephone Number, Including Area Code)
L BRANDS, INC.
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.50 Par Value	BBWI	The New York Stock Exchange

As of August 27, 2021, the number of outstanding shares of the Registrant's common stock, was 264,372,947 shares.

BATH & BODY WORKS, INC.

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* The Company's fiscal year ends on the Saturday nearest to January 31. As used herein, "second quarter of 2021" and "second quarter of 2020" refer to the thirteen-week periods ended July 31, 2021 and August 1, 2020, respectively. "Year-to-date 2021" and "year-to-date 2020" refer to the twenty-six-week periods ending July 31, 2021 and August 1, 2020, respectively.

PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

BATH & BODY WORKS, INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in millions except per share amounts)
(Unaudited)

	Second Quarter		Year-to-Date	
	2021	2020	2021	2020
Net Sales	$ 3,318	$ 2,319	$ 6,341	$ 3,974
Costs of Goods Sold, Buying and Occupancy	(1,820)	(1,608)	(3,429)	(2,974)
Gross Profit	1,498	711	2,912	1,000
General, Administrative and Store Operating Expenses	(899)	(667)	(1,741)	(1,274)
Operating Income (Loss)	599	44	1,171	(274)
Interest Expense	(99)	(104)	(212)	(201)
Other Income (Loss)	(1)	—	(106)	3
Income (Loss) Before Income Taxes	499	(60)	853	(472)
Provision (Benefit) for Income Taxes	125	(11)	202	(126)
Net Income (Loss)	$ 374	$ (49)	$ 651	$ (346)
Net Income (Loss) Per Basic Share	$ 1.36	$ (0.18)	$ 2.35	$ (1.25)
Net Income (Loss) Per Dilutive Share	$ 1.34	$ (0.18)	$ 2.31	$ (1.25)
Dividends Per Share	$ 0.15	$ —	$ 0.15	$ 0.30

BATH & BODY WORKS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)
(Unaudited)

	Second Quarter		Year-to-Date	
	2021	2020	2021	2020
Net Income (Loss)	$ 374	$ (49)	$ 651	$ (346)
Other Comprehensive Income (Loss), Net of Tax:				
Foreign Currency Translation	(2)	2	4	(4)
Unrealized Gain (Loss) on Cash Flow Hedges	2	(3)	(1)	2
Reclassification of Cash Flow Hedges to Earnings	1	(1)	1	(1)
Total Other Comprehensive Income (Loss), Net of Tax	1	(2)	4	(3)
Total Comprehensive Income (Loss)	$ 375	$ (51)	$ 655	$ (349)

The accompanying Notes are an integral part of these Consolidated Financial Statements.

BATH & BODY WORKS, INC.
CONSOLIDATED BALANCE SHEETS
(in millions except par value amounts)

	July 31, 2021 (Unaudited)	January 30, 2021	August 1, 2020 (Unaudited)
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 1,988	$ 3,903	$ 2,611
Cash in Escrow related to Victoria's Secret & Co. Spin-Off	600	—	—
Accounts Receivable, Net	230	269	268
Inventories	1,473	1,273	1,476
Other	223	134	150
Total Current Assets	4,514	5,579	4,505
Property and Equipment, Net	2,001	2,095	2,292
Operating Lease Assets	2,564	2,558	2,635
Goodwill	628	628	628
Trade Names	411	411	411
Deferred Income Taxes	70	69	74
Other Assets	204	231	335
Total Assets	$ 10,392	$ 11,571	$ 10,880
LIABILITIES AND EQUITY (DEFICIT)			
Current Liabilities:			
Accounts Payable	$ 838	$ 683	$ 957
Accrued Expenses and Other	1,305	1,457	1,340
Current Debt	—	—	460
Current Operating Lease Liabilities	480	594	624
Income Taxes	2	92	52
Total Current Liabilities	2,625	2,826	3,433
Deferred Income Taxes	250	234	191
Long-term Debt	5,938	6,366	6,269
Long-term Operating Lease Liabilities	2,476	2,495	2,698
Other Long-term Liabilities	291	311	193
Shareholders’ Equity (Deficit):			
Preferred Stock - $1.00 par value; 10 shares authorized; none issued	—	—	—
Common Stock - $0.50 par value; 1,000 shares authorized; 280, 286 and 286 shares issued; 265, 278 and 278 shares outstanding, respectively	140	143	143
Paid-in Capital	911	891	869
Accumulated Other Comprehensive Income	87	83	49
Retained Earnings (Accumulated Deficit)	(1,505)	(1,421)	(2,611)
Less: Treasury Stock, at Average Cost; 15, 8 and 8 shares, respectively	(822)	(358)	(358)
Total Shareholders’ Equity (Deficit)	(1,189)	(662)	(1,908)
Noncontrolling Interest	1	1	4
Total Equity (Deficit)	(1,188)	(661)	(1,904)
Total Liabilities and Equity (Deficit)	$ 10,392	$ 11,571	$ 10,880

The accompanying Notes are an integral part of these Consolidated Financial Statements.

BATH & BODY WORKS, INC.
CONSOLIDATED STATEMENTS OF TOTAL EQUITY (DEFICIT)
(in millions except per share amounts)
(Unaudited)

Second Quarter 2021

	Common Stock							
	Shares Outstanding	Par Value	Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Treasury Stock, at Average Cost	Noncontrolling Interest	Total Equity (Deficit)
Balance, May 1, 2021	277	$ 144	$ 903	$ 86	$ (1,144)	$ (523)	$ 1	$ (533)
Net Income	—	—	—	—	374	—	—	374
Other Comprehensive Income	—	—	—	1	—	—	—	1
Total Comprehensive Income	—	—	—	1	374	—	—	375
Cash Dividends ($0.15 per share)	—	—	—	—	(42)	—	—	(42)
Repurchases of Common Stock	(14)	—	—	—	—	(1,029)	—	(1,029)
Treasury Share Retirement	—	(5)	(32)	—	(693)	730	—	—
Share-based Compensation and Other	2	1	40	—	—	—	—	41
Balance, July 31, 2021	265	$ 140	$ 911	$ 87	$ (1,505)	$ (822)	$ 1	$ (1,188)

Second Quarter 2020

	Common Stock							
	Shares Outstanding	Par Value	Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Treasury Stock, at Average Cost	Noncontrolling Interest	Total Equity (Deficit)
Balance, May 2, 2020	278	$ 143	$ 865	$ 51	$ (2,562)	$ (358)	$ 3	$ (1,858)
Net Loss	—	—	—	—	(49)	—	—	(49)
Other Comprehensive Loss	—	—	—	(2)	—	—	—	(2)
Total Comprehensive Loss	—	—	—	(2)	(49)	—	—	(51)
Share-based Compensation and Other	—	—	4	—	—	—	1	5
Balance, August 1, 2020	278	$ 143	$ 869	$ 49	$ (2,611)	$ (358)	$ 4	$ (1,904)

The accompanying Notes are an integral part of these Consolidated Financial Statements.

BATH & BODY WORKS, INC.
CONSOLIDATED STATEMENTS OF TOTAL EQUITY (DEFICIT)
(in millions except per share amounts)
(Unaudited)

Year-to-Date 2021

	Common Stock							
	Shares Outstanding	Par Value	Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Treasury Stock, at Average Cost	Noncontrolling Interest	Total Equity (Deficit)
Balance, January 30, 2021	278	$ 143	$ 891	$ 83	$ (1,421)	$ (358)	$ 1	$ (661)
Net Loss	—	—	—	—	651	—	—	651
Other Comprehensive Income	—	—	—	4	—	—	—	4
Total Comprehensive Income	—	—	—	4	651	—	—	655
Cash Dividends ($0.15 per share)	—	—	—	—	(42)	—	—	(42)
Repurchases of Common Stock	(17)	—	—	—	—	(1,194)	—	(1,194)
Treasury Share Retirement	—	(5)	(32)	—	(693)	730	—	—
Share-based Compensation and Other	4	2	52	—	—	—	—	54
Balance, July 31, 2021	265	$ 140	$ 911	$ 87	$ (1,505)	$ (822)	$ 1	$ (1,188)

Year-to-Date 2020

	Common Stock							
	Shares Outstanding	Par Value	Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Treasury Stock, at Average Cost	Noncontrolling Interest	Total Equity (Deficit)
Balance, February 1, 2020	277	$ 142	$ 847	$ 52	$ (2,182)	$ (358)	$ 4	$ (1,495)
Net Loss	—	—	—	—	(346)	—	—	(346)
Other Comprehensive Loss	—	—	—	(3)	—	—	—	(3)
Total Comprehensive Loss	—	—	—	(3)	(346)	—	—	(349)
Cash Dividends ($0.30 per share)	—	—	—	—	(83)	—	—	(83)
Share-based Compensation and Other	1	1	22	—	—	—	—	23
Balance, August 1, 2020	278	$ 143	$ 869	$ 49	$ (2,611)	$ (358)	$ 4	$ (1,904)

The accompanying Notes are an integral part of these Consolidated Financial Statements.

BATH & BODY WORKS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

	Year-to-Date	
	2021	**2020**
Operating Activities:		
Net Income (Loss)	$ 651	$ (346)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation of Long-lived Assets	258	266
Loss on Extinguishment of Debt	105	—
Victoria's Secret Asset Impairment Charges	—	214
Share-based Compensation Expense	30	28
Deferred Income Taxes	16	(19)
Gain from Hong Kong Store Closure and Lease Termination	—	(39)
Changes in Assets and Liabilities:		
Accounts Receivable	39	37
Inventories	(200)	(191)
Accounts Payable, Accrued Expenses and Other	(42)	304
Income Taxes Payable	(144)	(92)
Other Assets and Liabilities	(140)	124
Net Cash Provided by Operating Activities	573	286
Investing Activities:		
Capital Expenditures	(178)	(124)
Other Investing Activities	10	8
Net Cash Used for Investing Activities	(168)	(116)
Financing Activities:		
Proceeds from Issuance of Long-Term Debt, Net of Issuance Costs	—	1,231
Proceeds from Victoria's Secret & Co. Notes	600	—
Payments of Long-term Debt	(1,130)	—
Borrowing from Credit Agreement	—	950
Repayment of Credit Agreement	—	(950)
Borrowings from Foreign Facilities	—	33
Repayments of Foreign Facilities	—	(85)
Repurchases of Common Stock	(1,194)	—
Dividends Paid	(42)	(83)
Tax Payments related to Share-based Awards	(56)	(6)
Proceeds from Stock Option Exercises	76	—
Other Financing Activities	(6)	(19)
Net Cash Provided by (Used for) Financing Activities	(1,752)	1,071
Effects of Exchange Rate Changes on Cash and Cash Equivalents and Restricted Cash	2	(1)
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	(1,345)	1,240
Cash and Cash Equivalents and Restricted Cash, Beginning of Period	3,933	1,499
Cash and Cash Equivalents and Restricted Cash, End of Period	$ 2,588	$ 2,739

The accompanying Notes are an integral part of these Consolidated Financial Statements.

BATH & BODY WORKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business and Basis of Presentation

Description of Business

As of July 31, 2021, L Brands, Inc. ("L Brands" or the "Company") was a specialty retailer of home fragrance products, body care, soaps and sanitizers, women’s intimate and other apparel, and personal and beauty care products. Through the Bath & Body Works, Victoria's Secret and PINK retail brands, the Company sold merchandise through company-operated specialty retail stores in the U.S., Canada and Greater China, and through its websites and other channels. The Company's international operations are primarily through franchise, license, wholesale and joint venture partners.

On August 2, 2021, in connection with the separation of the Victoria's Secret business discussed below, the Company changed its name from L Brands, Inc. to Bath & Body Works, Inc. Additionally, starting August 3, 2021, the Company's common stock began trading under the stock symbol "BBWI."

Victoria's Secret & Co. Spin-Off

On July 9, 2021, the Company announced that its Board of Directors approved the previously announced separation of the Victoria’s Secret business, including PINK (the "Separation"), into an independent, publicly traded company ("Victoria's Secret & Co."). On August 2, 2021 (the “Distribution Date”), after the New York Stock Exchange ("NYSE") market closing, the Separation was completed and the Company transferred certain assets and liabilities associated with its Victoria's Secret business to Victoria's Secret & Co. The Separation was achieved through the Company's distribution (the "Distribution") of 100% of the shares of Victoria's Secret & Co. common stock to holders of L Brands' common stock as of the close of business on the record date of July 22, 2021. The Company's stockholders of record received one share of Victoria’s Secret & Co. common stock for every three shares of the Company's common stock. On August 3, 2021, Victoria’s Secret & Co. became an independent, publicly-traded company trading on the NYSE under the stock symbol "VSCO." The Company retained no ownership interest in Victoria’s Secret & Co. following the Separation. Beginning in the third quarter of fiscal 2021, the historical financial results of the Victoria's Secret business for periods prior to the Distribution Date will be reflected in the Company’s consolidated financial statements as discontinued operations. On August 2, 2021, Victoria's Secret & Co. made cash payments of approximately $976 million to the Company in connection with the Separation.

Impacts of COVID-19

The coronavirus pandemic ("COVID-19") has created significant public health concerns as well as economic disruption, uncertainty and volatility. The Company's operations and financial performance have been materially impacted by the COVID-19 pandemic. In the first quarter of 2020, all the Company's stores in North America were closed on March 17, 2020, but the Company was able to re-open the majority of its stores as of the end of the second quarter of 2020. Additionally, operations for Victoria’s Secret Direct were temporarily suspended for approximately one week in late March 2020, while Bath & Body Works Direct remained open for the duration of 2020.

During 2020, the Company took prudent actions to manage expenses and to maintain its cash position and financial flexibility. The Company also has adopted new operating models focused on providing a safe store environment for its customers and associates, while also delivering an engaging shopping experience. The Company remains focused on the safe operations of its distribution, fulfillment and call centers while maximizing its direct businesses. There remains the potential for COVID-related risks of closure or operating restrictions, which could materially impact the Company's operations and financial performance in future periods.

Fiscal Year

The Company’s fiscal year ends on the Saturday nearest to January 31. As used herein, “second quarter of 2021” and “second quarter of 2020” refer to the thirteen-week periods ended July 31, 2021 and August 1, 2020, respectively. “Year-to-Date 2021” and “year-to-date 2020” refer to the twenty-six-week periods ending July 31, 2021 and August 1, 2020, respectively.

Basis of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company accounts for investments in unconsolidated entities where it exercises significant influence, but does not have control, using the equity method. Under the equity method of accounting, the Company recognizes its share of the investee's net income or loss. Losses are only recognized to the extent the Company has positive carrying value related to the investee. Carrying values are only reduced below zero if the Company has an obligation to provide funding to the investee. The Company’s share of net income or loss of unconsolidated entities from which the Company purchases merchandise or merchandise components is included in Costs of Goods Sold, Buying and Occupancy in the Consolidated Statements of Income (Loss). The Company's share of net income or loss from its investment in the Victoria's Secret U.K. joint venture with Next PLC is included in General, Administrative and Store Operating Expenses in the Consolidated Statements of Income (Loss). The Company's share of net income or loss of all other unconsolidated entities is included in Other Income (Loss) in the Consolidated Statements of Income (Loss). The Company's equity method investments are required to be reviewed for impairment when it is determined there may be an other-than-temporary loss in value.

Interim Financial Statements

The Consolidated Financial Statements as of and for the periods ended July 31, 2021 and August 1, 2020 are unaudited and are presented pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto contained in the Company's 2020 Annual Report on Form 10-K.

In the opinion of management, the accompanying Consolidated Financial Statements reflect all adjustments, which are of a normal recurring nature and necessary for a fair presentation of the results for the interim periods.

Seasonality of Business

Due to the seasonal variations in the retail industry, the results of operations for the interim period is not necessarily indicative of the results expected for the full fiscal year.

Restricted Cash

In July 2021, Victoria's Secret & Co., prior to the Separation and while a subsidiary of the Company, issued $600 million of 4.625% notes due in July 2029 (the "Victoria's Secret & Co. Notes"). As of July 31, 2021, the initial proceeds were held in escrow for release to Victoria's Secret & Co. upon satisfaction of certain conditions, including completion of the Separation. If the conditions for the release from escrow of the proceeds were not satisfied, the Victoria's Secret & Co. Notes would have been subject to mandatory redemption. The $600 million initial proceeds are included in Cash in Escrow related to Victoria's Secret & Co. Spin-Off on the July 31, 2021 Consolidated Balance Sheet. For additional information, see Note 9, "Long-term Debt and Borrowing Facilities."

During 2020, the Company placed cash on deposit with certain financial institutions as collateral for their lending commitments. These deposits totaled $30 million and $128 million as of January 30, 2021 and August 1, 2020, respectively, and were recorded in Other Assets on the Consolidated Balance Sheets. During the second quarter of 2021, the Company terminated these lending commitments which released the restrictions on this cash. Accordingly, the balance was reclassified to Cash and Cash Equivalents during the second quarter of 2021.

As of July 31, 2021, the Company's total Cash and Cash Equivalents and restricted cash totaled $2.588 billion.

Derivative Financial Instruments

The Company uses derivative financial instruments to manage exposure to foreign currency exchange rates. The Company does not use derivative instruments for trading purposes. All derivative instruments are recorded on the Consolidated Balance Sheets at fair value.

The earnings of the Company's wholly owned foreign operations are subject to exchange rate risk as substantially all the merchandise is sourced through U.S. dollar transactions. The Company uses foreign currency forward contracts designated as cash flow hedges to mitigate this foreign currency exposure for its Canadian operations. Amounts are reclassified from accumulated other comprehensive income (loss) upon sale of the hedged merchandise to the customer. These gains and losses are recognized in Costs of Goods Sold, Buying and Occupancy in the Consolidated Statements of Income (Loss). The fair value of designated cash flow hedges is not significant for any period presented.

Concentration of Credit Risk

The Company maintains cash and cash equivalents, restricted cash and derivative contracts with various major financial institutions. The Company monitors the relative credit standing of financial institutions with whom the Company transacts and limits the amount of credit exposure with any one entity. The Company's investment portfolio is primarily comprised of U.S. government obligations, U.S. Treasury and AAA-rated money market funds, commercial paper and bank deposits.

The Company also periodically reviews the relative credit standing of franchise, license and wholesale partners and other entities to which the Company grants credit terms in the normal course of business. The Company determines the required allowance for expected credit losses using information such as customer credit history and financial condition. Amounts are recorded to the allowance when it is determined that expected credit losses may occur.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates, and the Company revises its estimates and assumptions as new information becomes available.

Recently Issued Accounting Pronouncements

The Company did not adopt any new accounting standards during the second quarter of 2021 that had a material impact on the Company's consolidated results of operations, financial position or cash flows. In addition, there are no new accounting standards not yet adopted that are expected to have a material impact on the Company's consolidated results of operations, financial position or cash flows.

2. Revenue Recognition

Accounts receivable, net from revenue-generating activities were $129 million as of July 31, 2021, $125 million as of January 30, 2021 and $186 million as of August 1, 2020. Accounts receivable primarily relate to amounts due from the Company's franchise, license and wholesale partners. Under these arrangements, payment terms are typically 60 to 90 days.

The Company records deferred revenue when cash payments are received in advance of transfer of control of goods or services. Deferred revenue primarily relates to gift cards, loyalty and private label credit card programs and direct channel shipments, which are all impacted by seasonal and holiday-related sales patterns. Deferred revenue was $325 million as of July 31, 2021, $371 million as of January 30, 2021 and $316 million as of August 1, 2020. The Company recognized $167 million as revenue year-to-date 2021 from amounts recorded as deferred revenue at the beginning of the year. As of July 31, 2021, the Company recorded deferred revenue of $316 million within Accrued Expenses and Other, and $9 million within Other Long-term Liabilities on the Consolidated Balance Sheet.

The following table provides a disaggregation of Net Sales for the second quarter and year-to-date 2021 and 2020:

	Second Quarter		Year-to-Date	
	2021	2020	2021	2020
	(in millions)			
Bath & Body Works Stores - U.S. and Canada	$ 1,230	$ 678	$ 2,280	$ 1,102
Bath & Body Works Direct	407	519	756	807
Bath & Body Works International (a)	67	56	137	105
Total Bath & Body Works	1,704	1,253	3,173	2,014
Victoria's Secret Stores - U.S. and Canada	1,037	364	1,970	877
Victoria's Secret Direct	469	614	990	922
Victoria's Secret International (b)	108	88	208	161
Total Victoria's Secret	1,614	1,066	3,168	1,960
Total Net Sales	$ 3,318	$ 2,319	$ 6,341	$ 3,974

(a) Results include royalties associated with franchised store and wholesale sales.
(b) Results include company-operated stores in the U.K. (pre-joint venture) and Greater China, and royalties associated with franchised stores and wholesale sales.

3. Restructuring Activities

During the second quarter of 2020, the Company completed a comprehensive review of its home office organizations in order to achieve meaningful reductions in overhead expenses and decentralize significant shared functions and services to support the separation of the Bath & Body Works and Victoria's Secret businesses. This resulted in a reduction of the home office headcount by approximately 15%, or about 850 associates. Pre-tax severance and related costs associated with these reductions, totaling $81 million, are included in General, Administrative and Store Operating Expenses in the 2020 Consolidated Statements of Loss. Costs of $51 million and $12 million are recorded within the Victoria's Secret and Bath & Body Works segments, respectively, while the remaining $18 million is recorded within Other.

During year-to-date 2021, the Company made payments of $22 million related to severance and related costs associated with these reductions. As of July 31, 2021, a liability of $14 million related to these reductions is included in Accrued Expenses and Other on the Consolidated Balance Sheet.

Victoria's Secret U.K.

Due to challenging business results for Victoria's Secret in the U.K., the Company entered into Administration in June 2020 to restructure store lease agreements and reduce operating losses in the Victoria's Secret U.K. business. In October 2020, the Company entered into a joint venture with Next PLC for the Victoria’s Secret business in the United Kingdom and Ireland. Under this agreement, the Company owns 49% of the joint venture, and Next owns 51% and is responsible for operations. The Company accounts for its investment in the joint venture under the equity method of accounting.

4. Earnings (Loss) Per Share and Shareholders’ Equity (Deficit)

Earnings (Loss) Per Share

Earnings (loss) per basic share is computed based on the weighted-average number of common shares. Earnings (loss) per diluted share include the weighted-average effect of dilutive restricted stock and options on the weighted-average shares outstanding.

The following table provides the weighted-average shares utilized for the calculation of basic and diluted earnings (loss) per share for the second quarter and year-to-date 2021 and 2020:

	Second Quarter		Year-to-Date	
	2021	2020	2021	2020
	(in millions)			
Common Shares	288	286	288	285
Treasury Shares	(13)	(8)	(11)	(8)
Basic Shares	275	278	277	277
Effect of Dilutive Restricted Stock and Options	5	—	5	—
Diluted Shares	280	278	282	277
Anti-dilutive Options and Awards (a)	1	11	1	12

(a) These options and awards were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive. For 2020, the dilutive impact of all outstanding options and awards were excluded from dilutive shares as a result of the Company's net loss for the period.

Shareholders’ Equity (Deficit)

Common Stock Share Repurchases

In March 2021, the Company's Board of Directors authorized a new $500 million share repurchase plan, which replaced the $79 million remaining under the March 2018 repurchase program. Pursuant to the Board's authorization, the Company entered into a Rule 10b5-1 purchase plan to effectuate share repurchases for the first $250 million. In May 2021, the Company initiated a second $250 million Rule 10b5-1 purchase plan to effectuate the remaining share repurchases under the March 2021 repurchase plan.

In July 2021, the Company's Board of Directors authorized a new $1.5 billion share repurchase program, which replaced the $36 million remaining under the March 2021 repurchase program. Under the authorization of this program, the Company entered into a stock repurchase agreement with its former Chief Executive Officer and certain of his affiliated entities pursuant to which the Company repurchased 10 million shares of its common stock for an aggregate purchase price of $730 million in July 2021.

The Company repurchased the following shares of its common stock during year-to-date 2021:

Repurchase Program	Amount Authorized	Shares Repurchased	Amount Repurchased	Average Stock Price
	(in millions)	(in thousands)	(in millions)	
March 2021	$ 500	6,996	$ 464	$ 66.30
July 2021	$ 1,500	10,000	$ 730	$ 73.01

The July 2021 Program had $770 million remaining as of July 31, 2021.

Subsequent to July 31, 2021, the Company repurchased an additional 1.0 million shares of its common stock for $65 million under the July 2021 Program.

Common Stock Retirement

In accordance with the Company's Board of Directors' resolution, shares of common stock repurchased under the July 2021 Program will be automatically retired and cancelled upon repurchase. As a result, the Company retired the 10 million shares repurchased under the July 2021 Program in the second quarter of 2021, which resulted in a reduction of $5 million in the par value of Common Stock, $32 million in Paid-in Capital and $693 million in Retained Earnings.

Dividends

Under the authority and declaration of the Board of Directors, the Company paid the following dividends during year-to-date 2021 and 2020:

	Ordinary Dividends (per share)	Total Paid (in millions)
2021		
Second Quarter	$ 0.15	$ 42
First Quarter	—	—
Total	$ 0.15	$ 42
2020		
Second Quarter	$ —	$ —
First Quarter	0.30	83
Total	$ 0.30	$ 83

The Board of Directors suspended the quarterly cash dividend beginning in the second quarter of 2020 as a proactive measure to strengthen the Company's financial flexibility and manage through the COVID-19 pandemic. In March 2021, the Company's Board of Directors reinstated the annual dividend at $0.60 per share, beginning with the quarterly dividend paid in June 2021. In August 2021, the Company's Board of Directors declared the third quarter of 2021 ordinary dividend of $0.15 per share.

5. Inventories

The following table provides details of inventories as of July 31, 2021, January 30, 2021 and August 1, 2020:

	July 31, 2021	January 30, 2021	August 1, 2020
		(in millions)	
Finished Goods Merchandise	$ 1,245	$ 1,073	$ 1,259
Raw Materials and Merchandise Components	228	200	217
Total Inventories	$ 1,473	$ 1,273	$ 1,476

Inventories are principally valued at the lower of cost or net realizable value, on an average cost basis.

6. Long-Lived Assets

The following table provides details of property and equipment, net as of July 31, 2021, January 30, 2021 and August 1, 2020:

	July 31, 2021	January 30, 2021	August 1, 2020
		(in millions)	
Property and Equipment, at Cost	$ 6,274	$ 6,204	$ 6,276
Accumulated Depreciation and Amortization	(4,273)	(4,109)	(3,984)
Property and Equipment, Net	$ 2,001	$ 2,095	$ 2,292

Depreciation expense was $129 million and $127 million for the second quarter of 2021 and 2020, respectively. Depreciation expense was $258 million and $266 million for year-to-date 2021 and 2020, respectively.

Long-lived store assets, which include leasehold improvements, store related assets and operating lease assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Store assets are grouped at the lowest level for which they are largely independent of other assets or asset groups. If the estimated undiscounted future cash flows related to the asset group are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the estimated fair value, determined by the estimated discounted future cash flows of the asset group. For operating lease assets, the Company determines the fair value of the assets by comparing the contractual rent payments to estimated market rental rates. An individual asset within an asset group is not impaired below its estimated fair value. The fair value of long-lived store assets are determined using Level 3 inputs within the fair value hierarchy.

As a result of the Victoria's Secret fleet rationalization executed during 2020 and the negative operating results of certain Victoria's Secret stores, the Company determined that the estimated undiscounted future cash flows were less than the carrying values for certain Victoria's Secret asset groups and, as a result, determined the estimated fair values of the store asset groups using estimated discounted future cash flows and estimated market rental rates. Long-lived store asset impairment charges are included within the Victoria's Secret segment, in Costs of Goods Sold, Buying and Occupancy in the 2020 Consolidated Statements of Loss.

The following table provides pre-tax long-lived store asset impairment charges included in the 2020 Consolidated Statements of Loss:

	2020	
	Second Quarter	**Year-to-Date**
	(in millions)	
Store Asset Impairment	$ 14	$ 111
Operating Lease Asset Impairment	103	103
Total Impairment	$ 117	$ 214

Victoria's Secret Hong Kong

During the second quarter of 2020, the Company closed its unprofitable Victoria's Secret flagship store in Hong Kong. As a result of the store closure, the Company recognized a non-cash pre-tax gain of $39 million, primarily due to terminating the store lease and the related write-off of the operating lease liability in excess of the operating lease asset, which was partially impaired in fiscal 2019. This gain is included in Costs of Goods Sold, Buying and Occupancy in the 2020 Consolidated Statements of Loss. The Company also recorded $3 million of severance and related costs, included in General, Administrative and Store Operating Expenses in the 2020 Consolidated Statements of Loss.

7. Equity Investments

Easton

The Company has land and other investments in Easton, a planned community in Columbus, Ohio, that integrates office, hotel, retail, residential and recreational space. These investments, totaling $119 million as of July 31, 2021, $119 million as of January 30, 2021 and $124 million as of August 1, 2020, are recorded in Other Assets on the Consolidated Balance Sheets.

Included in the Company’s Easton investments are equity interests in Easton Town Center, LLC (“ETC”) and Easton Gateway, LLC (“EG”), entities that own and develop commercial entertainment and shopping centers. The Company’s investments in ETC and EG are accounted for using the equity method of accounting. The Company has a majority financial interest in ETC and EG, but another unaffiliated member manages them, and certain significant decisions regarding ETC and EG require the consent of unaffiliated members in addition to the Company.

8. Income Taxes

For the second quarter of 2021, the Company calculated the provision for income taxes on the current estimate of the annual effective tax rate and adjusted as necessary for quarterly events. Due to the impacts of the COVID-19 pandemic, the income tax expense for the second quarter of 2020 was computed on a year-to-date effective tax rate.

For the second quarter of 2021, the Company’s effective tax rate was 25.1% compared to 17.7% in the second quarter of 2020. The second quarter of 2021 rate was lower than the Company's combined estimated federal and state statutory rate primarily due to the recognition of excess tax benefits recorded through the Consolidated Statements of Income on share-based awards that vested in the quarter. In the second quarter of 2020, the Company recognized a benefit for income taxes of $11 million on a loss before income taxes of $60 million. The second quarter of 2020 rate was lower than the Company's combined federal and state statutory rate primarily due to losses related to certain foreign subsidiaries, which generated no tax benefit, offset by changes in tax legislation included in the CARES Act, which resulted in a $21 million tax benefit.

For year-to-date 2021, the Company's effective tax rate was 23.6% compared to 26.7% year-to-date 2020. The year-to-date 2021 rate was lower than the Company's combined estimated federal and state statutory rate primarily due to the recognition of excess tax benefits recorded through the Consolidated Statements of Income on share-based awards that vested year-to-date. The year-to-date 2020 rate was generally consistent with the Company's combined estimated federal and state statutory rate due to the resolution of certain tax matters, which resulted in a $50 million tax benefit and changes in tax legislation included in the CARES Act, which resulted in a $21 million tax benefit, offset by losses related to certain foreign subsidiaries, which generate no tax benefit.

Income taxes paid were $320 million and $13 million for the second quarter of 2021 and 2020, respectively. Income taxes paid were $330 million and $22 million for year-to-date 2021 and 2020, respectively.

9. Long-term Debt and Borrowing Facilities

The following table provides the Company's outstanding debt balance, net of unamortized debt issuance costs and discounts, as of July 31, 2021, January 30, 2021 and August 1, 2020:

	July 31, 2021	January 30, 2021	August 1, 2020
		(in millions)	
Senior Secured Debt with Subsidiary Guarantee			
$750 million, 6.875% Fixed Interest Rate Secured Notes due July 2025 ("2025 Secured Notes")	$ —	$ 740	$ 739
Foreign Facilities	—	—	101
Total Senior Secured Debt with Subsidiary Guarantee	$ —	$ 740	$ 840
Senior Debt with Subsidiary Guarantee			
$1 billion, 6.625% Fixed Interest Rate Notes due April 2021 ("2021 Notes")	$ —	$ —	$ 450
$1 billion, 5.625% Fixed Interest Rate Notes due February 2022 ("2022 Notes")	—	284	858
$320 million, 5.625% Fixed Interest Rate Notes due October 2023 ("2023 Notes")	319	319	498
$500 million, 9.375% Fixed Interest Rate Notes due July 2025 ("2025 Notes")	494	493	492
$297 million, 6.694% Fixed Interest Rate Notes due January 2027 ("2027 Notes")	279	278	277
$500 million, 5.250% Fixed Interest Rate Notes due February 2028 ("2028 Notes")	497	497	496
$500 million, 7.500% Fixed Interest Rate Notes due June 2029 ("2029 Notes")	489	488	488
$1 billion, 6.625% Fixed Interest Rate Notes due October 2030 ("2030 Notes")	989	988	—
$1 billion, 6.875% Fixed Interest Rate Notes due November 2035 ("2035 Notes")	991	991	991
$700 million, 6.750% Fixed Interest Rate Notes due July 2036 ("2036 Notes")	694	694	693
Total Senior Debt with Subsidiary Guarantee	$ 4,752	$ 5,032	$ 5,243
Senior Debt			
$350 million, 6.950% Fixed Interest Rate Debentures due March 2033 ("2033 Notes")	$ 348	$ 348	$ 348
$247 million, 7.600% Fixed Interest Rate Notes due July 2037 ("2037 Notes")	246	246	298
Total Senior Debt	$ 594	$ 594	$ 646
Victoria's Secret & Co. Notes			
Victoria's Secret & Co. $600 million, 4.625% Fixed Interest Rate Notes due July 2029 ("Victoria's Secret & Co. Notes")	592	—	—
Total	$ 5,938	$ 6,366	$ 6,729
Current Debt	—	—	(460)
Total Long-term Debt, Net of Current Portion	$ 5,938	$ 6,366	$ 6,269

Repurchases of Notes

In April 2021, the Company completed a make-whole call to repurchase the remaining $285 million of outstanding 2022 Notes and the $750 million of outstanding 2025 Secured Notes. The Company recognized a pre-tax loss related to this extinguishment of debt of $105 million (after-tax loss of $80 million), which includes the write-offs of unamortized issuance costs. This loss is included in Other Income (Loss) in the year-to-date 2021 Consolidated Statement of Income.

Subsequent to July 31, 2021, the Company announced that it had commenced tender offers to purchase for cash its outstanding 2023 Notes, 2025 Notes and 2027 Notes up to a maximum aggregate principal amount of $500 million. The maximum aggregate amount to be purchased by the Company for the 2025 Notes and 2027 Notes is limited to $180 million. On September 2, 2021, the Company announced that it had accepted for early settlement tender offers to purchase $270 million of outstanding 2023 Notes and $180 million of outstanding 2025 Notes for an aggregate purchase price of $532 million. The

Company intends to make payment for these accepted notes on September 3, 2021, and expects to recognize a pre-tax loss of approximately $84 million in the third quarter of 2021 related to these purchases. The tender offers will expire on September 16, 2021, unless extended or earlier terminated by the Company.

Victoria's Secret & Co. Notes

In July 2021, Victoria’s Secret & Co., prior to the Separation and while a subsidiary of the Company, issued $600 million of 4.625% notes due in July 2029 in a transaction exempt from registration under the Securities Act of 1933, as amended. As of July 31, 2021, the initial proceeds were held in escrow for release to Victoria's Secret & Co. upon satisfaction of certain conditions, including completion of the Separation. If the conditions for the release from escrow of the proceeds were not satisfied, the Victoria's Secret & Co. Notes would have been subject to mandatory redemption. The $600 million initial proceeds are included in Cash in Escrow related to Victoria's Secret & Co. Spin-Off on the July 31, 2021 Consolidated Balance Sheet. The Victoria's Secret & Co. Notes were not guaranteed at issuance by any guarantors or by Bath & Body Works, Inc. or any of its subsidiaries following the Separation.

On August 2, 2021, the Victoria's Secret & Co. Notes became the obligations of Victoria's Secret & Co. concurrent with the Separation. Victoria's Secret & Co. received cash proceeds of $592 million, which were net of issuance costs of $8 million, which it used to partially fund the approximately $976 million cash payments to the Company in connection with the Separation.

Asset-Backed Revolving Credit Facility

The Company and certain of the Company's 100% owned subsidiaries guarantee and pledge collateral to secure a revolving credit facility ("Credit Agreement"). In April 2020, the Company entered into an amendment and restatement of the Credit Agreement to convert the Company’s credit facility into an asset-backed revolving credit facility (“ABL Facility”). During the first quarter of 2020, in an abundance of caution and as a proactive measure in response to the COVID-19 pandemic, the Company elected to borrow $950 million from its revolving facility. This borrowing was repaid during the first quarter of 2020 upon completion of the April amendment.

As of July 31, 2021, the ABL Facility, which allowed borrowings and letters of credit in U.S. dollars or Canadian dollars, had aggregate commitments at $1 billion and an expiration date in August 2024.

As of July 31, 2021, the availability under the ABL Facility was the lesser of (i) the borrowing base, determined primarily based on the Company's eligible U.S. and Canadian credit card receivables, accounts receivable, inventory and eligible real property, or (ii) the aggregate commitment. If at any time, the outstanding amount under the ABL Facility exceeded the lesser of (i) the borrowing base and (ii) the aggregate commitment, the Company would have been required to prepay the outstanding amounts under the ABL Facility to the extent of such excess. In addition, at any time that the Company's consolidated cash balance exceeded $350 million, it would have been required to prepay outstanding amounts under the ABL Facility to the extent of such excess. As of July 31, 2021, the Company's borrowing base was $1.045 billion, but it was unable to draw upon the ABL Facility as its consolidated cash balance exceeded $350 million.

The ABL Facility supports the Company’s letter of credit program. The Company had $58 million of outstanding letters of credit as of July 31, 2021 that reduced its availability under the ABL Facility.

As of July 31, 2021, the ABL Facility fees related to committed and unutilized amounts were 0.30% per annum, and the fees related to outstanding letters of credit were 1.75% per annum. In addition, the interest rate on outstanding U.S. dollar borrowings was the London Interbank Offered Rate plus 1.75% per annum. The interest rate on outstanding Canadian dollar-denominated borrowings was the Canadian Dollar Offered Rate plus 1.75% per annum.

The ABL Facility required the Company to maintain a fixed charge coverage ratio of not less than 1.00 to 1.00 during an event of default or any period commencing on any day when specified excess availability is less than the greater of (1) $100 million or (2) 15% of the maximum borrowing amount. As of July 31, 2021, the Company was not required to maintain this ratio.

As of July 31, 2021, there were no borrowings outstanding under the ABL Facility.

Subsequent to July 31, 2021, the Company entered into an amendment and restatement (“Amendment”) of the ABL Facility. The Amendment reduced the aggregate commitments under the ABL Facility to $750 million, reduced the interest rates on outstanding borrowings by 50 basis points, removed the requirement to prepay outstanding amounts under the ABL Facility should the Company's consolidated cash balance exceed $350 million, extended the expiration date from August 2024 to August 2026 and released Victoria's Secret & Co. subsidiaries as guarantors, among other things.

Foreign Facilities

Certain of the Company's Victoria's Secret subsidiaries in China previously utilized revolving and term loan bank facilities to support their operations ("Foreign Facilities"). During the second quarter of 2021, with no borrowings outstanding, the Company terminated the Foreign Facilities.

10. Fair Value Measurements

Cash and Cash Equivalents and restricted cash include cash on hand, deposits with financial institutions and highly liquid investments with original maturities of less than 90 days. The Company's Cash and Cash Equivalents and restricted cash are considered Level 1 fair value measurements as they are valued using unadjusted quoted prices in active markets for identical assets.

The following table provides a summary of the principal value and estimated fair value of outstanding publicly traded debt as of July 31, 2021, January 30, 2021 and August 1, 2020:

	July 31, 2021	January 30, 2021	August 1, 2020
		(in millions)	
Principal Value	$ 5,414	$ 6,449	$ 6,708
Fair Value, Estimated (a)	6,581	7,243	6,692

(a) The estimated fair value of the Company's publicly traded debt is based on reported transaction prices, which are considered Level 2 inputs in accordance with ASC 820, *Fair Value Measurement*. The estimates presented are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

As of July 31, 2021, the fair value of the Victoria's Secret & Co. Notes approximated its principal value. The estimated fair value is based on reported transaction prices, which are considered Level 2 inputs in accordance with ASC 820. This estimate is not necessarily indicative of the amount that the Company could realize in a current market exchange.

Management believes that the carrying values of accounts receivable, accounts payable and accrued expenses approximate fair value because of their short maturity.

11. Comprehensive Income

The following table provides the rollforward of accumulated other comprehensive income for year-to-date 2021:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income
		(in millions)	
Balance as of January 30, 2021	$ 85	$ (2)	$ 83
Other Comprehensive Income (Loss) Before Reclassifications	4	(1)	3
Amounts Reclassified from Accumulated Other Comprehensive Income	—	2	2
Tax Effect	—	(1)	(1)
Current-period Other Comprehensive Income	4	—	4
Balance as of July 31, 2021	$ 89	$ (2)	$ 87

The following table provides the rollforward of accumulated other comprehensive income for year-to-date 2020:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income
		(in millions)	
Balance as of February 1, 2020	$ 52	$ —	$ 52
Other Comprehensive Income (Loss) Before Reclassifications	(4)	2	(2)
Amounts Reclassified from Accumulated Other Comprehensive Income	—	(1)	(1)
Tax Effect	—	—	—
Current-period Other Comprehensive Income (Loss)	(4)	1	(3)
Balance as of August 1, 2020	$ 48	$ 1	$ 49

12. Commitments and Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes, insurance, regulatory and other matters arising out of the normal course of business. Actions filed against the Company from time to time include commercial, tort, intellectual property, customer, employment, data privacy, securities and other claims, including purported class action lawsuits. Management believes that the ultimate liability arising from such claims and contingencies, if any, is not likely to have a material adverse effect on the Company’s results of operations, financial condition or cash flows.

On May 19, 2020 and January 12, 2021, certain shareholders of the Company filed derivative lawsuits in the Court of Common Pleas for Franklin County, Ohio (subsequently removed to the United States District Court for the Southern District of Ohio) and the Delaware Court of Chancery, respectively, naming as defendants certain current and former directors and officers of the Company and alleging, among other things, breaches of fiduciary duty through asserted violations of law and failures to monitor workplace conduct (the “Lawsuits”). In addition, the Company also received litigation and books-and-records demands from certain other shareholders related to the same matters (together with the Lawsuits, the “Actions”).

In July 2021, the Company announced the global settlement resolving the Actions. The settlement resolves all derivative claims that have been or could have been asserted in the Actions or that involve in any way the allegations referred to in the Actions and releases all such claims against the Company and past and present Company employees, officers and directors, among others. As part of the settlement, the Company has agreed to implement certain management and governance measures, including the maintenance of a Diversity, Equity, and Inclusion Council. Following the August 2, 2021 spin-off of Victoria’s Secret & Co., the settlement terms will apply to both the Company and Victoria’s Secret & Co. Each company has committed to invest $45 million over at least five years to fund the management and governance measures.

La Senza

In connection with the sale of La Senza in the fourth quarter of 2018, certain of the Company's subsidiaries have remaining contingent obligations of approximately $30 million related to lease payments under the current terms of noncancelable leases expiring at various dates through 2028. These obligations include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the business.

13. Retirement Benefits

The Company sponsors a tax-qualified defined contribution retirement plan for substantially all its associates within the U.S. Participation is available to associates who meet certain age and service requirements. The qualified plan permits participating associates to elect contributions up to the maximum limits allowable under the Internal Revenue Code. The Company matches associate contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates’ eligible annual compensation and years of service. Associate contributions and Company matching contributions vest immediately. Additional Company contributions and the related investment earnings are subject to vesting based on years of service. Total expense recognized related to the qualified plan was $19 million and $18 million for the second quarter of 2021 and 2020, respectively. Total expense recognized related to the qualified plan was $40 million and $39 million for year-to-date 2021 and 2020, respectively.

The Company previously sponsored a non-qualified supplemental retirement plan. The non-qualified plan was an unfunded plan, which provided benefits beyond the Internal Revenue Code limits for qualified defined contribution plans. On June 27, 2020, the Human Capital and Compensation Committee of the Board of Directors authorized the termination of the non-qualified plan. In July 2021, the Company made payments of $143 million for the final settlement of all its obligations and benefits payable under the non-qualified plan. Total expense recognized related to the non-qualified plan was not significant for any period presented.

14. Segment Information

In the third quarter of 2020, the Company changed its segment reporting as a result of leadership changes and restructuring actions taken to facilitate the ongoing efforts to separate Bath & Body Works and Victoria’s Secret into separate businesses. As of July 31, 2021, the Company had two reportable segments: Bath & Body Works and Victoria's Secret. While this reporting change did not impact the Company's consolidated results, historical segment data has been recast to be consistent for all periods presented.

The Bath & Body Works segment sells body care, home fragrance products, soaps and sanitizers under the Bath & Body Works, White Barn and other brand names. Bath & Body Works merchandise is sold online and at retail stores located in the U.S. and Canada, and international stores operated by partners under franchise, license and wholesale arrangements. Additionally, this segment includes the Bath & Body Works merchandise sourcing and production function serving the Company and its international partners.

The Victoria’s Secret segment sells women’s intimate and other apparel, personal care and beauty products under the Victoria’s Secret and PINK brand names. Victoria’s Secret and PINK merchandise is sold online and through retail stores located in the

U.S., Canada and Greater China, and international stores operated by partners under franchise, license, wholesale and joint venture arrangements. Additionally, this segment includes the Victoria's Secret and PINK merchandise sourcing and production function serving the Company and its international partners. As discussed in Note 1, the Company completed the spin-off of its Victoria's Secret business into an independent, publicly traded company on August 2, 2021.

Other includes corporate infrastructure and governance functions and other non-recurring items that are deemed to be corporate in nature.

The following table provides the Company's segment information for the second quarter and year-to-date of 2021 and 2020:

	Bath & Body Works	Victoria's Secret	Other	Total
	(in millions)			
2021				
Second Quarter:				
Net Sales	$ 1,704	$ 1,614	$ —	$ 3,318
Operating Income (Loss)	431	233	(65)	599
Year-to-Date:				
Net Sales	$ 3,173	$ 3,168	$ —	$ 6,341
Operating Income (Loss)	811	477	(117)	1,171
2020				
Second Quarter:				
Net Sales	$ 1,253	$ 1,066	$ —	$ 2,319
Operating Income (Loss) (a)	337	(219)	(74)	44
Year-to-Date:				
Net Sales	$ 2,014	$ 1,960	$ —	$ 3,974
Operating Income (Loss) (a)	413	(573)	(114)	(274)

(a) Victoria's Secret includes store and lease asset impairment charges of $117 million and $214 million for the second quarter and year-to-date 2020, respectively. Additionally, Victoria's Secret includes a $36 million net gain related to the closure and lease termination of the Hong Kong flagship store. For additional information, see Note 6, "Long-Lived Assets." Bath & Body Works, Victoria's Secret and Other includes severance and related charges of $12 million, $51 million and $18 million, respectively, in the second quarter of 2020. For additional information, see Note 3, "Restructuring Activities."

The Company's international net sales include sales from company-operated stores, royalty revenue from franchise and license arrangements, wholesale revenues and direct sales shipped internationally. Certain of these sales are subject to the impact of fluctuations in foreign currency. The Company's international net sales totaled $289 million and $238 million for the second quarter of 2021 and 2020, respectively. The Company's international net sales totaled $568 million and $418 million for year-to-date 2021 and 2020, respectively.

15. Subsequent Events

Victoria's Secret & Co. Spin-Off

On August 2, 2021, after the NYSE market closing, the Separation of Victoria's Secret & Co. into an independent publicly-traded company was completed and the Company transferred certain assets and liabilities associated with its Victoria's Secret business to Victoria's Secret & Co. The Separation was achieved through the Company's distribution of 100% of the shares of Victoria's Secret & Co. common stock to holders of L Brands' common stock as of the close of business on the record date of July 22, 2021. The Company's stockholders of record received one share of Victoria's Secret & Co. common stock for every three shares of the Company's common stock. On August 3, 2021, Victoria's Secret & Co. began trading on the NYSE under the stock symbol "VSCO." The Company retained no ownership interest in Victoria's Secret & Co. following the Separation. Beginning in the third quarter of fiscal 2021, the historical financial results of the Victoria's Secret business for periods prior to the Distribution Date will be reflected in the Company's consolidated financial statements as discontinued operations. On August 2, 2021, Victoria's Secret & Co. made cash payments of approximately $976 million to the Company in connection with the Separation. Additionally, the Victoria's Secret & Co. Notes became the obligations of Victoria's Secret & Co. concurrent with the Separation.

Corporate Name Change

On August 2, 2021, in connection with the Separation of the Victoria's Secret business discussed above, the Company changed its name from L Brands, Inc. to Bath & Body Works, Inc. Starting August 3, 2021, the Company's common stock began trading under the stock symbol "BBWI."

Leadership Changes

As previously announced, the Company appointed Wendy C. Arlin as Executive Vice President and Chief Financial Officer effective August 2, 2021. Stuart B. Burgdoerfer retired and ceased serving as Executive Vice President and Chief Financial Officer effective August 2, 2021.

ABL Facility

Subsequent to July 31, 2021, the Company entered into an amendment and restatement of the ABL Facility. For additional information, see Note 9, “Long-term Debt and Borrowing Facilities.”

Repurchase of Notes

Subsequent to July 31, 2021, the Company announced that it had commenced tender offers to purchase for cash its outstanding 2023 Notes, 2025 Notes and 2027 Notes up to a maximum aggregate principal amount of $500 million. The maximum aggregate amount to be purchased by the Company for the 2025 Notes and 2027 Notes is limited to $180 million. On September 2, 2021, the Company announced that it had accepted for early settlement tender offers to purchase $270 million of outstanding 2023 Notes and $180 million of outstanding 2025 Notes for an aggregate purchase price of $532 million. The Company intends to make payment for these accepted notes on September 3, 2021, and expects to recognize a pre-tax loss of approximately $84 million in the third quarter of 2021 related to these purchases. The tender offers will expire on September 16, 2021, unless extended or earlier terminated by the Company.

Common Stock Share Repurchases

Subsequent to July 31, 2021, the Company repurchased an additional 1.0 million shares of its common stock for $65 million under the July 2021 Program.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Bath & Body Works, Inc.

Results of Review of Interim Financial Statements

We have reviewed the accompanying consolidated balance sheets of Bath & Body Works, Inc. (the Company) as of July 31, 2021 and August 1, 2020, and the related consolidated statements of income (loss), comprehensive income (loss), and total equity (deficit) for the thirteen and twenty-six week periods ended July 31, 2021 and August 1, 2020, and the consolidated statements of cash flows for the twenty-six week periods ended July 31, 2021 and August 1, 2020, and the related notes (collectively referred to as the “consolidated interim financial statements”). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of January 30, 2021, and the related consolidated statements of income (loss), comprehensive income (loss), total equity (deficit), and cash flows for the year then ended, and the related notes (not presented herein); and in our report dated March 19, 2021, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of January 30, 2021, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of the Company’s management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Ernst & Young LLP

Grandview Heights, Ohio
September 2, 2021

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION ACT OF 1995

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 report 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" 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 report or otherwise made by our company or our management:

- the spin-off of Victoria's Secret may not be tax-free for U.S. federal income tax purposes;
- a loss of synergies from separating the businesses that could negatively impact the balance sheet, profit margins or earnings of Bath & Body Works or that Bath & Body Works does not realize all of the expected benefits of the spin-off;
- 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 novel coronavirus (COVID-19) global pandemic has had and is expected to continue to have an adverse effect on our business and results of operations;
- the seasonality of our business;
- divestitures or other dispositions and related operations and contingent liabilities from businesses that we have divested;
- 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;
- the dependence on mall traffic and the availability of suitable store locations on appropriate terms;
- our ability to grow 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 and wholesale partners;
- our direct channel businesses;
- our ability to protect our reputation and our brand images;
- our ability to attract customers with marketing, advertising and promotional programs;
- 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 brands, keep up with fashion trends, develop new merchandise and launch new product lines successfully;
- our ability to source, distribute and sell goods and materials on a global basis, including risks related to:
  - political instability, environmental hazards or natural disasters;
  - significant health hazards or pandemics, which could result in closed factories, 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;
  - potential delays or disruptions in shipping and transportation and related pricing impacts;
  - disruption due to labor disputes; and
  - changing expectations regarding product safety due to new legislation;
- our geographic concentration of vendor and distribution facilities in central Ohio;
- fluctuations in foreign currency exchange rates;

- the ability of our vendors to deliver products in a timely manner, meet quality standards and comply with applicable laws and regulations;
- fluctuations in product input costs, including those caused by inflation;
- our ability to adequately protect our assets from loss and theft;
- fluctuations in energy costs, including those caused by inflation;
- increases in the costs of mailing, paper, printing or other order fulfillment logistics;
- 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 related effects;
- shareholder activism matters;
- our ability to maintain our credit rating;
- 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 report to reflect circumstances existing after the date of this report 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 this Form 10-Q and in our 2020 Annual Report on Form 10-K.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The following information should be read in conjunction with our financial statements and the related notes included in Item 1. Financial Statements.

Executive Overview

In the second quarter of 2021, our operating income increased to $599 million as compared to $44 million in 2020, and our operating income rate increased to 18.1% from 1.9%. These results were primarily driven by increases in net sales at both Bath & Body Works and Victoria’s Secret, the increase in merchandise margin rate at Victoria's Secret and $117 million of Victoria's Secret store asset impairment charges in the prior year. Net sales increased $999 million, or 43%, to $3.318 billion. Sales were strong throughout the second quarter of 2021 as customers responded positively to the merchandise assortments. Second quarter 2020 sales and operating results were negatively impacted by the COVID-19 related store closures for roughly half the quarter.

At Bath & Body Works, net sales increased $451 million, or 36%, to $1.704 billion and operating income increased $94 million, or 28%, to $431 million. We delivered record sales and profitability in the second quarter as sales trends remained strong at continued healthy margin rates. Similar to the first quarter, we were able to be selective on promotional activity. We are optimistic about our Fall and Holiday product assortments and our continued ability to execute against our long-term growth strategy in stores and online. Risks related to COVID-19 persist, and we plan to continue to operate both of our channels in a safe manner for our customers and associates.

At Victoria's Secret, net sales increased $548 million, or 51%, to $1.614 billion and operating income increased to $233 million as compared to a loss of $219 million in the second quarter of 2020. Sales improved as second quarter of 2020 sales were negatively impacted by the closure of stores for approximately 70% of the quarter. Margin results improved during the second quarter of 2021 as we were able to reduce promotional activity, which drove significant improvement to the merchandise margin rate. Additionally, we recognized $117 million of store asset impairment charges in the prior year.

For additional information related to our second quarter 2021 financial performance, see “Results of Operations.”

Impacts of Victoria's Secret Spin-Off

The spin-off of the Victoria’s Secret business into an independent public company was completed on August 2, 2021 subsequent to the end of the second quarter. We believe the spin-off will enable us to maximize management focus and financial flexibility to thrive in an evolving retail environment and deliver long-term profitable growth. Beginning in the third quarter of fiscal 2021, the historical financial results of the Victoria's Secret business for periods prior to the spin-off will be reflected in our consolidated financial statements as discontinued operations.

In connection with the Separation, we expect future capital and expense related to the implementation of new information technology platforms. Although our work is in the early stages and our estimates are preliminary, we currently estimate that our total expenditures could be $100 million to $150 million over the next several years. Such estimates are subject to change as our work continues. Victoria’s Secret & Co. will provide technology services to us under a Transition Services Agreement while we create independent system environments, which we believe will help to minimize dis-synergies. The above estimates are preliminary in nature, are based solely on information available to us as of the date of this quarterly report and are inherently uncertain and subject to change.

Impacts of COVID-19

The coronavirus pandemic has created significant public health concerns as well as economic disruption, uncertainty and volatility. Our operations and financial performance have been materially impacted by the COVID-19 pandemic. In the first quarter of 2020, all of our stores in North America were closed on March 17, 2020, but we were able to re-open the majority of our stores as of the end of the second quarter of 2020. Additionally, operations for Victoria’s Secret Direct were temporarily suspended for approximately one week in late March 2020, while Bath & Body Works Direct remained open for the duration of 2020.

During 2020, we took prudent actions to manage expenses and to maintain our cash position and financial flexibility. We also have adopted new operating models focused on providing a safe store environment for our customers and associates, while also delivering an engaging shopping experience. We remain focused on the safe operations of our distribution, fulfillment and call centers while maximizing our direct businesses. There remains the potential for COVID-related risks of closure or operating restrictions, which could materially impact our operations and financial performance in future periods.

Adjusted Financial Information

In addition to our results provided in accordance with GAAP above and throughout this Form 10-Q, provided below are non-GAAP measurements which present net income (loss) and earnings (loss) per share in 2021 and 2020 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. 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 table below reconciles the GAAP financial measures to the non-GAAP financial measures.

	Second Quarter		Year-to-Date	
(in millions, except per share amounts)	2021	2020	2021	2020
Detail of Special Items - Income (Expense)				
Victoria's Secret Asset Impairment (a)	$ —	$ (117)	$ —	$ (214)
Restructuring Charges (b)	—	(81)	—	(81)
Hong Kong Store Closure (c)	—	36	—	36
Special Items included in Operating Income (Loss)	—	(162)	—	(258)
Loss on Extinguishment of Debt (d)	—	—	(105)	—
Special Items included in Other Income (Loss)	—	—	(105)	—
Tax Benefit from the Resolution of Certain Tax Matters (e)	—	21	—	71
Tax Effect of Special Items included in Operating Income (Loss) and Other Income (Loss)	—	22	25	47
Special Items included in Net Income (Loss)	$ —	$ (119)	$ (80)	$ (140)
Reconciliation of Reported Operating Income (Loss) to Adjusted Operating Income (Loss)				
Reported Operating Income (Loss)	$ 599	$ 44	$ 1,171	$ (274)
Special Items included in Operating Income (Loss)	—	162	—	258
Adjusted Operating Income (Loss)	$ 599	$ 206	$ 1,171	$ (15)
Reconciliation of Reported Net Income (Loss) to Adjusted Net Income (Loss)				
Reported Net Income (Loss)	$ 374	$ (49)	$ 651	$ (346)
Special Items included in Net Income (Loss)	—	119	80	140
Adjusted Net Income (Loss)	$ 374	$ 69	$ 731	$ (206)
Reconciliation of Reported Earnings (Loss) Per Diluted Share to Adjusted Earnings (Loss) Per Diluted Share				
Reported Earnings (Loss) Per Diluted Share	$ 1.34	$ (0.18)	$ 2.31	$ (1.25)
Special Items included in Earnings (Loss) Per Diluted Share	—	0.42	0.28	0.50
Adjusted Earnings (Loss) Per Diluted Share	$ 1.34	$ 0.25	$ 2.59	$ (0.74)

(a) We recognized pre-tax impairment charges of $117 million ($99 million after tax) and $97 million ($72 million after tax) related to certain Victoria's Secret store and lease assets in the second and first quarter of 2020, respectively. For additional information see Note 6, "Long-Lived Assets" included in Item 1. Financial Statements.

(b) In the second quarter of 2020, we recognized pre-tax severance charges of $81 million ($65 million after tax) related to headcount reductions as a result of restructuring activities. For additional information, see Note 3, “Restructuring Activities" included in Item 1. Financial Statements.

(c) In the second quarter of 2020, we recognized a net pre-tax gain of $36 million ($25 million after tax) related to the closure of the Victoria’s Secret Hong Kong flagship store. For additional information see Note 6, "Long-Lived Assets" included in Item 1. Financial Statements.

(d) In the first quarter of 2021, we recognized a pre-tax loss of $105 million (after-tax loss of $80 million) due to the early extinguishment of outstanding notes. For additional information see Note 9, "Long-term Debt and Borrowing Facilities" included in Item 1. Financial Statements.

(e) In the second quarter of 2020, we recognized a $21 million income tax benefit related to recent changes in tax legislation included in the CARES Act. In the first quarter of 2020, we recognized a $50 million tax benefit related to the resolution of certain tax matters. For additional information see Note 8, "Income Taxes" included in Item 1. Financial Statements.

Company-Operated Store Data

The following table compares the second quarter of 2021 company-operated store data to the second quarter of 2020 and year-to-date 2021 store data to year-to-date 2020:

	Second Quarter			Year-to-Date		
	2021	2020	% Change	2021	2020	% Change
Sales per Average Selling Square Foot (a)						
Bath & Body Works U.S.	$ 265	$ 148	79 %	$ 493	$ 240	105 %
Victoria’s Secret U.S.	172	54	219 %	325	129	152 %
Sales per Average Store (in thousands) (a)						
Bath & Body Works U.S.	$ 709	$ 389	82 %	$ 1,320	$ 634	108 %
Victoria’s Secret U.S.	1,183	364	225 %	2,245	867	159 %
Average Store Size (selling square feet)						
Bath & Body Works U.S.	2,689	2,638	2 %			
Victoria’s Secret U.S.	6,888	6,937	(1 %)			
Total Selling Square Feet (in thousands)						
Bath & Body Works U.S.	4,472	4,308	4 %			
Victoria’s Secret U.S.	5,772	5,952	(3 %)			

(a) Sales per average selling square foot and sales per average store, which are indicators of store productivity, are calculated based on store sales for the period divided by the average, including the beginning and end of period, of total square footage and store count, respectively. As a result of the COVID-19 pandemic, all our stores in the U.S. were closed on March 17, 2020 and almost all remained closed as of the beginning of the second quarter of 2020. The COVID-19 related store closures impacted our store operations for roughly half of the second quarter of 2020. As a result, comparisons of year-over-year trends are not a meaningful way to discuss our operating results in the current year.

The following table represents company-operated store data for year-to-date 2021:

	Stores at January 30, 2021	Opened	Closed	Stores at July 31, 2021
Bath & Body Works U.S.	1,633	41	(11)	1,663
Bath & Body Works Canada	103	—	—	103
Total Bath & Body Works	1,736	41	(11)	1,766
Victoria’s Secret U.S.	846	—	(8)	838
Victoria’s Secret Canada	25	1	—	26
Victoria's Secret Beauty and Accessories Greater China	36	1	(1)	36
Victoria's Secret Greater China	26	—	—	26
Total Victoria's Secret	933	2	(9)	926
Total Stores	**2,669**	**43**	**(20)**	**2,692**

The following table represents company-operated store data for year-to-date 2020:

	Stores at February 1, 2020	Opened	Closed	Stores at August 1, 2020
Bath & Body Works U.S.	1,637	10	(14)	1,633
Bath & Body Works Canada	102	—	—	102
Total Bath & Body Works	1,739	10	(14)	1,735
Victoria’s Secret U.S.	1,053	3	(198)	858
Victoria’s Secret Canada	38	—	(12)	26
Victoria's Secret U.K. / Ireland	26	—	—	26
Victoria's Secret Beauty and Accessories Greater China	41	1	(3)	39
Victoria's Secret Greater China	23	3	(1)	25
Total Victoria's Secret	1,181	7	(214)	974
Total Stores	**2,920**	**17**	**(228)**	**2,709**

Partner-Operated Store Data

The following table represents partner-operated store data for year-to-date 2021:

	Stores at January 30, 2021	Opened	Closed	Stores at July 31, 2021
Bath & Body Works	288	22	(5)	305
Victoria’s Secret Beauty & Accessories	338	7	(6)	339
Victoria's Secret	120	3	—	123
Total	**746**	**32**	**(11)**	**767**

The following table represents partner-operated store data for year-to-date 2020:

	Stores at February 1, 2020	Opened	Closed	Stores at August 1, 2020
Bath & Body Works	278	7	(1)	284
Victoria’s Secret Beauty & Accessories	360	2	(13)	349
Victoria's Secret	84	4	—	88
Total	**722**	**13**	**(14)**	**721**

Results of Operations

Second Quarter of 2021 Compared to Second Quarter of 2020

Operating Income (Loss)

The following table provides our segment operating income (loss) and operating income (loss) rates (expressed as a percentage of net sales) for the second quarter of 2021 in comparison to the second quarter of 2020:

			Operating Income (Loss) Rate	
	2021	2020	2021	2020
Second Quarter	(in millions)			
Bath & Body Works	$ 431	$ 337	25.3 %	26.9 %
Victoria’s Secret	233	(219)	14.4 %	(20.5 %)
Other (a)	(65)	(74)	— %	— %
Total Operating Income (Loss)	$ 599	$ 44	18.1 %	1.9 %

(a) Includes corporate infrastructure and governance functions, and other non-recurring items that are deemed to be corporate in nature.

For the second quarter of 2021, operating income increased $555 million, to $599 million, from $44 million in the second quarter of 2020, and the operating income rate increased to 18.1% from 1.9%. The drivers of the operating income results are discussed in the following sections.

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Net Sales

The following table provides net sales for the second quarter of 2021 in comparison to the second quarter of 2020:

Second Quarter	2021	2020	% Change
	(in millions)		
Bath & Body Works Stores - U.S. and Canada	$ 1,230	$ 678	81 %
Bath & Body Works Direct	407	519	(22 %)
Bath & Body Works International (a)	67	56	19 %
Total Bath & Body Works	1,704	1,253	36 %
Victoria's Secret Stores - U.S. and Canada	1,037	364	185 %
Victoria's Secret Direct	469	614	(24 %)
Victoria's Secret International (b)	108	88	22 %
Total Victoria's Secret	1,614	1,066	51 %
Total Net Sales	$ 3,318	$ 2,319	43 %

(a) Results include royalties associated with franchised store and wholesale sales.
(b) Results include company-operated stores in the U.K. (pre-joint venture) and Greater China, and royalties associated with franchised stores and wholesale sales.

The following table provides a reconciliation of net sales for the second quarter of 2021 to the second quarter of 2020:

	Bath & Body Works	Victoria's Secret	Total
		(in millions)	
2020 Net Sales	$ 1,253	$ 1,066	$ 2,319
Comparable Store Sales	(150)	58	(92)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net (a)	698	593	1,291
Direct Channels	(112)	(142)	(254)
Private Label Credit Card	—	3	3
International Wholesale, Royalty and Other	11	31	42
Foreign Currency Translation	4	5	9
2021 Net Sales	$ 1,704	$ 1,614	$ 3,318

(a) Includes the increased sales from period over period due to the 2020 COVID-19 related stores closures.

The following table compares the second quarter of 2021 comparable sales to the second quarter of 2020:

	2021	2020
ıparable Sales (Stores and Direct) (a)		
& Body Works (b)	(22) %	123 %
ɔria's Secret (c)	(09) %	24 %
Comparable Sales	(16) %	63 %
ıparable Store Sales (a)		
& Body Works (b)	(23) %	87 %
ɔria's Secret (c)	16 %	(12) %
Comparable Store Sales	(09) %	33 %

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(a) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. The change in comparable sales provides an indication of period over period growth (decline). A store is typically included in the calculation of comparable sales when it has been open 12 months or more and it has not had a change in selling square footage of 20% or more. Closed stores are excluded from the comparable sales calculation if they have been closed for four consecutive days or more. Upon re-opening, the stores are included in the calculation. Therefore, comparable sales results for the second quarter of 2021 and 2020 exclude the closure period of stores that were closed for four consecutive days or more as a result of the COVID-19 pandemic. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales is calculated on a comparable calendar period as opposed to a fiscal basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.

(b) Includes company-operated stores in the U.S. and Canada.

(c) Includes company-operated stores in the U.S., Canada, the U.K. (pre-joint venture) and Greater China.

The results by segment are as follows:

Bath & Body Works

For the second quarter of 2021, net sales increased $451 million to $1.704 billion. Net sales increased in the stores channel by $552 million, or 81%, primarily due to the COVID-19 related store closures in the second quarter of 2020. Direct net sales decreased $112 million, or 22%, primarily due to the reopening of stores this year, as compared to the prior year when stores were closed which drove an increase in sales in the direct channel.

Performance was strong throughout the quarter as we saw positive customer response to our merchandise. We experienced significant growth in fragrant body care, home fragrance and gifting. As expected, soaps and sanitizers declined versus last year’s significant growth.

The decrease in comparable sales was driven by a decrease in average dollar sales in the stores channel and a decline in direct traffic, given the impact from the store closures last year.

Victoria's Secret

For the second quarter of 2021, net sales increased $548 million to $1.614 billion. Net sales increased in U.S. and Canada stores by $673 million, or 185%, primarily due to the COVID-19 related store closures in the second quarter of 2020, partially offset by the impact of the permanent closure of 241 stores in North America in 2020. Direct net sales decreased $145 million, or 24%, primarily due to the reopening of stores this year, as compared to the prior year when stores were closed which drove an increase in sales in the direct channel.

The decrease in comparable sales was driven by a decline in direct traffic, given the impact from the store closures last year, partially offset by an increase in store traffic and average unit retail.

Gross Profit

For the second quarter of 2021, our gross profit increased $787 million to $1.498 billion, and our gross profit rate (expressed as a percentage of net sales) increased to 45.2% from 30.7%, primarily driven by the following:

Bath & Body Works

For the second quarter of 2021, the gross profit increase was due to the increase in merchandise margin dollars related to the increase in net sales, partially offset by a decrease in the merchandise margin rate in the direct business as we returned to a normalized semi-annual sale in June, and higher occupancy expenses due to the increase in net sales.

The gross profit rate increase was driven by buying and occupancy leverage on higher net sales partially offset by a decrease in the merchandise margin rate, reflecting a return to a normalized semi-annual sale and higher supply chain costs due to market constraints and inflation.

Victoria's Secret

For the second quarter of 2021, the gross profit increase was due to the increase in merchandise margin dollars related to the increase in net sales and an increase in the merchandise margin rate driven by improved response to our merchandise assortments, disciplined management of inventory, as well as strong selling execution in stores and online, all of which enabled us to reduce promotional activity during the quarter. Occupancy expenses were lower, driven by store asset impairment charges of $117 million in the prior year and permanent store closures, partially offset by a $39 million gain related to the closure of our Hong Kong flagship store in the prior year.

The gross profit rate increase was driven by buying and occupancy leverage on higher net sales, an increase in the merchandise margin rate reflecting a meaningful pullback in promotional activity and the store asset impairment charges in the prior year.

General, Administrative and Store Operating Expenses

For the second quarter of 2021, our general, administrative and store operating expenses increased $232 million to $899 million due to an increase in store selling expenses as a result of the increase in net sales, an increase in marketing investments due to brand repositioning at Victoria's Secret and the store closures in the prior year, and costs related to legal and separation fees. These increases were partially offset by severance and related costs associated with headcount reductions totaling $81 million in the prior year and savings realized as a result of cost reductions and the impact of the permanent store closures.

The general, administrative and store operating expense rate decreased to 27.1% from 28.8% due to leverage on the increase in net sales.

Other Income and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for the second quarter of 2021 and 2020:

Second Quarter	2021	2020
Average daily borrowings (in millions)	$ 5,528	$ 6,173
Average borrowing rate (in percentages)	7.2 %	6.8 %

For the second quarter of 2021, our interest expense decreased $5 million to $99 million due to lower average daily borrowings partially offset by a higher average borrowing rate.

Provision (Benefit) for Income Taxes

For the second quarter of 2021, our effective tax rate was 25.1% compared to 17.7% in the second quarter of 2020. The second quarter of 2021 rate was lower than our combined estimated federal and state statutory rate primarily due to the recognition of excess tax benefits recorded through the Consolidated Statement of Income on share-based awards that vested in the quarter. In the second quarter of 2020, we recognized a benefit for income taxes of $11 million on a loss before income taxes of $60 million. The second quarter of 2020 rate was lower than our combined estimated federal and state statutory rate primarily due to losses related to certain foreign subsidiaries, which generated no tax benefit, offset by changes in tax legislation included in the CARES Act, which resulted in a $21 million tax benefit.

Results of Operations

Year-to-Date 2021 Compared to Year-to-Date 2020

Operating Income (Loss)

The following table provides our segment operating income (loss) and operating income (loss) rates (expressed as a percentage of net sales) for year-to-date 2021 in comparison to year-to-date 2020:

			Operating Income (Loss) Rate	
	2021	2020	2021	2020
Year-to-Date	(in millions)			
Bath & Body Works	$ 811	$ 413	25.6 %	20.5 %
Victoria’s Secret	477	(573)	15.1 %	(29.2 %)
Other (a)	(117)	(114)	— %	— %
Total Operating Income (Loss)	$ 1,171	$ (274)	18.5 %	(6.9 %)

(a) Includes corporate infrastructure and governance functions, and other non-recurring items that are deemed to be corporate in nature.

For year-to-date 2021, operating income increased $1.445 billion to operating income of $1.171 billion, and the operating income rate increased to 18.5% from (6.9%). The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for year-to-date 2021 in comparison to year-to-date 2020:

Year-to-Date	2021	2020	% Change
	(in millions)		
Bath & Body Works Stores - U.S. and Canada	$ 2,280	$ 1,102	107 %
Bath & Body Works Direct	756	807	(6 %)
Bath & Body Works International (a)	137	105	31 %
Total Bath & Body Works	3,173	2,014	58 %
Victoria’s Secret Stores - U.S. and Canada	1,970	877	124 %
Victoria’s Secret Direct	990	922	7 %
Victoria’s Secret International (b)	208	161	30 %
Total Victoria’s Secret	3,168	1,960	62 %
Total Net Sales	$ 6,341	$ 3,974	60 %

(a) Results include royalties associated with franchised store and wholesale sales.
(b) Results include company-operated stores in the U.K. (pre-joint venture) and Greater China, and royalties associated with franchised stores and wholesale sales.

The following table provides a reconciliation of net sales for year-to-date 2021 to year-to-date 2020:

	Bath & Body Works	Victoria's Secret	Total
		(in millions)	
2020 Net Sales	$ 2,014	$ 1,960	$ 3,974
Comparable Store Sales	(102)	70	(32)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net (a)	1,274	994	2,268
Direct Channels	(52)	70	18
Private Label Credit Card	—	6	6
International Wholesale, Royalty and Other	33	60	93
Foreign Currency Translation	6	8	14
2021 Net Sales	$ 3,173	$ 3,168	$ 6,341

(a) Includes the increased sales from period over period due to the 2020 COVID-19 related stores closures.

The following table compares year-to-date 2021 comparable sales to year-to-date 2020:

	2021	2020
Comparable Sales (Stores and Direct) (a)		
Bath & Body Works (b)	(8 %)	84 %
Victoria's Secret (c)	6 %	3 %
Total Comparable Sales	(1 %)	32 %
Comparable Store Sales (a)		
Bath & Body Works (b)	(10 %)	54 %
Victoria's Secret (c)	9 %	(16 %)
Total Comparable Store Sales	(2 %)	12 %

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(a) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. The change in comparable sales provides an indication of period over period growth (decline). A store is typically included in the calculation of comparable sales when it has been open 12 months or more and it has not had a change in selling square footage of 20% or more. Closed stores are excluded from the comparable sales calculation if they have been closed for four consecutive days or more. Upon re-opening, the stores are included in the calculation. Therefore, comparable sales results for 2021 and 2020 exclude the closure period of stores that were closed for four consecutive days or more as a result of the COVID-19 pandemic. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales is calculated on a comparable calendar period as opposed to a fiscal basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.

(b) Includes company-operated stores in the U.S. and Canada.

(c) Includes company-operated stores in the U.S., Canada, the U.K. (pre-joint venture) and Greater China.

The results by segment are as follows:

Bath & Body Works

For year-to-date 2021, net sales increased $1.159 billion to $3.173 billion. Net sales increased in the stores channel by $1.178 billion, or 107%, primarily due to the COVID-19 related store closures in 2020. Direct net sales decreased $51 million, or 6%, primarily due to the reopening of stores this year, as compared to the prior year when stores were closed which drove an increase in sales in the direct channel.

Performance was strong throughout the period as we saw positive customer response to our merchandise. We experienced significant growth in fragrant body care, home fragrance and gifting. As expected, soaps and sanitizers declined versus last year’s significant growth.

The decrease in comparable sales was driven by a decline in store traffic and direct traffic, given the impact from store closures last year, partially offset by a higher average unit retail in the stores channel.

Victoria's Secret

For year-to-date 2021, net sales increased $1.208 billion to $3.168 billion. Net sales increased in U.S. and Canada stores by $1.093 billion, or 124%, primarily due to the COVID-19 related store closures in 2020, partially offset by the impact of the permanent closure of 241 stores in North America in 2020. Direct net sales increased $68 million, or 7%, due to improved customer response to our merchandise assortment as well as the temporary suspension of operations for approximately one week in March 2020. Direct sales last year were positively impacted by the COVID-19 related store closures.

The increase in comparable sales was driven by an increase in average unit retail and store conversion, partially offset by a decline in store and direct traffic.

Gross Profit

For year-to-date 2021, our gross profit increased $1.912 billion to $2.912 billion, and our gross profit rate (expressed as a percentage of net sales) increased to 45.9% from 25.2%, primarily driven by the following:

Bath & Body Works

For year-to-date 2021, the gross profit increase was due to the increase in merchandise margin dollars related to the increase in net sales and an increase in the merchandise margin rate driven by strong customer response to our merchandise assortment which allowed us to reduce our promotional activity. This was partially offset by higher occupancy expenses due to the increase in net sales.

The gross profit rate increase was driven by buying and occupancy leverage on higher net sales and an increase in the merchandise margin rate.

Victoria's Secret

For year-to-date 2021, the gross profit increase was due to the increase in merchandise margin dollars related to the increase in net sales and an increase in the merchandise margin rate driven by improved response to our merchandise assortments, disciplined management of inventory, as well as strong selling execution in stores and online, all of which enabled us to reduce promotional activity during the period. Occupancy expenses were lower, driven by store asset impairment charges of $214 million in the prior year and permanent store closures, partially offset by a $39 million gain related to the closure of our Hong Kong flagship store in the prior year.

The gross profit rate increase was driven by buying and occupancy leverage on higher net sales, an increase in the merchandise margin rate reflecting a meaningful pullback in promotional activity and the store asset impairment charges in the prior year.

General, Administrative and Store Operating Expenses

For year-to-date 2021, our general, administrative and store operating expenses increased $467 million to $1.741 billion due to an increase in store selling expenses as a result of the increase in net sales, an increase in marketing investments, costs related to legal and separation fees, a $35 million charitable contribution to support philanthropic funds and an increase in incentive compensation given company performance. These increases were partially offset by severance and related costs associated with headcount reductions totaling $81 million in the prior year, and savings realized as a result of cost reductions and the impact of the permanent store closures.

The general, administrative and store operating expense rate decreased to 27.4% from 32.1% due to leverage on the increase in net sales.

Other Income and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for year-to-date 2021 and 2020:

Year-to-Date	2021	2020
Average daily borrowings (in millions)	$ 5,859	$ 6,125
Average borrowing rate (in percentages)	7.2 %	6.5 %

For year-to-date 2021, our interest expense increased $11 million to $212 million due to a higher average borrowing rate partially offset by lower average daily borrowings.

Other Loss

For year-to-date 2021, our other loss was $106 million primarily due to a $105 million pre-tax loss associated with the early extinguishment of outstanding notes recognized in the first quarter of 2021.

Provision (Benefit) for Income Taxes

For year-to-date 2021, our effective tax rate was 23.6% compared to 26.7% year-to-date 2020. The year-to-date 2021 rate was lower than the Company's combined estimated federal and state statutory rate primarily due to the recognition of excess tax benefits recorded through the Consolidated Statements of Income on share-based awards that vested year-to-date. The second quarter of 2020 rate was generally consistent with the Company's combined estimated federal and state statutory rate due to the resolution of certain tax matters, which resulted in a $50 million tax benefit and changes in tax legislation included in the CARES Act, which resulted in a $21 million tax benefit, offset by losses related to certain foreign subsidiaries, which generate no tax benefit.

FINANCIAL CONDITION

Liquidity and Capital Resources

Liquidity, or access to cash, is an important factor in determining our financial stability. We are committed to maintaining adequate liquidity. Cash generated from our operating activities provides the primary resources to support current operations, growth initiatives, seasonal funding requirements and capital expenditures. Our cash provided from operations is impacted by our net income (loss) and working capital changes. Our net income (loss) is impacted by, among other things, sales volume, seasonal sales patterns, success of new product introductions, profit margins and income taxes. Historically, sales are higher during the fourth quarter of the fiscal year due to seasonal and holiday-related sales patterns. Generally, our need for working capital peaks during the summer and fall months as inventory builds in anticipation of the holiday period. Our cash and cash equivalents held by foreign subsidiaries were $286 million as of July 31, 2021.

We believe that our available short-term and long-term capital resources are sufficient to fund foreseeable requirements.

Working Capital and Capitalization

The following table provides a summary of our working capital position and capitalization as of July 31, 2021, January 30, 2021 and August 1, 2020:

	July 31, 2021	January 30, 2021	August 1, 2020
		(in millions)	
Net Cash Provided by Operating Activities (a)	$ 573	$ 2,039	$ 286
Capital Expenditures (a)	178	228	124
Working Capital (b)	1,889	2,753	1,072
Capitalization:			
Long-term Debt (b)	5,938	6,366	6,269
Shareholders’ Equity (Deficit)	(1,189)	(662)	(1,908)
Total Capitalization	$ 4,749	$ 5,704	$ 4,361
Amounts Available Under the ABL Facility (c)	$ —	$ —	$ —

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(a) The January 30, 2021 amounts represent a fifty-two-week period, and the July 31, 2021 and August 1, 2020 amounts represent twenty-six-week periods.

(b) As of July 31, 2021, our Working Capital included $600 million associated with Cash in Escrow related to the Victoria's Secret & Co. Spin-off and our Long-term Debt included $592 million related to the Victoria's Secret & Co. Notes.

(c) As of July 31, 2021, our borrowing base was $1.045 billion but we were unable to draw upon the ABL Facility as our consolidated cash balance exceeded $350 million. We had outstanding letters of credit, which reduce our availability under the ABL Facility, of $58 million as of July 31, 2021, $63 million as of January 30, 2021, and $61 million as of August 1, 2020.

Cash Flow

The following table provides a summary of our cash flow activity for year-to-date 2021 and 2020:

	Year-to-Date 2021	Year-to-Date 2020
	(in millions)	
Cash and Cash Equivalents and Restricted Cash, Beginning of Period	$ 3,933	$ 1,499
Net Cash Flows Provided by Operating Activities	573	286
Net Cash Flows Used for Investing Activities	(168)	(116)
Net Cash Flows Provided by (Used for) Financing Activities	(1,752)	1,071
Effects of Exchange Rate Changes on Cash and Cash Equivalents and Restricted Cash	2	(1)
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	(1,345)	1,240
Cash and Cash Equivalents and Restricted Cash, End of Period	$ 2,588	$ 2,739

Operating Activities

Net cash provided by operating activities in 2021 was $573 million, including net income of $651 million. Net income included depreciation of $258 million, loss on extinguishment of debt of $105 million, share-based compensation expense of $30 million and deferred tax expense of $16 million. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant items in working capital were the seasonal changes in Inventories and Income Taxes Payable, and the change in Other Assets and Liabilities.

Net cash provided by operating activities in 2020 was $286 million, including a net loss of $346 million. Net loss included depreciation of $266 million, store and lease asset impairment charges of $214 million, gain from Victoria's Secret Hong Kong store closure and lease termination of $39 million and share-based compensation expense of $28 million. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant items in working capital were the seasonal and COVID-19 related changes in Accounts Payable, Accrued Expenses and Other, Inventories, Income Taxes Payable and Accounts Receivable.

Investing Activities

Net cash used for investing activities in 2021 was $168 million consisting primarily of capital expenditures of $178 million, partially offset by proceeds from other investing activities of $10 million. The capital expenditures included $75 million related to the completion of 76 North American Bath & Body Works real estate projects including 41 new non-mall stores and 35 remodels. Remaining capital expenditures were primarily related to technology and logistics to support growth and capabilities.

Net cash used for investing activities in 2020 was $116 million consisting primarily of capital expenditures of $124 million. The capital expenditures were primarily related to spending on technology and logistics to support our digital businesses and other retail capabilities. Capital expenditures of $45 million related to the opening of new stores or the remodeling and improving of existing stores, primarily for Bath & Body Works.

We are estimating 2021 capital expenditures to be between $345 million and $370 million for the total Company, or between $275 million and $300 million for the Bath & Body Works business. We are continuing our investment in the remodeling and opening of new stores, and we are investing in technology, distribution and logistics capabilities to support our growth.

Financing Activities

Net cash used for financing activities in 2021 was $1.752 billion consisting primarily of payments of $1.194 billion for share repurchases, $1.130 billion in payments for the early extinguishment of outstanding notes, $56 million of tax payments related to share-based awards and dividend payments of $0.15 per share, or $42 million. These decreases were partially offset by the initial $600 million of proceeds from the Victoria's Secret & Co. Notes held in escrow for release upon completion of the Separation, and proceeds from stock option exercises of $76 million.

Net cash provided by financing activities in 2020 was $1.071 billion consisting primarily of net proceeds of $1.231 billion from the issuance of new notes, partially offset by dividend payments of $0.30 per share, or $83 million, and $52 million of net repayments under our Foreign Facilities. We also borrowed and repaid $950 million under our Credit Agreement during 2020.

On August 2, 2021, we completed the Separation of Victoria's Secret & Co. In connection with the Separation, Victoria's Secret & Co. made cash payments of approximately $976 million to us, which we intend to use to fund future share repurchases or dividends, or principal pay downs of debt. Additionally, the Victoria's Secret & Co. Notes became the obligations of Victoria's Secret & Co. concurrent with the Separation.

Subsequent to July 31, 2021, we announced that we had commenced tender offers to purchase for cash our outstanding 2023 Notes, 2025 Notes and 2027 Notes up to a maximum aggregate principal amount of $500 million. The maximum aggregate amount to be purchased by us for the 2025 Notes and 2027 Notes is limited to $180 million. On September 2, 2021, we announced that we had accepted for early settlement tender offers to purchase $270 million of outstanding 2023 Notes and $180 million of outstanding 2025 Notes for an aggregate purchase price of $532 million. We intend to make payment for these accepted notes on September 3, 2021. The tender offers will expire on September 16, 2021, unless extended or earlier terminated by us.

Common Stock Share Repurchases

Our Board of Directors will determine share repurchase authorizations, giving consideration to our levels of profit and cash flow, capital requirements, current and forecasted liquidity, the restrictions placed upon us by our borrowing arrangements as well as financial and other conditions existing at the time. We use cash flow generated from operating and financing activities to fund our share repurchase programs. The timing and amount of any repurchases will be made at our discretion, taking into account a number of factors, including market conditions.

In March 2021, our Board of Directors authorized a new $500 million share repurchase plan, which replaced the $79 million remaining under the March 2018 repurchase program. Pursuant to the Board's authorization, we entered into a Rule 10b5-1 purchase plan to effectuate share repurchases for the first $250 million. In May 2021, we initiated a second $250 million Rule 10b5-1 purchase plan to effectuate the remaining share repurchases under the March 2021 repurchase plan.

In July 2021, our Board of Directors authorized a new $1.5 billion share repurchase program, which replaced the $36 million remaining under the March 2021 repurchase program. Under the authorization of this program, we entered into a stock repurchase agreement with our former Chief Executive Officer and certain of his affiliated entities pursuant to which we repurchased 10 million shares of our common stock for an aggregate purchase price of $730 million in July 2021.

We repurchased the following shares of our common stock during year-to-date 2021:

Repurchase Program	Amount Authorized (in millions)	Shares Repurchased (in thousands)	Amount Repurchased (in millions)	Average Stock Price
March 2021	$ 500	6,996	$ 464	$ 66.30
July 2021	$ 1,500	10,000	$ 730	$ 73.01

The July 2021 Program had $770 million remaining as of July 31, 2021.

Subsequent to July 31, 2021, we repurchased an additional 1.0 million shares of our common stock for $65 million under the July 2021 Program.

Common Stock Retirement

In accordance with our Board of Directors' resolution, shares of common stock repurchased under the July 2021 Program will be automatically retired and cancelled upon repurchase. As a result, we retired the 10 million shares repurchased under the July 2021 Program in the second quarter of 2021, which resulted in a reduction of $5 million in the par value of Common Stock, $32 million in Paid-in Capital and $693 million in Retained Earnings.

Dividend Policy and Procedures

Our Board of Directors will determine future dividends after giving consideration to our levels of profit and cash flow, capital requirements, current and forecasted liquidity, the restrictions placed upon us by our borrowing arrangements as well as financial and other conditions existing at the time. We use cash flow generated from operating and financing activities to fund our dividends.

Our Board of Directors suspended our quarterly cash dividend beginning in the second quarter of 2020 as a proactive measure to strengthen our financial flexibility and manage through the COVID-19 pandemic. In March 2021, our Board of Directors reinstated our annual dividend at $0.60 per share, beginning with the quarterly dividend paid in June 2021.

Under the authority and declaration of our Board of Directors, we paid the following dividends during year-to-date 2021 and 2020:

	Ordinary Dividends (per share)	Total Paid (in millions)
2021		
Second Quarter	$ 0.15	$ 42
First Quarter	—	—
Total	$ 0.15	$ 42
2020		
Second Quarter	$ —	$ —
First Quarter	0.30	83
Total	$ 0.30	$ 83

In August 2021, our Board of Directors declared the third quarter of 2021 ordinary dividend of $0.15 per share.

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Long-term Debt and Borrowing Facilities

The following table provides our outstanding debt balance, net of unamortized debt issuance costs and discounts, as of July 31, 2021, January 30, 2021 and August 1, 2020:

	July 31, 2021	January 30, 2021	August 1, 2020
		(in millions)	
Senior Secured Debt with Subsidiary Guarantee			
$750 million, 6.875% Fixed Interest Rate Secured Notes due July 2025 ("2025 Secured Notes")	$ —	$ 740	$ 739
Foreign Facilities	—	—	101
Total Senior Secured Debt with Subsidiary Guarantee	$ —	$ 740	$ 840
Senior Debt with Subsidiary Guarantee			
$1 billion, 6.625% Fixed Interest Rate Notes due April 2021 (“2021 Notes”)	$ —	$ —	$ 450
$1 billion, 5.625% Fixed Interest Rate Notes due February 2022 (“2022 Notes”)	—	284	858
$320 million, 5.625% Fixed Interest Rate Notes due October 2023 (“2023 Notes”)	319	319	498
$500 million, 9.375% Fixed Interest Rate Notes due July 2025 ("2025 Notes")	494	493	492
$297 million, 6.694% Fixed Interest Rate Notes due January 2027 (“2027 Notes”)	279	278	277
$500 million, 5.250% Fixed Interest Rate Notes due February 2028 (“2028 Notes”)	497	497	496
$500 million, 7.500% Fixed Interest Rate Notes due June 2029 ("2029 Notes")	489	488	488
$1 billion, 6.625% Fixed Interest Rate Notes due October 2030 ("2030 Notes")	989	988	—
$1 billion, 6.875% Fixed Interest Rate Notes due November 2035 (“2035 Notes”)	991	991	991
$700 million, 6.750% Fixed Interest Rate Notes due July 2036 (“2036 Notes”)	694	694	693
Total Senior Debt with Subsidiary Guarantee	$ 4,752	$ 5,032	$ 5,243
Senior Debt			
$350 million, 6.950% Fixed Interest Rate Debentures due March 2033 (“2033 Notes”)	$ 348	$ 348	$ 348
$247 million, 7.600% Fixed Interest Rate Notes due July 2037 (“2037 Notes”)	246	246	298
Total Senior Debt	$ 594	$ 594	$ 646
Victoria's Secret & Co. Notes			
Victoria's Secret & Co. $600 million, 4.625% Fixed Interest Rate Notes due July 2029 ("Victoria's Secret & Co. Notes")	592	—	—
Total	$ 5,938	$ 6,366	$ 6,729
Current Debt	—	—	(460)
Total Long-term Debt, Net of Current Portion	$ 5,938	$ 6,366	$ 6,269

Repurchases of Notes

In April 2021, we completed a make-whole call to repurchase the remaining $285 million of outstanding 2022 Notes and the $750 million of outstanding 2025 Secured Notes. We recognized a pre-tax loss related to this extinguishment of debt of $105 million (after-tax loss of $80 million), which includes the write-offs of unamortized issuance costs. This loss is included in Other Income (Loss) in the year-to-date 2021 Consolidated Statement of Income.

Subsequent to July 31, 2021, we announced that we had commenced tender offers to purchase for cash our outstanding 2023 Notes, 2025 Notes and 2027 Notes up to a maximum aggregate principal amount of $500 million. The maximum aggregate amount to be purchased by us for the 2025 Notes and 2027 Notes is limited to $180 million. On September 2, 2021, we announced that we had accepted for early settlement tender offers to purchase $270 million of outstanding 2023 Notes and $180 million of outstanding 2025 Notes for an aggregate purchase price of $532 million. We intend to make payment for these accepted notes on September 3, 2021, and expect to recognize a pre-tax loss of approximately $84 million in the third quarter of 2021 related to these purchases. The tender offers will expire on September 16, 2021, unless extended or earlier terminated by us.

Victoria's Secret & Co. Notes

In July 2021, Victoria's Secret & Co., prior to the Separation and while a subsidiary of ours, issued $600 million of 4.625% notes due in July 2029 in a transaction exempt from registration under the Securities Act of 1933, as amended. As of July 31, 2021, the initial proceeds were held in escrow for release to Victoria's Secret & Co. upon satisfaction of certain conditions, including completion of the Separation. If the conditions for the release from escrow of the proceeds were not satisfied, the Victoria's Secret & Co. Notes would have been subject to mandatory redemption. The $600 million initial proceeds are included in Cash in Escrow related to Victoria's Secret & Co. Spin-Off on the July 31, 2021 Consolidated Balance Sheet. The Victoria's Secret & Co. Notes were not guaranteed at issuance by any guarantors or by Bath & Body Works, Inc. or any of our subsidiaries following the Separation.

On August 2, 2021, the Victoria's Secret & Co. Notes became the obligations of Victoria's Secret & Co. concurrent with the Separation. Victoria's Secret & Co. received cash proceeds of $592 million, which were net of issuance costs of $8 million, which it used to partially fund the approximately $976 million cash payments to us in connection with the Separation.

Asset-Backed Revolving Credit Facility

We and certain of our 100% owned subsidiaries guarantee and pledge collateral to secure a revolving credit facility. In April 2020, we entered into an amendment and restatement of the Credit Agreement to convert our credit facility into an asset-backed revolving credit facility. During the first quarter of 2020, in an abundance of caution and as a proactive measure in response to the COVID-19 pandemic, we elected to borrow $950 million from its revolving facility. This borrowing was repaid during the first quarter of 2020 upon completion of the April amendment.

As of July 31, 2021, the ABL Facility, which allowed borrowings and letters of credit in U.S. dollars or Canadian dollars, had aggregate commitments at $1 billion and an expiration date in August 2024.

As of July 31, 2021, the availability under the ABL Facility was the lesser of (i) the borrowing base, determined primarily based on our eligible U.S. and Canadian credit card receivables, accounts receivable, inventory and eligible real property, or (ii) the aggregate commitment. If at any time, the outstanding amount under the ABL Facility exceeded the lesser of (i) the borrowing base and (ii) the aggregate commitment, we would have been required to prepay the outstanding amounts under the ABL Facility to the extent of such excess. In addition, at any time that our consolidated cash balance exceeded $350 million, we would have been required to prepay outstanding amounts under the ABL Facility to the extent of such excess. As of July 31, 2021, our borrowing base was $1.045 billion, but we were unable to draw upon the ABL Facility as our consolidated cash balance exceeded $350 million.

The ABL Facility supports our letter of credit program. We had $58 million of outstanding letters of credit as of July 31, 2021 that reduced our availability under the ABL Facility.

As of July 31, 2021, the ABL Facility fees related to committed and unutilized amounts were 0.30% per annum, and the fees related to outstanding letters of credit were 1.75% per annum. In addition, the interest rate on outstanding U.S. dollar borrowings was the London Interbank Offered Rate plus 1.75% per annum. The interest rate on outstanding Canadian dollar-denominated borrowings was the Canadian Dollar Offered Rate plus 1.75% per annum.

The ABL Facility required us to maintain a fixed charge coverage ratio of not less than 1.00 to 1.00 during an event of default or any period commencing on any day when specified excess availability is less than the greater of (1) $100 million or (2) 15% of the maximum borrowing amount. As of July 31, 2021, we were not required to maintain this ratio.

As of July 31, 2021, there were no borrowings outstanding under the ABL Facility.

Subsequent to July 31, 2021, we entered into an amendment and restatement of the ABL Facility. The Amendment reduced the aggregate commitments under the ABL Facility to $750 million, reduced the interest rates on outstanding borrowings by 50 basis points, removed the requirement to prepay outstanding amounts under the ABL Facility should our consolidated cash balance exceed $350 million, extended the expiration date from August 2024 to August 2026 and released Victoria's Secret & Co. subsidiaries as guarantors, among other things.

Foreign Facilities

Certain of our Victoria's Secret subsidiaries in China previously utilized revolving and term loan bank facilities to support their operations. During the second quarter of 2021, with no borrowings outstanding, we terminated the Foreign Facilities.

Credit Ratings

The following table provides our credit ratings as of July 31, 2021:

	Moody's	S&P
Corporate	Ba3	BB-
Senior Unsecured Debt with Subsidiary Guarantee	Ba3	BB-
Senior Unsecured Debt	B2	B
Outlook	Stable	Stable

Subsequent to July 31, 2021, Moody's upgraded our Corporate and Senior Unsecured Debt with Subsidiary Guarantee ratings to Ba2 and our Senior Unsecured Debt rating to B1 and changed our outlook to Positive. Additionally, S&P upgraded our Corporate and Senior Unsecured Debt with Subsidiary Guarantee ratings to BB and our Senior Unsecured Debt rating to B+ and changed our outlook to Positive.

Guarantor Summarized Financial Information

As of July 31, 2021 certain of our subsidiaries, which are listed on Exhibit 22 to this Quarterly Report on Form 10-Q, have guaranteed our obligations under the 2023 Notes, 2025 Notes, 2027 Notes, 2028 Notes, 2029 Notes, 2030 Notes, 2035 Notes and the 2036 Notes (collectively, the "Notes"). On August 2, 2021, the guarantees provided by subsidiaries which became subsidiaries of Victoria's Secret & Co. were released concurrently with the Separation.

The Notes have been issued by Bath & Body Works, Inc. (the "Parent Company"). The Notes are its senior unsecured obligations and rank equally in right of payment with all of our existing and future senior unsecured obligations, senior to any of our future subordinated indebtedness, are effectively subordinated to all of our existing and future indebtedness that is secured by a lien and are structurally subordinated to all existing and future obligations of each of our subsidiaries that do not guarantee the Notes.

The Notes are fully and unconditionally guaranteed on a joint and several basis by certain of our wholly-owned subsidiaries, including each subsidiary that also guarantees our obligations under certain of our senior secured credit facilities (such guarantees, the "Guarantees"; and, such guaranteeing subsidiaries, the "Subsidiary Guarantors"). The Guarantees of the Subsidiary Guarantors are subject to release in limited circumstances only upon the occurrence of certain customary conditions. Each Guarantee is limited, by its terms, to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor subject to avoidance under applicable fraudulent conveyance provisions of U.S. and non-U.S. law.

The following tables set forth summarized financial information for the Parent Company and the Subsidiary Guarantors on a combined basis after elimination of (i) intercompany transactions and balances among the Parent Company and the Subsidiary Guarantors and (ii) investments in and equity in the earnings of non-Guarantor subsidiaries:

SUMMARIZED BALANCE SHEETS	July 31, 2021	January 30, 2021
	(in millions)	
ASSETS		
Current Assets (a)	$ 5,004	$ 6,813
Noncurrent Assets (b)	4,550	4,795
LIABILITIES		
Current Liabilities (c)	$ 4,716	$ 5,038
Noncurrent Liabilities (d)	7,861	9,433

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(a) Includes amounts due from non-Guarantor subsidiaries of $1.812 billion and $1.933 billion as of July 31, 2021 and January 30, 2021, respectively.
(b) Includes amounts due from non-Guarantor subsidiaries of $117 million and $141 million as of July 31, 2021 and January 30, 2021, respectively.

(c) Includes amounts due to non-Guarantor subsidiaries of $2.949 billion and $3.096 billion as of July 31, 2021 and January 30, 2021, respectively.
(d) Includes amounts due to non-Guarantor subsidiaries of $5 million and $476 million as of July 31, 2021 and January 30, 2021, respectively.

SUMMARIZED STATEMENT OF INCOME	Year-to-Date 2021 (in millions)
Net Sales (a)	$ 6,123
Gross Profit	2,775
Operating Income	1,198
Income Before Income Taxes	852
Net Income (b)	656

(a) Includes net sales of $42 million to non-Guarantor subsidiaries.
(b) Includes net loss of $62 million related to transactions with non-Guarantor subsidiaries.

In addition to the Subsidiary Guarantors, a certain subsidiary, which is listed on Exhibit 22 to this Quarterly Report on Form 10-Q, has only guaranteed our obligations under the 2025 Notes and 2030 Notes. This subsidiary had current assets of $15 million and noncurrent assets of $190 million, which included $18 million due from the Subsidiary Guarantors, as of July 31, 2021. Additionally, this subsidiary had assets, all of which were noncurrent, of $235 million as of January 30, 2021. Liabilities for this subsidiary were not material for either July 31, 2021 or January 30, 2021. Further, 2021 Statement of Income activity for this subsidiary was not material.

Contingent Liabilities and Contractual Obligations

La Senza

In connection with the sale of La Senza in the fourth quarter of 2018, certain of our subsidiaries have remaining contingent obligations of approximately $30 million related to lease payments under the current terms of noncancelable leases expiring at various dates through 2028. These obligations include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the business.

Contractual Obligations

Our contractual obligations primarily consist of long-term debt and the related interest payments, operating leases, purchase orders for merchandise inventory and other long-term obligations. These contractual obligations impact our short-term and long-term liquidity and capital resource needs. There have been no material changes in our contractual obligations since January 30, 2021, as discussed in “Contingent Liabilities and Contractual Obligations” in our 2020 Annual Report on Form 10-K, other than the issuance of the Victoria's Secret & Co. Notes, which became the obligations of Victoria's Secret & Co. concurrent with the Separation on August 2, 2021, and the repurchase of the 2022 Notes and 2025 Secured Notes. Certain of our contractual obligations may fluctuate during the normal course of business (primarily changes in our merchandise inventory-related purchase obligations, which fluctuate throughout the year as a result of the seasonal nature of our operations).

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

We did not adopt any new accounting standards during the second quarter of 2021 that had a material impact on our consolidated results of operations, financial position or cash flows. In addition, there are no new accounting standards not yet adopted that are expected to have a material impact on our consolidated results of operations, financial position or cash flows.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies related to estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, management evaluates its accounting policies, estimates and judgments, including those related to inventories, long-lived assets, claims and contingencies, income taxes and revenue recognition. Management bases our estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

There have been no material changes to the critical accounting policies and estimates disclosed in our 2020 Annual Report on Form 10-K.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

The market risk inherent in our financial instruments represents the potential loss in fair value, earnings or cash flows arising from adverse changes in foreign currency exchange rates or interest rates. We may use derivative financial instruments like foreign currency forward contracts, cross-currency swaps and interest rate swap arrangements to manage exposure to market risks. We do not use derivative financial instruments for trading purposes.

Foreign Exchange Rate Risk

We have operations in foreign countries which expose us to market risk associated with foreign currency exchange rate fluctuations. Our Canadian dollar and Chinese Yuan denominated earnings are subject to exchange rate risk as substantially all our merchandise sold in Canada and Greater China is sourced through U.S. dollar transactions. Although we utilize foreign currency forward contracts to partially offset risks associated with our operations in Canada, these measures may not succeed in offsetting all the short-term impact of foreign currency rate movements and generally may not be effective in offsetting the long-term impact of sustained shifts in foreign currency rates.

Further, although our royalty arrangements with our international partners are denominated in U.S. dollars, the royalties we receive in U.S. dollars are calculated based on sales in the local currency. As a result, our royalties in these arrangements are exposed to foreign currency exchange rate fluctuations.

Interest Rate Risk

Our investment portfolio primarily consists of interest-bearing instruments that are classified as cash and cash equivalents based on their original maturities. Our investment portfolio is maintained in accordance with our investment policy, which specifies permitted types of investments, specifies credit quality standards and maturity profiles and limits credit exposure to any single issuer. The primary objective of our investment activities is the preservation of principal, the maintenance of liquidity and the maximization of interest income while minimizing risk. Our investment portfolio is comprised of U.S. government obligations, U.S. Treasury and AAA-rated money market funds, commercial paper and bank deposits. Given the short-term nature and quality of investments in our portfolio, we do not believe there is any material risk to principal associated with increases or decreases in interest rates.

All of our long-term debt as of July 31, 2021 has fixed interest rates. We will from time to time adjust our exposure to interest rate risk by entering into interest rate swap arrangements. Our exposure to interest rate changes is limited to the fair value of the debt issued, which would not have a material impact on our earnings or cash flows.

Fair Value of Financial Instruments

As of July 31, 2021, we believe that the carrying values of accounts receivable, accounts payable and accrued expenses approximate fair value because of their short maturity.

The following table provides a summary of the principal value and estimated fair value of outstanding publicly traded debt as of July 31, 2021, January 30, 2021 and August 1, 2020:

	July 31, 2021	January 30, 2021	August 1, 2020
		(in millions)	
Principal Value	$ 5,414	$ 6,449	$ 6,708
Fair Value, Estimated (a)	6,581	7,243	6,692

(a) The estimated fair value is based on reported transaction prices. The estimates presented are not necessarily indicative of the amounts that we could realize in a current market exchange.

As of July 31, 2021, the fair value of the Victoria's Secret & Co. Notes approximated its principal value. The estimated fair value is based on reported transaction prices, which are considered Level 2 inputs in accordance with ASC 820. This estimate is not necessarily indicative of the amount that we could realize in a current market exchange.

Concentration of Credit Risk

We maintain cash and cash equivalents, restricted cash and derivative contracts with various major financial institutions. We monitor the relative credit standing of financial institutions with whom we transact and limit the amount of credit exposure with any one entity. Our investment portfolio is primarily comprised of U.S. government obligations, U.S. Treasury and AAA-rated money market funds, commercial paper and bank deposits. We also periodically review the relative credit standing of franchise, license and wholesale partners and other entities to which we grant credit terms in the normal course of business.

Item 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective and designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting that occurred in the second quarter of 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

We are a defendant in a variety of lawsuits arising in the ordinary course of business. Actions filed against our Company from time to time include commercial, tort, intellectual property, customer, employment, data privacy, securities and other claims, including purported class action lawsuits. Although it is not possible to predict with certainty the eventual outcome of any litigation, in the opinion of management, our current legal proceedings are not expected to have a material adverse effect on our financial position or results of operations.

On May 19, 2020 and January 12, 2021, certain shareholders of ours filed derivative lawsuits in the Court of Common Pleas for Franklin County, Ohio (subsequently removed to the United States District Court for the Southern District of Ohio) and the Delaware Court of Chancery, respectively, naming as defendants certain current and former directors and officers of ours and alleging, among other things, breaches of fiduciary duty through asserted violations of law and failures to monitor workplace conduct (the “Lawsuits”). In addition, we also received litigation and books-and-records demands from certain other shareholders related to the same matters (together with the Lawsuits, the “Actions”).

In July 2021, we announced the global settlement resolving the Actions. The settlement resolves all derivative claims that have been or could have been asserted in the Actions or that involve in any way the allegations referred to in the Actions and releases all such claims against us and our past and present employees, officers and directors, among others. As part of the settlement, we have agreed to implement certain management and governance measures, including the maintenance of a Diversity, Equity, and Inclusion Council. Following the August 2, 2021 spin-off of Victoria’s Secret & Co., the settlement terms will apply to both us and Victoria’s Secret & Co. Each company has committed to invest $45 million over at least five years to fund the management and governance measures.

Item 1A. RISK FACTORS

The following information supplements the risk factors described in “Item 1A: Risk Factors” in our 2020 Annual Report on Form 10-K and should be read in conjunction with the risk factors described in the 2020 Annual Report on Form 10-K. We wish to caution the reader that the risk factors discussed in “Item 1A: Risk Factors” in our 2020 Annual Report on Form 10-K and those described in this report or other SEC filings could cause actual results to differ materially from those stated in any forward-looking statements.

Our recently completed spin-off of the Victoria’s Secret business and related operations could negatively impact our business, and contingent liabilities from the divestiture of such business could adversely affect our financial position and results of operations.

On August 2, 2021, we completed the spin-off of our Victoria’s Secret business. The spin-off poses risks and challenges that could negatively impact our business. The spin-off may impact our credit rating, dilute our earnings per share, have other adverse financial and accounting impacts and distract management. In addition, we may be required to indemnify the new Victoria’s Secret company against known and unknown contingent liabilities in connection with the spin-off of the Victoria’s Secret business. Further, we may not receive tax-free treatment for U.S. federal income tax purposes. The resolution of these contingencies may have a material effect on our financial position and results of operations. Uncertainty about the effect of the spin-off of the Victoria’s Secret business on employees, commercial partners and vendors may have an adverse effect on us. These uncertainties may impair our ability to retain and motivate key personnel and could cause commercial partners, vendors and others that deal with us to defer or decline entering into contracts with us or seek to change existing business relationships with us. In addition, if key employees depart because of uncertainty about their future roles, our business could be harmed. The spin-off may cause disruption in our business and that disruption could result in a loss of revenue. We may incur significant expenses and challenges in connection with the spin-off of the Victoria’s Secret business, which may include expenses and challenges related to the separation of Victoria's Secret from our current information technology environment. Further, the efforts related to the separation of the information technology environment will require significant resources that could impact our ability to keep pace with ongoing advancement of information technology needs of the business.

In addition, we may not be able to achieve the full strategic and financial benefits that are expected to result from the spin-off and the anticipated benefits of the spin-off are based on a number of assumptions, some of which may prove incorrect. For example, there is risk that as smaller, independent companies, the companies resulting from the spin-off will be less diversified with a narrower business focus and may be more vulnerable to changing market conditions as well as the risk of takeover by third parties. There may be a loss of synergies from separating the businesses that could negatively impact the balance sheet, profit margins or earnings of both businesses. Lastly, there is risk that that the combined value of the common stock of the two publicly-traded companies will not be equal to or greater than the value of the Company’s common stock had the spin-off not occurred.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides our repurchases of our common stock during the second quarter of 2021:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Programs (c)	Maximum Number of Shares (or Approximate Dollar Value) that May Yet be Purchased Under the Programs (c)
	(in thousands)		(in thousands)	
May 2021	1,556	$ 67.27	1,476	$ 235,508
June 2021	2,527	67.81	2,519	64,681
July 2021	10,624	72.93	10,393	769,900
Total	14,707		14,388	

(a) The total number of shares repurchased includes shares repurchased as part of publicly announced programs, with the remainder relating to shares repurchased in connection with tax payments due upon vesting of employee restricted stock awards and the use of our stock to pay the exercise price on employee stock options.

(b) The average price paid per share includes any broker commissions.

(c) For additional share repurchase program information, see Note 4, "Earnings (Loss) Per Share and Shareholders' Equity (Deficit)" included in Item 1. Financial Statements.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

Exhibits	
10.1	Executive Letter Agreement between Bath & Body Works, Inc. and Wendy C. Arlin, dated August 2, 2021.
10.2	Executive Retirement Agreement between L Brands, Inc. and Stuart B. Burgdoerfer, dated August 2, 2021.
15	Letter re: Unaudited Interim Financial Information re: Incorporation of Report of Independent Registered Public Accounting Firm.
22	List of Guarantor Subsidiaries.
31.1	Section 302 Certification of CEO.
31.2	Section 302 Certification of CFO.
32	Section 906 Certification (by CEO and CFO).
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BATH & BODY WORKS, INC.
(Registrant)

By: /s/ WENDY C. ARLIN

Wendy C. Arlin
Executive Vice President and Chief Financial Officer *

Date: September 2, 2021

* Ms. Arlin is the principal financial officer and the principal accounting officer and has been duly authorized to sign on behalf of the Registrant.

Exhibit 10.1

Bath & Body Works, Inc.
Three Limited Parkway
Columbus, Ohio 43230

August 2, 2021

Wendy Arlin
c/o Bath & Body Works, Inc.
Three Limited Parkway
Columbus, Ohio 43230

Re: Bath & Body Works, Inc. – Severance Benefits
Dear Wendy,

Reference is made to your offer letter with Bath & Body Works, Inc. ("**BBW**") dated as of May 11, 2021 (your "**Offer Letter**"). In connection with your appointment as Executive Vice President and Chief Financial Officer of BBW effective as of August 2, 2021, BBW is pleased to provide you with the payments and benefits set forth below in this letter agreement (this "**Agreement**").

In the event of a termination of your employment by BBW other than for "cause" (as defined in the L Brands Inc. 2020 Stock Option and Performance Incentive Plan (the "**2020 Stock Plan**"), a copy of which may be found here), or you resign for "good reason" (as defined below), in each case other than during the 24-month period following a "change in control" (as defined in the 2020 Stock Plan), subject to your execution and nonrevocation of a general waiver and release of claims (as described below) and your continued compliance with the terms of your Confidentiality, Non-Competition and Intellectual Property Agreement (the "**Non-Competition Agreement**"), you will be entitled to receive the following (collectively, the "**Non-CIC Severance**"):

(i) continued payment of your base salary for 24 months following the termination date, payable consistent with BBW's normal payroll practices;

(ii) the actual incentive compensation you would have received if you had remained an employee of BBW for one year following the termination date, payable at the same time such incentive compensation would have otherwise been paid to you had you remained an employee of BBW (but in no event later than the 15th day of the third calendar month following the end of BBW's fiscal year for which such incentive compensation relates); and

(iii) for a period of up to 24 months following the termination date (or earlier, if you become subsequently employed), BBW will provide you and your beneficiaries with medical and dental benefits substantially similar in the aggregate to those provided prior to the date of termination.

Payment of the Non-CIC Severance is conditioned upon you having provided within 60 days of the termination date, an irrevocable waiver and general release of claims, in a form provided by BBW, which has become effective and irrevocable in accordance with its terms. Subject to your timely delivery of an irrevocable waiver and general release of claims described above, payment of the Non-CIC Severance will commence on the first payroll date that is more than 60 days following the termination date, with such first installment to include and satisfy all installments that would have otherwise been made up to such date, assuming for such purpose that the installments had commenced on the first payroll date following the termination date.

In addition, in the event of a termination of your employment by BBW other than for “cause”, or you resign for “good reason”, in each case within the 24-month period following a “change in control”, subject to your execution and nonrevocation of a general waiver and release of claims (as described below) and your continued compliance with the terms of the Non-Competition Agreement, you will be entitled to receive the following (collectively, the “**CIC Severance**”):

(i) a lump sum in an amount equal to two times your base salary;

(ii) a lump sum in an amount equal to the sum of (A) the last four bonus payments under BBW’s incentive compensation program plus (B) a prorated amount for the season in which your employment is terminated (based on the average of such four prior bonus payments); and

(iii) for a period of 24 months following the termination of employment (or earlier, if you become subsequently employed), you and your beneficiaries will be entitled to receive medical and dental benefits substantially similar in the aggregate to those provided prior to the date of termination.

Payment of the CIC Severance is conditioned upon you having provided within 60 days of the termination date, an irrevocable waiver and general release of claims, in a form provided by BBW, which has become effective and irrevocable in accordance with its terms. Subject to your timely delivery of an irrevocable waiver and general release of claims described above, payment of the CIC Severance will be made on the first payroll date that is more than 60 days following the termination date.

For purposes of this Agreement, “good reason” means (i) your failure to continue in a capacity set forth in this Agreement which shall be deemed a material breach of this Agreement; (ii) the assignment to you of any duties materially inconsistent with and that constitute a material adverse change to your positions, duties, authority, responsibilities or reporting requirements as set forth in this Agreement; (iii) BBW’s failure to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of BBW within fifteen (15) days after a merger, consolidation, sale, or similar transaction or (iv) your mandatory relocation from the Columbus, OH area; *provided*, *however*, “good reason” will not include acts taken by BBW by reason of your physical or mental infirmity which infirmity impairs your ability to substantially perform your duties. Notwithstanding the foregoing, "good reason" will not be deemed to occur unless (i) you have given BBW written notice of the applicable event or circumstances giving rise to "good reason" within 30 days of the date of the first occurrence thereof, which notice describes in reasonable detail the event or circumstances constituting "good reason", (ii) BBW fails to cure such event or circumstances within 30 days after receipt of such written notice from you and (iii) if BBW fails to so cure during such cure period, you resign from your employment within 30 days after the expiration of such cure period.

This Agreement does not constitute an employment contract with you. Your employment will continue to be at-will.

BBW reserves the right to amend, vary or withdraw any compensation, benefit, bonus, equity award or other such programs at any time, in the sole discretion of BBW. All compensation, benefit, bonus, equity award and other such programs are governed by and subject to the official plan documents, award agreements and the Board may deduct and withhold from any amounts payable under this Agreement such federal, state, local, or other taxes as are required or permitted to be withheld pursuant to any applicable law or regulation, as applicable.

This Agreement is intended to comply with, or otherwise be exempt from, Section 409A of the Internal Revenue Code of 1986, as amended (together with all treasury regulations and guidance promulgated thereunder, “**Section 409A**”), and all provisions of this Agreement will be construed and interpreted in accordance with such intent. Each installment payment hereunder will be deemed a “separate payment” within the meaning of Section 409A. With respect to the timing of payments of any deferred compensation payable upon a termination of employment hereunder, references in this Agreement to “termination of employment” mean “separation from service” within the meaning of Section 409A. To the extent that you are a “specified employee” within the meaning of Section 409A as of the termination date, no amounts payable under this Agreement that constitute deferred compensation within the meaning of Section 409A which are payable on account of your separation from service shall be paid to you before the date which is the first day of the seventh month after such date of your separation from service or, if earlier, the date of your death following such separation from service (the “**Delayed Payment Date**”). All such amounts that would, but for the preceding sentence become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date. If the period during which you may execute or revoke a release of claims described in this Agreement spans two taxable years, then the Non-CIC Severance or CIC Severance, as applicable, shall be paid in the second such taxable year so long as the release becomes irrevocable.

No provision of this Agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and signed by you and BBW.

This Agreement may be executed in one or more counterparts, all of which taken together shall be deemed to constitute one and the same original.

Upon acceptance of this Agreement, please sign this Agreement and return them via DocuSign.

Please contact Deon Riley at **DNRiley@lb.com** and she can help clarify any part of this Agreement.

Sincerely	I accept this offer as of the date above.
/s/ ANDREW MESLOW	/s/ WENDY ARLIN
Andrew Meslow Chief Executive Officer Bath & Body Works Inc.	Wendy Arlin

Exhibit 10.2

L Brands, Inc.
Three Limited Parkway
Columbus, Ohio 43230

August 2, 2021

Stuart Burgdoerfer
c/o L Brands, Inc.
Three Limited Parkway
Columbus, Ohio 43230

Re: L Brands, Inc. – Retirement Agreement
Dear Stuart:

In recognition of your years of service with L Brands, Inc., a Delaware corporation (the "**Company**"), your leadership role in the separation of Victoria's Secret & Company, a Delaware corporation ("**VS**"), from the Company and your agreement to remain as the Company's Executive Vice President and Chief Financial Officer through August 2, 2021, and as an employee of the Company through August 20, 2021 (the "**Effective Date**"), the Company has agreed to offer you the retention and retirement benefits set forth in this letter agreement (this "**Agreement**"). This Agreement sets forth our mutual agreement concerning your retirement as an employee of the Company and its subsidiaries and affiliates (collectively, the "**Company Group**") effective as of the Effective Date.

1. *Retirement.* You hereby resign, effective as of August 2, 2021, from your position as Executive Vice President and Chief Financial Officer of the Company. Your employment with the Company Group will otherwise terminate in all capacities as of the Effective Date. In that regard, you hereby resign effective as of the Effective Date from all other officer positions, committee memberships, directorships and other positions that you hold with the Company Group. You agree that you will cooperate with the Company Group in connection with any such resignations. On and after the Effective Date, you will not represent yourself as being an employee, officer, director, agent or representative of the Company Group.

2. *Additional Entitlements*. Subject to your continued employment through the Effective Date (other than a termination of your employment without Cause (as defined in the Employment Agreement, dated as of April 9, 2007, as amended (the "**Employment Agreement**"), between you and the Company) by the Company, your execution of and compliance with your obligations under this Agreement and your ratification and confirmation as of the Effective Date of the release and representation contained in Sections 11(a), 11(b) and 11(c) as set forth on the signature page below, and in consideration of the covenants incorporated herein and the waiver and release set forth below, and provided that you do not revoke this Agreement in accordance with Section 14(i), you will be entitled to the following:

(a) *Retention Bonus*. Subject to your using your best efforts to (i) continue your assistance with the separation of VS from the Company, and (ii) assist in transitioning the role of Chief Financial Officer of the Company to the Company's designated successor, you will receive a retention bonus in the amount of $1,500,000 representing the final tranche of your Retention Bonus, as set forth in Section 1(c) of the Retention Bonus Agreement dated as of May 14, 2020 between you and the Company, to be paid on January 31, 2022.

(b) *Additional Bonus*. In recognition of your contributions to, and subject to the consummation of, the separation of VS from the Company, you will receive a bonus in the amount of $2,000,000, to be paid on or around August 30, 2021.

(c) *COBRA Payment*. In the event that you elect "COBRA" group health plan continuation coverage, the Company will pay you an amount equal to the product of (i) the monthly COBRA premium that you would be required to pay to continue your group health plan coverage *multiplied by* (ii) 18 (the "**COBRA Payment**"). The COBRA Payment will be paid to you, net of any applicable tax withholdings, in a cash lump sum within 60 days following the Effective Date, but in no event later than the 15^{th} day of the third month following the end of the Company's fiscal year in which the Effective Date occurs.

3. *Business Expenses*. As promptly as practicable after the Effective Date, the Company will pay you any unreimbursed business expenses incurred through the Effective Date to which you are entitled to reimbursement pursuant to the Company's expense reimbursement policies.

4. *Equity-based Awards.* Your outstanding equity-based awards, whether vested or unvested, will continue to be subject to the terms and conditions, including vesting conditions, set forth in the applicable plan documents and award agreements thereunder.

5. *Paid-Time Off*. Any accrued but unused paid time off you have as of the Effective Date will be paid to you in accordance with the Company's paid time off policy.

6. *No Other Compensation or Benefits*. Except as otherwise specifically provided herein or as required by COBRA or other applicable law, you will not be entitled to any compensation or benefits or to participate in any past, present or future employee benefit programs or arrangements of the Company Group on or after the Effective Date.

7. *Covenants and Agreements*. You acknowledge and agree that you remain subject to the restrictive covenants set forth in Section 11 of the Employment Agreement and in any other agreement with the Company or any other member of the Company Group, which are incorporated herein by reference as if such provisions were set forth herein in full.

8. *Cooperation*. Following the Effective Date, you agree to reasonably cooperate with the Company and its counsel with respect to any matter (including, without limitation, any

litigation, investigation or government proceeding) that relates to matters with which you are or were involved or about which you had knowledge during your employment with the Company.

9. *Return of Property*. No later than seven (7) days following the Effective Date, you will deliver to the Company (or, if requested by any member of the Company Group, destroy) all property made available to you in connection with your employment by any member of the Company Group, including, without limitation, any and all records, manuals, customer lists, notebooks, cellphones, electronic devices, computers, computer programs, credit cards, and files, papers, electronically stored information and documents kept or made by you in connection with your employment.

10. *Employee Protections*. As described further in Section 13, you have the right under federal law to certain protections for cooperating with or reporting legal violations to the Securities Exchange Commission (the "**SEC**") and/or its Office of the Whistleblower, as well as certain other governmental entities and self-regulatory organizations. As such, nothing in this Agreement or otherwise is intended to prohibit you from disclosing this Agreement to, or from cooperating with or reporting violations to, the SEC or any other such governmental entity or self-regulatory organization, and you may do so without notifying the Company. The Company may not retaliate against you for any of these activities, and nothing in this Agreement or otherwise would require you to waive any monetary award or other payment that you might become entitled to from the SEC or any other governmental entity. Moreover, nothing in this Agreement or otherwise prohibits you from notifying the Company that you are going to make a report or disclosure to law enforcement.

11. Release.

(a) *General Release*. In consideration of the Company's obligations under this Agreement and for other valuable consideration, you hereby release and forever discharge the Company, VS, each other member of the Company Group and each of their respective direct or indirect shareholders, officers, employees, directors and agents (collectively, the "**Released Parties**") from any and all claims, actions and causes of action (collectively, "**Claims**"), including, without limitation, any Claims arising under (A) the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1514; Sections 748(h)(i), 922(h)(i) and 1057 of the Dodd-Frank Wall Street and Consumer Protection Act (the "**Dodd Frank Act**"), 7 U.S.C. § 26(h), 15 U.S.C. § 78u-6(h)(i) and 12 U.S.C. § 5567(a) but excluding from this release any right you may have to receive a monetary award from the SEC as an SEC Whistleblower, pursuant to the bounty provision under Section 922(a)-(g) of the Dodd Frank Act, 7 U.S.C. Sec. 26(a)-(g), or directly from any other federal or state agency pursuant to a similar program, or (B) any applicable federal, state, local or foreign law, that you may have, or in the future may possess arising out of (x) your employment relationship with and service as a director, employee or officer of the Company, VS or any other member of the Company Group, and the termination of such relationship or service, or (y) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date hereof; *provided, however,* that the release set forth in this Section 11(a) will not apply to (i) the obligations of the Company under this Agreement,

(ii) the obligations of the Company to continue to provide director and officer indemnification to you as provided in the governing documents of the Company, and (iii) your vested accrued benefits under the Company's broad-based employee benefit plans. You further agree that the benefits described in this Agreement will be in full satisfaction of any and all claims for payments or benefits, whether express or implied, that you may have against the Company, VS or any other member of the Company Group arising out of your employment relationship, your service as a director, employee or officer of the Company, VS or any other member of the Company Group and the termination thereof. The provision of the payments and benefits described in this Agreement will not be deemed an admission of liability or wrongdoing by the Company, VS or any other member of the Company Group. You hereby acknowledge and agree that you do not have and will not have "Good Reason" (within the meaning of the Employment Agreement) to terminate your employment and that the release set forth in this Section 11(a) applies to any Claims with respect thereto. This Section 11(a) does not apply to any Claims that you may have as of the date you sign this Agreement arising under the Federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder ("**ADEA**"). Claims arising under ADEA are addressed in Section 11(b) of this Agreement.

(b) *Specific Release of ADEA Claims*. In consideration of the payments and benefits provided to you under this Agreement, you hereby release and forever discharge the Company, VS, each other member of the Company Group and each of their respective direct or indirect shareholders, officers, employees, directors and agents from any and all Claims that you may have as of the date you sign this Agreement arising under ADEA. By signing this Agreement, you hereby acknowledge and confirm the following: (i) you were advised by the Company in connection with your separation to consult with an attorney of your choice prior to signing this Agreement and to have such attorney explain to you the terms of this Agreement, including, without limitation, the terms relating to your release of claims arising under ADEA; (ii) you have been given a period of not fewer than 21 days to consider the terms of this Agreement and to consult with an attorney of your choosing with respect thereto; and (iii) you are providing the release and discharge set forth in this Section 11(b) only in exchange for consideration in addition to anything of value to which you are already entitled.

(c) *Representation*. You hereby represent that you have not instituted, assisted or otherwise participated in connection with, any action, complaint, claim, charge, grievance, arbitration, lawsuit or administrative agency proceeding, or action at law or otherwise against the Company, VS or any other member of the Company Group or any of their respective shareholders, officers, employees, directors, shareholders or agents.

12. *Claim or Breach*. In the event that you (a) file any charge, claim, demand, action or arbitration with regard to your employment, compensation or separation of employment under any federal, state, local or foreign law, or an arbitration under any industry regulatory entity, except in either case for a claim for breach of this Agreement or failure to honor the obligations

set forth herein or (b) breach any of the covenants contained in or incorporated into this Agreement, you will immediately forfeit any right to receive any payments or benefits pursuant to this Agreement.

13. *Certain Exceptions*. (a) Notwithstanding anything in this Agreement or anywhere else in this Agreement or in any other agreement between you and any member of the Company Group, or in any Company code of conduct, employee manual, confidentiality policy or similar document, you have the right to:

(i) report possible violations of state or federal law or regulation that have occurred, are occurring, or are about to occur to any governmental agency or entity, or self-regulatory organization;

(ii) cooperate voluntarily with, or respond to any inquiry from, or provide testimony before any self-regulatory organization or any other federal, state or local regulatory or law enforcement authority;

(iii) make reports or disclosures to law enforcement or a regulatory authority without prior notice to, or authorization from, the Company; and

(iv) respond truthfully to a valid subpoena.

(b) In addition, the Company wants you to be aware that:

(i) (A) you have the right to not be retaliated against for reporting, either internally to the Company or to any governmental agency or entity or self-regulatory organization, information which you reasonably believe relates to a possible violation of law, (B) it is a violation of federal law to retaliate against anyone who has reported such potential misconduct either internally or to any governmental agency or entity or self-regulatory organization (retaliatory conduct includes discharge, demotion, suspension, threats, harassment, and any other manner of discrimination in the terms and conditions of employment because of any lawful act you may have performed) and (C) it is unlawful for the Company to retaliate against you for reporting possible misconduct either internally or to any governmental agency or entity, or self-regulatory organization;

(ii) notwithstanding anything contained in this Agreement or otherwise, you may, to the extent contemplated by Section 10, disclose confidential Company information, including the existence and terms of any confidential agreements between you and the Company (including employment or severance agreements), to any governmental agency or entity or self-regulatory organization;

(iii) the Company cannot require you to withdraw reports or filings alleging possible violations of federal, state or local law or regulation, and may not offer you any kind of inducement, including payment, to do so;

(iv) your rights and remedies as a whistleblower protected under applicable whistleblower laws, including a monetary award, if any, may not be waived by any agreement, policy, form, or condition of employment, including by a predispute arbitration agreement; and

(v) even if you have participated in a possible violation of law, you may be eligible to participate in the confidentiality and retaliation protections afforded under applicable whistleblower laws, and may also be eligible to receive an award under such laws.

14. Miscellaneous.

(a) *Entire Agreement*. This Agreement sets forth the entire agreement and understanding of the parties hereto with respect to the matters covered hereby and supersedes and replaces any express or implied prior agreement with respect to the terms of your employment and the separation thereof which you may have had with the Company Group (including, without limitation, the Employment Agreement (except for Sections 11, 12, 15, 16, 17, 18 and 19 thereof, which will remain in full force and effect)). This Agreement may be amended only by a written document signed by the parties hereto.

(b) *D&O Indemnification*. Following the Effective Date, you will remain entitled to indemnification under the Company's Amended and Restated Bylaws adopted as of June 18, 2020 and applicable Directors & Officers insurance policies (the "**D&O Policy**") and the governing documents of the Company, in accordance with and subject to the terms of such insurance policies and governing documents, as in effect from time to time. To the extent permitted under such applicable D&O Policy and the applicable insurer, you will be permitted to select counsel to represent you in any matter covered by such D&O Policy.

(c) *Governing Law*. This Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware (determined without regard to the choice of law provisions thereof).

(d) *Withholding.* Any payments made to you under this Agreement will be reduced by any applicable withholding taxes or other amounts required to be withheld by law or contract.

(e) *Voluntary Assent*. You affirm that you have read this Agreement, and understand all of its terms, including the full and final release of claims set forth in Section 11. You further acknowledge that you have voluntarily entered into this Agreement; that you have not relied upon any representation or statement, written or oral, not set forth in this Agreement; that the only consideration for signing this Agreement is as set forth herein; and that this document gives you the opportunity and encourages you to have this Agreement reviewed by your attorney and/or tax advisor.

(f) *Waiver and Amendment*. Any waiver, alteration, amendment, or modification of any of the terms of this Agreement will be valid only if made in writing and signed by each of the parties hereto. No waiver by either of the parties hereto of their rights hereunder will be deemed to constitute a waiver with respect to any subsequent occurrences or transactions hereunder unless such waiver specifically states that it is to be construed as a continuing waiver.

(g) *Severability*. In the event that any provision of this Agreement is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remainder of this Agreement will not in any way be affected or impaired thereby. If any provision of this Agreement is held to be excessively broad as to duration, activity or subject, such provision will be construed by limiting and reducing it so as to be enforceable to the maximum extent allowed by applicable law.

(h) *Counterparts*. This Agreement may be executed in one or more counterparts, which together will constitute one and the same agreement.

(i) *Revocation*. This Agreement may be revoked by you within the seven-day period commencing on the date you sign this Agreement (the "**Revocation Period**"). In the event of any such revocation by you, all obligations of the Company and you under this Agreement will terminate and be of no further force and effect as of the date of such revocation. No such revocation by you will be effective unless it is in writing and signed by you and received by the Company prior to the expiration of the Revocation Period.

(j) *Notices*. Every notice or other communication relating to this Agreement will be in writing, and will be mailed to or delivered to the party for whom or which it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided; provided that, unless and until some other address be so designated, all notices and communications by you to the Company will be mailed or delivered to the Company at its principal executive office, and all notices and communications by the Company to you may be given to you personally or may be mailed to you at your last known address, as reflected in the Company's records. Any notice so addressed will be deemed to be given or received (i) if delivered by hand, on the date of such delivery, (ii) if mailed by courier or by overnight mail, on the first business day following the date of such mailing, and (iii) if mailed by registered or certified mail, on the third business day after the date of such mailing.

[Signature Page Follows]

L BRANDS, INC.

By: /s/ ANDREW MESLOW
Name:
Title:

YOU HEREBY ACKNOWLEDGE THAT YOU HAVE READ THIS AGREEMENT, THAT YOU FULLY KNOW, UNDERSTAND AND APPRECIATE ITS CONTENTS, AND THAT YOU HEREBY ENTER INTO THIS AGREEMENT VOLUNTARILY AND OF YOUR OWN FREE WILL.

ACCEPTED AND AGREED:

/s/ STUART BURGDOERFER
Stuart Burgdoerfer
Date: August 2nd, 2021

The release and representation contained in Sections 11(a), 11(b) and 11(c) above are ratified and confirmed with respect to any Claims, acts or omissions through the Effective Date.

ACCEPTED AND AGREED:

/s/ STUART BURGDOERFER
Stuart Burgdoerfer
Date: August 2nd, 2021

Exhibit 15

September 2, 2021

To the Board of Directors and Shareholders of Bath & Body Works, Inc.

We are aware of the incorporation by reference in the following Registration Statements of Bath & Body Works, Inc.:

Registration Statement (Form S-8 No. 333-251226)
Registration Statement (Form S-8 No. 333-206787)
Registration Statement (Form S-3 ASR No. 333-229414)
Registration Statement (Form S-4 No. 333-227288);

of our report dated September 2, 2021 relating to the unaudited consolidated interim financial statements of Bath & Body Works, Inc. that are included in its Form 10-Q for the quarter ended July 31, 2021.

/s/ Ernst & Young LLP

Grandview Heights, Ohio

Exhibit 22

List of Guarantor Subsidiaries

The 2023 Notes, 2025 Notes, 2027 Notes, 2028 Notes, 2029 Notes, 2030 Notes, 2035 Notes and 2036 Notes are jointly and severally guaranteed on a full and unconditional basis by the Company (incorporated in Delaware) and the following 100% owned subsidiaries of the Company as of July 31, 2021:

Entity	**Jurisdiction of Incorporation or Organization**
Bath & Body Works, LLC	Delaware
Bath & Body Works Brand Management, Inc.	Delaware
Bath & Body Works Direct, Inc.	Delaware
beautyAvenues, LLC	Delaware
Beauty Specialty Holding, LLC	Delaware
Direct Factoring, LLC	Nevada
L Brands Direct Fulfillment, LLC	Delaware
L Brands Service Company, LLC	Delaware
L Brands Store Design & Construction, Inc.	Delaware
MII Brand Import, LLC	Delaware
Victoria's Secret Direct Brand Management, LLC	Delaware
Victoria's Secret Stores Brand Management, LLC	Delaware
Victoria's Secret Stores, LLC	Delaware

Additionally, the 2025 Notes and 2030 Notes are jointly and severally guaranteed on a full and unconditional basis by the following 100% owned subsidiary of the Company as of July 31, 2021:

Entity	**Jurisdiction of Incorporation or Organization**
Distribution Land Company, LLC	Delaware

Exhibit 31.1

Section 302 Certification

I, Andrew M. Meslow, certify that:

1. I have reviewed this report on Form 10-Q of Bath & Body Works, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ANDREW M. MESLOW

Andrew M. Meslow
Chief Executive Officer

Date: September 2, 2021

Exhibit 31.2

Section 302 Certification

I, Wendy C. Arlin, certify that:

1. I have reviewed this report on Form 10-Q of Bath & Body Works, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ WENDY C. ARLIN

Wendy C. Arlin
Executive Vice President and
Chief Financial Officer

Date: September 2, 2021

Exhibit 32

Section 906 Certification

Andrew M. Meslow, the Chief Executive Officer, and Wendy C. Arlin, the Executive Vice President and Chief Financial Officer, of Bath & Body Works, Inc. (the “Company”), each certifies that, to the best of our knowledge:

(i) the Quarterly Report of the Company on Form 10-Q dated September 2, 2021 for the period ending July 31, 2021 (the “Form 10-Q”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANDREW M. MESLOW

Andrew M. Meslow
Chief Executive Officer

/s/ WENDY C. ARLIN

Wendy C. Arlin
Executive Vice President and Chief Financial Officer

Date: September 2, 2021