BBWI THIRD QUARTER 2021 EARNINGS COMMENTARY

NOVEMBER 17, 2021

Introduction

- Bath & Body Works, Inc. is providing this third quarter commentary ahead of its live earnings call scheduled for November 18th at 9:00 a.m.

- We remind you that any forward-looking statements made in this commentary are subject to our safe harbor statement found in our SEC filings and in our press releases.

- Our third quarter earnings release and related financial information are available on our website, www.bbwinc.com. Also available on our website is an investor presentation.

- All of the results included in this commentary are adjusted results and exclude the charges related to the early extinguishment of debt in both 2021 and 2020. Additionally, the results included in this commentary represent results from continuing operations and exclude the discontinued operations related to Victoria's Secret.

Third Quarter Results

- We delivered strong results in the third quarter, which we could not have done without the continued hard work and dedication of our associates and partners. We'd like to express our deep appreciation for their efforts.

- We reported adjusted third quarter earnings of $0.92 per share compared to $0.83 per share last year. This result significantly exceeded our third quarter guidance for earnings per share between $0.55 and $0.60. The upside versus our guidance was driven by better-than-forecasted sales and merchandise margin rate.

- Net sales for the quarter were $1.681 billion, a decline of just 1% versus last year's exceptionally strong results and a 53% increase compared to 2019, consistent with the two-year growth we delivered in the first half of the year.

- In U.S. and Canada stores, third quarter sales were $1.238 billion, an increase of 3% compared to last year, and 42% compared to 2019. Growth versus 2019 was driven by a high-single digit percentage increase in transactions and a low-30s percentage increase in the average dollar sale. The average dollar sale increase was driven by a high-teens increase in AUR and a low double-digit increase in units per transaction.

- Third quarter direct sales were $369.3 million, a decrease of 17% compared to last year and a 92% increase compared to 2019. Year-to-date, direct channel sales decreased 10% compared to last year, as last year we experienced very high demand due to COVID-related store closures. We launched our Canada website in mid-September, which is off to a good start.

- International revenue increased 37% in the third quarter to $73.7 million, driven by store and direct growth (312 stores compared to 286 last year; and 26 websites compared to 14 last year) and a recovery from pandemic-depressed traffic and store closures last year.

- For the total business, performance was strong across all months of the quarter as we saw good customer response to our fall seasonal and Halloween merchandise. We launched two new fragrances in the third quarter, Fairytale and Open Sky, both of which exceeded our expectations.

- In the third quarter, we achieved robust balanced growth of at least 35% in all merchandise categories compared to 2019. Compared to last year, we experienced growth in fragrant body care, home fragrance and gifting/accessories. As expected, soaps and sanitizers declined versus last year's explosive growth.

- The third quarter gross margin rate was 49.9%, an increase of 610 basis points compared to 2019 and a decrease of 80 basis points compared to last year. The 49.9% third quarter rate was above our forecast for a rate of about 45%, as we successfully managed promotional activity. We also had a lower buying and occupancy expense rate on higher than forecasted sales.

- The 80-basis point gross margin rate decline compared to last year was driven principally by a decline in the merchandise margin rate. Higher supply chain and transportation costs this year, due to market constraints and inflation, negatively impacted gross margin dollars by about $45 million, consistent with our forecast. We were able to offset some of that cost increase through ticket price increases and adjustments to promotional offers.

- SG&A expense of $430.3 million was about flat compared to last year and deleveraged 50 basis points on the sales decline.

- Operating income in the third quarter was $408.5 million, an increase of $242.2 million, or 146%, compared to 2019, and a decrease of $27.6 million, or 6%, compared to last year. Our operating income rate for the quarter of 24.3% increased 920 basis points compared to 2019, driven by merchandise margin rate expansion and leverage in both buying and occupancy and SG&A on the high sales growth. The operating income rate decreased 130 basis points compared to last year, driven by the merchandise margin rate decline and SG&A deleverage.

- Turning to the balance sheet, total inventory ended the quarter up 30% compared to last year and up 41% compared to 2019, below our 2-year sales growth. We are satisfied with our inventory position as we head into Holiday. While we are better positioned than most retailers due to our primarily domestic supply chain, we are not immune to challenges. We proactively managed production and promotions throughout the third quarter and did not experience significant out-of-stocks. We are partnering closely with our vendors to support production needs in order to continue to meet customer demand.

- We repurchased 5.5 million shares during the third quarter for $365 million. We have $405 million remaining under our $1.5 billion share repurchase program. Year-to-date, we have repurchased 22.5 million shares for $1.56 billion.

- During the third quarter, we retired $500 million of total debt. We retired all of the outstanding 5.625% Senior Notes due 2023 totaling $320 million in principal, and we retired $180 million of the 9.375% Senior Notes due 2025, which leaves $320 million principal amount outstanding for the 2025 Notes.

- We have completed 108 North American real estate projects so far this year – 50 new off-mall stores and 58 remodels. We continue to closely evaluate all locations, especially more vulnerable centers, for risk of closure. Year-to-date, we have permanently closed 11 stores, and anticipate about 40 closures for the full year 2021, principally in malls. We are forecasting approximately 55 new, almost entirely off-mall, North American stores, resulting in net square footage growth of about 3% for the full year. Based on these assumptions, about 47% of our stores at year-end will be off-mall, and 58% will be in the White Barn store design.

<u>Fourth Quarter 2021 Outlook</u>

- We are well-positioned as we go into the important Holiday season and fourth quarter. We have confidence in our merchandise assortments, and although it is very early, customers are responding positively, and quarter-to-date sales results are in line with our expectations.

- We are forecasting fourth quarter sales and earnings per share growth over last year; and significant growth versus 2019. Specifically, we expect fourth quarter earnings per share between $2.10 and $2.25, compared to earnings per share from continuing operations of $1.96 in 2020 and $1.41 in 2019.

- The fourth quarter forecast yields an estimated adjusted full year earnings per share from continuing operations range of $4.30 to $4.45 compared to $3.12 in 2020 and $1.86 in 2019.

- We expect fourth quarter sales to increase in the mid- to high-single digit percentage range compared to last year. Capacity levels in our stores will be higher than last year, while we will continue to focus on safe operations for our customers and associates. We expect that our assortments will be full and abundant, and we are confident that we will be able to meet customer demand, although we do have less in-season flexibility and agility to chase winners due to supply chain constraints.

- As a reminder, this year we have buy-online, pick-up in store (BOPIS) capability in about 550 stores nationally compared to about 100 stores last year.

- We expect the fourth quarter gross margin rate to be down significantly compared to 51.7% last year. We expect our merchandise margin rate to be down significantly to last year, principally driven by continued inflationary pressure. We are forecasting a $90 to $110 million increase in the cost of raw materials, supply chain and transportation. Our guidance assumes a similar promotional approach in the fourth quarter as last year, which is sequentially more promotional than we were in the third quarter this year due to the nature of the Holiday time period and the significance of key promotional days.

- We also expect that fourth quarter buying and occupancy costs will deleverage, driven by continued investments in our direct fulfillment capacity and lapping approximately $20 million of one-time 2020 rent concessions.

- We expect fourth quarter SG&A expense dollars to be up in the low-single digit percentage range compared to $537 million last year.

- We expect fourth quarter net non-operating expense of approximately $90 million, a tax rate of about 25-26% and weighted average shares outstanding of approximately 261 million, which assumes that we complete our share repurchase program by the end of the year.

- Consistent with previous guidance, we are estimating 2021 capital expenditures to be between $275 million and $300 million for Bath & Body Works. While not fully returning to our pre-pandemic levels, we are resuming our investment in the remodeling and opening of new stores. Additionally, we are investing in technology, distribution, fulfillment and logistics capabilities to support our growth.

- We estimate that we will end the year with approximately $1.8 billion in cash.

- We are optimistic about our 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 will continue to operate both of our channels in a safe manner for our customers and associates.

- We have confidence in our opportunities for long-term growth as we continue to focus on maximizing our performance by leveraging the strength of our brand, maintaining close connections to our customers and capitalizing on our mostly domestic supply chain.

- We invite you to join us for our live earnings call tomorrow morning at 9 a.m. Eastern by dialing 1.888.946.7609 (international dial-in number: 1.517.308.9411). The conference ID is 6362067.