# Bath & Body Works®

Find That Feeling

## Q2 Earnings & 2026 Guidance

August 26, 2026

# Q2 Earnings Call Participants

**Daniel Heaf**
Chief Executive Officer

**Tom Javitch**
Interim Chief Financial Officer

**Luke Long**
GVP Strategy & Investor Relations

# Forward-looking Statements

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

We caution that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this presentation or made by our Company or our management involve risks and uncertainties and are subject to change based on various factors, many of which are beyond our control.  Accordingly, our future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Words such as “estimate,” “project,” “plan,” “believe,” “expect,” “anticipate,” “intend,” “potential,” “target,” “goal” and any similar expressions may identify forward-looking statements.  There are risks, uncertainties and other factors that in some cases have affected and, in the future, could affect our financial performance and actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements included in this presentation or otherwise made by the Company or our management. These factors can be found in Item 1A. Risk Factors in our 2025 Annual Report on Form 10-K, and our subsequent filings.

We are not under any obligation and do not intend to make publicly available any update or other revisions to any of the forward-looking statements contained in this presentation to reflect circumstances existing after the date of this presentation or to reflect the occurrence of future events even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized.

# Q2 2026 Financial Highlights

| | |
|---|---|
| Net Sales<br>**$1.5B** | Gross Profit Rate<br>**45.7%** |
| Adjusted Operating Income[1]<br>**$225M** | Adjusted Diluted EPS[1]<br>**$0.62** |

1- See Appendix for important information regarding the non-GAAP financial measures, including reconciliations of reported-to-adjusted results.

Second quarter net sales and adjusted EPS results both ahead of expectations.

Adjusted Gross Profit Rate, Adjusted Operating Income and Adjusted Diluted EPS results included ~$80 million of tariff refunds. Excluding this benefit, adjusted EPS would have been $0.31, ahead of expectations.

While underlying business trends remained pressured, direct returned to growth, innovation and expanded distribution provided encouraging early proof points.

Narrowing full-year net sales guidance to down 4% to down 2.5% and raising our adjusted EPS guidance to $2.60 to $2.80.

2026 remains an investment year, with a continued focus on disciplined execution and strengthening our foundation for durable growth.

# Create Disruptive & Innovative Products


Bath & Body Works
EVERYDAY
LUXURIES
ORCHID EFFECT
EAU DE PARFUM


A THOUSAND


BATH & BODY WORKS
CHAMPAGNE
Toast
FINE FRAGRANCE
MIST
FOR BODY & HAIR
8 FL OZ / 236 mL
BATH & BODY WORKS
INTO THE
NIGHT
FINE FRAGRANCE MIST

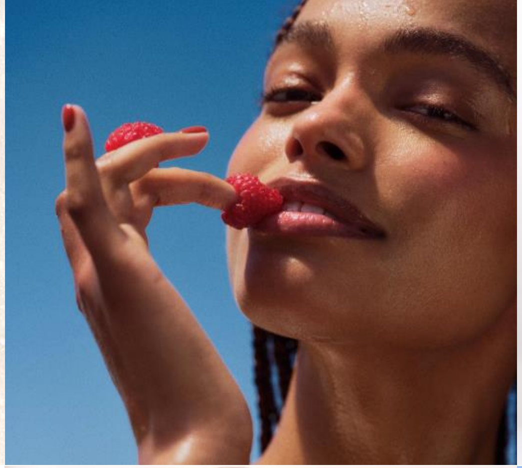
# Reignite
# The Brand

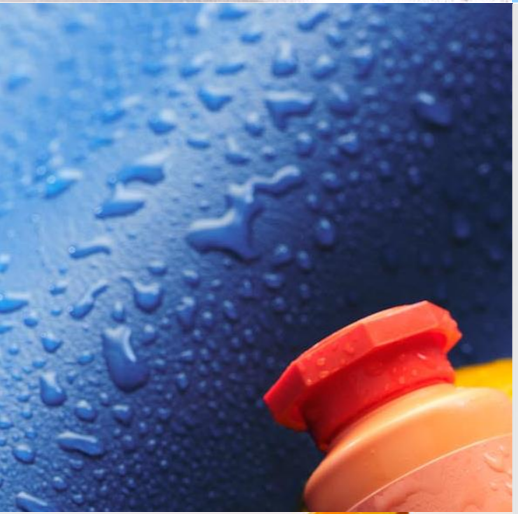
# We believe everybody deserves to feel good

FEEL GOOD

## Our Value System

Feel Good is our ultimate emotional benefit and what we value most.

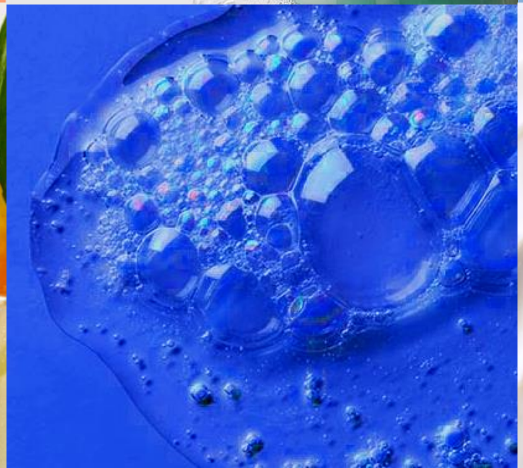


THE AMERICAN SPIRIT

## Our Cultural Lens

We express feel good through a distinctly American perspective, rooted in optimism, creativity, resilience, and belonging.

FOR EVERYBODY

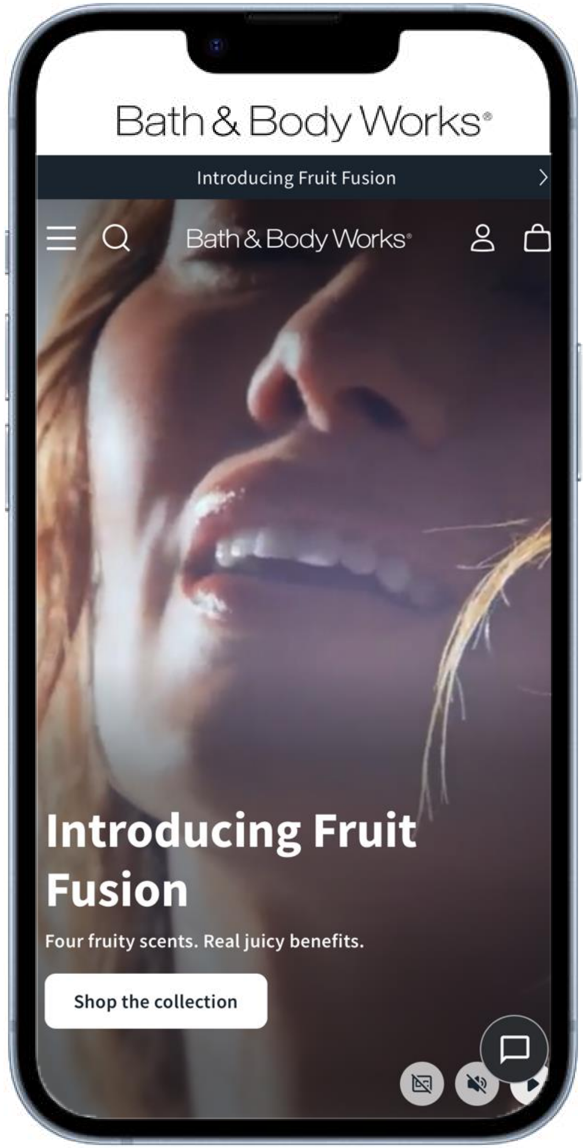
## Our Community

We are built on the belief that everybody deserves to feel good through generosity and access.

Bath & Body Works®

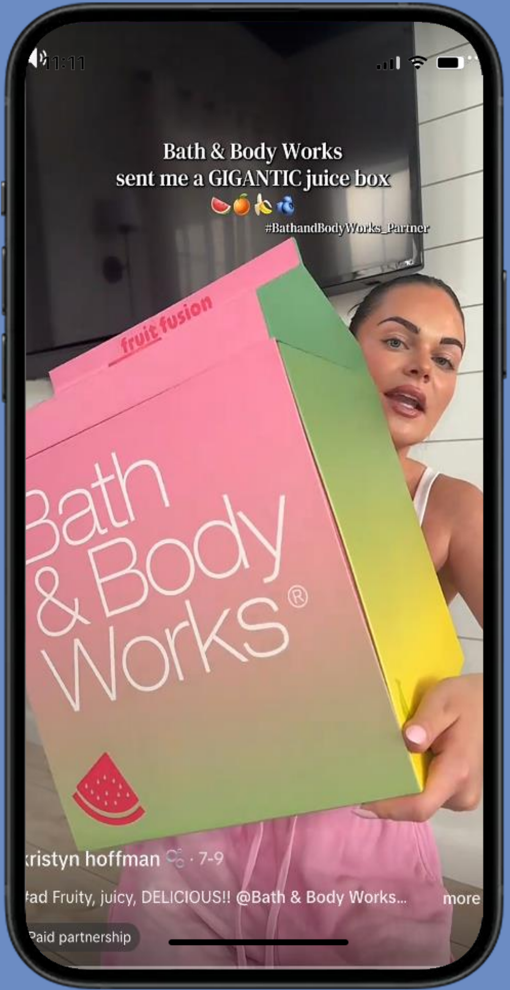
Find That Feeling


FUSION
MOISTURE

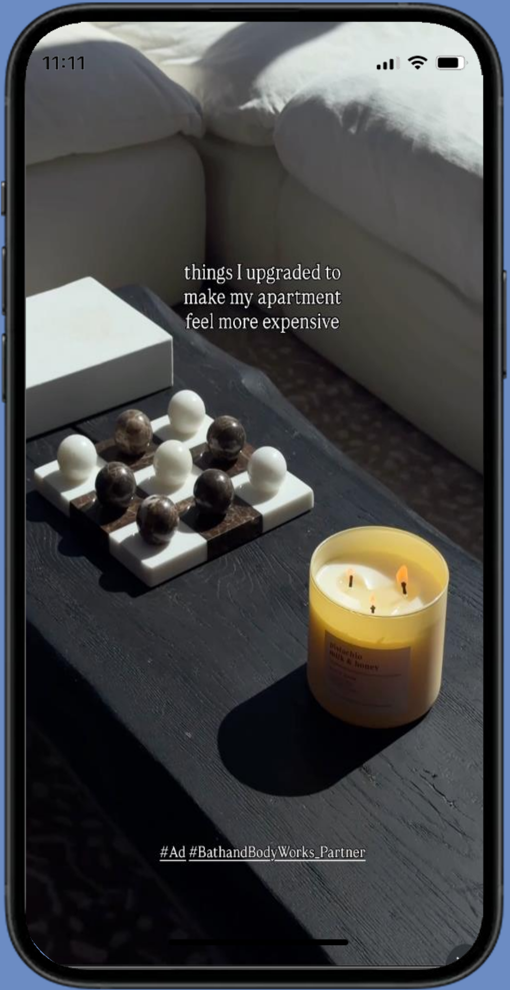

Bath & Body Works
Introducing Fruit Fusion
Bath & Body Works
Introducing Fruit Fusion
Four fruity scents. Real juicy benefits.
Shop the collection


Introducing Fruit Fusion
Shop
Offers
New
Gifts
Quality
Bath & Body Works
Search
Introducing Fruit Fusion
Four fruity scents. Real juicy benefits.
Shop the collection
FRUIT FUSION
BANANA BLEND
FRUIT FUSION
SMOOTH & SOOTHE BODY CREAM
FRUIT FUSION
48H MOISTURIZING BODY LOTION
TANGERINE TWIRL
8 FL OZ / 236 mL
FRUIT FUSION
ALL DAY MOISTURE BODY WASH
WATERMELON WHIRL
16 FL OZ / 473 mL

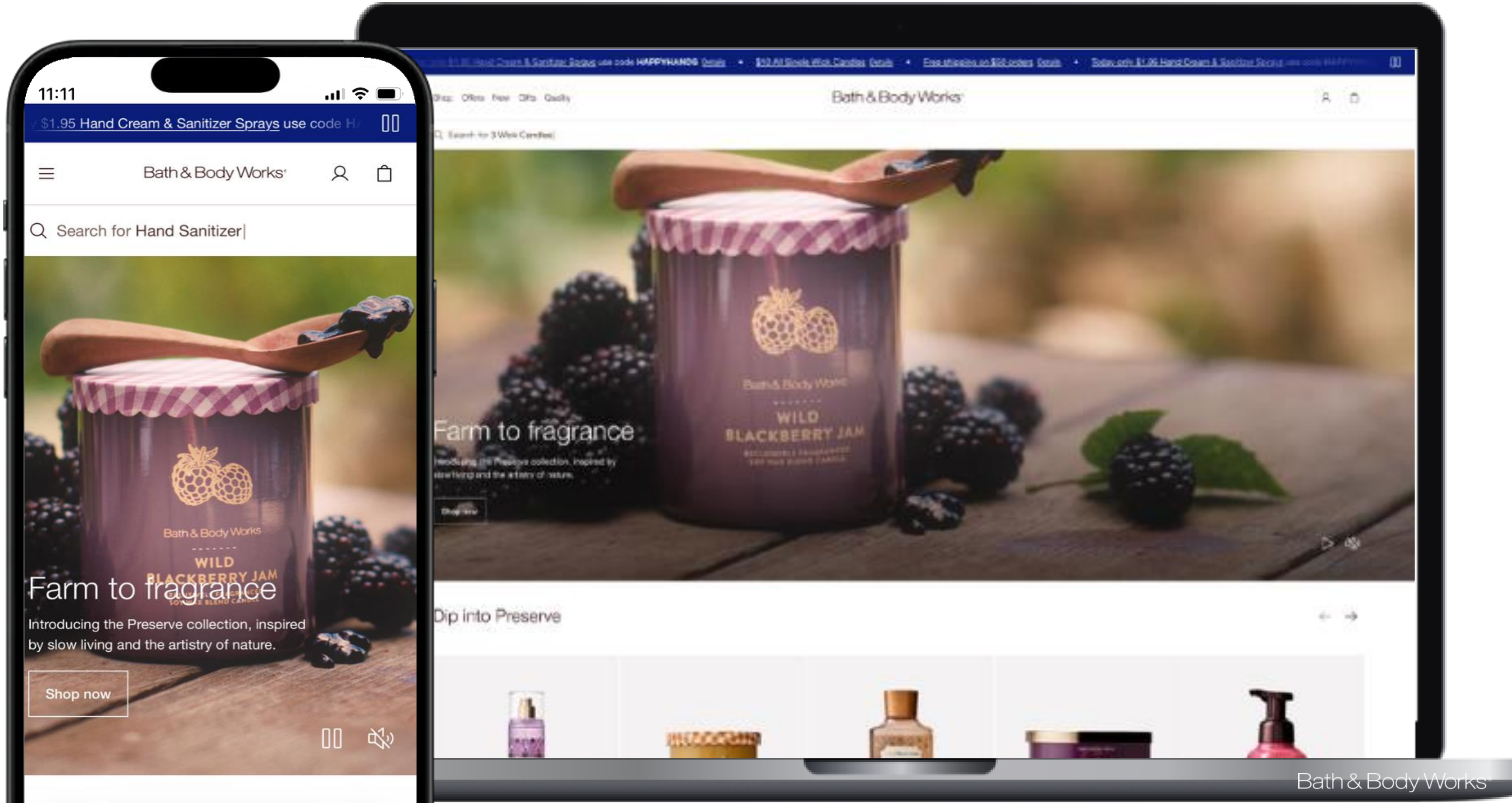

11:11
CapCut · Editing made easy
Abbey Kowalec · 8-5
#ad...

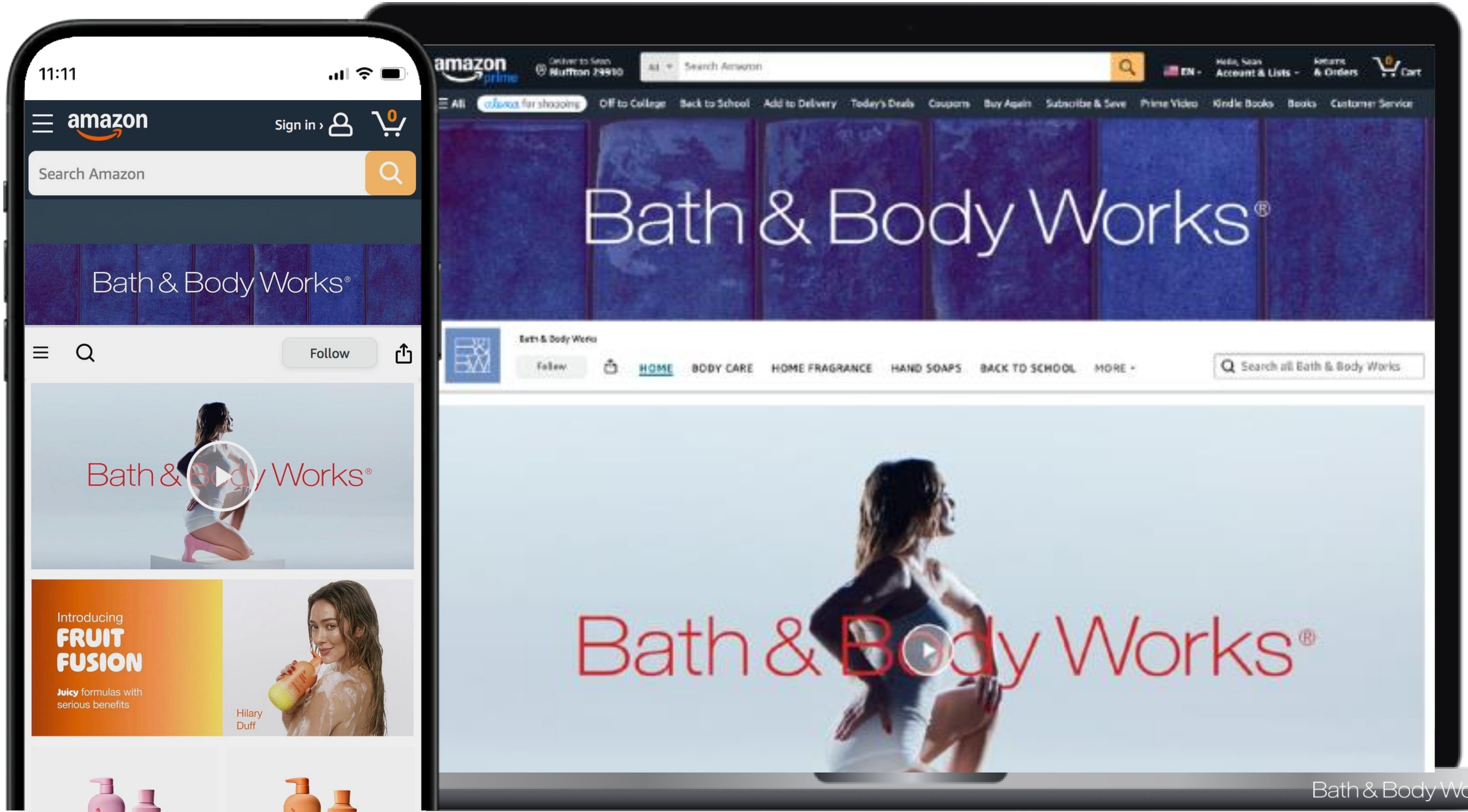

11:11
Bath & Body Works
sent me a GIGANTIC juice box
#BathandBodyWorks_Partner
fruit fusion
Bath & Body Works
kristyn hoffman · 7-9
#ad Fruity, juicy, DELICIOUS!! @Bath & Body Works... more
Paid partnership


11:11
golden mimosa, sparkling citrus, bright apple bl
HELLO HAPPINESS
HELLO HAPPINESS
8 fl oz | 236 mL
jade · 5-21
#AD...
more
Paid partnership


11:11
things I upgraded to
make my apartment
feel more expensive
#Ad #BathandBodyWorks_Partner

# Win in the Marketplace


11:11
$1.95 Hand Cream & Sanitizer Sprays use code H
Bath & Body Works
Search for Hand Sanitizer
Bath & Body Works
WILD
BLACKBERRY JAM
Farm to fragrance
Introducing the Preserve collection, inspired by slow living and the artistry of nature.
Shop now
Bath & Body Works
WILD
BLACKBERRY JAM
Farm to fragrance
Dip into Preserve


11:11
amazon
Sign in ›
Search Amazon
Bath & Body Works®
Follow
Bath & Body Works®
Introducing
FRUIT FUSION
Juicy formulas with serious benefits
Hilary Duff
amazon prime
Search Amazon
Account & Lists
Returns & Orders
Cart
All
Off to College
Back to School
Add to Delivery
Today's Deals
Coupons
Buy Again
Subscribe & Save
Prime Video
Kindle Books
Books
Customer Service
Bath & Body Works®
Bath & Body Works
Follow
HOME
BODY CARE
HOME FRAGRANCE
HAND SOAPS
BACK TO SCHOOL
MORE
Search all Bath & Body Works
Bath & Body Works®


Bath & Body Works
Body Care
that performs
MOST-LOVED FRAGRANCES
JUNIPER BREEZE
ONLY AT ULTA
MINI MIST GIFT SET
Iconic fragrances
FINE FRAGRANCE MIST
Dermatologist approved
Body Cream | 48-hour moisture
BODY CREAM & BODY WASH
Body Wash | Nourished and healthy-looking skin
Light mist of powerful fragrance
EAU DE PARFUM
Higher concentration of fragrance oils
Includes Body Wash, Body Cream, Mist & Hand Cream
Bath & Body Works
EXIT
REDKEN
LIP SOLUTION CENTER


SALON HAIRCARE
Home Fragrance
that transforms
Candles with up to 45 hours of room-filling fragrance
Foaming Hand Soaps that are dermatologist approved*
Diffusers with flameless fragrance that lasts up to 30 days
More favorites on ulta.com
Bath & Body Works
MOST-LOVED CANDLES
3-WICK CANDLES
FOAMING HAND SOAPS
WALLFLOWERS® DIFFUSERS
REDKEN


FRESH & CLEAN
FRUITY & BRIGHT
WARM & WOODSY
WARM & WOODSY
FRESH & CLEAN
Coastal Dreaming
Crushed sea salt, wave-washed vanilla & warm driftwood
FRESH & CLEAN
At the Beach
Champagne Toast
So good it's gone

Bath & Body Works
WARM & WOODSY
Iconic Fragrances
Our fragrance collection showcases our most enduring, show-stopping scents for every moment and any personality.
There's a reason we call them iconic — discover for yourself.
BOTANICALS & BLOOMS
WARM & WOODSY
A Thousand Wishes
FIND YOUR ICON
BOTANICALS & BLOOMS
Japanese Cherry Blossom
BOTANICALS & BLOOMS
Forever Cherry Blossom


Bath & Body Works

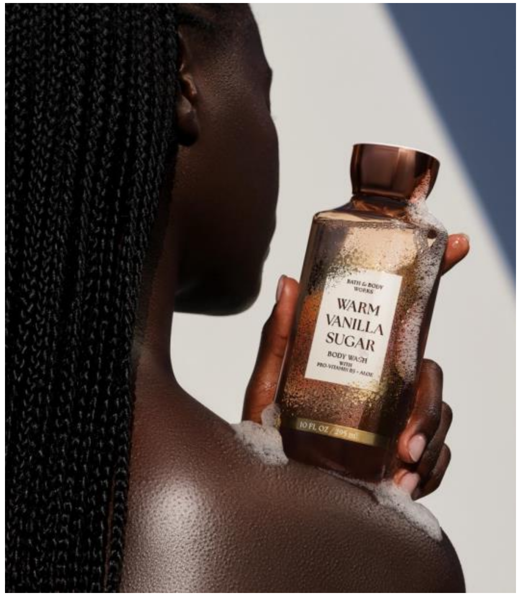
# Operate With Speed & Efficiency

# The Consumer First Formula

## Putting the consumer at the center, with focus on the four largest revenue driving opportunities


### Create Disruptive & Innovative Products

Best in class Body Care, Home Fragrance, Soaps & Sanitizers with scents that are unmistakably Bath & Body Works

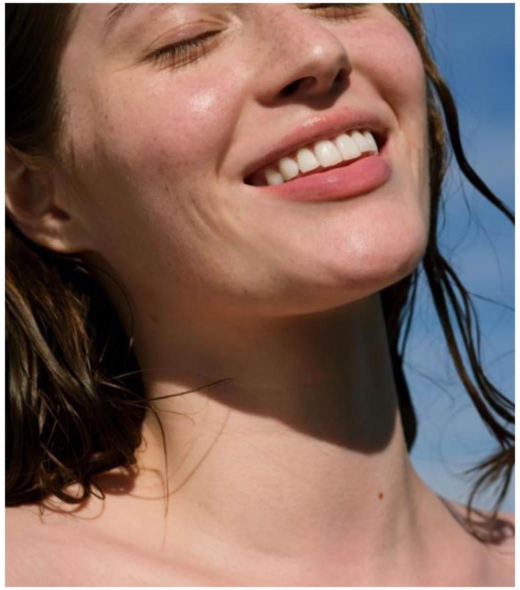



### Reignite The Brand

A brand with cultural currency showing up through creators and in store theater, and building meaningful emotional connections with consumers


### Win In The Marketplace

The best of Bath & Body Works, accessible anytime and anywhere she chooses to shop



### Operate With Speed & Efficiency

Empowered teams, working with focus and agility to prioritize what consumers care about most

**Build Winning Teams & Culture**

Empowered and engaged high performing teams bringing our Consumer First Formula to life everyday

# Q2 2026 Financial Results[1]

in millions, except earnings per share

| | ACTUALS | vs. LY Favorable/(Unfavorable) | GUIDANCE (May 27, 2026[2]) |
|---|---|---|---|
| Net Sales | $1,514 | (2.3%) | (5%) – (3%) |
| COGS and B&O | $882 | - | |
| Gross Profit | $692 | +8.1% | |
| Gross Profit Rate | 45.7% | +440 bps | ~40% |
| Adjusted SG&A[1] | $467 | Flat | |
| Adjusted SG&A Rate[1] | 30.8% | (60 bps) | ~31.8% |
| Adjusted Operating Income[1] | $225 | +30.4% | |
| Adjusted Operating Income Rate[1] | 14.8% | +370 bps | |
| Interest Expense & Other | $52 | +17.6% | ~$56 |
| Adjusted Tax Provision[1] | $48 | | |
| Adjusted Tax Rate[1] | 27.9% | | ~29.3% |
| Adjusted Net Income[1] | $125 | +60.7% | |
| Weighted Average Diluted Shares Outstanding | 202 million | | ~203 |
| Adjusted Earnings Per Diluted Share[1] | $0.62 | +67.6% | $0.20 - $0.25 |

1- See Appendix for important information regarding the non-GAAP financial measures, including reconciliations of reported-to-adjusted results.

2 - The company's Q2 guidance was provided as a part of the company's Q1 2026 earnings materials.

## Key Highlights

Net sales of $1.5B, a decline of (2.3%) to LY, above expectations.

- Underlying business trends remained consistent with past several quarters, improved sequentially to the first quarter.
- Performance reiterates the necessity of the Consumer First Formula.

Gross Profit rate was 45.7%, excluding the benefit of the tariff refund, gross profit rate would have been 40.4%, a decline of 90 bps.

- Slightly above expectations by ~40bps.
- Decline to prior year is driven primarily by B&O deleverage of ~70 bps due to sales declines.
- Merchandise margin rate roughly flat, excluding the benefit of tariff refunds.
- Mixed adjusted AUR was flat.

Adjusted SG&A dollars were flat and rate increased by 60 basis points to the prior year.

- Better than expected due to incremental expense savings and discrete items.
- Adjusted SG&A rate increase to prior year driven by sales deleverage as investments in Consumer First Formula and increases in inflation and merit were offset by Fuel for Growth.

# Q2 2026 North American Category Performance


## Body Care

Q2 sales down
mid-single digits


## Home Fragrance

Q2 sales down
low-single digits


## Soaps & Sanitizers

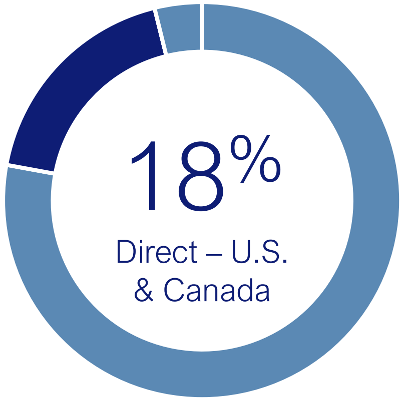
Q2 sales flat

# Q2 2026 Net Sales By Channel


$1.1B

(5.4%) to LY

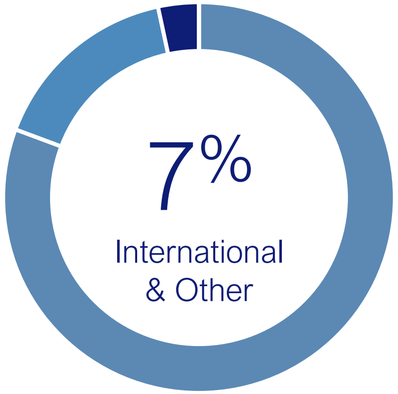
- BOPIS net sales are reported as store net sales.




$275M

+3.0% to LY

- Normalized for our free shipping threshold change, digital outperformed stores.
- BOPIS represents ~25% of total direct demand.




$108M

+24.9% to LY

- Inclusive of domestic third-party wholesale revenues.
- International system-wide retail sales[1] up high single digits and net sales were up low-double digits in the quarter.

1 - Total "international system-wide retail sales" means the net sales of all Bath & Body Works stores and digital channels located outside North America and owned and/or operated by the company's franchise, license and wholesale partners. While total international system-wide retail sales are not recorded as net sales by the company, management believes the information is important in understanding the company's financial performance because these sales are the basis on which the company calculates and records certain net sales for its International business and are indicative of the financial health of the company's franchise, license and wholesale partners and the prospects for growth of the company's International business.

NOTE: BOPIS stands for "Buy Online, Pickup In Store."

# Store Count And Company-Operated Selling Square Feet

Q1 2026 vs. Q2 2026

Total Company-Operated Stores

| | Stores | | | | Selling Sq. Ft. (000's) | | | |
|---|---|---|---|---|---|---|---|---|
| | 5/2/2026 | Opened | Closed | 8/1/2026 | 5/2/2026 | Opened/ Remodels | Closed | 8/1/2026 |
| Bath & Body Works U.S. | 1,810 | 23 | (10) | 1,823 | 5,155 | 57 | (22) | 5,189 |
| Bath & Body Works Canada | 113 | 1 | - | 114 | 329 | 3 | - | 332 |
| Total Bath & Body Works | 1,923 | 24 | (10) | 1,937 | 5,484 | 60 | (22) | 5,521 |

Total Partner-Operated Stores

| | Stores | | | |
|---|---|---|---|---|
| | 5/2/2026 | Opened | Closed | 8/1/2026 |
| International | 542 | 17 | - | 559 |
| International – Travel Retail | 37 | - | - | 37 |
| Total International[1] | 579 | 17 | - | 596 |

1- Includes store locations only and does not include kiosks, shop-in-shops, gondola or beauty counter locations.

# FY 2026 Guidance[1]

In millions, except earnings per share

| Metric | Guidance (August 26, 2026) | Guidance (May 27, 2026) |
|---|---|---|
| Net Sales | (4%) – (2.5%) | (4.5%) – (2.5%) |
| Adjusted Gross Profit Rate[1] | ~43.3% | ~42.4% |
| Adjusted SG&A Expense Rate[1] | ~29.6% | ~29.2% |
| Adjusted Interest Expense & Other[1] | ~$217 | ~$230 |
| Adjusted Tax Rate[1] | ~26.8% | ~26.5% |
| Weighted Average Diluted Shares Outstanding | ~203 million | ~203 million |
| Adjusted Earnings Per Diluted Share[1] | $2.60 - $2.80 | $2.40 - $2.65 |
| Capital Expenditures | ~$240 | ~$270 |
| Free Cash Flow[1] | ~$650 | ~$600 |

1- See Appendix for important information regarding the non-GAAP financial measures, including reconciliations of forecasted amounts.

## Key Highlights

Net sales now expected to be down (4%) to down (2.5%).

- Underlying business trend down low single digits with comparable level of promotions to prior year.
- Macro environment similar to 2025 with continued value-seeking consumer.
- Innovation pipeline, improved marketing and new touchpoints will begin to contribute over time, with a greater impact in the back half of 2026 and into 2027.

Benefit of Q2 tariff refunds of ~$80 million is partially offset by:

- Tariff and input cost inflation of ~$30 million.
- Incremental investments in the Consumer First Formula, primarily into marketing efforts of ~$35 million.

Adjusted Gross profit rate now expected to be ~43.3%.

- B&O deleverage due to sales declines.
- Assumes the approved tariffs and input cost environment as of the end of Q2 remains in place through the balance of the year.

Adjusted SG&A rate now expected to be ~29.6%, reflecting increased Consumer First Formula investments.

Fuel for Growth targets $250 million of cost savings over two years. We expect to exceed our initial target of ~$175 million in 2026 by $25 million, split roughly evenly between Gross Margin and SG&A.

Full-year guidance excludes any assumption of share repurchases.

# Q3 2026 Guidance[1]

in millions, except earnings per share

| Metric | Guidance (August 26, 2026) |
|---|---|
| Net Sales | (5%) – (2.5%) |
| Gross Profit Rate | ~40% |
| SG&A Expense Rate | ~34.8% |
| Adjusted Interest Expense & Other[1] | ~$54 |
| Adjusted Tax Rate[1] | ~26% |
| Weighted Average Diluted Shares Outstanding | ~203 million |
| Adjusted Earnings Per Diluted Share[1] | $0.07 - $0.12 |

1- See Appendix for important information regarding the non-GAAP financial measures, including reconciliations of forecasted amounts.

## Key Highlights

Q2 net sales expected to be down (5%) to down (2.5%).

- Underlying business trend down low-single digits with comparable level of promotions to prior year.

Gross profit rate expected to be ~40%, reflecting higher store occupancy and deleverage due to sales declines, as well as product transformation investments.

SG&A rate expected to be ~34.8%, reflecting sales deleverage and increased investments associated with the Consumer First Formula, primarily in marketing.

# Capital Allocation Highlights

| | Q2 Year-to-Date Results | FY’26 Guidance |
|---|---|---|
| Capital Expenditures | $98M | ~$240M |
| Dividend Payments | $80M<br>$0.40/share dividend | Expect to maintain our annual dividend of $0.80/share |
| Debt Repayment | $284M Notional<br>Redemption of January 2027 notes (Q1’26) | ~$534M Notional<br>Redemption of $284M January 2027 notes (Q1’26) and $250M partial redemption of June 2029 notes (Q3’26) |
| Free Cash Flow[1] | | ~$650M |

1 - See Appendix for important information regarding the non-GAAP financial measures, including reconciliations of forecasted amounts.

# A Strong Foundation to Execute the Consumer First Formula

2026 is a year of disciplined investment and execution behind the Consumer First Formula to position the business for sustainable, long-term growth, and we are confident in our strategy and ability to establish Bath & Body Works as a premier global brand.

## Leader In Attractive Space

A market leader in each of our 3 hero categories: Home Fragrance, Soaps & Sanitizers, and Body Care[1] provides a strong base for innovation and brand elevation.

## Margins That Support Strategic Investment

FY26 adjusted operating margin expectations of ~14%[2] reflect disciplined cost management while funding product, brand, digital and marketplace capabilities.

## Consistent Free Cash Flow Generation

~$650M[3] expected in FY26, enabling reinvestment in growth and maintaining balance sheet strength.

## Balanced, Disciplined Capital Allocation

Expected continued payment of annual dividend, ~$240 million of capital expenditures for the year, and a commitment to maintaining a strong balance sheet, underscoring our commitment to disciplined capital allocation priorities.

1 - Source: Circana & BBW Internal Data, based on full year 2025 results;
2 – Based on the mid-point of our fiscal 2026 full year guidance.
3 - See Appendix for important information regarding the non-GAAP financial measures.

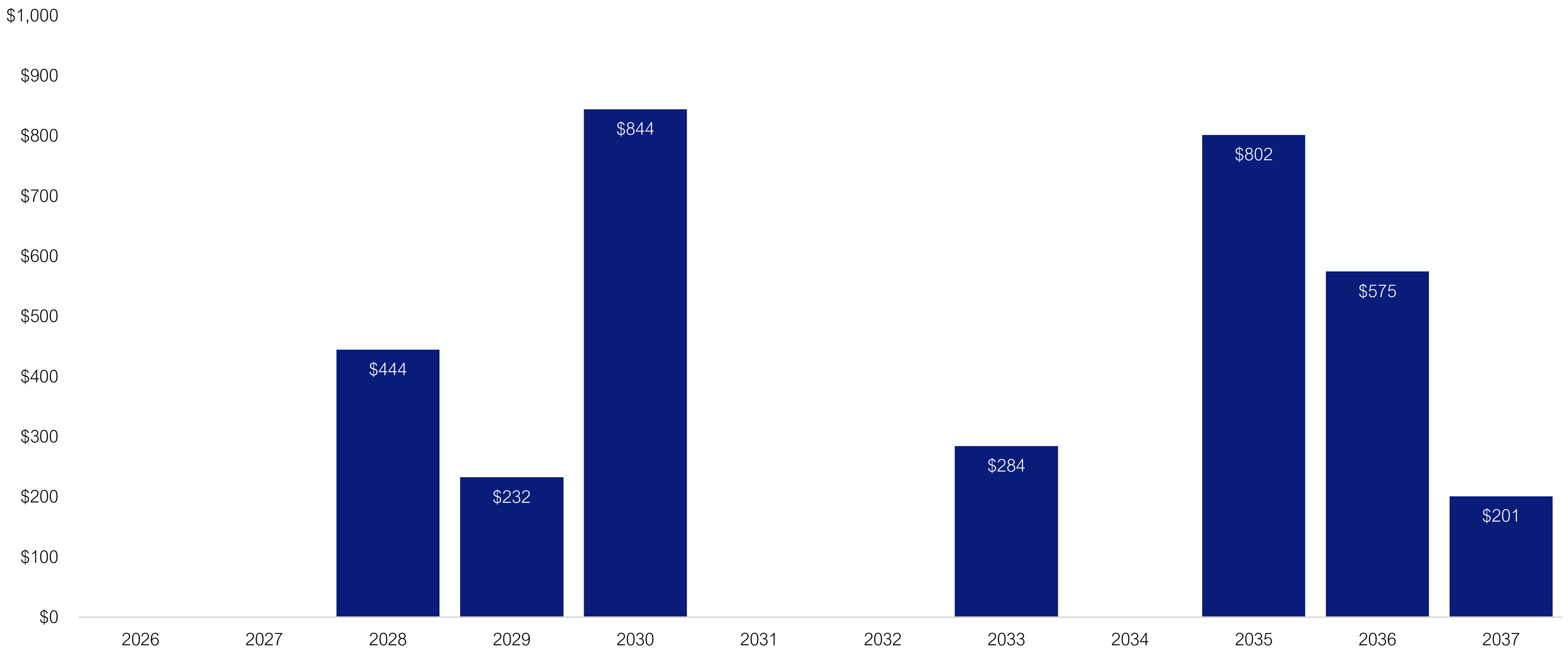
# Q&A

# Appendix

Other financial information

# Debt Maturities

as of August 26, 2026



# Store Count And Company-Operated Selling Square Feet

Year-to-date

Total Company-Operated Stores

| | Stores | | | | Selling Sq. Ft. (000's) | | | |
|---|---|---|---|---|---|---|---|---|
| | 1/31/2026 | Opened | Closed | 8/1/2026 | 1/31/2026 | Opened/ Remodels | Closed | 8/1/2026 |
| Bath & Body Works U.S. | 1,814 | 36 | (27) | 1,823 | 5,166 | 88 | (64) | 5,189 |
| Bath & Body Works Canada | 113 | 1 | - | 114 | 328 | 4 | - | 332 |
| Total Bath & Body Works | 1,927 | 37 | (27) | 1,937 | 5,493 | 92 | (64) | 5,521 |

Total Partner-Operated Stores

| | Stores | | | |
|---|---|---|---|---|
| | 1/31/2026 | Opened | Closed | 8/1/2026 |
| International | 536 | 25 | (2) | 559 |
| International – Travel Retail | 37 | - | - | 37 |
| Total International[1] | 573 | 25 | (2) | 596 |

1- Includes store locations only and does not include kiosks, shop-in-shops, gondola or beauty counter locations.

# Adjusted Financial Information – Q2 2026

$ in millions, except per share amounts

| | Q2 2026 | |
|---|---|---|
| **Reconciliation of Reported SG&A Expense to Adjusted SG&A Expense** | **$** | **Rate** |
| Reported SG&A Expense | $ 476 | 31.5% |
| Business Transformation Activities | (9) | (0.6%) |
| Adjusted SG&A Expense | $ 467 | 30.8% |
| | | |
| **Reconciliation of Reported Operating Income to Adjusted Operating Income** | **$** | **Rate** |
| Reported Operating Income | $ 216 | 14.2% |
| Business Transformation Activities | 9 | 0.6% |
| Adjusted Operating Income | $ 225 | 14.8% |
| | | |
| **Reconciliation of Reported Tax Provision to Adjusted Tax Provision** | **$** | **Rate** |
| Reported Tax Provision | $ 46 | 28.0% |
| Tax Effect of Adjustments | 2 | (0.2%) |
| Adjusted Tax Provision | $ 48 | 27.9% |
| | | |
| **Reconciliation of Reported Net Income to Adjusted Net Income** | **$** | |
| Reported Net Income | $ 118 | |
| Business Transformation Activities | 9 | |
| Tax Effect of Adjustments | (2) | |
| Adjusted Net Income | $ 125 | |
| | | |
| **Reconciliation of Reported Net Income Per Diluted Share to Adjusted Net Income Per Diluted Share** | **$** | |
| Reported Net Income Per Diluted Share | $ 0.58 | |
| Business Transformation Activities | 0.05 | |
| Tax Effect of Adjustments | (0.01) | |
| Adjusted Net Income Per Diluted Share | $ 0.62 | |

**The second quarter 2026 adjusted results above excludes the following:**

- Aggregate pre-tax costs of $9 million ($7 million after tax) included in SG&A Expense, resulting from business transformation activities in connection with the Consumer First Formula.

# Forecasted Adjusted Financial Information – 2026

$ in millions, except earnings per share amounts

| | Q3 2026 | Full-Year 2026 |
|---|---|---|
| **Reconciliation of Forecasted Gross Profit Rate to Forecasted Adjusted Gross Profit Rate** | | **Rate** |
| Forecasted Gross Profit Rate | | 43.3% |
| Business Transformation Activities | | - |
| Forecasted Adjusted Gross Profit Rate | | 43.3% |
| **Reconciliation of Forecasted SG&A Expense Rate to Forecasted Adjusted SG&A Expense Rate** | | **Rate** |
| Forecasted SG&A Expense Rate | | 28.6% |
| Interchange Fee Settlements | | 1.2% |
| Business Transformation Activities | | (0.2%) |
| Forecasted Adjusted SG&A Expense Rate | | 29.6% |
| **Reconciliation of Forecasted Interest Expense & Other to Forecasted Adjusted Interest Expense & Other** | **$** | **$** |
| Forecasted Interest Expense & Other | $59 | $228 |
| Loss on Extinguishment of Debt | (5) | (14) |
| Gain on Sale of Non-core Asset | - | 3 |
| Forecasted Adjusted Interest Expense & Other | $54 | $217 |
| **Reconciliation of Forecasted Tax Rate to Forecasted Adjusted Tax Rate** | **Rate** | **Rate** |
| Forecasted Tax Rate | 26.4% | 19.4% |
| Tax Effect of Adjustments | (0.4%) | 0.2% |
| Tax Benefit from the Resolution of Certain Tax Matters | - | 7.2% |
| Forecasted Adjusted Tax Rate | 26.0% | 26.8% |

# Forecasted Adjusted Financial Information – 2026, cont.

$ in millions, except earnings per share amounts

| | Q3 2026 | | Full-Year 2026 | |
|---|---|---|---|---|
| | Low | High | Low | High |
| **Reconciliation of Forecasted Net Income Per Diluted Share to Forecasted Adjusted Net Income Per Diluted Share** | $ | $ | $ | $ |
| Forecasted Net Income Per Diluted Share | $ 0.05 | $ 0.10 | $ 3.13 | $ 3.33 |
| Business Transformation Activities | - | - | 0.09 | 0.09 |
| Interchange Fee Settlements | - | - | (0.43) | (0.43) |
| Loss on Extinguishment of Debt | 0.03 | 0.03 | 0.07 | 0.07 |
| Gain on Sale of Non-core Asset | - | - | (0.02) | (0.02) |
| Tax Effect of Adjustments | (0.01) | (0.01) | 0.07 | 0.07 |
| Tax Benefit from the Resolution of Certain Tax Matters | - | - | (0.31) | (0.31) |
| Forecasted Adjusted Net Income Per Diluted Share | $ 0.07 | $ 0.12 | $ 2.60 | $ 2.80 |

Our third quarter and full-year 2026 forecasted adjusted results exclude a $5 million pre-tax loss ($4 million after tax), which will be included in Interest Expense & Other, related to the repurchase and early extinguishment of outstanding debt completed on August 19, 2026.

Our full-year 2026 forecasted adjusted results also exclude the adjusted items recognized in the first and second quarters, discussed below;

- Aggregate pre-tax costs of $17 million ($13 million after tax), primarily included in SG&A Expense, resulting from business transformation activities in connection with the Consumer First Formula;

- An $88 million pre-tax gain ($66 million after tax), included as a reduction to SG&A Expense, related to cash proceeds received, net of legal fees, for favorable settlements of payment card interchange fee litigation;

- An $8 million pre-tax loss ($6 million after tax), included in Interest Expense & Other, related to the repurchase and early extinguishment of outstanding debt completed in the first quarter.

- A $3 million pre-tax gain ($3 million after tax), included in Interest Expense & Other, related to the sale of a non-core asset; and

- A $62 million tax benefit associated with the resolution of certain tax matters.

# Forecasted Free Cash Flow Information

$ in millions, except share amounts

| | Full-Year 2026 |
|---|---|
| **Reconciliation of Forecasted Net Cash Provided by Operating Activities to Forecasted Free Cash Flow** | |
| Forecasted Net Cash Provided by Operating Activities | $ 890 |
| Forecasted Capital Expenditures | (240) |
| Forecasted Free Cash Flow | $ 650 |

**Free Cash Flow**

Our Forecasted Free Cash Flow is defined as Forecasted Net Cash Provided by Operating Activities less our Forecasted Capital Expenditures. Our Free Cash Flow measures are non-GAAP financial measures which we believe are useful to analyze our anticipated ability to generate cash. Our Free Cash Flow calculations may not be comparable to similarly titled measures reported by other companies. Our Free Cash Flow measures should be evaluated in addition to, and not considered a substitute for, other GAAP financial measures.

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