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 October 29, 2022

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)
Not Applicable
(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 November 25, 2022, the number of outstanding shares of the Registrant’s common stock was 228,414,615 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, "third quarter of 2022" and "third quarter of 2021" refer to the thirteen-week periods ended October 29, 2022 and October 30, 2021, respectively, and "year-to-date 2022" and "year-to-date 2021" refer to the thirty-nine-week periods ended October 29, 2022 and October 30, 2021, respectively.

PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	Third Quarter		Year-to-Date	
	2022	2021	2022	2021
Net Sales	$ 1,604	$ 1,681	$ 4,672	$ 4,854
Costs of Goods Sold, Buying and Occupancy	(926)	(842)	(2,666)	(2,445)
Gross Profit	678	839	2,006	2,409
General, Administrative and Store Operating Expenses	(476)	(430)	(1,282)	(1,279)
Operating Income	202	409	724	1,130
Interest Expense	(86)	(91)	(262)	(301)
Other Income (Loss)	3	(91)	7	(196)
Income from Continuing Operations Before Income Taxes	119	227	469	633
Provision for Income Taxes	28	50	103	150
Net Income from Continuing Operations	91	177	366	483
Income (Loss) from Discontinued Operations, Net of Tax	—	(89)	—	256
Net Income	$ 91	$ 88	$ 366	$ 739
Net Income (Loss) per Basic Share				
Continuing Operations	$ 0.40	$ 0.67	$ 1.57	$ 1.77
Discontinued Operations	—	(0.34)	—	0.94
Total Net Income per Basic Share	$ 0.40	$ 0.33	$ 1.57	$ 2.71
Net Income (Loss) per Diluted Share				
Continuing Operations	$ 0.40	$ 0.66	$ 1.56	$ 1.74
Discontinued Operations	—	(0.33)	—	0.92
Total Net Income per Diluted Share	$ 0.40	$ 0.33	$ 1.56	$ 2.67

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

	Third Quarter		Year-to-Date	
	2022	2021	2022	2021
Net Income	$ 91	$ 88	$ 366	$ 739
Other Comprehensive Income (Loss), Net of Tax:				
Foreign Currency Translation	(4)	1	(4)	4
Unrealized Gain (Loss) on Cash Flow Hedges	3	(1)	3	(1)
Reclassification of Cash Flow Hedges to Earnings	—	1	—	2
Total Other Comprehensive Income (Loss), Net of Tax	(1)	1	(1)	5
Total Comprehensive Income	$ 90	$ 89	$ 365	$ 744

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)

	October 29, 2022 (Unaudited)	January 29, 2022	October 30, 2021 (Unaudited)
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 295	$ 1,979	$ 1,441
Accounts Receivable, Net	242	240	242
Inventories	1,269	709	1,149
Other	142	81	153
Total Current Assets	1,948	3,009	2,985
Property and Equipment, Net	1,121	1,009	1,017
Operating Lease Assets	1,074	1,021	1,023
Goodwill	628	628	628
Trade Names	165	165	165
Deferred Income Taxes	41	45	62
Other Assets	156	149	151
Total Assets	$ 5,133	$ 6,026	$ 6,031
LIABILITIES AND EQUITY (DEFICIT)			
Current Liabilities:			
Accounts Payable	$ 632	$ 435	$ 655
Accrued Expenses and Other	645	651	636
Current Operating Lease Liabilities	175	170	143
Income Taxes	—	34	1
Total Current Liabilities	1,452	1,290	1,435
Deferred Income Taxes	158	157	146
Long-term Debt	4,860	4,854	4,852
Long-term Operating Lease Liabilities	1,039	989	993
Other Long-term Liabilities	232	253	280
Shareholders' Equity (Deficit):			
Preferred Stock - $1.00 par value; 10 shares authorized; none issued	—	—	—
Common Stock - $0.50 par value; 1,000 shares authorized; 243, 269 and 275 shares issued; 228, 254 and 260 shares outstanding, respectively	122	134	137
Paid-in Capital	801	893	904
Accumulated Other Comprehensive Income	79	80	80
Retained Earnings (Accumulated Deficit)	(2,789)	(1,803)	(1,975)
Less: Treasury Stock, at Average Cost; 15, 15 and 15 shares, respectively	(822)	(822)	(822)
Total Shareholders' Equity (Deficit)	(2,609)	(1,518)	(1,676)
Noncontrolling Interest	1	1	1
Total Equity (Deficit)	(2,608)	(1,517)	(1,675)
Total Liabilities and Equity (Deficit)	$ 5,133	$ 6,026	$ 6,031

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)

Third Quarter 2022

	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, July 30, 2022	228	$ 122	$ 791	$ 80	$ (2,834)	$ (822)	$ 1	$ (2,662)
Net Income	—	—	—	—	91	—	—	91
Other Comprehensive Loss	—	—	—	(1)	—	—	—	(1)
Total Comprehensive Income	—	—	—	(1)	91	—	—	90
Cash Dividends ($0.20 per share)	—	—	—	—	(46)	—	—	(46)
Share-based Compensation and Other	—	—	10	—	—	—	—	10
Balance, October 29, 2022	228	$ 122	$ 801	$ 79	$ (2,789)	$ (822)	$ 1	$ (2,608)

Third 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, July 31, 2021	265	$ 140	$ 911	$ 87	$ (1,505)	$ (822)	$ 1	$ (1,188)
Net Income	—	—	—	—	88	—	—	88
Other Comprehensive Income	—	—	—	1	—	—	—	1
Total Comprehensive Income	—	—	—	1	88	—	—	89
Victoria's Secret Spin-Off	—	—	—	(8)	(175)	—	—	(183)
Cash Dividends ($0.15 per share)	—	—	—	—	(39)	—	—	(39)
Repurchases of Common Stock	(5)	—	—	—	—	(365)	—	(365)
Treasury Share Retirement	—	(3)	(18)	—	(344)	365	—	—
Share-based Compensation and Other	—	—	11	—	—	—	—	11
Balance, October 30, 2021	260	$ 137	$ 904	$ 80	$ (1,975)	$ (822)	$ 1	$ (1,675)

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 2022

	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 29, 2022	254	$ 134	$ 893	$ 80	$ (1,803)	$ (822)	$ 1	$ (1,517)
Net Income	—	—	—	—	366	—	—	366
Other Comprehensive Loss	—	—	—	(1)	—	—	—	(1)
Total Comprehensive Income	—	—	—	(1)	366	—	—	365
Cash Dividends ($0.60 per share)	—	—	—	—	(140)	—	—	(140)
Repurchases of Common Stock	(7)	—	—	—	—	(312)	—	(312)
Accelerated Share Repurchase Program	(20)	—	—	—	—	(1,000)	—	(1,000)
Treasury Share Retirement	—	(13)	(87)	—	(1,212)	1,312	—	—
Share-based Compensation and Other	1	1	(5)	—	—	—	—	(4)
Balance, October 29, 2022	228	$ 122	$ 801	$ 79	$ (2,789)	$ (822)	$ 1	$ (2,608)

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 Income	—	—	—	—	739	—	—	739
Other Comprehensive Income	—	—	—	5	—	—	—	5
Total Comprehensive Income	—	—	—	5	739	—	—	744
Victoria's Secret Spin-Off	—	—	—	(8)	(175)	—	—	(183)
Cash Dividends ($0.30 per share)	—	—	—	—	(81)	—	—	(81)
Repurchases of Common Stock	(22)	—	—	—	—	(1,559)	—	(1,559)
Treasury Share Retirement	—	(8)	(50)	—	(1,037)	1,095	—	—
Share-based Compensation and Other	4	2	63	—	—	—	—	65
Balance, October 30, 2021	260	$ 137	$ 904	$ 80	$ (1,975)	$ (822)	$ 1	$ (1,675)

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	
	2022	**2021 (a)**
Operating Activities:		
Net Income	$ 366	$ 739
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation of Long-lived Assets	162	310
Loss on Extinguishment of Debt	—	195
Share-based Compensation Expense	26	38
Deferred Income Taxes	1	19
Changes in Assets and Liabilities:		
Accounts Receivable	(3)	(61)
Inventories	(563)	(617)
Accounts Payable, Accrued Expenses and Other	185	132
Income Taxes Payable	(57)	(149)
Other Assets and Liabilities	(50)	(159)
Net Cash Provided by Operating Activities	67	447
Investing Activities:		
Capital Expenditures	(252)	(241)
Other Investing Activities	—	13
Net Cash Used for Investing Activities	(252)	(228)
Financing Activities:		
Payments of Long-term Debt	—	(1,716)
Proceeds from Spin-Off of Victoria's Secret & Co.	—	976
Transfers and Payments to Victoria's Secret & Co. related to Spin-Off	(9)	(362)
Repurchases of Common Stock	(1,312)	(1,544)
Dividends Paid	(140)	(81)
Tax Payments related to Share-based Awards	(32)	(58)
Proceeds from Stock Option Exercises	2	81
Other Financing Activities	(8)	(9)
Net Cash Used for Financing Activities	(1,499)	(2,713)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	—	2
Net Decrease in Cash and Cash Equivalents	(1,684)	(2,492)
Cash and Cash Equivalents, Beginning of Period	1,979	3,933
Cash and Cash Equivalents, End of Period	$ 295	$ 1,441

(a) The cash flows related to discontinued operations have not been segregated. Accordingly, the 2021 Consolidated Statement of Cash Flows includes the results of continuing and discontinued operations.

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

Bath & Body Works, Inc. (the "Company") is a specialty retailer of home fragrance, body care and soap and sanitizer products. The Company sells merchandise through its specialty retail stores in the United States of America ("U.S.") and Canada, and through its websites and other channels, under the Bath & Body Works, White Barn and other brand names. The Company's international business is primarily conducted through franchise, license and wholesale partners. The Company operates as and reports a single segment that includes all of its continuing operations.

On August 2, 2021, the Company completed the tax-free spin-off of its Victoria's Secret business, which included the Victoria's Secret and PINK brands, into an independent publicly traded company (the "Separation"). Accordingly, the operating results of, and costs to separate, the Victoria's Secret business are reported in Income (Loss) from Discontinued Operations, Net of Tax in the Consolidated Statements of Income for all periods presented. All amounts and disclosures included in the Notes to Consolidated Financial Statements reflect only the Company's continuing operations unless otherwise noted. For additional information, see Note 2, "Discontinued Operations."

On August 2, 2021, in connection with the Separation, 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 on the New York Stock Exchange (the "NYSE") under the stock symbol "BBWI."

COVID-19

The coronavirus ("COVID-19") pandemic has created significant public health concerns as well as economic disruption, uncertainty and volatility. The Company remains focused on providing a safe store environment for its customers and associates while delivering an engaging shopping experience, and in establishing the necessary protocols to ensure the safe operations of its distribution and fulfillment centers and corporate offices. As expected, the Company has experienced channel and product category shifts as customer mindset and needs have shifted coming out of the pandemic.

The Company continues to monitor the COVID-19 pandemic and the effects on its operations and financial performance. There remains the potential for future COVID-19-related closures 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, “third quarter of 2022” and “third quarter of 2021” refer to the thirteen-week periods ended October 29, 2022 and October 30, 2021, respectively, and “year-to-date 2022” and “year-to-date 2021” refer to the thirty-nine-week periods ended October 29, 2022 and October 30, 2021, 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.

Interim Financial Statements

The Consolidated Financial Statements as of and for the periods ended October 29, 2022 and October 30, 2021 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 2021 Annual Report on Form 10-K.

In the opinion of management, the accompanying Consolidated Financial Statements reflect all adjustments that 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 periods are not necessarily indicative of the results expected for the full fiscal year.

Derivative Financial Instruments

The Company's Canadian dollar denominated earnings are subject to exchange rate risk as substantially all the Company's merchandise sold in Canada 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. Amounts are reclassified from Accumulated Other Comprehensive Income 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. All designated cash flow hedges are recorded on the Consolidated Balance Sheets at fair value. The fair value of designated cash flow hedges is not significant for any period presented. The Company does not use derivative financial instruments for trading purposes.

Concentration of Credit Risk

The Company maintains cash and cash equivalents 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.

Easton Investments

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 $125 million as of October 29, 2022, $126 million as of January 29, 2022 and $125 million as of October 30, 2021, 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 majority financial interests 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.

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 all unconsolidated entities is included in Other Income (Loss) in the Consolidated Statements of Income. 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.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 in 2022 that had a material impact on its consolidated results of operations, financial position or cash flows. In addition, as of November 30, 2022, there were no new accounting standards that the Company has not yet adopted that are expected to have a material impact on its consolidated results of operations, financial position or cash flows.

2. Discontinued Operations

Victoria's Secret & Co. Spin-Off

On July 9, 2021, the Company announced that its Board of Directors (the "Board") approved the previously announced Separation of the Victoria's Secret business into an independent, publicly traded company, Victoria's Secret & Co. On August 2, 2021 (the "Distribution Date"), after the NYSE market closing, the Separation was completed. The Separation was achieved through the Company's tax-free distribution (the "Distribution") of 100% of the shares of Victoria's Secret & Co. common stock to holders of L Brands, Inc. 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.

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. On August 2, 2021, the Victoria's Secret & Co. Notes became the obligations of Victoria's Secret & Co. concurrent with the Separation. Upon Separation, the net proceeds from the Victoria's Secret & Co. Notes were used to partially fund cash payments of $976 million to the Company in connection with the Separation.

In the third quarter of 2021, the Company recognized a net reduction to Retained Earnings (Accumulated Deficit) of $175 million as a result of the Separation, primarily related to the transfer of certain assets and liabilities associated with its Victoria's Secret business to Victoria's Secret & Co., net of the $976 million of cash payments received from Victoria's Secret & Co. in connection with the Separation. Assets transferred to Victoria's Secret & Co. included Cash and Cash Equivalents of $282 million held by Victoria's Secret subsidiaries on the Distribution Date. Additionally, the Company reclassified out of Accumulated Other Comprehensive Income $8 million of accumulated foreign currency translation adjustments related to the Victoria's Secret business.

In connection with the Separation, the Company entered into several agreements with Victoria's Secret & Co. that govern the relationship of the parties following the Separation, including the Separation and Distribution Agreement, the Transition Services Agreements, the Tax Matters Agreement, the Employee Matters Agreement and the Domestic Transportation Services Agreement.

Under the terms of the Transition Services Agreements, as amended, the Company provides to Victoria's Secret & Co. various services or functions, including human resources, payroll and certain logistics functions. Additionally, Victoria's Secret & Co. provides to the Company various services or functions, including information technology, certain logistics functions and customer marketing services. Generally, these services will be performed for a period of up to two years following the Distribution, except for information technology services, which will be provided for a period of up to three years following the Distribution and may be extended for a maximum of two additional one-year periods subject to increased administrative charges. Consideration and costs for the transition services are determined using several billing methodologies as described in the agreements, including customary billing, pass-through billing, percent of sales billing or fixed fee billing. Consideration for transition services provided to Victoria's Secret & Co. is recorded within the Consolidated Statements of Income based on the nature of the service and as an offset to expenses incurred to provide the services. Costs for transition services provided by Victoria's Secret & Co. are recorded within the Consolidated Statements of Income based on the nature of the service.

The following table summarizes the consideration received and costs recognized pursuant to the Transition Service Agreements recorded in the Consolidated Statements of Income:

	Third Quarter		Year-to-Date	
	2022	2021	2022	2021
	(in millions)			
Consideration Received	$ 17	$ 20	$ 55	$ 20
Costs Recognized	16	24	56	24

Under the terms of the Domestic Transportation Services Agreement, the Company provides transportation services for Victoria's Secret & Co. merchandise in the U.S. and Canada for an initial term of three years following the Distribution, which term will thereafter continuously renew unless and until Victoria's Secret & Co. or the Company elects to terminate the arrangement upon 18 or 36 months' prior written notice, respectively. Consideration for the transportation services is determined using customary billing and fixed billing methodologies, which are described in the agreement, and are subject to an administrative charge. Consideration for logistics services provided to Victoria's Secret & Co. is recorded within Costs of Goods Sold, Buying and Occupancy in the Consolidated Statements of Income and as an offset to expenses incurred to provide the services.

The following table summarizes the consideration received pursuant to the Domestic Transportation Services Agreement recorded in the Consolidated Statements of Income:

	Third Quarter		Year-to-Date	
	2022	2021	2022	2021
	(in millions)			
Consideration Received	$ 23	$ 18	$ 62	$ 18

In conjunction with the Separation, the Company has contingent obligations relating to certain lease payments under the current terms of noncancelable leases. For additional information, see Note 10, "Commitments and Contingencies."

Financial Information of Discontinued Operations

The Company did not report any assets or liabilities classified as discontinued operations for any period presented.

Income (Loss) from Discontinued Operations, Net of Tax in the Consolidated Statements of Income reflects the after-tax results of the Victoria's Secret business and Separation-related fees, and does not include any allocation of general corporate overhead expense or interest expense of the Company. The Company did not report any results from discontinued operations year-to-date 2022.

The following table summarizes the significant line items included in Income (Loss) from Discontinued Operations, Net of Tax in the third quarter of and year-to-date 2021 Consolidated Statements of Income:

	Third Quarter	Year-to-Date
	(in millions)	
Net Sales	$ 25	$ 3,194
Costs of Goods Sold, Buying and Occupancy	(14)	(1,841)
General, Administrative and Store Operating Expenses (a)	(83)	(975)
Interest Expense	—	(2)
Other Loss	—	(1)
Income (Loss) from Discontinued Operations Before Income Taxes	(72)	375
Provision for Income Taxes	17	119
Income (Loss) from Discontinued Operations, Net of Tax	$ (89)	$ 256

(a) The third quarter of 2021 includes Separation-related costs of $76 million. Year-to-date 2021 includes Separation-related costs of $104 million. Prior to the Separation, these costs were reported in the Other category under the Company's previous segment reporting.

The cash flows related to discontinued operations have not been segregated. Accordingly, the 2021 Consolidated Statement of Cash Flows includes the results of continuing and discontinued operations. The Company did not report any cash flows from discontinued operations year-to-date 2022.

The following table summarizes Depreciation of Long-Lived Assets, Share-based Compensation Expense and Capital Expenditures of discontinued operations for year-to-date 2021:

	(in millions)
Depreciation of Long-lived Assets	$ 158
Share-based Compensation Expense	15
Capital Expenditures	(66)

3. Revenue Recognition

Accounts receivable, net from revenue-generating activities were $103 million as of October 29, 2022, $64 million as of January 29, 2022 and $86 million as of October 30, 2021. Accounts receivable primarily relate to amounts due from the Company's franchise, license and wholesale partners. Under these arrangements, payment terms are typically 45 to 75 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 points and direct channel shipments, which are all impacted by seasonal and holiday-related sales patterns. Deferred revenue, which is recorded within Accrued Expenses and Other on the Consolidated Balance Sheets, was $147 million as of October 29, 2022, $148 million as of January 29, 2022 and $123 million as of October 30, 2021. The Company recognized $86 million as revenue year-to-date 2022 from amounts recorded as deferred revenue at the beginning of the Company's 2022 fiscal year.

The following table provides a disaggregation of Net Sales for the third quarters of and year-to-date 2022 and 2021:

	Third Quarter		Year-to-Date	
	2022	2021	2022	2021
	(in millions)			
Stores - U.S. and Canada	$ 1,178	$ 1,238	$ 3,398	$ 3,518
Direct - U.S. and Canada	345	369	1,030	1,126
International (a)	81	74	244	210
Total Net Sales	$ 1,604	$ 1,681	$ 4,672	$ 4,854

(a) Results include royalties associated with franchised stores and wholesale sales.

The Company’s net sales outside of the U.S. include sales from Company-operated stores and its e-commerce site in Canada, royalties associated with franchised stores and wholesale sales. Certain of these sales are subject to the impact of fluctuations in foreign currency. The Company’s net sales outside of the U.S. totaled $160 million and $159 million for the third quarters of 2022 and 2021, respectively, and $462 million and $397 million for year-to-date 2022 and 2021, respectively.

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

Earnings Per Share

Earnings per basic share is computed based on the weighted-average number of common shares outstanding. Earnings per diluted share includes the weighted-average effect of dilutive restricted stock units, performance share units and stock options (collectively, "Dilutive Awards") on the weighted-average common shares outstanding.

The following table provides the weighted-average shares utilized for the calculation of basic and diluted earnings per share for the third quarters of and year-to-date 2022 and 2021:

	Third Quarter		Year-to-Date	
	2022	2021	2022	2021
	(in millions)			
Common Shares	243	278	248	285
Treasury Shares	(15)	(15)	(15)	(13)
Basic Shares	228	263	233	272
Effect of Dilutive Awards	1	4	2	5
Diluted Shares	229	267	235	277
Anti-dilutive Awards (a)	1	1	1	1

(a) The awards were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

Common Stock Share Repurchases

2021 Repurchase Programs

In March 2021, the Board authorized a $500 million share repurchase plan (the "March 2021 Program"), which replaced the $79 million remaining under a March 2018 share repurchase program.

In July 2021, the Board authorized a $1.5 billion share repurchase program (the "July 2021 Program"), which replaced the $36 million remaining under the March 2021 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 (a)	$ 500	6,996	$ 464	$ 66.30
July 2021 (a)	1,500	10,000	730	73.01
July 2021 (b)		5,510	365	66.21
Total		22,506	$ 1,559	

(a) Reflects repurchases of L Brands, Inc. common stock prior to the August 2, 2021 spin-off of Victoria's Secret & Co.

(b) Reflects repurchases of Bath & Body Works, Inc. common stock subsequent to the August 2, 2021 spin-off of Victoria's Secret & Co.

There were $15 million of share repurchases reflected in Accounts Payable on the October 30, 2021 Consolidated Balance Sheet. Under the July 2021 Program, the Company repurchased an additional 6 million shares of its common stock for an aggregate purchase price of $405 million during the fourth quarter of 2021.

2022 Repurchase Program

In February 2022, the Board authorized a new $1.5 billion share repurchase program (the "February 2022 Program"). As part of the February 2022 Program, the Company entered into an accelerated share repurchase program ("ASR") under which the Company repurchased $1 billion of its own outstanding common stock. The delivery of shares under the ASR resulted in an immediate reduction of the shares used to calculate the weighted-average common shares outstanding for net income per basic and diluted share. Pursuant to the Board's authorization, the Company made other share repurchases in the open market under the February 2022 Program during 2022.

On February 4, 2022, the Company delivered $1 billion to the ASR bank, and the bank delivered 13.6 million shares of common stock to the Company (the "Initial Shares"). Pursuant to the terms of the ASR, the Initial Shares represented 80% of the number of shares determined by dividing the $1 billion Company payment by the closing price of its common stock on February 2, 2022.

In May 2022, the Company received an additional 6.7 million shares of its common stock from the ASR bank for the final settlement of the ASR. The final number of shares of common stock delivered under the ASR was based generally upon a discount to the average daily Rule 10b-18 volume-weighted average price at which the shares of common stock traded during the regular trading sessions on the NYSE during the term of the repurchase period.

The Company repurchased the following shares of its common stock during year-to-date 2022:

Repurchase Program	Amount Authorized	Shares Repurchased	Amount Repurchased	Average Stock Price
	(in millions)	(in thousands)	(in millions)	
February 2022	$ 1,500	6,401	$ 312	$ 48.77
February 2022 - Accelerated Share Repurchase Program		20,295	1,000	49.27
Total		26,696	$ 1,312	

The February 2022 Program had $188 million of remaining authority as of October 29, 2022.

Common Stock Retirement

Shares of common stock repurchased under the July 2021 Program were retired and cancelled upon repurchase. As a result, the Company retired the 16 million shares repurchased under the July 2021 Program during year-to-date 2021, which resulted in reductions of $8 million in the par value of Common Stock, $50 million in Paid-in Capital and $1.037 billion in Retained Earnings (Accumulated Deficit).

Shares of common stock repurchased under the February 2022 Program were retired and cancelled upon repurchase, including shares repurchased under the ASR. As a result, the Company retired the 27 million shares repurchased under the February 2022 Program during year-to-date 2022, which resulted in reductions of $13 million in the par value of Common Stock, $87 million in Paid-in Capital and $1.212 billion in Retained Earnings (Accumulated Deficit).

Dividends

In connection with the onset of the COVID-19 pandemic, the Board suspended the Company's quarterly cash dividend beginning in the second quarter of 2020. In March 2021, the Board reinstated the annual dividend at $0.60 per share, beginning with the quarterly dividend paid in June 2021. In February 2022, the Board increased the annual dividend to $0.80 per share, beginning with the quarterly dividend paid in March 2022.

The Company paid the following dividends during year-to-date 2022 and 2021:

	Ordinary Dividends (per share)	Total Paid (in millions)
2022		
First Quarter	$ 0.20	$ 48
Second Quarter	0.20	46
Third Quarter	0.20	46
Total	$ 0.60	$ 140
2021		
First Quarter	$ —	$ —
Second Quarter	0.15	42
Third Quarter	0.15	39
Total	$ 0.30	$ 81

In November 2022, the Board declared the fourth quarter 2022 ordinary dividend of $0.20 per share payable on December 2, 2022 to shareholders of record at the close of business on November 18, 2022.

5. Inventories

The following table provides details of Inventories as of October 29, 2022, January 29, 2022 and October 30, 2021:

	October 29, 2022	January 29, 2022	October 30, 2021
		(in millions)	
Finished Goods Merchandise	$ 1,066	$ 521	$ 941
Raw Materials and Merchandise Components	203	188	208
Total Inventories	$ 1,269	$ 709	$ 1,149

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 October 29, 2022, January 29, 2022 and October 30, 2021:

	October 29, 2022	January 29, 2022	October 30, 2021
		(in millions)	
Property and Equipment, at Cost	$ 2,809	$ 2,583	$ 2,569
Accumulated Depreciation and Amortization	(1,688)	(1,574)	(1,552)
Property and Equipment, Net	$ 1,121	$ 1,009	$ 1,017

Depreciation expense from continuing operations was $56 million and $52 million for the third quarters of 2022 and 2021, respectively. Depreciation expense from continuing operations was $162 million and $152 million for year-to-date 2022 and 2021, respectively.

7. Income Taxes

The provision for income taxes is based on the current estimate of the annual effective tax rate and is adjusted as necessary for quarterly events.

For the third quarter of 2022, the Company’s effective tax rate was 23.3% compared to 22.0% in the third quarter of 2021. The third quarter of 2022 and 2021 rates were lower than the Company's combined estimated federal and state statutory rates primarily due to the resolution of certain tax matters during the periods.

For year-to-date 2022, the Company’s effective tax rate was 21.9% compared to 23.7% year-to-date 2021. The year-to-date 2022 rate was lower than the Company's combined estimated federal and state statutory rate primarily due to the resolution of certain tax matters during the period. The year-to-date 2021 rate was lower than the Company's combined federal and state statutory rate primarily due to recognition of excess tax benefits recorded through the Consolidated Statements of Income on share-based awards that vested during the period.

Income taxes paid were $18 million and $73 million for the third quarters of 2022 and 2021, respectively. Income taxes paid were $170 million and $403 million for year-to-date 2022 and 2021, respectively.

8. Long-term Debt and Borrowing Facilities

The following table provides the Company’s outstanding long-term debt balance, net of unamortized debt issuance costs and discounts, as of October 29, 2022, January 29, 2022 and October 30, 2021:

	October 29, 2022	January 29, 2022	October 30, 2021
		(in millions)	
Senior Debt with Subsidiary Guarantee			
$320 million, 9.375% Fixed Interest Rate Notes due July 2025 ("2025 Notes")	$ 317	$ 316	$ 316
$297 million, 6.694% Fixed Interest Rate Notes due January 2027 (“2027 Notes”)	283	281	280
$500 million, 5.250% Fixed Interest Rate Notes due February 2028 (“2028 Notes”)	497	497	497
$500 million, 7.500% Fixed Interest Rate Notes due June 2029 ("2029 Notes")	490	489	489
$1 billion, 6.625% Fixed Interest Rate Notes due October 2030 ("2030 Notes")	991	990	989
$1 billion, 6.875% Fixed Interest Rate Notes due November 2035 (“2035 Notes”)	993	992	992
$700 million, 6.750% Fixed Interest Rate Notes due July 2036 (“2036 Notes”)	694	694	694
Total Senior Debt with Subsidiary Guarantee	$ 4,265	$ 4,259	$ 4,257
Senior Debt			
$350 million, 6.950% Fixed Interest Rate Debentures due March 2033 (“2033 Notes”)	$ 349	$ 349	$ 349
$247 million, 7.600% Fixed Interest Rate Notes due July 2037 (“2037 Notes”)	246	246	246
Total Senior Debt	595	595	595
Total Long-term Debt	$ 4,860	$ 4,854	$ 4,852

Repurchases of Notes

In April 2021, the Company redeemed the remaining $285 million of its outstanding 5.625% senior notes due February 2022 and $750 million of its outstanding 6.875% senior secured notes due July 2025. The Company recognized a pre-tax loss related to this extinguishment of debt of $105 million (after-tax loss of $80 million), which included 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.

In September 2021, the Company completed the tender offers to purchase $270 million of its outstanding 5.625% senior notes due October 2023 (the "2023 Notes") and $180 million of its outstanding 2025 Notes for an aggregate purchase price of $532 million. Additionally, in October 2021, the Company redeemed the remaining $50 million of its outstanding 2023 Notes for an aggregate purchase price of $54 million. The Company recognized a pre-tax loss related to this extinguishment of debt of $89 million (after-tax loss of $68 million), which included the write-offs of unamortized issuance costs. This loss is included in Other Income (Loss) in the 2021 Consolidated Statements of Income.

Asset-backed Revolving Credit Facility

The Company and certain of the Company's 100% owned subsidiaries guarantee and pledge collateral to secure an asset-backed revolving credit facility (“ABL Facility”). The ABL Facility, which allows borrowings and letters of credit in U.S. dollars or Canadian dollars, has aggregate commitments of $750 million and an expiration date in August 2026.

Availability under the ABL Facility is 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 exceeds the lesser of (i) the borrowing base and (ii) the aggregate commitment, the Company is required to repay the outstanding amounts under the ABL Facility to the extent of such excess. As of October 29, 2022, the Company's borrowing base was $1.214 billion, and it had no borrowings outstanding under the ABL Facility.

The ABL Facility supports the Company’s letter of credit program. The Company had $16 million of outstanding letters of credit as of October 29, 2022 that reduced its availability under the ABL Facility. As of October 29, 2022, the Company's availability under the ABL Facility was $734 million.

As of October 29, 2022, 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 1.25% per annum. In addition, the interest rate on outstanding U.S. dollar borrowings was the London Interbank Offered Rate plus 1.25% per annum. The interest rate on outstanding Canadian dollar-denominated borrowings was the Canadian Dollar Offered Rate plus 1.25% per annum.

The ABL Facility requires 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 (i) $70 million or (ii) 10% of the maximum borrowing amount. As of October 29, 2022, the Company was not required to maintain this ratio.

9. Fair Value Measurements

Cash and Cash Equivalents 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 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 debt as of October 29, 2022, January 29, 2022 and October 30, 2021:

	October 29, 2022	January 29, 2022	October 30, 2021
		(in millions)	
Principal Value	$ 4,915	$ 4,915	$ 4,915
Fair Value, Estimated (a)	4,367	5,493	5,720

(a) The estimated fair value of the Company’s debt is based on reported transaction prices, which are considered Level 2 inputs in accordance with Accounting Standards Codification ("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.

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

10. 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 position or cash flows.

Settlement of Derivative Shareholder Actions

In May 2022, the U.S. District Court of the Southern District of Ohio approved a global settlement regarding certain shareholder actions that were filed in 2020 and 2021. See Note 12, “Commitments and Contingencies” in the Company’s Quarterly Report on Form 10-Q for the quarter ended July 30, 2022 for additional information. Pursuant to the settlement terms, the Company committed to, among other things, invest $45 million over at least five years to fund certain management and governance measures required under the settlement agreement.

Lease Guarantees

In connection with the spin-off of Victoria's Secret & Co. and the sale of the La Senza business, the Company had remaining contingent obligations of $287 million as of October 29, 2022 related to lease payments under the current terms of noncancelable leases, primarily related to office space, expiring at various dates through 2037. 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 these businesses. The Company's reserves related to these obligations were not significant for any period presented.

11. Subsequent Event

In November 2022, the Board appointed Gina R. Boswell as Chief Executive Officer of the Company and as a member of the Board, effective December 1, 2022. Sarah E. Nash, who has served as Executive Chair of the Board and Interim Chief Executive Officer since May 2022 and as Executive Chair of the Board from February 2022 to May 2022, will remain Executive Chair through the end of the Company’s fiscal year on January 28, 2023. Following the end of the Company's fiscal year, Ms. Nash will serve as a non-employee member and Chair of the Board.

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 October 29, 2022 and October 30, 2021, and the related consolidated statements of income, comprehensive income, and total equity (deficit) for the thirteen and thirty-nine week periods ended October 29, 2022 and October 30, 2021, and the consolidated statements of cash flows for the thirty-nine week periods ended October 29, 2022 and October 30, 2021, 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 29, 2022, and the related consolidated statements of income, comprehensive income, total equity (deficit), and cash flows for the year then ended, and the related notes (not presented herein); and in our report dated March 18, 2022, 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 29, 2022, 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
November 30, 2022

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION 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:

- 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 COVID-19 pandemic has had and may continue to have an adverse effect on our business and results of operations;
- the seasonality of our business;
- the anticipated benefits from the Victoria's Secret & Co. spin-off may not be realized;
- the spin-off of Victoria’s Secret & Co. may not be tax-free for U.S. federal income tax purposes;
- our dependence on Victoria's Secret & Co. for information technology services;
- 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 store traffic and the availability of suitable store locations on appropriate terms;
- our continued growth in part through new store openings and existing store remodels and expansions;
- our ability to successfully operate and expand internationally and related risks;
- our independent franchise, license and wholesale partners;
- our direct channel business;
- our ability to protect our reputation and our brand image;
- our ability to successfully complete environmental, social and governance initiatives, and associated costs thereof;
- 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, 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, wars and other armed conflicts, environmental hazards or natural disasters;
  - significant health hazards or pandemics, which could result in closed factories and/or stores, reduced workforces, scarcity of raw materials, and scrutiny or embargoing of goods produced in impacted areas;
  - duties, taxes and other charges;
  - legal and regulatory matters;
  - volatility in currency exchange rates;
  - local business practices and political issues;
  - delays or disruptions in shipping and transportation and related pricing impacts;
  - disruption due to labor disputes; and
  - changing expectations regarding product safety due to new legislation;
- our geographic concentration of vendor and distribution facilities in central Ohio;
- our reliance on a limited number of suppliers to support a substantial portion of our inventory purchasing needs;
- the ability of our vendors to deliver products in a timely manner, meet quality standards and comply with applicable laws and regulations;
- fluctuations in foreign currency exchange rates;

- fluctuations in product input costs;
- fluctuations in energy costs;
- our ability to adequately protect our assets from loss and theft;
- 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', including Victoria's Secret & Co. during the term of the Transition Services Agreement between us and Victoria's Secret & Co., ability to implement and maintain information technology systems and to protect associated data;
- our ability to maintain the security of customer, associate, third-party and Company information;
- stock price volatility;
- our ability to pay dividends and make share repurchases under share repurchase authorizations;
- shareholder activism matters;
- our ability to maintain our credit ratings;
- our ability to service or refinance our debt and maintain compliance with our restrictive covenants;
- the impact of the transition from London Interbank Offered Rate and our ability to adequately manage such transition;
- 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 our 2021 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 accounting principles generally accepted in the United States of America ("GAAP") as codified in the ASC. The following information should be read in conjunction with our financial statements and the related notes included in Part I, Item 1. Financial Statements in this Quarterly Report on Form 10-Q.

On August 2, 2021, we completed the tax-free spin-off of our Victoria's Secret business, which included the Victoria's Secret and PINK brands, into an independent publicly traded company. Accordingly, the operating results of, and costs to separate, the Victoria's Secret business are reported in Income (Loss) from Discontinued Operations, Net of Tax in the Consolidated Statements of Income for all periods presented. Unless otherwise noted, all amounts, percentages and discussions reflect only the results of operations and financial condition of our continuing operations.

Executive Overview

In the third quarter of 2022, net sales decreased $77 million, or 5%, to $1.604 billion compared to the third quarter of 2021. In our stores and direct channels, net sales decreased 5% to $1.178 billion, and 6% to $345 million, respectively. These declines compared to 2021 were primarily driven by decreases in both average dollar sales and transactions. In our international business, net sales increased 10% to $81 million.

In the third quarter of 2022, operating income decreased $207 million, or 51%, to $202 million, from $409 million in the third quarter of 2021, and the operating income rate (expressed as a percentage of sales) decreased to 12.6% from 24.3%. These decreases were primarily due to the decline in net sales, incremental inflationary cost pressures, increased promotional activities and strategic investments in technology, in connection with our information technology ("IT") separation and transformation, and our associates, including increased wage rates and retention for key talent.

For additional information related to our third quarter 2022 financial performance, see “Results of Operations.”

Global Supply Chain and Inflationary Impacts

There continues to be volatility and inflation in the global supply chain. We are continuing to experience increased costs in raw materials, transportation and wage rates. We estimate that our full year 2022 incremental inflation impact could range between $220 million and $230 million, with approximately $70 million of pressure expected in the fourth quarter of 2022. These pressures have had a negative impact on our Gross Profit dollars and rate for the third quarter of and year-to-date 2022, and we expect this trend to continue in the fourth quarter of 2022.

Information Technology and Other Costs

Subsequent to the completion of the Separation, Victoria's Secret & Co. has provided technology services and systems to us under a Transition Services Agreement. During the first quarter of 2022, we decided to accelerate the separation of our technology systems, which we now expect to be predominantly completed during 2023. We believe that completing technology separation on this accelerated basis will enable us to more quickly build additional technology capabilities to support our long-term growth.

Further, we have incurred additional costs related to our Chief Executive Officer transition, including retention for key talent and other associated expenses. These costs, the previously mentioned investments in IT and increases in wage rates have had a negative impact on our General, Administrative and Store Operating Expenses and rate for the third quarter of and year-to-date 2022, and we expect this trend to continue in the fourth quarter of 2022.

Profit Improvement Initiatives and Organizational Realignment

We are taking rigorous actions to improve profitability, including revisiting promotions, pricing and product costing to improve merchandise margin. We are being strategic with our pricing architecture through the balance of the year, given that our consumers are price sensitive, while continuing to look at opportunities. We are also working to improve product costing by actively working with our vendor base and streamlining our operations to combat inflationary pressures and improve our results.

Additionally, we implemented several expense reduction actions during the third quarter including optimization of corporate overhead and store selling expenses. As part of these actions, we simplified and realigned our operating structure in August 2022 resulting in the elimination of about 130 roles, the majority of which were leadership positions.

As a result of these initiatives, we realized a benefit of approximately $15 million in the third quarter of 2022, excluding severance and related charges of approximately $6 million.

COVID-19

The COVID-19 pandemic has created significant public health concerns as well as economic disruption, uncertainty and volatility. We remain focused on providing a safe store environment for our customers and associates while delivering an engaging shopping experience, and in establishing the necessary protocols to ensure the safe operations of our distribution and fulfillment centers and corporate offices. As expected, we have experienced channel and product category shifts as customer mindset and needs have shifted coming out of the pandemic.

We continue to monitor the COVID-19 pandemic and the effects on our operations and financial performance. There remains the potential for future COVID-19-related closures or operating restrictions, which could materially impact our operations and financial performance in future periods.

Adjusted Financial Information from Continuing Operations

In addition to our results provided in accordance with GAAP above and throughout this Quarterly Report on Form 10-Q, provided below are non-GAAP measurements which present net income from continuing operations and earnings from continuing operations per diluted share for the third quarter of and year-to-date 2021 on an adjusted basis, which remove certain special items recorded in 2021. 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 definitions of adjusted financial information may differ from similarly titled measures used by other companies.

The table below reconciles the third quarter of and year-to-date 2021 GAAP financial measures to the non-GAAP financial measures:

(in millions, except per share amounts)	Third Quarter	Year-to-Date
Reconciliation of Reported Net Income from Continuing Operations to Adjusted Net Income from Continuing Operations		
Reported Net Income from Continuing Operations	$ 177	$ 483
Loss on Extinguishment of Debt (a)	89	195
Tax Benefit of Loss on Extinguishment of Debt	(21)	(47)
Adjusted Net Income from Continuing Operations	$ 245	$ 631
Reconciliation of Reported Earnings from Continuing Operations Per Diluted Share to Adjusted Earnings from Continuing Operations Per Diluted Share		
Reported Earnings from Continuing Operations Per Diluted Share	$ 0.66	$ 1.74
Loss on Extinguishment of Debt (a)	0.25	0.53
Adjusted Earnings from Continuing Operations Per Diluted Share	$ 0.92	$ 2.28

(a) In the third and first quarters of 2021, we recognized pre-tax losses of $89 million and $105 million (after-tax losses of $68 million and $80 million), respectively, due to the early extinguishments of outstanding notes. For additional information, see Note 8, "Long-term Debt and Borrowing Facilities" included in Part I, Item 1. Financial Statements.

Company-Operated Store Data

The following table compares Company-operated U.S. store data for the third quarters of and year-to-date 2022 and 2021:

	Third Quarter			Year-to-Date		
	2022	2021	% Change	2022	2021	% Change
Sales per Average Selling Square Foot	$ 240	$ 257	(7 %)	$ 701	$ 751	(7 %)
Sales per Average Store (in thousands)	$ 660	$ 692	(5 %)	$ 1,920	$ 2,014	(5 %)
Average Store Size (selling square feet)	2,764	2,700	2 %			
Total Selling Square Feet (in thousands)	4,646	4,514	3 %			

The following table represents Company-operated store data for year-to-date 2022:

	Stores January 29, 2022	Opened	Closed	Stores October 29, 2022
United States	1,651	64	(34)	1,681
Canada	104	2	—	106
Total	1,755	66	(34)	1,787

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

	Stores January 30, 2021	Opened	Closed	Stores October 30, 2021
United States	1,633	50	(11)	1,672
Canada	103	—	—	103
Total	1,736	50	(11)	1,775

Partner-Operated Store Data

The following table represents partner-operated store data for year-to-date 2022:

	Stores January 29, 2022	Opened	Closed	Stores October 29, 2022
International	317	59	(3)	373
International - Travel Retail	21	1	(1)	21
Total International	338	60	(4)	394

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

	Stores January 30, 2021	Opened	Closed	Stores October 30, 2021
International	270	30	(7)	293
International - Travel Retail	18	1	—	19
Total International	288	31	(7)	312

Results of Operations

Third Quarter of 2022 Compared to Third Quarter of 2021

Net Sales

The following table provides Net Sales for the third quarter of 2022 in comparison to the third quarter of 2021:

	2022	2021	% Change
	(in millions)		
Stores - U.S. and Canada	$ 1,178	$ 1,238	(5 %)
Direct - U.S. and Canada	345	369	(6 %)
International (a)	81	74	10 %
Total Net Sales	$ 1,604	$ 1,681	(5 %)

(a) Results include royalties associated with franchised stores and wholesale sales.

The following table provides a reconciliation of Net Sales for the third quarter of 2022 to the third quarter of 2021:

	(in millions)
2021 Net Sales	$ 1,681
Comparable Store Sales	(59)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	4
Direct Channels	(24)
International Wholesale, Royalty and Other	7
Foreign Currency Translation	(5)
2022 Net Sales	$ 1,604

For the third quarter of 2022, net sales decreased $77 million, to $1.604 billion, compared to the third quarter of 2021. Net sales decreased in the stores channel by $60 million, or 5%, primarily due to a decrease in both average dollar sales and transactions. Direct net sales decreased $24 million, or 6%, partially due to last year's strong results as well as our customers continuing to select our buy online-pick up in store option (which is recognized as store net sales). International net sales increased $7 million, or 10%, primarily due to new stores opened by our partners partially offset by timing shifts related to product shipments.

Gross Profit

For the third quarter of 2022, our gross profit decreased $161 million to $678 million, and our gross profit rate (expressed as a percentage of net sales) decreased to 42.2% from 49.9%. Gross profit decreased due to the decline in net sales and a decline in merchandise margin dollars as a result of a significant decrease in our merchandise margin rate due to continued inflationary cost pressures and increased promotional activity. Additionally, occupancy expenses increased primarily due to higher distribution costs.

The gross profit rate decline was driven by a significant decrease in the merchandise margin rate and buying and occupancy expense deleverage due to lower net sales.

General, Administrative and Store Operating Expenses

For the third quarter of 2022, our general, administrative and store operating expenses increased $46 million to $476 million, and the rate (expressed as a percentage of net sales) increased to 29.7% from 25.6%. The general, administrative and store operating expenses and rate increased primarily due to our strategic investments in technology in connection with our IT separation and transformation and our associates.

Other Income and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for the third quarters of 2022 and 2021:

	2022	2021
Average daily borrowings (in millions)	$ 4,915	$ 5,116
Average borrowing rate	7.1 %	7.2 %

For the third quarter of 2022, our interest expense decreased $5 million to $86 million due to lower average daily borrowings and a lower average borrowing rate.

Other Income (Loss)

For the third quarter of 2021, our other loss was $91 million, primarily due to the $89 million pre-tax loss associated with the early extinguishment of outstanding notes.

Provision for Income Taxes

For the third quarter of 2022, our effective tax rate was 23.3% compared to 22.0% in the third quarter of 2021. The third quarter of 2022 and 2021 rates were lower than our combined estimated federal and state statutory rates primarily due to the resolution of certain tax matters during the periods.

Results of Operations

Year-to-Date 2022 Compared to Year-to-Date 2021

For year-to-date 2022, operating income decreased $406 million to $724 million, from $1.130 billion year-to-date 2021, and the operating income rate (expressed as a percentage of sales) decreased to 15.5% from 23.3%. The drivers of the year-to-date operating income results are discussed in the following sections.

Net Sales

The following table provides Net Sales for year-to-date 2022 in comparison to year-to-date 2021:

	2022	2021	% Change
	(in millions)		
Stores - U.S. and Canada	$ 3,398	$ 3,518	(3 %)
Direct - U.S. and Canada	1,030	1,126	(9 %)
International (a)	244	210	16 %
Total Net Sales	$ 4,672	$ 4,854	(4 %)

(a) Results include royalties associated with franchised stores and wholesale sales.

The following table provides a reconciliation of Net Sales for year-to-date 2022 to year-to-date 2021:

	(in millions)
2021 Net Sales	$ 4,854
Comparable Store Sales	(208)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	95
Direct Channels	(96)
International Wholesale, Royalty and Other	34
Foreign Currency Translation	(7)
2022 Net Sales	$ 4,672

For year-to-date 2022, net sales decreased $182 million, to $4.672 billion, compared to year-to-date 2021. Net sales decreased in the stores channel by $120 million, or 3%, primarily due to a decrease in both average dollar sales and transactions, partially offset by higher 2022 net sales in Canada due to the COVID-19-related store closures in 2021. Direct net sales decreased $96 million, or 9%, due to last year's strong results as well as our customers continuing to select our buy online-pick up in store option (which is recognized as store net sales), partially offset by increased net sales in the Canada Direct business that launched in the third quarter of 2021. International net sales increased by $34 million, or 16%, primarily due to new stores opened by our partners.

Further, we estimate that year-to-date 2021 total Company net sales benefited by approximately $50 million related to government stimulus payments, which did not reoccur in year-to-date 2022.

Gross Profit

For year-to-date 2022, our gross profit decreased $403 million to $2.006 billion, and our gross profit rate (expressed as a percentage of net sales) decreased to 42.9% from 49.6%. Gross profit decreased due to the decline in net sales and a decline in merchandise margin dollars as a result of a significant decrease in our merchandise margin rate due to continued inflationary cost pressures and increased promotional activity. Additionally, occupancy expenses increased as a result of direct channel fulfillment expenses, higher distribution costs and our investments in store real estate.

The gross profit rate decline was driven by a significant decrease in the merchandise margin rate and buying and occupancy expense deleverage due to lower net sales.

General, Administrative and Store Operating Expenses

For year-to-date 2022, our general, administrative and store operating expenses increased $3 million to $1.282 billion, and the rate (expressed as a percentage of net sales) increased to 27.4% from 26.3%. The general, administrative and store operating expenses and rate increased primarily due to our strategic investments in technology in connection with our IT separation and transformation and our associates. These increases were partially offset by charitable contributions made in the first quarter of 2021, certain legal fees and other discrete items totaling approximately $20 million that were incurred in the second quarter of 2021 and lower home office and stores bonus expense in year-to-date 2022 related to business performance.

Other Income and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for year-to-date 2022 and 2021:

	2022	2021
Average daily borrowings (in millions)	$ 4,915	$ 5,577
Average borrowing rate	7.1 %	7.2 %

For year-to-date 2022, our interest expense decreased $39 million to $262 million due to lower average daily borrowings and a lower average borrowing rate.

Other Income (Loss)

For year-to-date 2021, our other loss was $196 million, primarily due to $195 million of pre-tax losses associated with the early extinguishments of outstanding notes.

Provision for Income Taxes

For year-to-date 2022, our effective tax rate was 21.9% compared to 23.7% year-to-date 2021. The year-to-date 2022 rate was lower than our combined estimated federal and state statutory rate primarily due to the resolution of certain tax matters during the period. The year-to-date 2021 rate was lower than our combined federal and state statutory rate primarily due to recognition of excess tax benefits recorded through the Consolidated Statements of Income on share-based awards that vested during the period.

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 and working capital changes. Our net income is impacted by, among other things, sales volume, seasonal sales patterns, success of new product introductions, profit margins, income taxes and inflationary pressures. Historically, our 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 $36 million as of October 29, 2022.

We believe that our current cash position, our cash flow generated from operations and our borrowing capacity under our asset-backed revolving credit facility (“ABL Facility”) will be sufficient to meet our liquidity needs, including capital expenditure requirements, for at least the next twelve months.

Working Capital and Capitalization

The following table provides a summary of our working capital position and capitalization as of October 29, 2022, January 29, 2022 and October 30, 2021:

	October 29, 2022	January 29, 2022	October 30, 2021
		(in millions)	
Working Capital	$ 496	$ 1,719	$ 1,550
Capitalization:			
Long-term Debt	4,860	4,854	4,852
Shareholders' Equity (Deficit)	(2,609)	(1,518)	(1,676)
Total Capitalization	$ 2,251	$ 3,336	$ 3,176
Amounts Available Under the ABL Facility (a)	$ 734	$ 479	$ 734

(a) As of both October 29, 2022 and October 30, 2021, our borrowing base exceeded the aggregate commitments and the amount available under the ABL was reduced by outstanding letters of credit of $16 million. As of January 29, 2022, our borrowing base was $495 million and we had outstanding letters of credit of $16 million.

Cash Flows

The cash flows related to discontinued operations have not been segregated. Accordingly, the 2021 Consolidated Statement of Cash Flows includes the results of continuing and discontinued operations. We did not report any cash flows from discontinued operations year-to-date 2022.

The following table provides a summary of our cash flow activity during year-to-date 2022 and 2021:

	2022	2021
	(in millions)	
Cash and Cash Equivalents, Beginning of Period	$ 1,979	$ 3,933
Net Cash Flows Provided by Operating Activities	67	447
Net Cash Flows Used for Investing Activities	(252)	(228)
Net Cash Flows Used for Financing Activities	(1,499)	(2,713)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	—	2
Net Decrease in Cash and Cash Equivalents	(1,684)	(2,492)
Cash and Cash Equivalents, End of Period	$ 295	$ 1,441

Operating Activities

Net cash provided by operating activities in 2022 was $67 million, including net income of $366 million. Net income included depreciation of $162 million and share-based compensation expense of $26 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 related increases in Accounts Payable), as we build our inventory levels in anticipation of the holiday season, which generates a substantial portion of our operating cash flow for the year, and Income Taxes Payable due to seasonal tax payments.

Net cash provided by operating activities in 2021 was $447 million, including net income of $739 million (which included Income from Discontinued Operations, Net of Tax of $256 million). Net income included depreciation of $310 million (which included $158 million related to the Victoria's Secret business classified as discontinued operations), loss on extinguishment of debt of $195 million, share-based compensation expense of $38 million (which included $15 million related to the Victoria's Secret business classified as discontinued operations) and deferred tax expense of $19 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 related increases in Accounts Payable) and Income Taxes Payable.

Investing Activities

Net cash used for investing activities in 2022 was $252 million related to capital expenditures. The capital expenditures included approximately $130 million related to new, non-mall stores and remodels of existing stores. The remaining capital expenditures were primarily related to our new Company-operated direct channel fulfillment center and IT projects.

Net cash used for investing activities in 2021 was $228 million consisting primarily of capital expenditures of $241 million, partially offset by proceeds from other investing activities of $13 million. The capital expenditures included $105 million related to new, off-mall stores and remodels of existing stores. The remaining capital expenditures, which included $66 million related to the Victoria's Secret business classified as discontinued operations, were primarily related to technology and logistics to support growth and capabilities.

We estimate full year 2022 capital expenditures to be approximately $400 million. We are continuing our investments in the opening of new, off-mall stores and the remodeling of existing stores. We are forecasting approximately 100 new, off-mall North American stores which, together with our planned remodels, are expected to result in net square footage growth of about 6% for full year 2022. Additionally, we are investing in technology, distribution and logistics capabilities to support our long-term growth.

Financing Activities

Net cash used for financing activities in 2022 was $1.499 billion consisting of $1.312 billion in payments for share repurchases, including the payment of $1 billion related to our accelerated share repurchase program ("ASR"), dividend payments of $0.60 per share, or $140 million, and $32 million of tax payments related to share-based awards.

Net cash used for financing activities in 2021 was $2.713 billion consisting of $1.716 billion in payments for the early extinguishment of outstanding notes, payments of $1.544 billion for share repurchases, transfers and payments to Victoria's Secret & Co. related to the spin-off of $362 million, dividend payments of $0.30 per share, or $81 million, and $58 million of tax payments related to share-based awards. These uses were partially offset by proceeds of $976 million from the Victoria's Secret & Co. spin-off and proceeds from stock option exercises of $81 million.

Common Stock Share Repurchases

Our Board of Directors (the "Board") 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.

2021 Repurchase Programs

In March 2021, the Board authorized a $500 million share repurchase plan (the "March 2021 Program"), which replaced the $79 million remaining under a March 2018 share repurchase program.

In July 2021, the Board authorized a $1.5 billion share repurchase program (the "July 2021 Program"), which replaced the $36 million remaining under the March 2021 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	Shares Repurchased	Amount Repurchased	Average Stock Price
	(in millions)	(in thousands)	(in millions)	
March 2021 (a)	$ 500	6,996	$ 464	$ 66.30
July 2021 (a)	1,500	10,000	730	73.01
July 2021 (b)		5,510	365	66.21
Total		22,506	$ 1,559	

(a) Reflects repurchases of L Brands, Inc. common stock prior to the August 2, 2021 spin-off of Victoria's Secret & Co.

(b) Reflects repurchases of Bath & Body Works, Inc. common stock subsequent to the August 2, 2021 spin-off of Victoria's Secret & Co.

There were $15 million of share repurchases reflected in Accounts Payable on the October 30, 2021 Consolidated Balance Sheet. Under the July 2021 Program, we repurchased an additional 6 million shares of our common stock for an aggregate purchase price of $405 million during the fourth quarter of 2021.

2022 Repurchase Program

In February 2022, the Board authorized a new $1.5 billion share repurchase program (the "February 2022 Program"). As part of the February 2022 Program, we entered into the ASR under which we repurchased $1 billion of our own outstanding common stock. The delivery of shares under the ASR resulted in an immediate reduction of the shares used to calculate the weighted-average common shares outstanding for net income per basic and diluted share. Pursuant to the Board's authorization, we made other share repurchases in the open market under the February 2022 Program during 2022.

On February 4, 2022, we delivered $1 billion to the ASR bank, and the bank delivered 13.6 million shares of common stock to us (the "Initial Shares"). Pursuant to the terms of the ASR, the Initial Shares represented 80% of the number of shares determined by dividing the $1 billion Company payment by the closing price of our common stock on February 2, 2022.

In May 2022, we received an additional 6.7 million shares of our common stock from the ASR bank for the final settlement of the ASR. The final number of shares of common stock delivered under the ASR was based generally upon a discount to the average daily Rule 10b-18 volume-weighted average price at which the shares of common stock traded during the regular trading sessions on the NYSE during the term of the repurchase period.

We repurchased the following shares of our common stock during year-to-date 2022:

Repurchase Program	Amount Authorized	Shares Repurchased	Amount Repurchased	Average Stock Price
	(in millions)	(in thousands)	(in millions)	
February 2022	$ 1,500	6,401	$ 312	$ 48.77
February 2022 - Accelerated Share Repurchase Program		20,295	1,000	49.27
Total		26,696	$ 1,312	

The February 2022 Program had $188 million of remaining authority as of October 29, 2022.

Dividend Policy and Procedures

Our Board 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.

In connection with the onset of the COVID-19 pandemic, our Board suspended our quarterly cash dividend beginning in the second quarter of 2020. In March 2021, our Board reinstated the annual dividend at $0.60 per share, beginning with the quarterly dividend paid in June 2021. In February 2022, our Board increased the annual dividend to $0.80 per share, beginning with the quarterly dividend paid in March 2022.

We paid the following dividends during year-to-date 2022 and 2021:

	Ordinary Dividends	Total Paid
	(per share)	(in millions)
2022		
First Quarter	$ 0.20	$ 48
Second Quarter	0.20	46
Third Quarter	0.20	46
Total	$ 0.60	$ 140
2021		
First Quarter	$ —	$ —
Second Quarter	0.15	42
Third Quarter	0.15	39
Total	$ 0.30	$ 81

In November 2022, the Board declared the fourth quarter 2022 ordinary dividend of $0.20 per share payable on December 2, 2022 to shareholders of record at the close of business on November 18, 2022.

Long-term Debt and Borrowing Facilities

The following table provides our outstanding long-term debt balance, net of unamortized debt issuance costs and discounts, as of October 29, 2022, January 29, 2022 and October 30, 2021:

	October 29, 2022	January 29, 2022	October 30, 2021
		(in millions)	
Senior Debt with Subsidiary Guarantee			
$320 million, 9.375% Fixed Interest Rate Notes due July 2025 ("2025 Notes")	$ 317	$ 316	$ 316
$297 million, 6.694% Fixed Interest Rate Notes due January 2027 (“2027 Notes”)	283	281	280
$500 million, 5.250% Fixed Interest Rate Notes due February 2028 (“2028 Notes”)	497	497	497
$500 million, 7.500% Fixed Interest Rate Notes due June 2029 ("2029 Notes")	490	489	489
$1 billion, 6.625% Fixed Interest Rate Notes due October 2030 ("2030 Notes")	991	990	989
$1 billion, 6.875% Fixed Interest Rate Notes due November 2035 (“2035 Notes”)	993	992	992
$700 million, 6.750% Fixed Interest Rate Notes due July 2036 (“2036 Notes”)	694	694	694
Total Senior Debt with Subsidiary Guarantee	$ 4,265	$ 4,259	$ 4,257
Senior Debt			
$350 million, 6.950% Fixed Interest Rate Debentures due March 2033 (“2033 Notes”)	$ 349	$ 349	$ 349
$247 million, 7.600% Fixed Interest Rate Notes due July 2037 (“2037 Notes”)	246	246	246
Total Senior Debt	595	595	595
Total Long-term Debt	$ 4,860	$ 4,854	$ 4,852

Repurchases of Notes

In April 2021, we redeemed the remaining $285 million of our outstanding 5.625% senior notes due February 2022 and $750 million of our outstanding 6.875% senior secured notes due July 2025. We recognized a pre-tax loss related to this extinguishment of debt of $105 million (after-tax loss of $80 million), which included 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.

In September 2021, we completed the tender offers to purchase $270 million of our outstanding 5.625% senior notes due October 2023 (the "2023 Notes") and $180 million of our outstanding 2025 Notes for an aggregate purchase price of $532 million. Additionally, in October 2021, we redeemed the remaining $50 million of our outstanding 2023 Notes for an aggregate purchase price of $54 million. We recognized a pre-tax loss related to this extinguishment of debt of $89 million (after-tax loss of $68 million), which included the write-offs of unamortized issuance costs. This loss is included in Other Income (Loss) in the 2021 Consolidated Statements of Income.

Asset-backed Revolving Credit Facility

We and certain of our 100% owned subsidiaries guarantee and pledge collateral to secure our ABL Facility. The ABL Facility, which allows borrowings and letters of credit in U.S. dollars or Canadian dollars, has aggregate commitments of $750 million and an expiration date in August 2026.

Availability under the ABL Facility is 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 exceeds the lesser of (i) the borrowing base and (ii) the aggregate commitment, we are required to repay the outstanding amounts under the ABL Facility to the extent of such excess. As of October 29, 2022, our borrowing base was $1.214 billion, and we had no borrowings outstanding under the ABL Facility.

The ABL Facility supports our letter of credit program. We had $16 million of outstanding letters of credit as of October 29, 2022 that reduced our availability under the ABL Facility. As of October 29, 2022, our availability under the ABL Facility was $734 million.

As of October 29, 2022, 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 1.25% per annum. In addition, the interest rate on outstanding U.S. dollar borrowings was the London Interbank Offered Rate plus 1.25% per annum. The interest rate on outstanding Canadian dollar-denominated borrowings was the Canadian Dollar Offered Rate plus 1.25% per annum.

The ABL Facility requires 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 (i) $70 million or (ii) 10% of the maximum borrowing amount. As of October 29, 2022, we were not required to maintain this ratio.

Credit Ratings

The following table provides our credit ratings as of October 29, 2022:

	Moody's	S&P
Corporate	Ba2	BB
Senior Unsecured Debt with Subsidiary Guarantee	Ba2	BB
Senior Unsecured Debt	B1	B+
Outlook	Stable	Stable

Guarantor Summarized Financial Information

Certain of our subsidiaries, which are listed on Exhibit 22 to this Quarterly Report on Form 10-Q, have guaranteed our obligations under the 2025 Notes, 2027 Notes, 2028 Notes, 2029 Notes, 2030 Notes, 2035 Notes and 2036 Notes (collectively, the "Notes").

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, are 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 certain subsidiaries that also guarantee 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	October 29, 2022	January 29, 2022
	(in millions)	
ASSETS		
Current Assets (a)	$ 2,345	$ 3,365
Noncurrent Assets (b)	2,524	2,481
LIABILITIES		
Current Liabilities (c)	$ 3,166	$ 2,956
Noncurrent Liabilities (d)	6,140	6,155

(a) Includes amounts due from non-Guarantor subsidiaries of $566 million and $530 million as of October 29, 2022 and January 29, 2022, respectively.

(b) Includes amounts due from non-Guarantor subsidiaries of $20 million as of October 29, 2022.

(c) Includes amounts due to non-Guarantor subsidiaries of $1.999 billion and $1.927 billion as of October 29, 2022 and January 29, 2022, respectively.

(d) Includes amounts due to non-Guarantor subsidiaries of $13 million and $5 million as of October 29, 2022 and January 29, 2022, respectively.

YEAR-TO-DATE SUMMARIZED STATEMENT OF INCOME

	2022
	(in millions)
Net Sales (a)	$ 4,580
Gross Profit	1,857
Operating Income	648
Income Before Income Taxes	393
Net Income (b)	304

(a) Includes net sales of $223 million to non-Guarantor subsidiaries.

(b) Includes a net loss of $8 million related to transactions with non-Guarantor subsidiaries.

Contingent Liabilities and Contractual Obligations

Lease Guarantees

In connection with the spin-off of Victoria's Secret & Co. and the sale of the La Senza business, we had remaining contingent obligations of $287 million as of October 29, 2022 related to lease payments under the current terms of noncancelable leases, primarily related to office space, expiring at various dates through 2037. 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 these businesses. Our reserves related to these obligations were not significant for any period presented.

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 subsequent to January 29, 2022, as discussed in “Contingent Liabilities and Contractual Obligations” in our 2021 Annual Report on Form 10-K. 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 business).

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

We did not adopt any new accounting standards in 2022 that had a material impact on our consolidated results of operations, financial position or cash flows. In addition, as of November 30, 2022, there were no new accounting standards that we have 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, valuation of long-lived store 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 2021 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

Our Canadian dollar denominated earnings are subject to exchange rate risk as substantially all our merchandise sold in Canada 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 primarily 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 October 29, 2022 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 October 29, 2022, 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 debt as of October 29, 2022, January 29, 2022 and October 30, 2021:

	October 29, 2022	January 29, 2022	October 30, 2021
		(in millions)	
Principal Value	$ 4,915	$ 4,915	$ 4,915
Fair Value, Estimated (a)	4,367	5,493	5,720

(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.

Concentration of Credit Risk

We maintain cash and cash equivalents 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 Interim 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 Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, our Interim 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 Interim 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 third quarter of 2022 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 results of operations, financial position or cash flows.

Item 1A. RISK FACTORS

The risk factors that affect our business and financial results are discussed in Item 1A. Risk Factors in our 2021 Annual Report on Form 10-K. We wish to caution the reader that the risk factors discussed in Item 1A. Risk Factors in our 2021 Annual Report on Form 10-K and those described elsewhere in this report or other SEC filings, could cause actual results to differ materially from those stated in any forward-looking statements.

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

The following table provides our repurchases of our common stock during the third quarter of 2022:

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)	
August 2022	13	$ 38.36	—	$ 187,775
September 2022	6	37.90	—	187,775
October 2022	9	34.92	—	187,775
Total	28		—	

(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 associate restricted stock and performance share unit 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 Per Share and Shareholders' Equity (Deficit)” included in Part I, 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	Bath & Body Works, Inc. Amended and Restated 2015 Cash Incentive Compensation Performance Plan.
15	Letter regarding Unaudited Interim Financial Information regarding 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: November 30, 2022

* 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.

AMENDED AND RESTATED 2015 CASH INCENTIVE COMPENSATION PERFORMANCE PLAN

Bath & Body Works, Inc., a Delaware corporation (including any successor in name or interest thereto), hereby adopts the Bath & Body Works, Inc. Amended and Restated 2015 Cash Incentive Compensation Performance Plan (the "Plan") effective as of September 27, 2022, for the purpose of enhancing the Company's ability to attract and retain highly qualified executive and managerial-level associates and to provide additional financial incentives to such associates to promote the success of the Company and its subsidiaries. The Company reserves the right to pay discretionary bonuses, or other types of compensation outside of the Plan, including under the Company's then effective Stock Option and Performance Incentive Plan or otherwise.

1. ***Definitions.*** As used herein, the following terms shall have the respective meanings indicated:

(a) "*Board*" shall mean the Board of Directors of the Company.

(b) "*Cause*" shall have the meaning set forth in the 2020 Stock Option and Performance Incentive Plan, as may be amended from time to time, and any successor thereto (the "*SOPIP*"); *provided*, *however*, that if the Participant is covered by the Recoupment Policy (as defined below), the term "Cause" shall have the meaning set forth in the Recoupment Policy.

(c) "*Change in Control*" shall have the meaning set forth in the SOPIP.

(d) "*Code*" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor federal internal revenue law, along with related rules, regulations, and interpretations.

(e) "*Common Stock*" shall mean the common stock, $0.50 par value per share, of the Company.

(f) "*Committee*" shall mean the Human Capital & Compensation Committee of the Board or such other committee or subcommittee appointed by the Board to administer the Plan that in the case of any actions taken with respect to any Incentive Compensation payable to any Section 162(m) Executive is comprised of not less than two directors of the Company, each of whom shall qualify in all respects as an "outside director" within the meaning of Section 162(m) of the Code.

(g) "*Company*" shall mean, collectively, Bath & Body Works, Inc. and its subsidiaries.

(h) "*Good Reason*" shall have the meaning set forth in the SOPIP.

(i) "*Incentive Compensation*" shall mean, for each Participant, compensation to be paid in the amount determined by the Committee pursuant to Section 6 below.

(j) "*Participant*" means, with respect to any fiscal year, an associate who is eligible to participate in the Plan for such fiscal year in accordance with Section 3.

(k) "*Performance Goal*" shall mean the performance goals established by the Committee pursuant to Section 4 hereof.

(l) "*Performance Period*" shall mean each Spring or Fall selling season or the fiscal year of the Company, or any other period of time (not less than one (1) calendar quarter or more than five (5) years) as will be established by the Committee pursuant to Section 4 of this Plan within which the Performance Goals relating to any award of Incentive Compensation are to be achieved. Any Performance Period may be subject to earlier lapse or other modification pursuant to Section 11 of this Plan in the event of termination of employment without Cause, resignation for Good Reason, Retirement, death or Total Disability of the Participant or a Change in Control.

(m) "*Recoupment Policy*" shall mean the Bath & Body Works, Inc. Compensation Recoupment Policy, as may be amended from time to time.

(n) "*Retirement*" shall have the meaning set forth in the SOPIP.

(o) "*Section 162(m) Executive*" shall mean any individual who the Committee determines, in its discretion, is or may be a "covered employee" of the Company within the meaning of Section 162(m) of the Code.

(p) "*Total Disability*" shall have the meaning set forth in the SOPIP.

2. ***Administration of the Plan.*** The Plan shall be administered by the Committee, which shall have full power and authority to construe, interpret and administer the Plan and shall have the exclusive right to establish, adjust, pay or decline to pay Incentive Compensation for each Participant. Such power and authority shall include the right to exercise discretion to reduce by any amount the Incentive Compensation payable to any Participant; *provided, however*, that the exercise of such discretion with respect to any Participant who is a Section 162(m) Executive shall not have the effect of increasing the Incentive Compensation that is payable to any other Section 162(m) Executive. Decisions of the Committee shall be final, conclusive and binding on all persons or entities, including the Company, any Participant and any person claiming any benefit or right under the Plan.

3. ***Eligibility.*** All Section 162(m) Executives shall be Participants in the Plan unless the Committee, in its sole and absolute discretion, designates that a Section 162(m) Executive shall not be eligible for participation in the Plan for a fiscal year. In addition, all other associates designated by the Committee or other authorized individuals are eligible to participate in the Plan and shall be Participants.

4. ***Awards.*** The Committee shall establish Performance Goals with respect to each Performance Period. The Performance Goals for a Performance Period must be established, in writing, no later than forty-five (45) days after the commencement of any Performance Period based on the Spring or Fall selling season, and, for any other Performance Period, no later than the lesser of either ninety (90) days or the number of days equal to 25 percent of the Performance Period after the commencement of the Performance Period.

The Performance Goals established by the Committee shall be based on specified levels of or changes in any one or more of the following criteria, which may be expressed with respect to the Company or one or more operating units or groups, as the Committee may determine: price of Common Stock, or the common stock of any affiliate, shareholder return, return on equity, return on investment, return on capital, sales productivity, comparable store sales growth, economic profit, economic value added, net income, operating income, gross margin, sales, free cash flow, earnings per share, operating company contribution or market share. Performance Goals for a Performance Period shall include a minimum performance standard below which no payments of Incentive Compensation will be made, and a maximum performance standard in which any performance that exceeds this standard will not increase the payment of Incentive Compensation. These Performance Goals may be based on an analysis of historical performance and growth expectations for the business, financial results of other comparable businesses, and progress towards achieving the strategic plan for the business, or any other factors as determined by the Committee. Performance Goals shall be adjusted by the Committee for the following items:

(i) all items of gain, loss or expense for the Performance Period determined to be extraordinary or unusual in nature or infrequent in occurrence;

(ii) all items related to the disposal of a component of an entity or related to a change in accounting principles, as such are defined by generally accepted accounting principles and as identified in the Company’s audited financial statements, notes to such financial statements, in management’s discussion and analysis or any other filings with the Securities and Exchange Commission;

(iii) impact from changes in accounting policies approved by the Audit Committee of the Board that were not contemplated in the initial Incentive Compensation targets;

(iv) all items of gain, loss or expense for the Performance Period related to an exit activity as defined under current generally accepted accounting principles;

(v) all items of gain, loss or expense for the Performance Period related to discontinued operations as defined under current generally accepted accounting principles;

(vi) any profit or loss attributable to the business operations of any entity acquired or divested by the Company during the Performance Period;

(vii) write-offs, accelerated depreciation or other operating expenses at the participating subsidiary level related to the testing of a new brand concept, not included in the original Incentive Compensation targets;

(viii) impacts from unanticipated changes in legal or tax structure or unanticipated changes in jurisdictional tax rates of a participating subsidiary; and

(ix) changes in applicable tax law.

Annual Incentive Compensation targets shall be established for Participants ranging from 0% to 300% of each Participant's base salary. In the case of an award of Incentive Compensation to any Section 162(m) Executive, the terms of the objective formula or standard setting such targets must prevent any discretion from being exercised by the Committee to later increase the amount payable that would otherwise be due upon attainment of the targets, but may allow discretion to decrease the amount payable, including discretion that is exercised through the establishment of additional objective or subjective goals. Participants may earn their target Incentive Compensation if the business achieves the pre-established Performance Goals. The target Incentive Compensation percentage for each Participant will be based on the level and functional responsibility of his or her position, size of the business for which the Participant is responsible, and competitive practices. The amount of Incentive Compensation paid to Participants may range from zero to triple their targets, based upon the extent to which Performance Goals are achieved or exceeded. The minimum level at which a Participant will earn any Incentive Compensation, the level at which a Participant will earn the maximum Incentive Compensation of double the target, and the interpolation guidelines for calculating payments within that range must be established by the Committee, in writing, within forty-five (45) days after the commencement of any Performance Period based on the Spring or Fall selling season, and, for any other Performance Period, no later than the lesser of either ninety (90) days or the number of days equal to 25 percent of the Performance Period after the commencement of the Performance Period.

5. ***Committee Certification.*** As soon as reasonably practicable after the end of each Performance Period, and prior to the payment of any Incentive Compensation to a Section 162(m) Executive, the Committee shall certify, in writing, that the Performance Goals for such Performance Period were satisfied.

6. ***Payment of Incentive Compensation.*** The selection of Participants to whom Incentive Compensation shall be paid shall be conditioned upon each Participant's continued employment with the Company through the date such Incentive Compensation is paid. The amount of the Incentive Compensation paid to a Participant for a Performance Period shall be such amount as determined by the Committee in its sole discretion, including zero, provided that the maximum aggregate payment for all Incentive Compensation awards payable to any Participant in any fiscal year of the Company shall be $20,000,000. For the purpose of calculating this fiscal year limit, the Incentive Compensation for any Performance Period of less than one year is deemed to be payable on the last day of the Performance Period, and the Incentive Compensation for any Performance Period of over one year is deemed to be payable ratably over the Performance Period. If, after amounts have been earned with respect to Incentive Compensation awards, the payment of such amounts is deferred, any additional amounts attributable to earnings during the deferral period shall be disregarded for purposes of this limit. Subject to the last sentence of this Section 6 and to Section 11 below, Incentive Compensation shall be paid in cash at such times and on such terms as are determined by the Committee in its sole and absolute discretion, but in no event later than sixty (60) days following the end of the Performance Period to which such Incentive Compensation relates. To the extent provided by the Committee, in its sole discretion, the annual Incentive Compensation may be paid in the form of shares of Common Stock under the Company's then effective Stock Option and Performance Incentive Plan, or may be deferred under the Company's then effective Supplemental Retirement Plan, subject to the terms and conditions of such plans.

7. ***No Right to Bonus or Continued Employment; Clawback.***

(a) Neither the establishment of the Plan, the provision for or payment of any amounts hereunder, nor any action of the Company, the Board or the Committee with respect to the Plan shall be held or construed to confer upon any person (a) any legal right to receive, or any interest in, an Incentive

Compensation or any other benefit under the Plan or (b) any legal right to continue to serve as an officer or associate of the Company or any affiliate of the Company.

(b) If the Committee determines in good faith either that: (i) if required by applicable law with respect to a Participant or (ii) (x) a Participant engaged in fraudulent conduct or activities relating to the Company, (y) a Participant has knowledge of such conduct or activities, or (z) a Participant, based upon the Participant's position, duties or responsibilities, should have had knowledge of such conduct or activities, the Committee shall have the power and authority under the Plan to terminate without payment all outstanding incentive awards under the Plan. If required by applicable law with respect to a Participant or if a Participant described in (ii) above has been paid Incentive Compensation that is based on or results from such conduct or activities, such Participant shall promptly reimburse to the Company a sum equal to either an amount required by such law or the amount of such Incentive Compensation paid in respect of the year in which such conduct or activities occurred, as applicable.

Notwithstanding any other provision of this Plan to the contrary, commencing with Incentive Compensation granted in respect of fiscal year 2023 and all future fiscal years thereafter, any such Incentive Compensation shall be subject to cancellation, recoupment or other action in accordance with the terms and conditions of the Recoupment Policy. In order to receive any Incentive Compensation, the Participant shall agree and consent to the Company's application, implementation and enforcement of (a) the Recoupment Policy or any similar policy established by the Company that may apply to the Participant and (b) any provision of applicable law or stock market or exchange rules or regulations relating to cancellation or recoupment of compensation, and expressly agree that the Company may take such actions as are necessary to effectuate the Recoupment Policy, any similar policy (as applicable to the Participant) or applicable law or stock market or exchange rules or regulations without further consent or action being required by the Participant. To the extent that the terms of this Agreement and the Recoupment Policy conflict, then the terms of the Recoupment Policy shall prevail. In addition, by accepting any award of Incentive Compensation hereunder, the Participant shall be deemed to have agreed and acknowledged that (x) a copy of the Recoupment Policy has been made available to the Participant, (y) the Participant has reviewed the Recoupment Policy and (z) the Participant understands that the award of Incentive Compensation will be subject to the Recoupment Policy.

8. ***Withholding.*** The Company shall have the right to withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy any applicable federal, state, local or foreign withholding tax requirements imposed with respect to the payment of any Incentive Compensation. The Company shall also have the right to withhold from Incentive Compensation any amounts that may be required to be withheld from other taxable noncash compensation or taxable reimbursements payable to a Participant that may themselves have not been subjected to withholding at the time of payment.

9. ***Nontransferability.*** Except as expressly provided by the Committee, the rights and benefits under the Plan are personal to the Participant and shall not be subject to any voluntary or involuntary alienation, assignment, pledge, transfer or other disposition.

10. ***Unfunded Plan.*** The Company shall have no obligation to reserve or otherwise fund in advance any amounts that are or may in the future become payable under the Plan. Any funds that the Company, acting in its sole and absolute discretion, determines to reserve for future payments under the Plan may be commingled with other funds of the Company and need not in any way be segregated from other assets or funds held by the Company. A Participant's rights to payment under the Plan shall be limited to those of a general unsecured creditor of the Company.

11. ***Amendment, Suspension and Termination of the Plan***.

(a) Subject to the limitations set forth in paragraph (b) below, the Committee may at any time suspend or terminate the Plan and may amend it from time to time in such respects as the Board may deem advisable.

(b) No amendment, suspension or termination of the Plan shall, without the consent of the person affected thereby, materially, adversely alter or impair any rights or obligations under any Incentive Compensation previously awarded under the Plan, except to the extent any such action is undertaken to cause the Plan to comply with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations.

12. ***Governing Law.*** The validity, interpretation and effect of the Plan, and the rights of all persons hereunder, shall be governed by and determined in accordance with the laws of the State of Ohio, other than the choice of law rules thereof.

Exhibit 15

November 30, 2022

To the Shareholders and Board of Directors 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-3ASR No. 333-263720)
Registration Statement (Form S-8 No. 333-265379)
Registration Statement (Form S-8 No. 333-262626)
Registration Statement (Form S-8 No. 333-251226)
Registration Statement (Form S-8 No. 333-206787)
Registration Statement (Form S-8 No. 333-176588)

of our report dated November 30, 2022 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 October 29, 2022.

/s/ Ernst & Young LLP

Grandview Heights, Ohio

Exhibit 22

List of Guarantor Subsidiaries

The 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 Bath & Body Works, Inc. (incorporated in Delaware) and the following 100% owned subsidiaries of Bath & Body Works, Inc. as of October 29, 2022:

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
L Brands Service Company, LLC	Delaware

Exhibit 31.1

Section 302 Certification

I, Sarah E. Nash, 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/ SARAH E. NASH

Sarah E. Nash
Executive Chair and Interim Chief Executive Officer

Date: November 30, 2022

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: November 30, 2022

Exhibit 32

Section 906 Certification

Sarah E. Nash, the Executive Chair and Interim 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 November 30, 2022 for the period ending October 29, 2022 (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/ SARAH E. NASH

Sarah E. Nash
Executive Chair and Interim Chief Executive Officer

/s/ WENDY C. ARLIN

Wendy C. Arlin
Executive Vice President and Chief Financial Officer

Date: November 30, 2022