

Lbrands

Proxy Statement for the
2020 Annual Meeting of Stockholders
and 2019 Annual Report

Dear Partner,

We are truly in unprecedented times ... for all of us, for our company, the financial markets and the world ... faced with the continued damage caused by the COVID-19 virus. At L Brands, the health and safety of our customers, associates, partners and communities is our top priority. As I write this, our stores have been closed for a few weeks, although we continue to serve our customers in our online channels. We can only speculate on when we will return to full operations ... it's just too uncertain ... who can know what federal, state and local government decisions are yet to be made. With that uncertainty we have been forced to make tough decisions ... really tough decisions ... to assure that our business can emerge strong when this is all over. These decisions included the suspension of our dividend, drawing \$950 million under our Revolving Credit Facility, furloughing most store associates and others who cannot work from home, pay reductions for senior leaders, the temporary suspension of my and other board members' cash compensation, the deferral of annual merit increases and other actions to substantially reduce expenses and capital expenditures. Furloughing associates is the most difficult decision we've ever had to make ... but I know that we have to take these significant actions now – controlling what we can control – in order to help us weather this storm while providing some level of support to associates. Our board and leadership teams have been working diligently ... and thoughtfully ... and we all look forward to the time when this will be behind us – when we can deliver again in full force our world-class brands and merchandise to all our loyal customers.

Over the course of nearly six decades, we've built a family business into a public company and have grown it into a global enterprise. Many of you may know the story of our modest start – a \$5,000 loan from my aunt. I look back with such gratitude for her generosity and faith, which started L Brands. I am also incredibly grateful for the dedication and hard work from all our current associates – as well as the hundreds of thousands of other associates who have been vital to the success of our company along with our loyal partners and customers, who have elevated us and supported us over all these years.

In February 2020, we announced a strategic agreement with Sycamore Partners, a leading private equity firm which specializes in consumer and retail investments, that is intended to deliver long-term value by positioning Bath & Body Works as a standalone public company and separating Victoria's Secret Lingerie, Victoria's Secret Beauty and PINK into a privately held entity. Under the terms of the agreement, Sycamore will hold a 55% majority stake in the new Victoria's Secret private entity, with L Brands retaining a 45% minority stake. After the close of the transaction, which we expect will be during the second quarter of this year, Sycamore will operate the new privately held Victoria's Secret Lingerie, Victoria's Secret Beauty and PINK business. We believe that, by retaining a significant ownership stake, our shareholders will have the ability to meaningfully participate in the upside potential of these iconic brands.

As I've said before, retail is a business of change ... and we have seen our business evolve and take new paths many times before ... always with a view to creating new possibilities for the future. And we believe

the future of L Brands, with Bath & Body Works positioned as a standalone public company, is incredibly bright.

Bath & Body works is *the* specialty fragrance retailer, with high unaided brand awareness and a loyal customer base. Recently, Bath & Body Works celebrated becoming a \$5 billion brand ... accomplished by bringing newness to customers, driving traffic to stores and online, and ultimately delivering 40 consecutive quarters of positive comparable sales since 2009. It maintains category-dominant market share in the Beauty and Personal Care and Home markets with accessible price points and brand elasticity, and the business has an impressive ability to respond quickly to evolving customer tastes with high-speed sourcing and an impressive logistics model. This has enabled a consistent track record of delivering strong results, including another record year in 2019. With more than 1,700 company-owned stores in North America and an additional 278 international franchised locations, Bath & Body Works is well-positioned for continued growth and value creation.

Bath & Body Works' success has also been driven by its experienced and aligned management team. For nearly nine years, Nick Coe, who was recently named Vice Chairman of Bath & Body Works Brand Strategy and New Ventures, and Andrew Meslow, who was promoted to CEO of Bath & Body Works, have been a powerful and proven combination, driving the brand to consistent sales growth with best-in-class profitability. I couldn't be more confident in the future with Andrew set to be appointed CEO of L Brands and join the Company's Board of Directors at the close of the transaction with Sycamore – I know the business is in terrific hands.

Working for a lifetime in this business has been nothing short of a dream come true. In 1963, when I founded "The Limited," I had high hopes. But I never could have imagined what L Brands would become as our many iconic, global brands have been recognized and valued around the world.

I have confidence in our ability to successfully navigate through the challenges of the global pandemic in the months ahead ... and in the future growth of our business for many years to come. From the bottom of my heart, I want to say how truly grateful I am to our associates for their dedication and to you for all your support over the years.



Leslie H. Wexner
Chairman and CEO

Notice of Annual Meeting of Stockholders and Proxy Statement

May 14, 2020

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 14, 2020: The proxy statement and annual report to stockholders are available at www.proxyvote.com.

April 2, 2020

DEAR STOCKHOLDER:

You are cordially invited to attend our 2020 annual meeting of stockholders to be held at **8:30 a.m., Eastern Time**, on May 14, 2020, at our offices located at Three Limited Parkway, Columbus, Ohio 43230. Our Investor Relations telephone number is (614) 415-7585 should you require assistance in finding the location of the meeting. The formal Notice of Annual Meeting of Stockholders and proxy statement are attached. If you plan to attend, please bring the Admittance Slip located at the back of this booklet and a picture I.D., and review the attendance information provided. I hope that you will be able to attend and participate in the meeting, at which time I will have the opportunity to review the business and operations of our company.

The matters to be acted upon by our stockholders are discussed in the Notice of Annual Meeting of Stockholders. It is important that your shares be represented and voted at the meeting. Accordingly, after reading the attached proxy statement, would you kindly sign, date and return the enclosed proxy card or vote by telephone or via the Internet as described on the enclosed proxy card. Your vote is important regardless of the number of shares you own.

Sincerely yours,



Leslie H. Wexner
Chairman of the Board

** We are actively monitoring the public health and travel concerns relating to COVID-19 and the related recommendations and protocols issued by federal, state and local governments. In the event that it is not possible or advisable to hold our annual meeting at the time, date and place as originally planned, we will announce alternative arrangements for the meeting as promptly as practicable, which may include holding the meeting solely by means of remote communication or adjourning or postponing the meeting. Any such change, including details on how to participate in a remote meeting, would be announced in advance via press release, a copy of which would be filed with the Securities and Exchange Commission as additional proxy solicitation materials and posted on our website at <http://www.lb.com>.*

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 14, 2020

April 2, 2020

TO THE STOCKHOLDERS OF L BRANDS, INC.:

We are pleased to invite you to attend our 2020 annual meeting of stockholders to:

- Vote on a proposal to amend the Certificate of Incorporation to remove supermajority voting requirements.
- Vote on a proposal to amend the Certificate of Incorporation to provide for the annual election of directors.
- Elect the three nominees proposed by the Board of Directors as directors.
- Ratify the appointment of our independent registered public accountants.
- Vote on a proposal to approve the 2020 Stock Option and Performance Incentive Plan.
- Hold an advisory vote to approve named executive officer compensation.
- Transact such other business as may properly come before the meeting.

Stockholders of record at the close of business on March 20, 2020 may vote at the meeting. If you plan to attend, please bring the Admittance Slip located at the back of this booklet and a picture I.D., and review the attendance information provided. Your vote is important. Stockholders of record can give proxies by calling a toll-free telephone number, by using the Internet or by mailing their signed proxy cards. Whether or not you plan to attend the meeting, please vote by telephone or via the Internet or sign, date and return the enclosed proxy card in the envelope provided. Instructions are included on your proxy card. You may change your vote by submitting a later dated proxy (including a proxy via telephone or the Internet) or by attending the meeting and voting in person.

By Order of the Board of Directors,



Leslie H. Wexner
Chairman of the Board

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INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

The Board of Directors (the “Board”) is soliciting your proxy to vote at our 2020 annual meeting of stockholders (or at any adjournment of the meeting). This proxy statement summarizes the information you need to know to vote at the meeting. In this proxy statement, “we,” “our,” “L Brands” and the “Company” refer to L Brands, Inc.

We began mailing this proxy statement and the enclosed proxy card, or the Notice of Internet Availability of Proxy Materials (the “Notice”) on or about April 3, 2020 to all stockholders entitled to vote. The Company’s 2019 Annual Report on Form 10-K, which includes our financial statements, is being sent with this proxy statement and is available in paper copy by request or in electronic form.

Date, Time and Place of Meeting

Date: May 14, 2020

Time: 8:30 a.m., Eastern Time

Place: Three Limited Parkway, Columbus, Ohio 43230

Attending the Meeting

Stockholders who plan to attend the meeting in person must bring photo identification and the Admittance Slip located at the back of this booklet. Because of necessary security precautions, bags, purses and briefcases may be subject to inspection. To speed the admissions process, stockholders are encouraged to bring only essential items. Cameras, camcorders or videotaping equipment are not allowed.

We are actively monitoring the public health and travel concerns relating to COVID-19 and the related recommendations and protocols issued by federal, state and local governments. In the event that it is not possible or advisable to hold our annual meeting at the time, date and place as originally planned, we will announce alternative arrangements for the meeting as promptly as practicable, which may include holding the meeting solely by means of remote communication or adjourning or postponing the meeting. Any such change, including details on how to participate in a remote meeting, would be announced in advance via press release, a copy of which would be filed with the Securities and Exchange Commission as additional proxy solicitation materials and posted on our website at <http://www.lb.com>.

Shares Entitled to Vote

Stockholders entitled to vote are those who owned Company common stock (which we refer to throughout this proxy statement as “Common Stock”) at the close of business on the record date, March 20, 2020. As of the record date, there were 276,533,315 shares of Common Stock outstanding. Each share of Common Stock that you own entitles you to one vote.

Voting Your Shares

Whether or not you plan to attend the annual meeting, we urge you to vote. Stockholders of record can give proxies by calling a toll-free telephone number, by using the Internet or by mailing their signed proxy cards. The telephone and Internet voting procedures are designed to authenticate stockholders’ identities, to allow stockholders to give their voting instructions and to confirm that stockholders’ instructions have been recorded properly. If you are voting by mail, please complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you are voting by telephone or via the Internet, please use the telephone or Internet voting procedures set forth on the enclosed proxy card. Returning the proxy card or voting via telephone or the Internet will not affect your right to attend the meeting and vote.

The enclosed proxy card indicates the number of shares that you own.

Voting instructions are included on your proxy card. If you properly fill in your proxy card and send it to us or vote via telephone or the Internet in time to vote, one of the individuals named on your proxy card (your “proxy”) will vote your shares as you have directed. If you sign the proxy card or vote via telephone or the Internet but do not make specific choices, your proxy will follow the Board’s recommendations and vote your shares in the following manner:

- “FOR” the proposal to amend the Certificate of Incorporation to remove supermajority voting requirements (as described on page 5);
- “FOR” the proposal to amend the Certificate of Incorporation to provide for the annual election of directors (as described on page 6);
- “FOR” the election of the Board’s three nominees for director (as described on page 7);
- “FOR” the ratification of the appointment of our independent registered public accountants (as described on page 16);
- “FOR” the proposal to approve the 2020 Stock Option and Performance Incentive Plan (as described on page 17); and
- “FOR” on the advisory vote to approve named executive officer compensation (as described on page 26).

If any other matter is properly presented at the meeting, your proxy will vote in accordance with his or her best judgment. At the time this proxy statement went to press, we knew of no other matters to be acted on at the meeting. See “—Vote Necessary to Approve Proposals” for a discussion of the votes required to approve these items.

Certain stockholders received a Notice containing instructions on how to access this proxy statement and our 2019 Annual Report on Form 10-K via the Internet. Those stockholders should refer to the Notice for instructions on how to vote.

Revoking Your Proxy

You may revoke your proxy by:

- submitting a later dated proxy (including a proxy via telephone or the Internet);
- notifying our Secretary at our principal executive offices at Three Limited Parkway, Columbus, Ohio 43230, in writing before the meeting that you have revoked your proxy; or
- voting in person at the meeting.

Voting in Person

If you plan to vote in person, a ballot will be available when you arrive. However, if your shares are held in the name of your broker, bank or other nominee, you must bring an account statement or letter from the nominee indicating that you were the beneficial owner of the shares at the close of business on March 20, 2020, the record date for voting, as well as a proxy, executed in your favor, from the nominee.

Appointing Your Own Proxy

If you want to give your proxy to someone other than the individuals named as proxies on the proxy card, you may cross out the names of those individuals and insert the name of the individual you are authorizing to vote. Either you or that authorized individual must present the proxy card at the meeting.

Quorum Requirement

A quorum of stockholders is necessary to hold a valid meeting. The presence in person or by proxy at the meeting of holders of shares representing at least one-third of the votes of the Common Stock entitled to vote constitutes a quorum. Abstentions and “broker non-votes” are counted as present for establishing a quorum. A broker non-vote occurs on an item when a broker is not permitted to vote on that item absent instruction from the beneficial owner of the shares and no instruction is given.

Vote Necessary to Approve Proposals

- The proposal to amend the Certificate of Incorporation to remove supermajority voting requirements requires the affirmative vote of at least 75% of the outstanding shares of the Company entitled to vote at the annual meeting.
- The proposal to amend the Certificate of Incorporation to provide for the annual election of directors requires the affirmative vote of at least 75% of the outstanding shares of the Company entitled to vote at the annual meeting.
- Pursuant to the Company’s Bylaws, each director will be elected by a majority of the votes cast with respect to such director. A majority of the votes cast means that the number of votes “for” a director’s election must exceed 50% of the votes cast with respect to that director’s election. Any “against” votes will count as a vote cast, but “abstentions” will not count as a vote cast with respect to that director’s election. Under Delaware law, if the director is not elected at the annual meeting, the director will continue to serve on the Board as a “holdover director.” As required by the Company’s Bylaws, each director has submitted an irrevocable letter of resignation as director that becomes effective if he or she does not receive a majority of votes cast in an election and the Board accepts the resignation. If a director is not elected, the Nominating & Governance Committee will consider the director’s resignation and recommend to the Board whether to accept or reject the resignation.
- The ratification of Ernst & Young LLP as our independent registered public accountants requires the affirmative vote of a majority of the votes present in person or by proxy and voting thereon.
- Pursuant to the Company’s bylaws, the approval of the 2020 Stock Option and Performance Incentive Plan (the “2020 Plan”) requires the affirmative vote of a majority of the votes present in person or by proxy and voting thereon. In addition, the votes necessary to approve the 2020 Plan, including the impact of abstentions (as described under “— Impact of Abstentions and Broker Non-Votes”) is subject to additional New York Stock Exchange (“NYSE”) rules. Under NYSE rules, the approval of the 2020 Plan requires a majority of the votes cast “for” the approval of the 2020 Plan.
- The advisory vote to approve named executive officer compensation requires the affirmative vote of a majority of the votes present in person or by proxy and voting thereon. While this vote is required by law, it will neither be binding on the Company or the Board, nor will it create or imply any change in the fiduciary or other duties of, or impose any additional fiduciary or other duties on, the Company or the Board. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation decisions.

Impact of Abstentions and Broker Non-Votes

You may “abstain” from voting for any nominee in the election of directors and on the other proposals. Abstentions with respect to the election of directors, the ratification of the appointment of our independent registered public accountants and the advisory vote to approve named executive compensation will be excluded entirely from the vote and will have no effect. Abstentions with respect to the proposal to amend the Certificate of Incorporation to remove supermajority voting requirements and the proposal to amend the Certificate of Incorporation to provide for the annual election of directors will have the same effect as a vote “against” the proposal. Under NYSE rules, “votes cast” on the approval of the 2020 Plan consist of votes “for” or “against” the approval of the 2020 Plan as well as abstentions. As a result, abstentions have the effect of a vote “against” the approval of the 2020 Plan.

In addition, under NYSE rules, if your broker holds your shares in its name, your broker is permitted to vote your shares on the proposal to ratify Ernst & Young LLP as our independent registered public accountants, even if it did not receive voting instructions from you. Your broker may not vote your shares on any of the other matters without specific instruction. A “broker non-vote” occurs when a broker submits a proxy but refrains from voting. Shares represented by broker non-votes are counted as present or represented for purposes of determining the presence of a quorum but are not counted as otherwise present or represented.

Obtaining Additional Copies of the Proxy Materials

We have adopted a procedure called “householding.” Under this procedure, stockholders who share the same last name and reside at the same mailing address will receive one Notice or one set of proxy materials (if they have elected to receive hard copies of the proxy materials), unless one of the stockholders at that address has notified us that they wish to receive individual copies. Stockholders who participate in householding continue to receive separate control numbers for voting. Householding does not in any way affect dividend check mailings.

If you hold Common Stock and currently are subject to householding, but prefer to receive separate copies of proxy materials and other stockholder communications from the Company, or if you are sharing an address with another stockholder and would like to consent to householding, you may revoke or grant your consent to householding as appropriate at any time by calling toll-free at 1-866-540-7095 or notifying our Secretary at our principal executive offices at Three Limited Parkway, Columbus, Ohio 43230.

A number of brokerages and other institutional holders of record have implemented householding. If you hold your shares beneficially in street name, please contact your broker or other intermediary holder of record to request information about householding.

PROPOSAL 1: PROPOSAL TO AMEND THE CERTIFICATE OF INCORPORATION TO REMOVE SUPERMAJORITY VOTING REQUIREMENTS

Background

This proposal is a result of the Board's ongoing review of the Company's corporate governance practices, including consideration of the vote at the Company's 2019 annual meeting on a nonbinding stockholder proposal addressing the same topic. After a review of evolving corporate governance practices, and consistent with its strong commitment to the careful consideration of stockholder views, the Board has determined that it is in the best interests of the Company and its stockholders to amend the Company's Restated Certificate of Incorporation (the "Charter") to remove supermajority voting requirements in the Charter. The Board cannot unilaterally adopt the proposal because a stockholder vote is necessary under Delaware law.

Proposed Amendment

If approved, the proposal would amend the Charter to provide for the removal of each supermajority voting requirement (the "Supermajority Amendment").

The text of the proposed Supermajority Amendment, which would remove Articles EIGHTH and THIRTEENTH and Section 2 of Article FIFTH and Section 1 of Article ELEVENTH of the Charter in their entirety, and modify Articles TENTH and TWELFTH and Section 2 of Article ELEVENTH of the Charter, is attached as Appendix A to this proxy statement.

Required Vote

For the Supermajority Amendment to become effective, this proposal must receive the affirmative vote of at least 75% of the outstanding shares of the Company entitled to vote at the annual meeting. If the Supermajority Amendment does not receive this level of stockholder approval, the Supermajority Amendment will not be implemented and the Company's current voting requirements will remain in place.

This Proposal 1 for the Supermajority Amendment is separate from, and is not conditioned on, the approval of Proposal 2 on the Declassification Amendment. Your vote on this Proposal 1 does not affect your vote on Proposal 2.

Board Recommendation

The Board recommends a vote FOR the proposed Supermajority Amendment to remove supermajority voting requirements.

PROPOSAL 2: PROPOSAL TO AMEND THE CERTIFICATE OF INCORPORATION TO PROVIDE FOR THE ANNUAL ELECTION OF DIRECTORS

Background

This proposal is a result of the Board's ongoing review of the Company's corporate governance policies. After a review of evolving corporate governance practices, and consistent with its strong commitment to the careful consideration of stockholder views, the Board has determined that it is in the best interests of the Company and its stockholders to amend the Charter to eliminate the Company's classified board structure and provide for the annual election of directors. The Board cannot unilaterally adopt the proposal because a stockholder vote is necessary under Delaware law.

Proposed Amendment

If approved, the proposal would amend the Charter to provide for the annual election of all directors (the "Declassification Amendment").

The Company's current Charter divides the Board into three classes that are elected for staggered, three-year terms. If the proposed Declassification Amendment is adopted, all directors will be elected on an annual basis beginning at the 2021 annual meeting as follows:

- directors who are elected at this annual meeting will serve a one-year term and they, or any successors, will stand for election to a one-year term at the 2021 annual meeting;
- directors whose terms expire at the 2021 annual meeting will, or their successors will, stand for election to a one-year term at the 2021 annual meeting; and
- directors who have been elected to terms expiring at the 2022 annual meeting will resign immediately following this annual meeting, and shall immediately thereafter be appointed by the Board to serve until the 2021 annual meeting, and they, or their successors, shall stand for election to a one-year term at the 2021 annual meeting.

Furthermore, the Company's current Charter provides that directors may be removed only for cause, and then upon the affirmative vote of 75% of the Company's outstanding shares entitled to vote thereon. However, Delaware law provides that the directors of a corporation without a classified board may be removed with or without cause, by the holders of a majority of the shares then entitled to vote. In order to conform to Delaware law, the proposed Declassification Amendment provides that all directors may be removed with or without cause upon the affirmative vote of a majority of the Company's outstanding shares entitled to vote thereon.

The text of the proposed Declassification Amendment, which would modify Section 1 of Article SIXTH and Article TENTH of the Charter, is attached as Appendix B to this proxy statement.

Required Vote

For the Declassification Amendment to become effective, this proposal must receive the affirmative vote of at least 75% of the outstanding shares of the Company entitled to vote at the annual meeting. If the Declassification Amendment does not receive this level of stockholder approval, the Declassification Amendment will not be implemented and the Company's current classified board structure will remain in place.

This Proposal 2 for the Declassification Amendment is separate from, and is not conditioned on, the approval of Proposal 1 on the Supermajority Amendment. Your vote on this Proposal 2 does not affect your vote on Proposal 1.

Board Recommendation

The Board recommends a vote FOR the proposed Declassification Amendment to eliminate the Company's classified board structure.

PROPOSAL 3: ELECTION OF DIRECTORS

The Board has nominated three directors for election at the annual meeting. If you elect the three nominees and approve Proposal 2, they will hold office for a one-year term expiring at the 2021 annual meeting or until their successors have been elected. If you elect the three nominees and do not approve Proposal 2, they will hold office for a three-year term expiring at the 2023 annual meeting or until their successors have been elected.

The Board believes in the necessity of ongoing Board refreshment, and rigorous self-evaluation, diversity and succession planning. We regularly engage with our shareholders and other stakeholders on Board refreshment. We have added five new directors since 2014. Five of our directors are women, including two who are women of color.

The Board has in place a robust process that will allow us to continue to refresh the Board and its leadership significantly over the next several years and beyond. We want a thoughtful approach to succession planning and an orderly transition, and the Board seeks to strike a balanced approach that allows the Board to benefit from the right mix of newer directors who bring fresh perspectives and seasoned directors who bring continuity and deep insight into our business and strategies. The Company believes that an effective Board consists of individuals who possess a variety of complementary skills, a range of tenures and a diversity of perspectives. We intend to refresh our Board and assess our Board succession plans with this in mind. The Nominating and Governance Committee and the Board consider the performance, contributions, skills and experience of our Board members in the broader context of the Board's overall composition, with a view toward constituting a Board that has the integrity, judgment, skill set, experience and other characteristics to oversee the broad set of challenges that the Company faces and evaluate management on executing the Company's business strategy.

We believe that our Board as a whole possesses the right mix of qualifications, skills and experience to oversee and address the key issues facing our Company now, and the commitment to Board refreshment to ensure this moving forward.

Set forth below is additional information about the experience and qualifications of each of the nominees for director, as well as each of the current members of the Board, that led the Board to conclude, at the time each individual was nominated to serve on the Board, that he or she would provide valuable insight and guidance as a member of the Board.

Your proxy will vote for each of the nominees unless you specify otherwise. If any nominee is unable to serve, your proxy may vote for another nominee proposed by the Board. We do not know of any nominee of the Board who would be unable to serve as a director if elected.

The Board recommends a vote FOR the election of all of the following nominees of the Board:

Nominees and Directors

Nominees of the Board at the 2020 Annual Meeting

Donna A. James

Director since 2003

Age 62

In April 2006, Ms. James established Lardon & Associates LLC, a business and executive advisory services firm, where she is Managing Director. Ms. James served as the President of Nationwide Strategic Investments, a division of Nationwide Mutual Insurance Company, from 2003 through March 2006. Ms. James served as Executive Vice President and Chief Administrative Officer of Nationwide Mutual Insurance Company and Nationwide Financial Services from 2000 until 2003. Ms. James is a director of Boston Scientific Corporation, a developer, manufacturer and marketer of medical devices. Ms. James served as a director of Marathon Petroleum Corp., a transportation fuels refiner, from 2011 to 2018. Ms. James also served as Chairman of Financial Settlement Services Agency, Inc. from 2005 through 2006, as director of CNO Financial Group, Inc., a holding company for a group of insurance companies, from 2007 to 2011, as director of Coca-Cola Enterprises Inc., a nonalcoholic beverages company, from 2005 to 2012 and as a director of Time Warner Cable Inc., a provider of video, data and voice services, from 2009 to 2016. Ms. James's nomination is supported by her executive experience, financial expertise, service on several boards of directors and experience with respect to corporate diversity and related issues.

Michael G. Morris

Director since 2012

Age 73

Mr. Morris served as the Chairman of the Board of American Electric Power Company, Inc., one of the largest electric utilities in the United States, from 2012 to April 2014. From January 2004 until November 2011, Mr. Morris served as the President, Chief Executive Officer and Chairman of American Electric Power Company, Inc. From 1997 until 2003, he served as the President, Chairman and Chief Executive Officer of Northeast Utilities, the largest electric utility in New England. From 2013 to 2017, Mr. Morris served as a director of Spectra Energy Corp., one of North America's leading natural gas infrastructure companies until its acquisition by Enbridge Inc., from 2017 to 2018, Mr. Morris served as director of Spectra Energy Partners GP, LLC, the general partner of Spectra Energy Partners (DE) GP, LP, the general partner of Spectra Energy Partners, LP, a master limited partnership engaged in the transmission, storage and gathering of natural gas, and the transportation and storage of crude oil, until its acquisition by Enbridge Inc., and from 2018 to 2019, Mr. Morris served as a director of PHL Group, Inc. Mr. Morris currently serves as a director of The Hartford Financial Services Group, Inc., an investment and insurance company, and as the Non-Executive Chairman of the board of directors of Alcoa Corporation, a producer of bauxite, alumina and aluminum. Mr. Morris served as a director of Alcoa Inc., a producer of aluminum, from 2008 to 2016, until Alcoa Inc.'s separation into two standalone, publicly-traded companies, Alcoa Corporation and Arconic Inc. Mr. Morris's nomination is supported by his broad business experience and management expertise.

Robert H. Schottenstein

Director since 2017

Age 67

Mr. Schottenstein has been the Chairman and Chief Executive Officer of M/I Homes, Inc., one of the nation's largest homebuilders, since 2004. From 2014 to March 2020 Mr. Schottenstein served on the board of Installed Building Products, Inc., a leading installer of insulation and complementary building products for residential new construction. He also serves on the boards of The Ohio State University Wexner Medical Center, Columbus 2020, The Ohio State University Foundation and the Executive Committee of Harvard University's Joint Center for Housing. Mr. Schottenstein's nomination is supported by his management and business experience and involvement in various public policy issues.

Directors Whose Terms Expire at the 2021 Annual Meeting

Stephen D. Steinour

Director since 2014

Age 61

Mr. Steinour has been the Chairman, President & Chief Executive Officer of Huntington Bancshares Incorporated, a regional bank holding company, since 2009. From 2008 to 2009, Mr. Steinour was a Managing Partner in CrossHarbor Capital Partners, LLC, a recognized leading manager of alternative investments. Mr. Steinour was with Citizens Financial Group from 1992 to 2008, where he served in various executive roles, including President from 2005 to 2007 and Chief Executive Officer from 2007 to 2008. Mr. Steinour currently serves as a director of Exelon Corporation, a utility services holding company, and his service on such board will conclude on April 28, 2020. Mr. Steinour also serves as a supervisory board member of The Clearing House, a real-time payments platform. He previously served as a trustee of Liberty Property Trust, a real estate investment trust, from 2010 to 2014, and as a director of the Federal Reserve Bank of Cleveland, from 2017 to 2019. Mr. Steinour's nomination was supported by his executive experience, financial expertise and service on several boards of directors.

Abigail S. Wexner

Director since 1997

Age 58

Mrs. Wexner is the chairman, CEO and Founder of Whitebarn Associates, LLC a private investment company. She serves on the boards of Advanced Drainage Systems, Inc., a manufacturer of high performance thermoplastic corrugated pipe, The Ohio State University, Nationwide Children's Hospital, the Columbus Downtown Development Corporation, the Columbus Partnership, Pelotonia, The Ohio State University Wexner Medical Center, The Wexner Foundation, The Columbus Jewish Federation and the United States Equestrian Team Foundation. She is founder and chair of the board for The Center for Family Safety and Healing, founding board member and vice chair of the board for KIPP Columbus and a past chair of the Governing Committee of the Columbus Foundation. Mrs. Wexner is the wife of Leslie H. Wexner. Mrs. Wexner's nomination was supported by her executive and legal experience, as well as her expertise with respect to a wide range of diversity, philanthropic and public policy issues.

Directors Whose Terms Expire at the 2022 Annual Meeting

Patricia S. Bellinger

Director since 2017

Age 59

Ms. Bellinger is the Chief of Staff and Strategic Advisor to the President of Harvard University, an institution of higher education. From 2017 to 2018, she was a Senior Fellow at the Center for Public Leadership at Harvard Kennedy School, a graduate and professional school. From 2013 to 2017, she was an Adjunct Lecturer and the Executive Director at the Center for Public Leadership at the Harvard Kennedy School and from 2010 to 2013, she was the Executive Director of Executive Education at Harvard Business School, a graduate and professional school. Prior to joining Harvard Business School, Ms. Bellinger was group vice president at British Petroleum, a global energy company, from 2000 to 2007, where she oversaw leadership development programs and established and led British Petroleum’s global diversity and inclusion transformation. Ms. Bellinger served as a director of Pattern Energy Group Inc., a power company, from 2013 until 2018 and Paris-based Sodexo S.A., from 2005 until 2018. She also serves as a director of Paris-based Sonepar, and as a trustee of uAspire. Ms. Bellinger’s nomination was supported by her extensive executive, business and leadership experience and service on several boards of directors.

Sarah E. Nash

Director since 2019

Age 66

Ms. Nash is Chairman of the Board and Chief Executive Officer of Novagard Solutions, Inc., a privately held manufacturer of silicone sealants and conformal coatings, hybrid sealants and foam located in Cleveland, Ohio. Ms. Nash spent nearly 30 years in investment banking at JPMorgan Chase & Co. (and predecessor companies), a financial services firm, retiring as Vice Chairman in July 2005. She currently serves on the boards of directors of Blackbaud, Inc., a software company providing technology solutions for the not-for-profit industry, and Knoll, Inc., a designer and manufacturer of lifestyle and workplace furnishings, textiles and fine leathers, and on the boards of directors of privately held HBD Industries, Inc. and Irving Oil Company. Ms. Nash is trustee of the New York-Presbyterian Hospital, Chair of the International Friends Advisory Board of the Montreal Museum of Fine Arts and a member of the National Board of the Smithsonian Institution. Ms. Nash holds a BA in political science from Vassar College. Ms. Nash’s nomination was supported by her extensive experience in capital markets, strategic transactions, corporate governance and non-profit organizations.

Anne Sheehan

Director since 2019

Age 63

Ms. Sheehan is the Chair of the Securities and Exchange Commission’s Investor Advisory Committee. From 2008 until 2018, Ms. Sheehan served as the Director of Corporate Governance at The California State Teachers’ Retirement System (CalSTRS), the largest educator-only pension fund in the world and the second largest pension fund in the United States. She previously served as the Chief Deputy Director for Policy at the California Department of Finance from 2004 to 2008 and as Executive Director at the California Building Industry Foundation from 2000 to 2004. Ms. Sheehan is a founder of the Investor Stewardship Group, serves on the Advisory Board of the Weinberg Center for Corporate Governance at the University of Delaware, is a member of the Advisory Board of Rock Center for Corporate Governance of Stanford Law School and is a Senior Advisor at PJT Camberview. Ms. Sheehan’s nomination was supported by her extensive experience as a corporate governance professional and her senior management and leadership experience addressing complex legislative, regulatory and public finance issues.

Leslie H. Wexner

Director since 1963

Age 82

Mr. Wexner has been Chief Executive Officer of the Company since he founded the Company in 1963, and Chairman of the Board for 43 years. Mr. Wexner is the husband of Abigail S. Wexner. Mr. Wexner’s nomination was supported by his effective leadership of the Company since its inception.

Retiring Directors

Raymond Zimmerman has determined not to stand for reelection and E. Gordon Gee and Allan R. Tessler have informed the Company that they will retire from the Board effective May 14, 2020, at the conclusion of our annual meeting. We thank them for their years of exceptional commitment and distinguished service to the Company.

Director Independence

The Board has determined that each of the individuals nominated to serve on the Board, together with Dr. Gee, Messrs. Tessler and Zimmerman and each of the members of the Board who will continue to serve after the 2020 annual meeting of stockholders (except for Abigail S. Wexner and Leslie H. Wexner), has no material relationship with the Company other than in his or her capacity as a director of the Company and that each is “independent” in accordance with applicable NYSE standards. If all director nominees are elected to serve as our directors, independent directors will constitute over 75% of our Board.

In making these determinations, the Board took into account all factors and circumstances that it considered relevant, including, where applicable, the existence of any employment relationship between the director (or nominee) or a member of the director’s (or nominee’s) immediate family and the Company; whether within the past three years the director (or nominee) has served as an executive officer of the Company; whether the director (or nominee) or a member of the director’s (or nominee’s) immediate family has received, during any twelve-month period within the last three years, direct compensation from the Company in excess of \$120,000; whether the director (or nominee) or a member of the director’s (or nominee’s) immediate family has been, within the last three years, a partner or an employee of the Company’s internal or external auditors; and whether the director (or nominee) or a member of the director’s (or nominee’s) immediate family is employed by an entity that is engaged in business dealings with the Company. The Board has not adopted categorical standards with respect to director independence. The Board believes that it is more appropriate to make independence determinations on a case-by-case basis in light of all relevant factors.

Board Leadership Structure

On February 20, 2020, L Brands and SP VS Buyer LP (“Sycamore”), an affiliate of Sycamore Partners Management, L.P., entered into a Transaction Agreement (the “Transaction Agreement”) pursuant to which, among other things, L Brands will transfer certain assets and liabilities relating to its business conducted under the Victoria’s Secret and PINK brands to a newly formed subsidiary of L Brands (“VS Holdco”) and sell 55% of the equity interests of VS Holdco to Sycamore (the “Transaction”). L Brands, through its subsidiaries, will retain 45% of the equity interests of VS Holdco.

Mr. Leslie H. Wexner serves as Chairman of the Board and Chief Executive Officer (“CEO”) of the Company. Upon the closing of the transactions contemplated by the Transaction Agreement (the “Closing”), Mr. Wexner will step down as Chairman of the Board and as CEO and will remain a member of the Board as Chairman Emeritus. Andrew Meslow, the Chief Executive Officer of Bath & Body Works, will be appointed by the Board as our CEO and as a director of the Company, effective upon the Closing.

Allan R. Tessler currently serves as the lead independent director. In July 2012, the Board determined that the lead independent director should be appointed solely by the independent directors, as they deem appropriate, and Mr. Tessler was subsequently reappointed as the lead independent director by them. As lead independent director, Mr. Tessler has the authority to call meetings of the independent directors, at which he serves as the chairman. Mr. Tessler also approves information sent to the Board, including the agenda for Board meetings, and is responsible for approving meeting schedules in order to assure that there is sufficient time for discussion of all agenda items. Upon Mr. Tessler’s retirement, Ms. Nash will serve as lead independent director. Upon the Closing, Ms. Nash will be appointed as the Chair of the Board.

Risk Oversight; Certain Compensation Matters

The Board, directly and through the Audit Committee and other committees of the Board, takes an active role in the oversight of the Company’s policies with respect to the assessment and management of enterprise risk. Among other things, the Board has policies in place for identifying the senior executive responsible for key risks as well as the Board committees with oversight responsibility for particular key risks. In a number of cases, oversight is conducted by the full Board.

Among other things, the Company, including the Compensation Committee of the Board, has evaluated the Company’s compensation structure from the perspective of enterprise risk. The Company, including the Compensation Committee, believes that the Company’s compensation structures are appropriate and do not incentivize inappropriate taking of business risks.

Cybersecurity Risk

The Board and the Audit Committee take an active role in the oversight of the Company's cybersecurity and data security policies. Among other things, the Board periodically reviews with members of management of the Company issues relating to information security, fraud, data security and cybersecurity risk and developments as well as the steps management has taken to monitor and control such exposures.

Review of Strategic Plans and Capital Structure

The Board regularly reviews the Company's strategic plans and capital structure with a view toward long-term value creation, including environmental, social and governance considerations. The Board also conducts a strategic planning retreat at least annually with senior management.

Social Responsibility

The Company is a values-based company and we strive to operate our business according to high standards of social responsibility. The Board reviews issues of social responsibility, including diversity and inclusion, environmental, philanthropic and governance matters, and the Company's policies, practices and progress with respect to such issues. Key areas of focus and highlights include:

- Commitment to improving the communities where we do business. In 2019, we invested more than \$13 million in non-profit organizations in our home office communities through the L Brands Foundation.
- Empowering and joining our associates in funding research with the goal of ending cancer. Last year, together with associates, we raised more than \$4.9 million for the James Cancer Center of The Ohio State University, bringing the 11-year total to \$64 million. In addition we have sponsored the world's largest Komen Race for the Cure corporate team for the last 10 years.
- Selection of vendors based on their ability and commitment to meet our safety and quality standards, and to follow our strict ethical labor and environmental standards. The majority of our production comes from the United States, China, Sri Lanka, Vietnam and India and includes many long-term strategic supplier partners.
- Reduction of our environmental impact through the use of sustainably-managed materials and the introduction of programs to reduce energy consumption. For example, under the Company's Forest Products Procurement Policy, we work with our suppliers to source packaging and products, including those made from man-made cellulosic fibers, that include recycled content or are produced with pulp from certified forestry operations, reducing the pressures on endangered forests.
- Promotion of environmentally sensitive practices. For example, we have built a chemical management program aimed at eliminating the discharge of 14 priority chemical categories in conjunction with the manufacturing of our apparel products. Additionally, the Company partners with The Better Cotton Initiative ("BCI") to improve cotton farming globally. By the end of 2021, 50% of the Company's cotton will be sourced through BCI.
- Recruitment, retention and advancement of talent that reflects the customers we serve and our communities. The Company earned a perfect score on the Human Rights Campaign 2020 Corporate Equality Index.

Human Capital Management

The Board recognizes that attracting, developing and retaining the best people is crucial to all aspects of the Company's activities and long-term success and has oversight of the development and implementation of our human capital management programs, including diversity and inclusion practices and initiatives, recruiting, retention and career development and progression. Among other things, the Board reviews with members of management of the Company issues relating to human capital management such as employee engagement, workforce planning and demographics, diversity and inclusion strategies and our corporate culture.

Succession Planning

The Board and its Nominating & Governance Committee have developed policies and principles governing succession planning with respect to the CEO and senior management.

Information Concerning Board Meeting Attendance

Our Board held 12 meetings in fiscal year 2019. During fiscal year 2019, all of the directors attended 75% or more of the total number of meetings of the Board and of the committees of the Board on which they served (which were held during the period in which they served).

Committees of the Board

Audit Committee

The Audit Committee of the Board is instrumental in the Board's fulfillment of its oversight responsibilities relating to (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the qualifications, independence and performance of the Company's independent auditors and (iv) the performance of the Company's internal audit function. The current members of the Audit Committee are Ms. James (Chair), Ms. Nash and Messrs. Tessler and Zimmerman. The Board has determined that each of the Audit Committee members meets the independence, expertise and experience standards established by the NYSE and the Securities and Exchange Commission (the "Commission") for service on the Audit Committee of the Board and for designation as an "audit committee financial expert" within the meaning of the regulations promulgated by the Commission.

The Report of the Audit Committee can be found on page 58 of this proxy statement. The Audit Committee held 13 meetings in fiscal year 2019.

Compensation Committee

The Compensation Committee of the Board (i) oversees the Company's compensation and benefits philosophy and policies generally, (ii) evaluates the CEO's performance and oversees and sets compensation for the CEO, (iii) oversees the evaluation process and compensation structure for other members of the Company's senior management and (iv) fulfills the other responsibilities set forth in its charter. The current members of the Compensation Committee are Mr. Morris (Chair), Dr. Gee and Mr. Schottenstein. The Board has determined that each of the current Compensation Committee members is "independent" in accordance with applicable NYSE standards.

The Report of the Compensation Committee can be found on page 53 of this proxy statement. The Compensation Committee held 11 meetings in fiscal year 2019.

Nominating & Governance Committee

The Nominating & Governance Committee actively engages in the ongoing review of the composition of the Board and opportunities for Board refreshment. Based on its review, the Nominating & Governance Committee identifies and recommends to the Board candidates who are qualified to serve on the Board and its committees. The Nominating & Governance Committee also considers and reviews the qualifications of any individual nominated for election to the Board by stockholders. It is responsible for proposing a slate of candidates for election as directors at each annual meeting of stockholders. We have added five new directors since 2014 who bring a diversity of skills, attributes and perspectives to the Board. In addition to ongoing Board refreshment, we believe that a variety of director tenures is beneficial to ensure Board quality and continuity of experience, as reflected in the current composition of our Board.

The Nominating & Governance Committee develops and recommends to the Board criteria and procedures for the selection and evaluation of new individuals to serve as directors and committee members. In assessing director nominees, the Nominating & Governance Committee takes into account the qualifications of existing directors for continuing service or re-nomination, which may be affected by, among other things, the quality of their contributions, their attendance records, changes in their primary employment or other business affiliations, the number of boards of publicly held companies on which they serve or other competing demands on their time and attention. While the Board has not established any specific minimum qualifications for director nominees, as indicated in the Company's corporate governance principles, the directors and any potential nominees should possess the integrity, judgment, skills, experience and other characteristics that are deemed necessary or desirable for the effective performance of the Board's oversight function. Certain of the skills, qualifications and particular areas of expertise considered with respect to the members of the Board at the time each Director was nominated are summarized in the director biographies found on pages 7 through 9 of this proxy statement. Although the Nominating & Governance Committee does not use formal quantitative or similar criteria with regard to diversity in its selection process, the Company's

corporate governance principles provide that the Board will be composed of members of diverse backgrounds and, accordingly, the Committee considers the diversity of experience, background and expertise of the current directors and areas where new directors might add additional perspectives, as factors in the selection of Board nominees. Five of our directors are women, including two who are women of color. The Company will continue to require that the initial pool of candidates identified to be considered for any future Board vacancy include persons reflecting a diversity of race, ethnicity and gender. In addition, in connection with the use of a third-party search firm to identify external candidates who are qualified to serve as potential successors to the CEO, the Board will instruct such third-party search firm to take into consideration the Company's commitment to diversity as defined above.

The Nominating & Governance Committee does not have a formal policy on the consideration of director candidates recommended by stockholders. The Board believes that it is more appropriate to provide the Nominating & Governance Committee flexibility in evaluating stockholder recommendations. In the event that a director nominee is recommended by a stockholder, the Nominating & Governance Committee will give due consideration to the director nominee and will use the same criteria used for evaluating Board director nominees, in addition to considering the information relating to the director nominee provided by the stockholder.

The Company engaged a search firm to assist the Nominating & Governance Committee in identifying and evaluating potential directors.

The Nominating & Governance Committee also develops and recommends to the Board, and regularly reviews, a set of corporate governance principles for the Company to ensure they reflect evolving best practices, monitors compliance with those principles and stays abreast of developments in the area of corporate governance. A proxy access bylaw was adopted in November 2016, permitting up to 20 stockholders owning 3% or more of the outstanding shares of Common Stock continuously for at least three years to nominate the greater of two directors or up to 20% of the Board and include those nominees in our proxy materials. The Nominating & Governance Committee also reviews and periodically makes recommendations to the Board regarding the structure, practices, policies and activities of the Board and its committees. Each Board committee's charter is reviewed at least annually. To ensure that the Board, Board committees and individual directors remain effective, the Nominating & Governance Committee oversees a robust annual evaluation of the Board, each Board committee and each individual director and recommends ways to improve performance. At least annually, each of the Audit Committee, the Compensation Committee and the Nominating & Governance Committee evaluates its own performance and reports to the Board on such evaluation. The full Board also engages in self-evaluation at least annually. As a result of the Board's review of evolving corporate governance practices, and consistent with its strong commitment to the careful consideration of stockholder views, the Board has submitted proposals to stockholders at this annual meeting to amend the Charter to remove supermajority voting requirements and to declassify the Board. The current members of the Nominating & Governance Committee are Mr. Tessler (Chair) and Mses. James and Sheehan. The Board has determined that each of the current Nominating & Governance Committee members is "independent" in accordance with applicable NYSE standards.

The Nominating & Governance Committee held 7 meetings in fiscal year 2019.

Executive Committee

The Executive Committee of the Board may exercise, to the fullest extent permitted by law, all of the powers and authority granted to the Board. Among other things, the Executive Committee may declare dividends, authorize the issuance of stock and authorize the seal of the Company to be affixed to papers that require it. The current members of the Executive Committee are Messrs. Wexner (Chair) and Tessler.

Finance Committee

The Finance Committee of the Board periodically reviews the Company's financial position and financial arrangements with banks and other financial institutions. The Finance Committee also makes recommendations on financial matters that it believes are necessary, advisable or appropriate. The current members of the Finance Committee are Mr. Tessler (Chair), Mses. Nash and Wexner and Mr. Zimmerman.

Inclusion Committee

The Inclusion Committee of the Board is instrumental in the Board's fulfillment of its oversight responsibilities relating to, among other things, (i) the Company's commitment to diversity and inclusion and (ii) the performance of the Company's Office of Inclusion. The current members of the Inclusion Committee are Mrs. Wexner (Chair), Ms. Bellinger, Dr. Gee and Ms. James.

Retiring Committee Members

Effective as of the annual meeting, Dr. Gee and Messrs. Tessler and Zimmerman will conclude service on the Board and the respective Committees on which they serve.

Meetings of the Company's Non-Management Directors

The non-management directors of the Board meet in executive session in connection with each regularly scheduled Board meeting. Mr. Tessler serves as the chair of those meetings, which neither Mr. Wexner nor Mrs. Wexner attends.

Communications with Stockholders

The Board believes that it is important to understand stockholder perspectives on the Company and foster long-term relationships with stockholders and, to that end, we have a policy of robust engagement with stockholders, with continuing outreach to and dialogue with all of our major investors on a range of issues, including corporate governance matters and environmental and social goals and initiatives. Such engagements with investors have been highly constructive. The Board also provides a process for interested parties to send communications to the full Board, the non-management members of the Board, the lead independent director and the members of the Audit Committee. Any director may be contacted by writing to him or her c/o L Brands, Inc., Three Limited Parkway, Columbus, Ohio 43230 or emailing at boardofdirectors@lb.com. Any stockholder wishing to contact Audit Committee members may send an email to auditcommittee@lb.com. Communications that are not related to a director's duties and responsibilities as a Board member, a non-management director or an Audit Committee member may be excluded by the Office of the General Counsel, including, without limitation, solicitations and advertisements; junk mail; product-related communications; job referral materials such as resumes; surveys; and any other material that is determined to be illegal or otherwise inappropriate. The directors to whom such information is addressed are informed that the information has been removed and that it will be made available to such directors upon request.

Attendance at Annual Meetings

The Company does not have a formal policy regarding attendance by members of the Board at the Company's annual meeting of stockholders. However, it encourages directors to attend and historically nearly all have done so. All of the then-current Board members attended the 2019 annual meeting, except for Dr. Gee and Mr. Tessler. Each director is expected to dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties, including by attending meetings of the Board and the committees of which he or she is a member.

Code of Conduct, Related Person Transaction Policy and Associated Matters

The Company has a code of conduct that is applicable to all employees of the Company, including the CEO and Chief Financial Officer, and to members of the Board. Any amendments to the code or any waivers from any provisions of the code granted to executive officers or directors will be promptly disclosed to stockholders through posting on the Company's website at www.lb.com.

Under the Company's Related Person Transaction Policy (the "Policy"), subject to certain exceptions, directors and executive officers of the Company are required to notify the Company of the existence or potential existence of any financial or commercial transaction, agreement or relationship involving the Company in which a director or executive officer or his or her immediate family members has a direct or indirect material interest. Each such transaction must be approved by the Board or a committee consisting solely of independent directors after consideration of all material facts and circumstances.

The Company is engaged in several projects designed to increase our speed and agility in producing products that satisfy our customers. In the case of our beauty, personal care and home fragrance businesses, the development of supplier facilities in close proximity to our headquarters and distribution facilities in central Ohio has been an integral part of capturing the many business benefits of speed and agility. The New Albany Company, a business beneficially owned by Mr. and Mrs. Wexner, is in the business of developing real estate, including industrial parks, and has sold land (and may in the future sell land) to certain vendors or third party developers in connection with the continuing development of an industrial park focused on the foregoing business categories in New Albany, Ohio. The Audit Committee monitors such vendor and third party transactions on an ongoing basis to assure that they are in the best interests of the Company and its stockholders generally.

Copies of the Company's Code of Conduct, Corporate Governance Principles, Policy and Committee Charters

The Company's code of conduct, corporate governance principles and Policy, as well as the charters of the Audit Committee, Compensation Committee and Nominating & Governance Committee of the Board, are available on the Company's website at www.lb.com. Stockholders may also request a copy of any such document from: L Brands, Inc., Attention: Investor Relations, Three Limited Parkway, Columbus, Ohio 43230.

**PROPOSAL 4: RATIFICATION OF THE APPOINTMENT
OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

The Audit Committee has appointed Ernst & Young LLP to serve as the Company's independent registered public accountants for the fiscal year ending January 30, 2021. Ernst & Young LLP has been retained as the Company's independent registered public accountants continuously since 2003.

The Audit Committee is responsible for the appointment, compensation, retention and oversight of the Company's independent registered public accountants. The Audit Committee is responsible for approving the fees associated with the Company's retention of Ernst & Young LLP. In accordance with Commission rules, Ernst & Young LLP's lead engagement partner rotates every five years. The Audit Committee is directly involved in the selection of Ernst & Young LLP's lead engagement partner. In addition, the Audit Committee evaluates Ernst & Young LLP's qualifications, performance and independence and presents its conclusions on these matters to the Board on at least an annual basis, and annually considers whether to continue its engagement of Ernst & Young LLP.

The members of the Audit Committee and the Board believe that the continued retention of Ernst & Young LLP to serve as the Company's independent registered public accountants is in the best interests of the Company and its stockholders. We are asking you to ratify Ernst & Young LLP's appointment, although your ratification is not required. A representative of Ernst & Young LLP will be present at the meeting, will have the opportunity to make a statement and will be available to respond to appropriate questions.

Additional information concerning the Company's engagement of Ernst & Young LLP is included on page 59.

The Board recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accountants.

PROPOSAL 5: 2020 STOCK OPTION AND PERFORMANCE INCENTIVE PLAN

On May 26, 2011, our stockholders approved our 2011 Stock Option and Performance Incentive Plan (the “2011 Plan”) and on May 21, 2015 our stockholders approved the 2015 Stock Option and Performance Incentive Plan, which amended and restated the 2011 Plan (the “2015 Plan”). After thorough review of the terms set forth in our 2011 Plan and 2015 Plan, including the share pools underlying the potential awards for our participants under each plan, the Board determined that it would be in the best interests of L Brands and its stockholders to approve the 2020 Plan, and recommends that our stockholders approve the 2020 Plan. The Board believes that an effective equity compensation program is a key component of our compensation philosophy and requests that the stockholders approve the 2020 Plan.

The Board believes that the 2020 Plan will be an important factor in attracting and retaining high caliber employees. The 2015 Plan, along with its predecessor plans, has served as an important part of the Company’s overall compensation program through its enabling of granting stock options and other equity-based awards to employees and advisors.

The 2020 Plan includes 6,400,000 shares of Common Stock for which stockholder approval is being requested (see “—Number of Authorized Shares” below). As of April 1, 2020, there were 5,333,119 shares of Common Stock available for future awards under the 2015 Plan, not including shares of our Common Stock that may be forfeited, terminated, surrendered or canceled without the delivery of shares of Common Stock under outstanding awards. There are no shares remaining available for grant under predecessor plans including the 1993 Stock Option and Performance Incentive Plan (the “1993 Plan”), although awards remain outstanding and subject to payment or forfeiture under the 1993 Plan. As of April 1, 2020, there were 5,180,433 options to purchase the Common Stock outstanding and no stock appreciation rights outstanding. The options have a weighted average exercise price of \$52.22 per share and a weighted average remaining term of 5.9 years. There were 7,938,791 shares of Common Stock outstanding in connection with unvested full value awards as of April 1, 2020. There were 276,533,315 shares of Common Stock outstanding on March 20, 2020, the record date for the 2020 annual meeting.

A copy of the 2020 Plan is attached hereto as Appendix C and the following summary of the material terms of the 2020 Plan does not purport to be complete and is qualified in its entirety by the terms of the 2020 Plan. In the event that the 2020 Plan is not approved by our stockholders, awards will continue to be made under the 2015 Plan.

The Board of Directors Recommends a Vote FOR Approval of the 2020 Stock Option and Performance Incentive Plan.

Purpose of the 2020 Plan

The purpose of the 2020 Plan is to attract and retain the best available executive and key management associates, consultants and other advisors for L Brands and its subsidiaries and affiliates and to encourage the highest level of performance by such associates, consultants and other advisors, thereby enhancing the value of L Brands for the benefit of its stockholders. The 2020 Plan is also intended to motivate executive and key management associates, consultants and other advisors to contribute to our future growth and profitability and to reward their performance in a manner that provides them with a means to increase their holdings of Common Stock and aligns their interest with the interests of our stockholders.

Administration of the 2020 Plan

The 2020 Plan will be administered by the Compensation Committee of the Board. The Compensation Committee will be composed of directors who qualify as “non-employee directors” within the meaning of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”) and “independent” to the extent required by applicable law or rules of the NYSE. The Compensation Committee has the power in its discretion to grant awards under the 2020 Plan, to determine the terms thereof, to interpret the provisions of the 2020 Plan and to take action as it deems necessary or advisable for the administration of the 2020 Plan.

Number of Authorized Shares

The 2020 Plan provides for awards with respect to a maximum of 11,733,119 shares of Common Stock to associates of L Brands and its subsidiaries and affiliates (composed of 6,400,000 shares for which stockholder approval is being requested, which constitutes 2.3% of L Brands’ outstanding 276,533,315 shares of Common Stock as of March 20, 2020, plus 5,333,119 previously authorized and unissued shares under the 2015 Plan as of April 1,

2020), plus Returned Shares (as defined below), plus shares of Common Stock issuable upon the exercise of Substitute Awards. The number and class of shares available under the 2020 Plan and/or subject to outstanding awards may be adjusted by the Compensation Committee to prevent dilution or enlargement of rights in the event of various changes in the capitalization of L Brands. “Substitute Awards” are awards granted in assumption of or in substitution for any outstanding awards granted by a company acquired by L Brands or with which L Brands combines. Shares of Common Stock granted under the 2020 Plan or its predecessors, other than under Substitute Awards, attributable to: (i) unexercised Options (as hereinafter defined) and stock appreciation rights (“SARs”) which expire or are terminated, surrendered or cancelled (other than in connection with the exercise of SARs); (ii) shares of our Common Stock subject to certain restrictions (“Restricted Shares”) which are forfeited to the Company, including shares relating to Restricted Share Units (as hereinafter defined); (iii) units representing shares of Common Stock (“Performance Units”) which are not earned and paid; and (iv) awards settled in cash in lieu of shares of Common Stock, may be available for subsequent award under the 2020 Plan at the Compensation Committee’s discretion (“Returned Shares”). The following shares of Common Stock may not again be made available for issuance as awards under the 2020 Plan: (i) shares of Common Stock not issued or delivered as a result of the net settlement of an outstanding SAR or Option, (ii) shares of Common Stock used to pay the exercise price or withholding taxes related to an outstanding Option or SAR, or (iii) shares of Common Stock repurchased on the open market with the proceeds of the Option exercise price.

Eligibility and Participation

Eligibility to participate in the 2020 Plan is limited to associates, consultants, directors and other advisors or individuals who provide services to (i) the Company or any of its subsidiaries or affiliates, or (ii) any joint venture in which the Company or any of its subsidiaries or affiliates holds at least a 20% interest, and who, in each case, are selected to participate in the 2020 Plan by the Compensation Committee. Currently, approximately 5,800 individuals are within the classes eligible to participate in the 2020 Plan. The Company anticipates that approximately 28% of those eligible will participate in the 2020 Plan. Participation in the 2020 Plan is at the discretion of the Compensation Committee and shall be based upon the person’s present and potential contributions to the success of the Company and its subsidiaries and such other factors as the Compensation Committee deems relevant. No non-employee director of the Company may be granted in any calendar year awards covering more than 50,000 shares of Common Stock (unless the grant of any award in excess of this limit is approved by disinterested directors).

Certain Limitations

Awards granted under the 2020 Plan shall be subject to a minimum one-year vesting period following the grant date of such award; provided that the following actions and awards shall not be subject to the foregoing minimum vesting requirement: (i) the acceleration of awards in connection with certain corporate transactions, (ii) the grant of Substitute Awards or (iii) the grant of awards relating to 5% of the shares available for issuance under the 2020 Plan; and, provided further, that the foregoing restriction does not apply to the provision for accelerated exercisability or vesting of an award in cases of involuntary termination without cause, retirement, death or disability.

Type of Awards Under the 2020 Plan

The 2020 Plan provides that the Compensation Committee may grant awards to eligible participants in any of the following forms, subject to such terms, conditions and provisions as the Compensation Committee may determine to be necessary or desirable: (i) incentive stock options (“ISOs”), (ii) nonstatutory stock options (“NSOs”), (iii) SARs, (iv) Restricted Shares, (v) Restricted Share Units, (vi) Performance Units and (vii) shares of unrestricted Common Stock (“Unrestricted Shares”).

Grant of Options and SARs

The Compensation Committee may award ISOs and/or NSOs (collectively, “Options”) to eligible participants. ISOs may be awarded only to eligible associates. SARs may be awarded either in tandem with Options (“Tandem SARs”) or on a stand-alone basis (“Nontandem SARs”). Tandem SARs shall be awarded by the Compensation Committee at the time the related Option is granted.

Exercise Price

The exercise price with respect to an Option is determined by the Compensation Committee at the time of grant. The exercise price determined with respect to an Option shall also be applicable in connection with the exercise of any Tandem SAR granted with respect to such Option. At the time of grant of a Nontandem SAR, the Compensation Committee will specify the base price of the shares of Common Stock to be issued for determining the amount of cash or number of shares of Common Stock to be distributed upon the exercise of such Nontandem SAR. Except with respect to Substitute Awards, neither the per share Option exercise price of Common Stock nor the base price of Nontandem SARs will be less than 100% of the fair market value per share of the Common Stock underlying the award on the date of grant. Information as to awards granted under the 2011 Plan to named executive officers (“NEOs”) and other participants in respect of our 2014 fiscal year is set forth elsewhere in this proxy statement.

Vesting

The Compensation Committee may determine at the time of grant and at any time thereafter, the terms under which Options and SARs shall vest and become exercisable; provided, however, that each Option granted under the 2020 Plan shall have a minimum vesting period of one year.

Special Limitations on ISOs

No ISO may be granted to an associate who owns, at the time of the grant, stock representing more than 10% of the total combined voting power of all classes of stock of L Brands (a “10% Stockholder”), unless the exercise price per share of Common Stock for the shares subject to such ISO is at least 110% of the fair market value per share of Common Stock on the date of grant and such ISO award is not exercisable more than five years after its date of grant. In addition, the total fair market value of shares of Common Stock subject to ISOs which are exercisable for the first time by an eligible associate in a given calendar year shall not exceed \$100,000, valued as of the date of the ISOs’ grant. ISOs may not be granted more than 10 years after the date of adoption of the 2020 Plan by the Board.

Exercise of Options and SARs

An Option may be exercised by giving notice in such manner as the Compensation Committee may permit stating the number of shares of Common Stock with respect to which the Option is being exercised, and tendering payment therefor. The Compensation Committee may, at its discretion, accept shares of Common Stock as payment (valued at their fair market value on the date of exercise).

Tandem SARs are exercisable only to the extent that the related Option is exercisable and shall be subject to the same exercise period as the related Option. Upon the exercise of all or a portion of Tandem SARs, the related Option shall be cancelled with respect to an equal number of shares of Common Stock. Similarly, upon exercise of all or a portion of an Option, the related Tandem SARs shall be cancelled with respect to an equal number of shares of Common Stock. Nontandem SARs shall be exercisable for the period determined by the Compensation Committee.

Until the issuance of shares of Common Stock upon the exercise of an Option, surrender or exchange of Tandem SARs or exercise of Nontandem SARs, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the shares of Common Stock that are subject to the Option, Tandem SAR or Nontandem SAR.

Surrender or Exchange of SARs

Upon the surrender of a Tandem SAR and cancellation of the related unexercised Option, the participant will be entitled to receive shares of Common Stock having an aggregate fair market value equal to (A) the excess of (i) the fair market value of one share of Common Stock as of the date the Tandem SAR is exercised over (ii) the exercise price per share specified in such Option, multiplied by (B) the number of shares of Common Stock subject to the Option, or portion thereof, which is surrendered. Upon surrender of a Nontandem SAR, the associate will be entitled to receive shares of Common Stock having an aggregate fair market value equal to (A) the excess of (i) the fair market value of one share of Common Stock as of the date on which the Nontandem SAR is exercised over (ii) the base price of the shares covered by the Nontandem SAR multiplied by (B) the number of shares of Common Stock covered by the Nontandem SAR, or the portion thereof being exercised. The Compensation Committee, in its discretion, may cause all or any portion of L Brands’ obligation to a participant in respect of the exercise of an SAR to be satisfied in cash in lieu of Common Stock. Any fractional shares resulting from the exercise of an SAR will be paid in cash.

Expiration of Options

Options will expire at such time as the Compensation Committee determines; provided, however, that no Option may be exercised more than 10 years from the date of grant, unless an ISO is held by a 10% Stockholder, in which case such ISO may not be exercised more than five years from the date of grant.

Expiration of SARs

SARs will expire at such time as the Compensation Committee determines; provided, however, that no SAR may be exercised more than 10 years from the date of grant.

Treatment of Options and SARs upon a Termination of Employment

Except as the Compensation Committee may at any time provide, Options and SARs may be exercised at any time within one year (30 days if termination of employment is for cause, as defined in the 2020 Plan) after the termination of a participant's employment (other than by death or total disability), to the extent then exercisable, but in no case later than the term specified in the grant. Except as the Compensation Committee may at any time provide, upon the death of a participant while employed by L Brands or its subsidiaries or affiliates, Options and SARs shall become fully exercisable and shall remain exercisable for one year following such participant's death, but in no case later than the term specified in the grant.

Except as the Compensation Committee may at any time provide, in the event that a participant to whom an Option or SAR has been granted under the 2020 Plan shall become totally disabled, as defined in the 2020 Plan, any Options or SARs that are not vested shall continue to vest during the period of such participant's total disability, and, upon becoming vested, shall be exercisable for one year after the applicable vesting date, but in no case later than the term specified in the grant. Any Options or SARs exercisable on the date of a participant's termination due to total disability, which occurs after nine months of absence due to the total disability, shall be exercisable for one year following the date of the participant's termination of employment but in no case later than the term specified in the grant. In the event of the participant's death following the participant's termination of employment due to total disability, any unvested Options or SARs shall become fully exercisable and shall remain exercisable for one year following such participant's death, but in no case later than the term specified in the grant.

Restricted Shares

Restricted Shares granted to participants under the 2020 Plan may not be sold, transferred, pledged or otherwise encumbered or disposed of during the restricted period established by the Compensation Committee. The Compensation Committee may also impose additional restrictions on a participant's right to dispose of or to encumber Restricted Shares, which may include satisfaction of performance objectives. Performance objectives under the 2020 Plan will be determined by the Compensation Committee and will be based on any one or more of the following: price of Common Stock or the common stock of any affiliate, stockholder 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. These factors shall have a minimum performance standard below which no payments will be made, and a maximum performance standard at or above which no incremental payments will be made. 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 long-range strategic plan for the business. These performance goals and determination of results shall be based entirely on financial measures. The Compensation Committee may not use any discretion to modify award results except as permitted under Section 162(m) of the Code.

Holders of Restricted Shares may not exercise the rights of a stockholder, such as the right to vote the shares or receive dividends and other distributions, prior to the vesting of the shares. In the event of a payment of a dividend or other distribution in connection with the Common Stock, participants holding Restricted Shares may receive dividend or other distribution equivalents, with such equivalents to be subject to the same restrictions and vesting conditions as the underlying Restricted Shares. The Compensation Committee may, in its discretion, specify in the applicable award agreement that any or all dividend or other distribution equivalents paid on Restricted Shares prior to vesting be credited to the participant in cash or in a number of additional Restricted Shares having an aggregate

fair market value equal to the dividend per share paid on the Common Stock multiplied by the number of Restricted Shares credited to such participant's account at the time the dividend was declared, subject to such terms and conditions, including such restrictions, of the applicable Restricted Shares.

Upon the death of a participant, any performance conditions applicable to the Restricted Shares will be deemed to have been satisfied at target, and the restrictions applicable to Restricted Shares held by such participant will lapse. Except as the Compensation Committee may at any time provide, upon termination of the participant's employment with the Company, Restricted Shares granted to such participant shall be forfeited.

Restricted Share Units

A "Restricted Share Unit" represents the right to receive a share of Common Stock (or cash equivalent, if applicable) in the future, provided that the restrictions and conditions designated by the Compensation Committee at the time of the grant are satisfied. During the restricted period with respect to such Restricted Share Units, participants shall not have the right to vote or receive dividends with respect to such Restricted Share Units. After the end of the restricted period, and prior to the time that shares of Common Stock are transferred to the participant, the participant shall be credited with "dividend equivalents" with respect to each outstanding Restricted Share Unit in an amount equal to the amount the participant would have received as dividends if the Restricted Share Units were actual shares of Common Stock. Such dividend equivalents will be converted into additional Restricted Share Units based on the value of the Common Stock on the dividend payment date, in accordance with the procedures established by the Compensation Committee.

Restricted Share Units may not be transferred, assigned, pledged or hypothecated except by will or applicable laws of descent and distribution. Upon the death of a participant, any performance conditions applicable to the Restricted Share Units will be deemed to have been satisfied at target, and the restrictions applicable to Restricted Share Units held by such participant will lapse. Except as the Compensation Committee may at any time provide, upon termination of the participant's employment with the Company, Restricted Share Units granted to such participant shall be forfeited.

Performance Units

The Compensation Committee may award to participants Performance Units which will have a specified value or formula-based value at the end of a performance period. Performance Units so awarded will be credited to an account established and maintained for the participant. The Compensation Committee will determine performance periods and performance objectives in connection with each grant of Performance Units.

Vesting of awards of Performance Units will occur upon achievement of the applicable objectives within the applicable performance period. The Compensation Committee may, at its discretion, permit vesting in the event performance objectives are partially met, or grant additional vested Performance Units in the event performance objectives are surpassed. Payment of vested Performance Units may be made in cash, Common Stock or any combination thereof, as determined by the Compensation Committee.

No voting or dividend rights attach to the Performance Units; however, the Compensation Committee may credit a participant's Performance Unit account with additional Performance Units equivalent to the fair market value of any dividends on an equivalent number of shares of Common Stock, payment of which shall be subject to prior satisfaction of the applicable performance objectives.

Performance Units may not be transferred, assigned, pledged or hypothecated except by will or applicable laws of descent and distribution. Upon the death of a participant, the Compensation Committee may determine, on or before the date of grant, that Performance Units will become partially or fully vested prior to the end of the performance period. However, such a determination will not change the date on which payment is made.

No Transferability of Awards

Awards granted under the 2020 Plan may not be transferred, assigned, pledged or hypothecated except by will or applicable laws of descent and distribution, provided that the Committee may determine that NSOs may be transferred to or for the benefit of members of a participant's immediate family.

Unrestricted Shares

Unrestricted Shares may also be granted at the discretion of the Compensation Committee. Except as required by applicable law, no payment will be required for Unrestricted Shares.

Tax Withholding

The Compensation Committee may require payment, or withhold payments made under the 2020 Plan, in order to satisfy applicable withholding tax requirements.

Effect of Change in Control

In the event a participant's employment or service is terminated by L Brands other than for cause or without good reason during the 24-month period beginning on the date of a change in control, (i) Options and SARs granted to any participant which are not yet exercisable shall become fully exercisable, (ii) any restrictions applicable to any Restricted Shares and Restricted Share Units awarded to such participant shall be deemed to have been satisfied at target and the restricted period, if any, applicable to such Restricted Shares and Restricted Share Units held by such participant shall be deemed to have expired and (iii) any performance objectives applicable to any Performance Units awarded to such participant shall be deemed to have been satisfied at target and the performance period, if any, as applicable to such Performance Units held by such participant shall be deemed to have expired.

Term of the 2020 Plan

Unless earlier terminated by the Board, the 2020 Plan will terminate on May 14, 2030.

Clawback of Awards

The Compensation Committee may terminate without payment all outstanding awards under the 2020 Plan or claw back compensation paid out under the 2020 Plan if (1) required by applicable law or (2) (i) a participant engaged in fraudulent conduct or activities relating to the Company, (ii) a participant has knowledge of such conduct or activities, or (iii) a participant, based upon the participant's position, duties or responsibilities, should have had knowledge of such conduct or activities.

Amendment and Termination

The Board may suspend, amend, modify or terminate the 2020 Plan; provided, however, that L Brands' stockholders shall be required to approve any amendment that would constitute a "material revision" under applicable NYSE rules. Other than in connection with a corporate transaction involving the Company, the terms of outstanding awards may not be amended to reduce the exercise price of Options or SARs or cancel Options or SARs in exchange for cash, other awards or Options or SARs with an exercise price less than the original Option or SAR without stockholder approval.

Awards granted prior to a termination of the 2020 Plan shall continue in accordance with their terms following such termination. No amendment, suspension or termination of the 2020 Plan shall adversely affect the rights of a participant in awards previously granted without such participant's consent, except to the extent any such action is required by applicable law or stock exchange rules.

New Plan Benefits

Any awards granted under the 2020 Plan will be at the discretion of the Compensation Committee. Therefore, it is not possible at present to determine the amount or form of any award that will be available for grant to any individual during the term of the 2020 Plan or that would have been granted during the last fiscal year had the 2020 Plan been in effect.

As an example, set forth below is a summary of the awards that were made in respect of fiscal 2019 pursuant to the 2015 Plan.

<u>Name and Position</u>	<u>Options</u>	<u>Performance Units</u>	<u>Restricted Stock Units</u>
Leslie H. Wexner Chairman of the Board, Chief Executive Officer	30,233 ⁽¹⁾	25,194 ⁽³⁾	15,116 ⁽⁵⁾
Stuart B. Burgdoerfer Executive Vice President, Chief Financial Officer	38,654 ⁽²⁾	32,212 ⁽⁴⁾	19,327 ⁽⁶⁾
Charles C. McGuigan Chief Operating Officer, Chief Executive Officer/President, Mast Global	55,834 ⁽²⁾	46,528 ⁽⁴⁾	27,917 ⁽⁶⁾
Shelley M. Milano Chief Human Resources Officer	38,654 ⁽²⁾	32,212 ⁽⁴⁾	19,327 ⁽⁶⁾
James L. Bersani President, Real Estate	34,359 ⁽²⁾	28,633 ⁽⁴⁾	17,180 ⁽⁶⁾
All Executive Officers as a Group	197,734	164,779	98,867
All Current Directors who are Not Executives Officers as a Group	0	0	0
All Associates Other than Executive Officers as a Group	321,727	0	3,897,598

- (1) Reflects Options granted on January 29, 2020, with an exercise price of \$23.22 per share. Options vest ratably on each of the first three anniversaries of the grant date (i.e., January 29, 2021, January 29, 2022 and January 29, 2023).
- (2) Reflects Options granted on March 28, 2019, with an exercise price of \$27.94 per share. Options vest ratably on each of the one-, two- and three-year anniversaries of the grant date (i.e., March 28, 2020, March 28, 2021 and March 28, 2022).
- (3) Reflects grants of performance-based RSUs granted on January 29, 2020. Subject to the achievement of the applicable performance conditions, the performance-based RSUs will vest on the three-year anniversary of the grant date (i.e., January 29, 2023).
- (4) Reflects grants of performance-based RSUs granted on March 28, 2019. Subject to the achievement of the applicable performance conditions, the performance-based RSUs will vest on the three-year anniversary of the grant date (i.e., March 28, 2022).
- (5) Reflects grants of time-based RSUs granted on January 29, 2020. The time-based RSUs will vest on the three-year anniversary of the grant date (i.e., January 29, 2023).
- (6) Reflects grants of time-based RSUs granted on March 28, 2019. The time-based RSUs will vest on the three-year anniversary of the grant date (i.e., March 28, 2022).

Equity Compensation Plan Information

The following table presents certain information with respect to our equity compensation plans as of February 1, 2020, as required by Item 201(d) of Regulation S-K under the Exchange Act.

<u>Plan category</u>	<u>(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>(b) Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>(c) Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a))</u>
Equity compensation plans approved by security holders ⁽¹⁾	14,341,674	\$51.87 ⁽²⁾	5,326,219
Equity compensation plans not approved by security holders	—	—	—
Total	<u>14,341,674</u>	<u>\$51.87</u>	<u>5,326,219</u>

- (1) Includes the following plans: L Brands, Inc. 2015 Stock Option and Performance Incentive Plan, L Brands, Inc. 2011 Stock Option and Performance Incentive Plan and L Brands, Inc. 1993 Stock Option and Performance Incentive Plan (2009 Restatement). There are no shares remaining available for grant under the 2011 Plan or 1993 Plan.
- (2) Does not include outstanding rights to receive Common Stock upon the vesting of restricted share awards or settlement of deferred stock units.

Federal Income Tax Consequences

Stock Options

There will be no federal income tax consequences to the participant or the Company upon the grant of either an ISO or an NSO under the 2020 Plan. Upon exercise of an NSO, a participant generally will recognize ordinary income in an amount equal to (i) the fair market value, on the date of exercise, of the acquired shares of Common Stock, less (ii) the exercise price of the NSO. Subject to Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”) and the participant including such compensation in income or L Brands satisfying applicable reporting requirements, the Company will be entitled to a tax deduction in the same amount.

Upon the exercise of an ISO, a participant recognizes no immediate taxable income. Income recognition is deferred until the participant sells the shares of Common Stock. If the ISO is exercised no later than three months after the termination of a participant’s employment, and the participant does not dispose of the shares acquired pursuant to the exercise of the ISO within two years from the date the ISO was granted and within one year after the exercise of the ISO, the gain on the sale will be treated as long-term capital gain. Certain of these holding periods and employment requirements are liberalized in the event of a participant’s death or disability while employed by the Company. The Company is not entitled to any tax deduction with respect to the grant or exercise of ISOs, except that if the Common Stock is not held for the full term of the holding period outlined above, the gain on the sale of such Common Stock, being the lesser of: (i) the fair market value of the Common Stock on the date of exercise minus the exercise price or (ii) the amount realized on disposition minus the exercise price, will be taxed to the participant as ordinary income and, subject to Section 162(m) of the Code and the participant including such compensation in income and L Brands satisfying applicable reporting requirements, the Company will be entitled to a deduction in the same amount. The excess of the fair market value of the Common Stock acquired upon exercise of an ISO over the exercise price therefor constitutes a tax preference item for purposes of computing the “alternative minimum tax” under the Code.

Stock Appreciation Rights

There will be no federal income tax consequences to either the participant or the Company upon the grant of an SAR. However, the participant generally will recognize ordinary income upon the exercise of an SAR in an amount equal to the aggregate amount of cash and the fair market value of the shares of Common Stock received upon exercise. Subject to Section 162(m) of the Code and the participant including such compensation in income and the Company satisfying applicable reporting requirements, the Company will be entitled to a deduction equal to the amount includible in the participant’s income.

Restricted Shares

There will be no federal income tax consequences to either the participant or the Company upon the grant of Restricted Shares until expiration of the restricted period and the satisfaction of any other conditions applicable to the Restricted Shares. At that time, the participant generally will recognize taxable income equal to the then fair market value for the Common Stock and, subject to Section 162(m) of the Code and the participant including such compensation in income and the Company satisfying applicable reporting requirements, the Company will be entitled to a corresponding deduction.

Performance Units and Restricted Share Units

There will be no federal income tax consequences to the participant or the Company upon the grant of Performance Units or Restricted Share Units. Participants generally will recognize taxable income at the time when payment for the Performance Units or Restricted Share Units is received in an amount equal to the aggregate amount of cash and the fair market value of shares of Common Stock acquired. Subject to Section 162(m) of the Code and the participant including such compensation in income and the Company satisfying applicable reporting requirements, the Company will be entitled to a deduction equal to the amount includible in the participant’s income.

Unrestricted Shares

Participants generally will recognize taxable income at the time Unrestricted Shares are received. Subject to Section 162(m) of the Code and the participant including such compensation in income and L Brands satisfying applicable reporting requirements, the Company will be entitled to a deduction equal to the amount includible in the participant’s income.

Special rules may apply to participants who are subject to Section 16 of the Exchange Act.

Required Vote

See “Information About the Annual Meeting and Voting—Vote Necessary to Approve Proposals” for a discussion of the vote required to adopt the 2020 Plan.

The Board of Directors Recommends a Vote FOR Approval of the 2020 Plan.

PROPOSAL 6: ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires us to provide an advisory stockholder vote to approve the compensation of the Company's NEOs, as such compensation is disclosed pursuant to the disclosure rules of the Commission. After the Company's 2017 annual meeting, the Board determined to hold this advisory "say-on-pay" vote every year. Accordingly, the Company is providing its stockholders with the opportunity to cast an advisory vote on the fiscal 2019 compensation of our NEOs as disclosed in this proxy statement, including the Compensation Discussion and Analysis (the "CD&A"), the compensation tables and other narrative executive compensation disclosures.

Stockholders are being asked to vote on the following resolution:

"RESOLVED, that the stockholders approve the compensation of the Company's executive officers named in the 2019 Summary Compensation Table, as disclosed pursuant to Item 402 of Regulation S-K (which disclosure includes the Compensation Discussion and Analysis, the compensation tables and other narrative executive compensation disclosures)."

We are committed to aligning our executive compensation with our Company's performance. In connection with the Company's continued decline in performance, the Compensation Committee reduced our CEO's target and actual compensation each year since 2016. These actions by the Compensation Committee resulted in **CEO compensation that decreased significantly more than the decline in performance**. Specifically, when comparing fiscal 2019 CEO pay with performance:

- On a one year basis (from February 1, 2019 to January 31, 2020) our stock price is down **15%** and adjusted operating income is down **14%** while actual CEO direct compensation is down **20%**.
- On a three year basis (from January 27, 2017 through January 31, 2020) our stock price is down **61%** and adjusted operating income is down **40%** while actual CEO direct compensation is down **79%**.
- On a five year basis (from January 30, 2015 to January 31, 2020) our stock price is down **73%** and adjusted operating income is down **37%** while actual CEO direct compensation is down **87%**.

CEO target and actual compensation for fiscal 2019 is near the lowest among our peers.

Although the advisory stockholder vote on executive compensation is non-binding, the Compensation Committee has considered and will continue to consider the outcome of the vote and feedback received from stockholders when making compensation decisions for NEOs. In 2019, 98.7% voted in favor of our executive compensation program.

Please refer to the CD&A for a detailed discussion of the Company's executive compensation principles and practices and the fiscal 2019 compensation of our NEOs.

Board Recommendation

Mr. Wexner's total compensation for fiscal 2019 was \$3.8 million, which is well below the median of our peers. In addition, 2020 target pay is 37% below the median. In summary, there is alignment between our performance, our stockholders' interests and our CEO's pay.

The Board recommends a vote FOR this proposal.

COMPENSATION-RELATED MATTERS

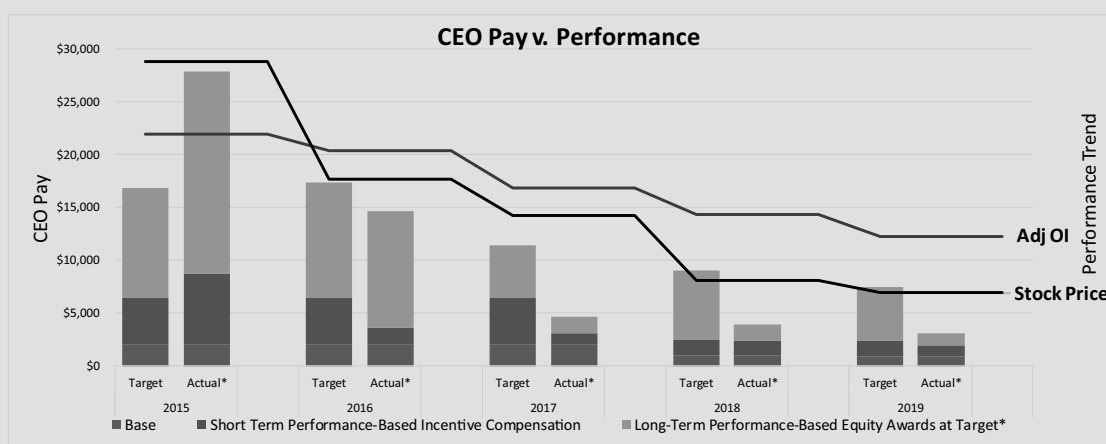
Compensation Discussion and Analysis

Executive Summary

We are committed to aligning our executive compensation with our Company's performance. In connection with the Company's continued decline in performance, the Compensation Committee reduced our CEO's target and actual compensation each year since 2016. As illustrated by the chart below, these actions by the Compensation Committee, resulted in **CEO compensation that decreased significantly more than the decline in performance**. Specifically, when comparing fiscal 2019 CEO pay with performance:

- On a one year basis (from February 1, 2019 to January 31, 2020) our stock price is down **15%** and adjusted operating income is down **14%** while actual CEO direct compensation is down **20%**.
- On a three year basis (from January 27, 2017 to January 31, 2020) our stock price is down **61%** and adjusted operating income is down **40%** while actual CEO direct compensation is down **79%**.
- On a five year basis (from January 30, 2015 to January 31, 2020) our stock price is down **73%** and adjusted operating income is down **37%** while actual CEO direct compensation is down **87%**.

CEO target and actual compensation for fiscal 2019 is near the lowest among our peers. The unfolding COVID-19 crisis and its impact on the economy and our business will be taken into account in reviewing and setting the compensation of NEOs as we go forward.



* Long-Term Performance-Based Equity Awards reflect grant date value. Actual payout is subject to achievement of performance metric.

	2015				2016				2017				2018				2019			
	\$	% Change			\$	% Change			\$	% Change			\$	% Change			\$	% Change		
		1 Year	3 Year	5 Year		1 Year	3 Year	5 Year		1 Year	3 Year	5 Year		1 Year	3 Year	5 Year		1 Year	3 Year	5 Year
L BRANDS PERFORMANCE																				
Stock Price	\$96.15	14%	103%	232%	\$59.01	-39%	13%	42%	\$47.51	-19%	-44%	1%	\$27.15	-43%	-72%	-48%	\$23.16	-15%	-61%	-73%
Adjusted Earnings per Share	\$3.99	14%	37%	104%	\$3.74	-6%	23%	48%	\$3.11	-17%	-11%	7%	\$2.82	-9%	-29%	-8%	\$2.29	-19%	-39%	-35%
Adjusted Operating Income	\$2,192	12%	32%	78%	\$2,037	-7%	17%	35%	\$1,683	-17%	-14%	1%	\$1,437	-15%	-34%	-18%	\$1,231	-14%	-40%	-37%
CEO DIRECT COMPENSATION																				
Target	\$16,900	6%	27%	30%	\$17,400	3%	14%	32%	\$11,400	-34%	-28%	-14%	\$9,000	-21%	-47%	-41%	\$7,500	-17%	-57%	-53%
Actual	\$27,950	13%	42%	34%	\$14,658	-48%	-8%	-25%	\$4,612	-69%	-81%	-77%	\$3,887	-16%	-86%	-76%	\$3,102	-20%	-79%	-87%
Actual Comp as a % of Target	165%				84%				40%				43%				41%			

Fiscal 2019 Overview

Financial performance in 2019 was below our expectations. Operating income declined while growth across our brands was mixed as growth at Bath & Body Works was more than offset by declines at Victoria's Secret.

At Bath & Body Works, an aligned, experienced leadership team and strong customer response to our merchandise assortments, driven by a close connection to our customers and a fast and agile supply chain, resulted in another record year, on top of a record 2018. In 2019, Bath & Body Works' comparable sales increased 10% and operating income increased 11%. Sales in the digital channel increased 32%. We ended the year with more than 800 newly remodeled stores, which include the White Barn store design. These stores present a new, compelling store experience for the brand and customers alike, driving sales growth.

Victoria's Secret underperformed in 2019 due to a poor assortment which reduced traffic and resulted in increased promotion that negatively impacted margin rates. Our team is working hard to improve the assortment. Victoria's Secret segment comparable sales declined 7% for the year, and adjusted operating income decreased significantly.

In Victoria's Secret Lingerie ("VSL"), comparable sales declined in the high-single digit range in 2019, and the merchandise margin rate declined significantly. John Mehas joined the business in mid-February 2019 as the new CEO for Victoria's Secret Lingerie. John is an experienced and talented fashion merchant leader, and he is focused on getting close to our customers and improving the merchandise assortment.

PINK comparable sales declined in the low-double digit range in 2019, and the merchandise margin rate declined significantly. Amy Hauk moved from Bath & Body Works to join PINK as CEO late in 2018. Growth in bras and panties was more than offset by a decline in apparel, particularly in tops. Amy and her team are focused on making adjustments to the merchandise assortment to emphasize merchandise to which our customers are responding positively.

Victoria's Secret Beauty had a good year and a solid holiday performance, with positive low-single digit comparable sales and an improvement in the merchandise margin rate.

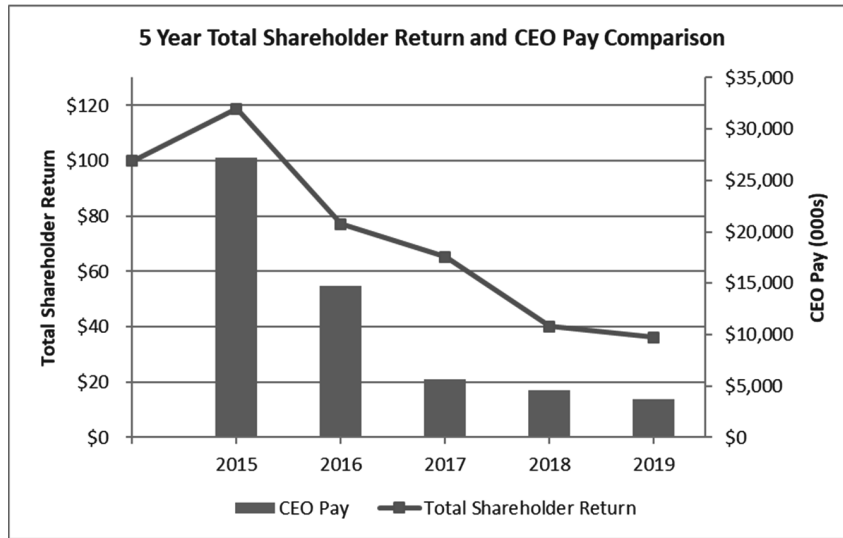
Outside North America, we opened 59 net new stores in 2019, ending the year with 812 stores. Revenue in our international segment was flat in 2019 compared to last year, but adjusted operating income increased, driven by growth in our Bath & Body Works franchise business.

Pay for Performance

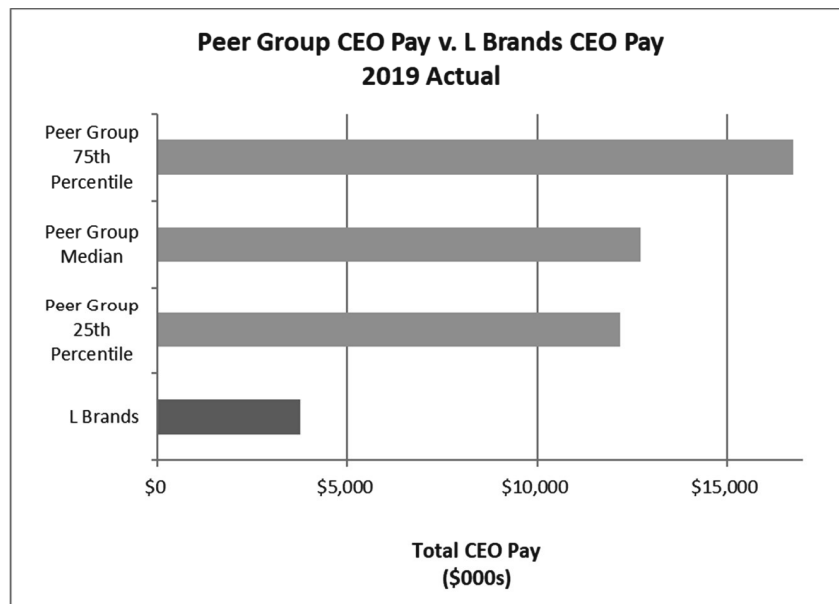
At L Brands, we recognize that our business is the ultimate change business. Our focus is on speed and agility, responding to change. Our compensation program reflects this philosophy, rewarding strong performance and significantly reducing compensation when performance does not meet our high expectations.

The Compensation Committee oversees our compensation program, ensuring that pay is aligned with performance. Over the last four years, CEO compensation has decreased significantly following performance that was challenged by changes intended to simplify the business and accelerate growth.

The following chart illustrates how CEO compensation has aligned with performance. Over the last five years, CEO compensation has decreased significantly in line with the decline in total shareholder return:



The significant decrease in CEO compensation for fiscal 2019 resulted in CEO compensation that was significantly below the 25th percentile of our peer group (discussed below under the heading “Compensation Comparison”):



While these charts show how the compensation paid to Mr. Wexner, our CEO, by the Company aligns with performance, it is also important to note that Mr. Wexner is the beneficial owner of 17.40% of the Common Stock. Accordingly, his personal wealth is tied directly to our stock price performance, which provides direct alignment with stockholder interests.

Stockholder Advisory Vote

In 2019, 98.7% of our stockholders voted in favor of our executive compensation program. The Compensation Committee considers this vote and other stockholder feedback when making compensation decisions for NEOs. We have a policy of robust engagement with stockholders, with continuing outreach to and dialogue with our major investors on a range of issues, including executive compensation matters. As indicated by the high-level support for our executive compensation program in 2019, the feedback from stockholders in 2019 regarding executive compensation indicated understanding and support for our compensation outcomes.

The Company reviewed its long-term compensation practices considering market practice and stockholder interests. As a result, the Compensation Committee redesigned the long-term performance-based equity incentive program, making changes to more closely align the program with policies that are deemed best practices (such as multiple performance metrics and performance period of three years). The key features of the re-designed program are as follows:

- Long-term equity incentives were granted as a mix of 50% performance stock units (“PSUs”), 30% time-vested restricted stock units (“RSUs”) and 20% stock options.
- PSUs are subject to achievement of two metrics – revenue growth and operating income as a percent of sales, each relative to our peer group and weighted equally at 50%.
- Performance will be evaluated based on a scale, and payout will be interpolated between threshold, target and maximum:
 - Payout at threshold performance is 50% and is set at the 30th percentile of our peer group.
 - Payout at target performance is 100% and is set at the 50th percentile of our peer group.
 - Payout at maximum performance is 150% and is set at the 80th percentile of our peer group.
- The performance period for both metrics is three years, and 100% of both RSUs and PSUs vest after three years.

We continue the following compensation practices in accordance with our corporate governance principles and in response to stockholder and advisory firm feedback:

- No tax gross-ups for NEOs upon a change in control.
- “No hedging” policy governing stock trading.
- Adopted a policy that discourages pledging of Company stock and requires advance approval by our General Counsel.
 - None of the Company’s stock held by our NEOs or Board members is pledged.
- No re-pricing of stock options without stockholder approval.
- Double trigger vesting of equity awards upon a change in control.
- Clawback policy as described under “—Compensation Governance—Recovery of Compensation.”
- Stock ownership guidelines set at five times base salary for our CEO and three times base salary for other NEOs. Members of our Board must maintain ownership of at least the number of shares of Common Stock received as Board compensation over the previous four years.
- Stock plan that requires a vesting period of at least one year.

Conclusion

Executive Summary

We are committed to aligning our executive compensation with our Company’s performance. In connection with the Company’s continued decline in performance, the Compensation Committee reduced our CEO’s target and actual compensation each year since 2016. These actions by the Compensation Committee, resulted in **CEO compensation that decreased significantly more than the decline in performance**. Specifically, when comparing fiscal 2019 CEO pay with performance:

- On a one year basis (from February 1, 2019 to January 31, 2020) our stock price is down **15%** and adjusted operating income is down **14%** while actual CEO direct compensation is down **20%**.
- On a three year basis (from January 27, 2017 to January 31, 2020) our stock price is down **61%** and adjusted operating income is down **40%** while actual CEO direct compensation is down **79%**.
- On a five year basis (from January 30, 2015 to January 31, 2020) our stock price is down **73%** and adjusted operating income is down **37%** while actual CEO direct compensation is down **87%**.

CEO target and actual compensation for fiscal 2019 is near the lowest among our peers. The unfolding COVID-19 crisis and its impact on the economy and our business will be taken into account in reviewing and setting the compensation of NEOs as we go forward.

Executive Compensation Philosophy

Guiding Principles

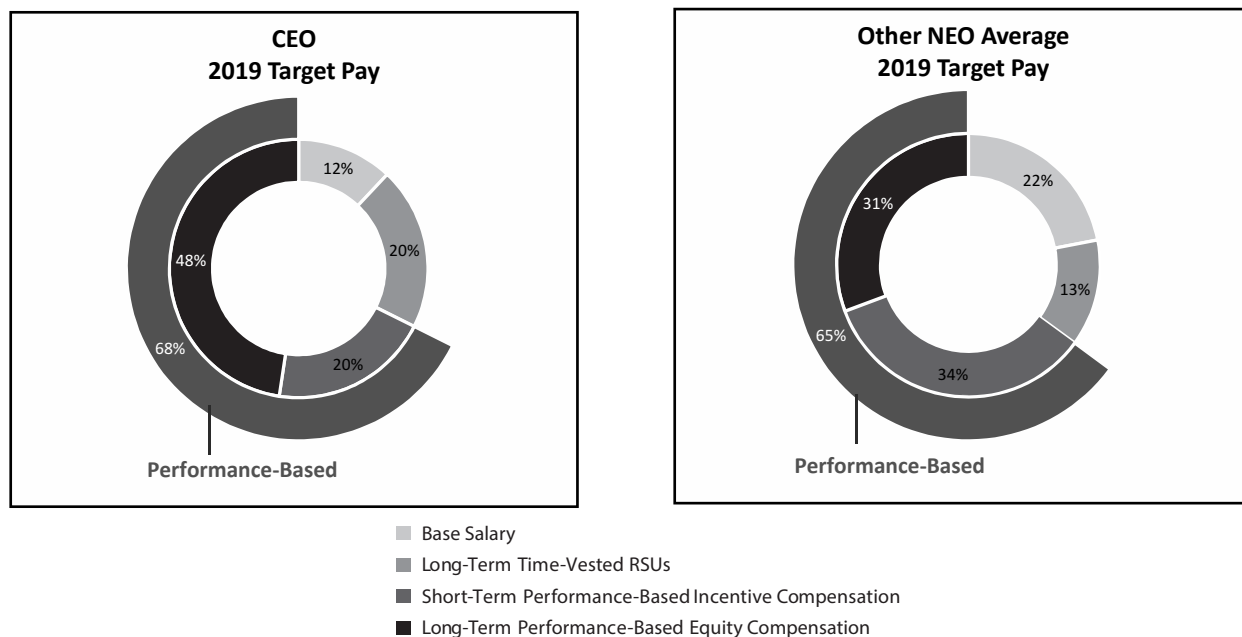
The Compensation Committee has built an executive compensation program based on the following clear and purposeful guiding principles:

Compensation Component	Our Principles
Pay Level	<ul style="list-style-type: none"> Attract and retain superior leaders in a highly competitive market for talent. Pay competitively and equitably. Recognize depth and scope of accountability and complexity of responsibility.
Pay Mix	<ul style="list-style-type: none"> Emphasize performance-contingent, long-term equity-based compensation over fixed compensation.
Pay for Performance	<ul style="list-style-type: none"> Recognize and reward enterprise, brand and individual performance. Align executives' interests with stockholders' interests. Require executives to own a significant amount of Common Stock. Set Spring and Fall goals that reflect the seasonal nature of our business and incentivize goal achievement in each season. Create long-term stockholder value through regular achievement of short-term goals while pursuing our longer-term strategy of growth in North America and internationally. Retain and incentivize high-performers through long-term equity incentive awards.

Connecting Pay and Performance

Two key elements of our program's design connect pay to performance. First, our incentive goals are designed to challenge our NEOs to achieve a high level of performance to earn incentives at target. When our NEOs hit and exceed these goals, we compensate them accordingly.

Second, to further connect NEOs' pay to performance, we employ a pay mix philosophy that places greater emphasis on performance-based and equity compensation over base salary. The following charts illustrate our pay mix philosophy which consists of a lower percentage of base salary compared to performance-based pay at target.



To assess whether the Company's compensation program reflects our financial results as designed, the Compensation Committee's independent compensation consultant, Willis Towers Watson, tested the alignment of pay delivered over multiple timeframes relative to our peer group with performance measured by specific metrics that are important to our Company and its stockholders.

Based on this analysis, Willis Towers Watson and the Compensation Committee concluded that our CEO compensation is aligned with performance and that the executive compensation program's design responds to changes in our business and results.

Compensation Comparison

We compare our NEO compensation with publicly available data on executive compensation.

We define our peer group, with the help of Willis Towers Watson, to generally include:

- Businesses that are generally similar to the Company in total revenue, market capitalization, global locations, business and/or merchandise focus;
- Retailers that compete with the Company for executive talent;
- Specialty and department store retailers; and
- Companies with brands that have emotional content.

We review our peer group annually and did not make any changes in 2019. Our peer group consists of the following companies:

Abercrombie & Fitch Co.	J. C. Penney Company, Inc.	Ross Stores, Inc.
American Eagle Outfitters, Inc.	Kohl's Corporation	Starbucks Corporation
Avon Products, Inc.	Macy's, Inc.	Tapestry Inc.
Bed Bath & Beyond Inc.	NIKE, Inc.	The TJX Companies, Inc.
The Estee Lauder Companies Inc.	Nordstrom, Inc.	Williams-Sonoma, Inc.
The Gap, Inc.	Ralph Lauren Corporation	

We do not specifically set our NEOs' compensation against our peer group. Instead, we consider peer group comparisons as one of several factors in applying our pay philosophy and setting the pay of our NEOs. Our peer group is used by Willis Towers Watson, the Compensation Committee's independent compensation consultant, to analyze the effectiveness of our compensation program at delivering pay for performance on a relative basis.

Stock Ownership Guidelines

The Compensation Committee encourages Common Stock ownership by our NEOs through stock ownership guidelines which promote a long-term focus on performance, discourage inappropriate risk-taking and align the interests of our NEOs with those of our stockholders. Stock ownership guidelines can be met through direct or beneficial ownership of Common Stock, including Common Stock held under our stock and retirement plans.

Our CEO is required to maintain ownership of Common Stock with a value of five times his base salary. As the beneficial owner of 48,121,098 shares of Common Stock (17.40% of shares outstanding), Mr. Wexner's stock ownership far exceeds this minimum requirement.

Other NEOs are required to maintain beneficial ownership of Common Stock with a value of three times the NEO's base salary within five years of becoming subject to the ownership guideline. All of our NEOs are in compliance with this guideline.

Members of our Board must maintain ownership of at least the number of shares of Common Stock received as Board compensation over the previous four years. All members of our Board are in compliance with this policy.

Compensation for NEOs

Compensation Setting Process

The Compensation Committee makes all decisions regarding Mr. Wexner’s compensation, and Mr. Wexner makes compensation recommendations for the other NEOs. The Compensation Committee oversees the evaluation process and compensation structure for the other NEOs and approves all NEO stock awards.

Target compensation for the NEOs is reviewed annually and is designed to reward historical performance, incentivize future performance and be competitive with the external market for talent. The unfolding COVID-19 crisis and its impact on the economy and our business will be taken into account in reviewing and setting the compensation of NEOs as we go forward.

Compensation Components

The three principal elements of our executive compensation programs are base salary, short-term performance-based cash incentive compensation and long-term performance-based equity incentive compensation. Each NEO’s base salary is set considering the factors below and all our NEOs, including our CEO, participate in the same short-term performance-based cash incentive compensation. The size and grant timing of long-term performance-based equity incentive compensation for our CEO is different from the other NEOs but the other key terms of the award are the same, including vesting and performance requirements. Other elements of compensation that may be paid to NEOs include retirement and other post-employment benefits and perquisites. Our CEO is not eligible for post-employment benefits under a severance or change in control agreement. Additional information about each of these compensation components is provided below.

Base Salary

The following factors are considered in determining base salary adjustments:

- Scope and responsibility of the NEO’s position;
- Achievement of seasonal and annual business goals;
- Level of overall compensation paid by competitors for comparable positions;
- Recruitment, retention and development of leadership talent;
- The Company’s challenging expectations for future growth; and
- The appropriate balancing of our NEOs’ base salary against their incentive compensation.

Mr. Wexner’s base salary decreased 10% in fiscal 2019 on top of a decrease of 50% in fiscal 2018. Minimal or no changes were made to the base salaries of the other NEOs. Mr. Burgdoerfer and Mr. McGuigan have not received a base salary increase since 2016.

<u>NEO</u>	<u>2019 Base Salary (\$)</u>	<u>2018 Base Salary (\$)</u>	<u>Increase (%)</u>
Mr. Wexner	900,000	1,000,000	-10.0%
Mr. Burgdoerfer	900,000	900,000	0.0%
Mr. McGuigan	1,300,000	1,300,000	0.0%
Ms. Milano	900,000	900,000	0.0%
Mr. Bersani	800,000	770,000	3.9%

Short-Term Performance-Based Cash Incentive Compensation

This program focuses on achievement of six-month goals, reflecting the seasonal nature of our business and the fact that achievement of our short-term goals season after season creates long-term value for our stockholders.

Our operations consist of two principal selling seasons: Spring (the first and second quarters) and Fall (the third and fourth quarters). Fall, including the holiday season, is weighted more heavily because of its importance to our profitability.

Short-term performance-based cash incentive compensation targets are set at a percentage of base salary with the amount earned ranging from zero to double the target incentive, based on the extent to which financial goals are achieved or exceeded.

The financial incentive provided by the short-term performance-based incentive compensation plan is a key component in driving the performance of the Company. For fiscal 2019, our NEOs' focus on maximizing operating income was especially important given strategic initiatives that were expected to put pressure on operating income. Accordingly, target percentages for each of the NEOs were increased to incent future performance and place further emphasis on the performance-based component of their compensation package:

<u>NEO</u>	<u>Fiscal 2019 Target</u>	<u>Fiscal 2018 Target</u>
Mr. Wexner	167%	150%
Mr. Burgdoerfer	180%	170%
Mr. McGuigan	180%	170%
Ms. Milano	130%	120%
Mr. Bersani	140%	130%

While the target percent for Mr. Wexner increased, the increase is the result of the decrease in his base salary. The dollar target for fiscal 2019 remained unchanged from fiscal 2018 at \$1,500,000 and his total cash compensation at target is down 4%.

The pre-established, objective financial goals for fiscal 2019 were based solely on adjusted operating income, subject to adjustment for extraordinary items pursuant to the 2015 Incentive Compensation Performance Plan (the "2015 ICPP") and approved by the Compensation Committee. Operating income is used because it is a performance measure over which executives can have significant impact and is also directly linked to the Company's long-term growth plan and performance that drives stockholder value. When evaluating operating income goals, the Compensation Committee compares the increase in operating income relative to the change in the incentive payments to associates at target.

Operating income goals are set at the beginning of each six-month season based on:

- An analysis of historical performance;
- Income goals for that brand;
- Financial results of other comparable businesses; and
- Progress toward achieving our strategic plan.

Short-term performance incentive payouts for all the NEOs were based on the following operating income goals and weighting:

Short-Term Performance Incentive Goal Weighting and Metric
80% weighted average of major brand operating income:
55% Victoria's Secret operating income
30% Bath & Body Works operating income
15% Other operating income
20% Total L Brands operating income

The table below shows the operating income goals required to earn short-term performance-based incentive compensation at target and actual performance by season:

	<u>Fiscal 2019 Spring Season</u>		<u>Fiscal 2019 Fall Season</u>	
	<u>Operating Income Goal</u>	<u>Actual Performance⁽¹⁾</u>	<u>Operating Income Goal</u>	<u>Actual Performance⁽¹⁾</u>
Total L Brands	\$402 million	\$328 million	\$1,086 million	\$894 million
Victoria's Secret	190 million	49 million	315 million	62 million
Bath & Body Works	286 million	337 million	811 million	866 million
Other ⁽²⁾	105 million	111 million	185 million	184 million

(1) Actual performance presents operating income on an adjusted basis which removes certain special items which are not indicative of our ongoing operations due to their size and nature. The Company uses adjusted financial information as key performance measures of results for purposes of evaluating performance internally, which may not correspond to amounts reported externally.

(2) Other includes business unit operating income that is an internal performance measure and does not correspond to amounts reported externally.

Spring and Fall season goals for Victoria’s Secret were set below prior year actual results to provide meaningful performance incentives during a time of continued operating income pressure. Performance-based incentive compensation paid to our NEOs did not include any payout based on Victoria Secret’s performance. Spring season goals for Bath & Body Works were set slightly below prior year actual results to account for the expected impact of China tariffs and investments in sourcing and logistics. To earn threshold payout, performance goals average approximately 50% to 90% of target. To earn maximum payout, performance goals average approximately 115% to 155% of target. Performance below threshold results in no payout. Performance between threshold and target and target and maximum is interpolated to determine payout percentage beginning at 20% at threshold up to 200% at maximum.

Payouts for fiscal 2019 performance are set forth below and in the “Non-Equity Incentive Plan Compensation” column of the 2019 Summary Compensation Table below. The performance targets were set for these awards and the payouts were made before the recent events of the COVID-19 crisis unfolded.

Total Fiscal 2019 Incentive Payout

	Fiscal 2019 Target Incentive (\$)	Fiscal 2019 Spring Incentive Payout (\$)	Fiscal 2019 Fall Incentive Payout (\$)	Total Fiscal 2019 Payout (\$)	Percent of Fiscal 2019 Target (%)
Mr. Wexner	1,500,000	473,400	558,900	1,032,300	69%
Mr. Burgdoerfer.	1,620,000	511,272	603,612	1,114,884	69%
Mr. McGuigan.	2,340,000	738,504	871,884	1,610,388	69%
Ms. Milano	1,170,000	369,252	435,942	805,194	69%
Mr. Bersani	1,120,000	353,472	417,312	770,784	69%

Long-Term Equity Compensation

Stock awards are made to our NEOs under the 2015 Plan. Our equity-based long-term performance-based incentive program is comprised of a mix of three types of awards: PSUs, time-vested RSUs and stock options providing a balance of performance incentive, alignment with stockholders and retention. Our long-term performance-based equity incentive program is designed to:

- Incentivize achievement of key performance metrics (through the performance requirement);
- Align executive rewards with those realized by stockholders (through the market value of our stock);
- Retain superior executive talent (through the time vesting requirements); and
- Reward exceptional individual performance (through annual determination of the size of the award).

For the NEOs other than Mr. Wexner, individual performance (including contribution to the achievement of business goals, execution of retail fundamentals and accomplishment of talent and cultural objectives), company performance, competitive practice, the Company’s overall equity compensation expense budget, stockholder dilution, internal equity and retention risk are all considered in determining the size of their equity awards. The size and timing of Mr. Wexner’s equity award is determined on a different basis, as described in detail below.

Equity awards are granted on the date the award is approved, unless the effective date of the reason for the award (such as hire date) is later than the approval date. In this case, the grant date is the later date.

Performance Stock Units

Performance stock units incentivize executive performance through the achievement of growth and profitability metrics. The two metrics are three-year revenue growth and three-year cumulative operating income as a percent of cumulative sales, each relative to our peer group and weighted equally at 50%.

Performance will be evaluated based on a scale, and payout will be interpolated between threshold, target and maximum:

- Payout at threshold performance is 50% and is set at the 30th percentile of our peer group.
- Payout at target performance is 100% and is set at the 50th percentile of our peer group.
- Payout at maximum performance is 150% and is set at the 80th percentile of our peer group.

The performance period for both metrics is three years, and PSUs vest after three years.

Time-Vested RSUs

Time-vested RSUs ensure market competitiveness of the executive compensation package and to retain executives over the long-term. Time-vested RSUs granted to each NEO in fiscal 2019 cliff vest after three years, subject to continued employment.

Stock Options

Stock options by their nature are performance-based, aligning executive interests with stockholder interests by creating a direct link between compensation and stockholder return. Stock options granted in fiscal 2019 to each NEO vest in equal installments over three years, subject to continued employment. The exercise price is equal to the closing price of our Common Stock on the grant date.

Below is a summary of the time-vested RSUs, PSUs and stock options awarded in fiscal 2019. These awards were made before the COVID-19 crisis arose.

	Target Value of Performance Stock Unit Award (\$)	Value of Time- Vested RSU Award (\$)	Value of Stock Option Award (\$)	Total Fiscal 2019 Equity Award Value (\$)
Mr. Wexner ⁽¹⁾	496,322	297,785	126,676	920,783
Mr. Burgdoerfer	787,906	472,738	238,495	1,499,139
Mr. McGuigan	1,138,075	682,850	344,496	2,165,421
Ms. Milano	787,906	472,738	238,495	1,499,139
Mr. Bersani	700,363	420,223	211,995	1,332,581

(1) While the equity award mix and performance requirement are the same, the amount and timing of Mr. Wexner’s equity award are determined on a different basis than that of our other NEOs, as described in detail in the section “CEO Compensation”.

Retirement and Other Post-Employment Benefits

Retirement and other post-employment benefits consist of qualified and non-qualified defined contribution retirement plan benefits and termination benefits.

Qualified Defined Contribution Retirement Plan

The qualified plan is available to all associates who meet certain age and service requirements. Associates can contribute up to the amounts allowable under Section 401 of the Code. The Company matches associates’ contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates’ eligible annual compensation and years of service. Associates’ contributions and Company matching contributions to the qualified plan vest immediately. Additional Company contributions and the related investment earnings are subject to vesting based on years of service.

Non-Qualified Defined Contribution Deferred Compensation and Supplemental Retirement Plan

The non-qualified plan is available to all associates who meet certain age, service, job level and compensation requirements. The non-qualified plan is an unfunded plan which provides benefits beyond the Code limits for qualified defined contribution plans. The Company does not set aside assets to fund liabilities of the non-qualified plan. Assets that may be used to satisfy such liabilities are general assets of the Company, subject to the claims of the Company’s creditors.

Associates can contribute to the non-qualified plan up to a maximum percentage of eligible compensation. The Company matches associates’ contributions and contributes additional amounts based on a percentage of the associates’ eligible compensation and years of service.

The plan also permits participating associates to defer additional compensation which the Company does not match.

Associates' contributions to the non-qualified plan and the related interest accruals vest immediately. Company contributions and credits to the non-qualified plan and the related interest are subject to vesting based on years of service.

Termination Benefits: Severance and Change in Control Agreements

We have entered into severance and change in control agreements with all of our NEOs other than Mr. Wexner. See "Retirement and Other Post-Employment Benefits—Estimated Post-Employment Payments and Benefits" below for a description of estimated benefits in certain termination situations, including a change in control.

Upon a change in control, equity awards will only vest if the executive's employment is terminated by the executive for good reason or by the Company other than for cause within 24 months of the change in control. None of our NEOs is entitled to a tax gross-up upon a change in control.

Perquisites

We provide our NEOs with minimal perquisites that the Compensation Committee has determined are reasonable and in the best interests of the Company and its stockholders. These perquisites include the reimbursement of financial planning costs of up to \$9,500 per year and supplemental disability and life insurance coverage provided by the Company for associates at the Vice President level and above, including the NEOs. In addition, to the extent that corporate provided aircraft is used by any NEO for personal purposes, the NEO has reimbursed the Company based on the greater of the amount established by the Internal Revenue Service ("IRS") as reasonable for personal use or the aggregate incremental cost associated with the personal use of the corporate owned aircraft as determined by an independent, third party aircraft costing service.

CEO Compensation

Overview of CEO Pay

Mr. Wexner's compensation reflects the Company's performance. Total compensation, as disclosed in the 2019 Summary Compensation Table, decreased 17% from fiscal 2018 to 2019 while adjusted operating income⁽¹⁾ decreased 14%. Over the three-year period from fiscal 2016 to fiscal 2019, CEO compensation decreased 79% while total shareholder return decreased 22%.

⁽¹⁾ Operating income determined in accordance with accounting principles generally accepted in the United States of America ("GAAP") for L Brands decreased 79%. The reconciliation of the adjusted measure to the comparable GAAP figure is on pages 28 to 29 of the Company's 2019 Annual Report on Form 10-K (the "2019 10-K").

CEO Stock Award Determination Overview

Mr. Wexner's fiscal 2019 stock grant was awarded near the end of the Fall season when Mr. Wexner's and the Company's performance was substantially determined for the fiscal year. This stock award recognizes financial, strategic and operational performance for the fiscal year and incentivize future performance. The stock award was granted with a target value of \$1.17 million (77% below target) as a combination of stock options, time-vested RSUs and PSUs. Stock options vest in equal installments over three years and time-vested RSUs and PSUs vest 100% after three years, each subject to continued employment and achievement of the applicable performance requirement.

Mr. Wexner's stock award is subject to performance in two ways:

- The Compensation Committee goes through a rigorous quantitative and qualitative evaluation of historical performance to determine the size of the award; and
- Once granted, 70% of the award is subject to performance of the Company. PSUs, which represent 50% of Mr. Wexner's total equity award, must be earned based on the attainment of quantitative performance metrics and the value of stock options is contingent on the stock price increasing.

The rigorous quantitative and qualitative evaluation that is used to determine the size of the award relative to target includes an analysis of:

- Absolute and relative total shareholder return over one and three years;
- Absolute and relative return on invested capital over one and three years;

- Sales and operating income growth;
- Earnings per share;
- Performance against pre-established financial targets;
- Leadership talent development; and
- Success in fostering a high-performance culture.

While the size of Mr. Wexner’s stock award is determined on a quantitative and qualitative basis, once the size of the grant is determined, 70% of the award is subject to future performance of the Company. PSUs, which represent 50% of Mr. Wexner’s total equity award, must be earned based on the attainment of two quantitative performance metrics and the ultimate value of stock options is contingent on the stock price increasing. The performance metrics for PSUs are the same as the metrics required for the other NEOs: three-year revenue growth and three-year cumulative operating income as a percentage of cumulative sales, each relative to our peer group and weighted equally at 50%.

CEO Termination Benefits

Due to his unique role as the founder of the Company, Mr. Wexner is not covered by a severance or change in control agreement. However, all of Mr. Wexner’s unvested stock options will vest upon death and all conditions applicable to the RSUs and PSUs, including the performance condition will be deemed to have been satisfied. Subject to the achievement of pre-established performance conditions, PSUs and RSUs will continue to vest upon Mr. Wexner’s total disability. Upon retirement from his service with the Company, RSUs and PSUs will vest pro rata based on the fraction of whole months worked from the grant date over the full vesting period (i.e., one-third will vest if 12 full months are completed from the grant date for a grant that would otherwise vest over three years), subject to the achievement of performance conditions. In the event of a change in control, unvested RSU and PSU awards will vest if Mr. Wexner’s service is terminated other than for cause within 24 months of the change in control.

In connection with the Transaction, Mr. Wexner announced his resignation, effective as of the Closing. At this time, the Company has not entered into any severance arrangements with Mr. Wexner in connection with his resignation.

CEO Perquisites

The Board of Directors has approved a security program (the “Security Program”) that provides security services to Mr. Wexner and his family. The Security Program is for the benefit of the Company and is appropriate given the risks associated with Mr. Wexner’s position. We periodically hire a third party to review our Security Program to verify that a bona fide Company oriented security concern exists and that the Security Program costs are reasonable and consistent with these concerns. The Security Program requires Mr. Wexner to use corporate provided aircraft, or private aircraft that is in compliance with the Security Program, whether the purpose of the travel is business or personal.

The cost of security services which are not business related have been reimbursed to the Company by Mr. Wexner. In addition, to the extent that corporate provided aircraft is used by Mr. Wexner for personal purposes, he has reimbursed the Company as noted above under the heading “—Compensation for NEOs—Perquisites”.

Compensation Governance

Compensation Committee

Our executive compensation program is overseen by the Compensation Committee. All of our Compensation Committee members are appointed by our Board and meet independence and other NYSE requirements. Compensation Committee members are selected based on their knowledge and experience in compensation matters from both their professional experience and their roles on other boards.

As part of its self-evaluation process, the Compensation Committee considers prevailing best practices and compliance with the highest governance standards. During fiscal 2019, the Compensation Committee also continued to engage with the full Board to maximize its effectiveness. The role of the Compensation Committee and information about its meetings are set forth in this proxy statement.

The Compensation Committee participated in the preparation of this CD&A and recommended to the Board that it be included in this proxy statement.

The Compensation Committee, together with the Company, also evaluates the Company's compensation structure from the perspective of enterprise risk. The Company's compensation structure includes risk mitigating factors such as a mix of pay that is balanced between long- and short-term, and fixed and variable payouts under the 2015 Plan and 2015 ICPP. Based on this evaluation, the Compensation Committee believes that the Company's compensation structures are appropriate and do not incentivize inappropriate taking of business risks.

The Compensation Committee is governed by a charter which is available on our website at www.lb.com.

Committee Meetings and Delegation

Members of Company management, including the Chief Operating Officer and the Chief Financial Officer, attend the Compensation Committee meetings along with the Chief Human Resources Officer, who generally prepares meeting materials, and the Corporate Secretary, who records the minutes of the meeting. Members of Company management, including the CEO, do not play a role in recommending CEO compensation. The Compensation Committee regularly meets in executive session without management present.

The Compensation Committee may delegate its authority to subcommittees or the Chair of the Compensation Committee. In accordance with its charter, the Compensation Committee has delegated to our Chief Human Resources Officer, the authority to make stock awards under the provisions of the 2015 Plan with a value up to \$400,000 in any year to any associate who is not a Section 16 officer of the Company or a senior leadership team member.

Independent Compensation Consultant

As permitted by its charter, the Compensation Committee retained Willis Towers Watson as its independent executive compensation consultant and has the sole authority to retain and terminate any independent executive compensation consultant.

The Compensation Committee, considering recommendations from our management team, determines the work to be performed by the consultant. The consultant works with management to gather data required in preparing analyses for Compensation Committee review. Specifically, the services the consultant provides include:

- Assisting in evaluation of CEO and other NEO compensation;
- Informing the Compensation Committee of changing market practices;
- Consulting on our executive compensation strategy and program design;
- Analyzing alignment of pay and performance;
- Assisting in the selection of our peer group; and
- Assisting in the preparation and review of this disclosure.

In addition to the services provided at the request of the Compensation Committee, a separate division of Willis Towers Watson provides a call center tracking system for which we pay quarterly software usage fees and provides compensation survey reports. For fiscal 2019, these fees totaled \$138,044. The fees paid to Willis Towers Watson for its services to the Compensation Committee in fiscal 2019 were \$94,788. Total fees paid to Willis Towers Watson for the fiscal year were \$232,832. The Compensation Committee, in its sole discretion, engaged Willis Towers Watson; such engagement was not made or recommended by management. The Compensation Committee did not participate in management's decision to engage Willis Towers Watson for its call center tracking system. The Compensation Committee has determined that the provision of this work by Willis Towers Watson is not material and does not impair the independence and objectivity of advice provided to the Compensation Committee on executive compensation matters.

The Compensation Committee reviews and approves the provision of additional services by Willis Towers Watson to the Company and evaluates the performance and independence of Willis Towers Watson, specifically considering independence factors identified by the Commission. This evaluation includes a review of written representations from Willis Towers Watson confirming their independence. Based on its evaluation, the Compensation Committee believes that there are no conflicts of interest that could impair Willis Towers Watson's ability to provide independent, objective advice to the Compensation Committee regarding executive compensation matters.

In addition to consulting provided by Willis Tower Watson, the Compensation Committee engaged David Kollat, who served as the Chair of the Committee until May 2019, as an advisor to the Compensation Committee. Dr. Kollat's services included consulting related to CEO compensation, establishment of short-term, performance-based incentive compensation goals and the drafting of this CD&A. Compensation paid to Dr. Kollat in connection with his services to the Compensation Committee is disclosed in the section "Fiscal 2019 Director Compensation."

Tax Deductibility

Section 162(m) of the Code generally does not allow a tax deduction to public companies for compensation paid to certain executive officers that is more than \$1 million during the tax year. Section 162(m) of the Code provided an exemption from this deduction limitation for compensation that qualified as "performance-based compensation." However, as part of the Tax Cuts and Jobs Act of 2017, this exemption was repealed, effective for taxable years beginning after December 31, 2017, subject to transition relief for certain arrangements in place as of November 2, 2017. The Company intends to administer grandfathered compensation in accordance with the transition relief to the extent reasonably practicable. Going forward, non-grandfathered annual compensation in excess of \$1 million for our covered senior executives will generally not be deductible. The Compensation Committee continues to have the flexibility to pay non-deductible compensation if it believes it is in the best interests of the Company.

Recovery of Compensation

Under the 2015 ICPP and the 2015 Plan, the Compensation Committee has the power and authority to recover previously awarded bonuses or equity-based compensation or profits if (i) required by applicable law with respect to a participant, (ii) a participant engaged in fraudulent conduct or activities (or had knowledge of such conduct or activities) relating to the Company or (iii) a participant should have had knowledge of such conduct or activities based on his or her position, duties or responsibilities.

Tally Sheets

To assess the reasonableness of the compensation of our NEOs, the Compensation Committee annually reviews a three-year history of all of the components of the NEOs' compensation, including salary, short-term incentive compensation, realized and unrealized gains on stock options and RSUs, the cost to the Company of all perquisites, benefits earned and accrued under the Company's non-qualified deferred compensation and supplemental executive retirement plan, and potential payouts under several potential severance and change-in-control scenarios. Based on this review, the Compensation Committee concluded that compensation components individually and in aggregate are reasonable, encourage retention, incentivize performance and are in the best interests of the Company and its stockholders.

Conclusion

We are committed to aligning our executive compensation with our Company's performance. In connection with the Company's continued decline in performance, the Compensation Committee reduced our CEO's target and actual compensation each year since 2016. These actions by the Compensation Committee, resulted in **CEO compensation that decreased significantly more than the decline in performance**. Specifically, when comparing fiscal 2019 CEO pay with performance:

- On a one year basis (from February 1, 2019 to January 31, 2020) our stock price is down **15%** and adjusted operating income is down **14%** while actual CEO direct compensation is down **20%**.
- On a three year basis (from January 27, 2017 to January 31, 2020) our stock price is down **61%** and adjusted operating income is down **40%** while actual CEO direct compensation is down **79%**.
- On a five year basis (from January 30, 2015 to January 31, 2020) our stock price is down **73%** and adjusted operating income is down **37%** while actual CEO direct compensation is down **87%**.

CEO target and actual compensation for fiscal 2019 is near the lowest among our peers. The unfolding COVID-19 crisis and its impact on the economy and our business will be taken into account in reviewing and setting the compensation of NEOs as we go forward.

With these actions to reduce CEO pay, Mr. Wexner's total compensation for fiscal 2019 was \$3.8 million, which is well below the median of our peers. In addition, 2020 target pay is 37% below the median. In summary, there is alignment between our performance, our stockholders' interests and our CEO's pay. Accordingly, we recommend stockholders vote FOR the executive compensation program as outlined in Proposal 6.

2019 Summary Compensation Table

The following table sets forth information concerning total compensation earned by or paid to our CEO, Chief Financial Officer and our three other most highly compensated NEOs during the fiscal year ended February 1, 2020.

Name and Principal Position	Year	Salary (\$)	Bonus \$(¹)	Stock Awards \$(²⁽³⁾)	Option Awards \$(²⁽³⁾)	Non-Equity Incentive Plan Compensation \$(⁴)	Change in Pension Value and Non-qualified Deferred Compensation Earnings \$(⁵)	All Other Compensation \$(⁶)	Total (\$)
Leslie H. Wexner Chairman of the Board, CEO	2019	\$ 900,000	\$0	\$ 794,107	\$126,676	\$1,032,300	\$676,394	\$253,744	\$3,783,221
	2018	1,000,000	0	952,729	244,137	1,383,900	638,289	334,255	4,553,310
	2017	2,000,000	0	920,767	253,420	1,112,320	601,942	807,128	5,695,577
Stuart B. Burgdoerfer Executive Vice President, Chief Financial Officer	2019	900,000	0	1,260,644	238,495	1,114,884	89,235	303,913	3,907,171
	2018	900,000	0	1,748,530	117,737	1,411,578	79,008	260,080	4,516,933
	2017	900,000	0	1,616,479	83,980	1,022,040	70,437	316,520	4,009,456
Charles C. McGuigan Chief Operating Officer, CEO/President, Mast Global	2019	1,300,000	0	1,820,925	344,496	1,610,388	139,555	428,769	5,644,133
	2018	1,300,000	0	2,059,168	169,926	2,038,946	123,879	369,008	6,060,927
	2017	1,300,000	0	2,434,972	121,308	1,476,280	110,693	451,336	5,894,589
Shelley M. Milano Chief Human Resources Officer	2019	900,000	0	1,260,644	238,495	805,194	18,876	191,411	3,414,620
	2018	849,846	0	1,357,942	114,894	996,408	8,979	133,123	3,461,192
James L. Bersani President, Real Estate	2019	794,231	0	1,120,586	211,995	770,784	180,374	233,514	3,311,484
	2018	766,923	0	1,775,448	98,009	923,523	164,461	202,717	3,931,081

- (1) Performance-based incentive compensation bonuses are disclosed in this table under the Non-Equity Incentive Plan Compensation column. None of our NEOs received a nonperformance-based award in fiscal 2019.
- (2) The value of stock and option awards reflects the aggregate grant date fair value, excluding estimated forfeitures, computed in accordance with Accounting Standards Codification (“ASC”) Topic 718 Compensation—Stock Compensation, for each award. Stock options are valued using the Black-Scholes option pricing model. See Note 20 to the Company’s financial statements filed in the 2019 10-K for the related assumptions for stock options granted during fiscal 2019, 2018 and 2017 and for a discussion of our assumptions in determining the aggregate grant date fair value of these awards. Awards vest over time and, therefore, are not realizable on an annual basis, nor is the ultimate value determinable without reference to future performance.
- (3) Stock and option awards were granted to each NEO under the Company’s 2015 Plan. Awards are long-term compensation and generally vest over three to five years and are not realizable on an annual basis.
- (4) Represents the aggregate of the non-equity performance-based incentive compensation for the applicable fiscal Spring and Fall selling seasons. Incentive compensation targets are set based on a percentage of base salary and are paid seasonally based on the achievement of operating income results. The following table illustrates the amount of the compensation which is paid in cash and voluntarily deferred:

	Paid in Cash (\$)	Deferred Cash (\$)	Total (\$)
Mr. Wexner	\$1,004,689	\$ 27,611	\$1,032,300
Mr. Burgdoerfer	1,076,103	38,781	1,114,884
Mr. McGuigan	1,563,126	47,262	1,610,388
Ms. Milano	621,588	183,606	805,194
Mr. Bersani	737,903	32,881	770,784

- (5) The Company does not sponsor a defined benefit retirement plan (tax-qualified or non-qualified). For fiscal 2019, the amounts shown represent the amount by which earnings on each NEO’s non-qualified plan balance at an annual effective rate of 5.59% exceed 120% of the applicable federal long-term rate at the time the rate was set in October 2018.
- (6) The following table details all other compensation paid to each NEO during our last fiscal year:

	Financial Planning Services Provided to Executive (\$)	Incremental Company Cost to Provide Supplemental Life and Disability Insurance Coverage (\$)	Company Contributions to the Executive’s Qualified and Non-Qualified Retirement Plan Account (\$)	Total (\$)
Mr. Wexner	\$ 0	\$1,977	\$251,767	\$253,744
Mr. Burgdoerfer	9,500	2,664	291,749	303,913
Mr. McGuigan	0	2,582	426,187	428,769
Ms. Milano	0	2,400	189,011	191,411
Mr. Bersani	9,500	2,145	221,869	233,514

Proxy Statement

Grants of Plan-Based Awards for Fiscal 2019

The following table provides information relating to plan-based awards and opportunities granted to the NEOs during the fiscal year ended February 1, 2020.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards: Number of Shares of Stock or Units (#) ⁽³⁾	All Other Option Awards: Number of Securities Underlying Options (#) ⁽⁴⁾	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) ⁽⁵⁾
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Leslie H. Wexner	1/29/2020										
	1/29/2020							15,116			\$ 126,676
	1/29/2020				12,597	25,194	37,791			\$23.22	\$ 297,785
Stuart B. Burgdoerfer . .		\$300,000	\$1,500,000	\$3,000,000					38,654		\$ 496,322
	3/28/2019										\$ 238,495
	3/28/2019				16,106	32,212	48,318	19,327		\$27.94	\$ 472,738
Charles C. McGuigan . .		\$324,000	\$1,620,000	\$3,240,000							\$ 787,906
	3/28/2019								55,834		\$ 344,496
	3/28/2019				23,264	46,528	69,792	27,917		\$27.94	\$ 682,850
Shelley M. Milano		\$468,000	\$2,340,000	\$4,680,000							\$1,138,075
	3/28/2019								38,654		\$ 238,495
	3/28/2019				16,106	32,212	48,318	19,327		\$27.94	\$ 472,738
James L. Bersani		\$234,000	\$1,170,000	\$2,340,000							\$ 787,906
	3/28/2019								34,359		\$ 211,995
	3/28/2019				14,317	28,633	42,950	17,180		\$27.94	\$ 420,223
		\$224,000	\$1,120,000	\$2,240,000							\$ 700,363

- (1) Non-Equity Incentive Plan Awards represent the Threshold, Target and Maximum opportunities under the 2015 ICPP for the 2019 Spring and Fall seasons. The actual amount earned under this plan is disclosed in the 2019 Summary Compensation Table in the “Non-Equity Incentive Plan Compensation” column.
- (2) Equity Incentive Plan Awards were granted pursuant to the Company’s 2015 Plan. The awards will vest at the end of the three year performance period, with the number of shares to be awarded determined based on the Company’s relative achievement of (i) revenue growth during the three year performance period and (ii) cumulative operating income as a percentage of cumulative sales, in each case as set forth under the heading “Long-Term Equity Compensation”.
- (3) All Other Stock Awards were granted pursuant to the Company’s 2015 Plan. Grant dates were established on the date the grants were approved by the Compensation Committee. Awards vest 100% on the third anniversary of the grant, subject to continued employment.
- (4) Option Awards were granted pursuant to the Company’s 2015 Plan. Option grant dates were established on the date the grants were approved by the Compensation Committee and the exercise price is the closing price of Common Stock on the grant date. Option Awards vest in three equal installments on the first through third anniversaries of the grant date, subject to continued employment.
- (5) The value of stock and option awards reflects the grant date fair value under ASC Topic 718 Compensation—Stock Compensation for each award. Options are valued using the Black-Scholes option pricing model with the following weighted average assumptions as set forth in the Company’s financial statements filed in the 2019 10-K: dividend yield of 4.4%, volatility of 40%, risk free interest rate of 2.2% and expected life of 3.2 years. RSUs and PSUs are valued based on the fair market value of a share of Common Stock on the date of grant, adjusted for anticipated dividend yields.

Outstanding Equity Awards at Fiscal Year-End for Fiscal 2019

The following table provides information relating to outstanding equity awards granted to the NEOs as of fiscal year end, February 1, 2020.

Name	Option Awards						Restricted Stock Awards				
	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽²¹⁾	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽²⁵⁾
Leslie H. Wexner	1/31/2013	161,559	0	0	45.03	1/31/2023					
	3/29/2013	55,129	0	0	41.88	3/29/2023					
	1/30/2014	124,191	0	0	49.38	1/30/2024					
	3/31/2014	42,585	0	0	54.21	3/31/2024					
	1/28/2015	124,539	0	0	81.11	1/28/2025					
	4/02/2015	18,426	7,899 ⁽¹⁾	0	91.17	4/02/2025					
	1/27/2016	91,588	39,253 ⁽²⁾	0	91.71	1/27/2026					
	3/31/2016	10,932	16,400 ⁽³⁾	0	87.81	3/31/2026					
	1/25/2017	37,834	56,750 ⁽⁴⁾	0	61.85	1/25/2027					
	3/31/2017	4,777	19,108 ⁽⁵⁾	0	47.10	3/31/2027					
	1/30/2019	0	40,894 ⁽⁶⁾	0	27.51	1/30/2029					
	1/29/2020	0	30,233 ⁽⁷⁾	0	23.22	1/29/2030					
							1/28/2015	0	0	37,363 ⁽⁸⁾	865,327
						4/02/2015	0	0	7,899 ⁽⁹⁾	182,941	
						1/27/2016	0	0	78,505 ⁽¹⁰⁾	1,818,176	
						3/31/2016	0	0	16,400 ⁽¹¹⁾	379,824	
						1/25/2017	0	0	75,667 ⁽¹²⁾	1,752,448	
						3/31/2017	0	0	19,108 ⁽¹³⁾	442,541	
						1/30/2019	0	0	40,894 ⁽¹⁴⁾	947,105	
						1/29/2020	15,116 ⁽¹⁵⁾	350,087	25,194 ⁽¹⁶⁾	583,493	
Stuart B. Burgdoerfer . . .	3/31/2011	12,773	0	0	26.43	3/31/2021					
	3/30/2012	17,329	0	0	41.54	3/30/2022					
	3/29/2013	23,611	0	0	41.88	3/29/2023					
	3/31/2014	22,797	0	0	54.21	3/31/2024					
	4/02/2015	9,819	4,211 ⁽¹⁾	0	91.17	4/02/2025					
	3/31/2016	3,416	5,125 ⁽³⁾	0	87.81	3/31/2026					
	3/31/2017	2,866	11,465 ⁽⁵⁾	0	47.10	3/31/2027					
	3/21/2018	0	17,599 ⁽¹⁷⁾	0	39.42	3/21/2028					
	3/28/2019	0	38,654 ⁽¹⁸⁾	0	27.94	3/28/2029					
							4/02/2015	0	0	9,825 ⁽⁹⁾	227,547
							3/31/2016	0	0	18,791 ⁽¹¹⁾	435,200
							3/31/2017	0	0	33,546 ⁽¹³⁾	776,925
							3/21/2018	0	0	17,599 ⁽¹⁹⁾	407,593
						4/25/2018	0	0	44,416 ⁽²⁰⁾	1,028,675	
						3/28/2019	19,327 ⁽²¹⁾	447,613	32,212 ⁽²²⁾	746,030	

Proxy Statement

Name	Option Awards						Restricted Stock Awards				
	Grant Date	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$ ⁽²¹⁾)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$ ⁽²⁵⁾)
Charles C. McGuigan . . .	3/31/2011	22,991	0	0	26.43	3/31/2021					
	3/30/2012	20,580	0	0	41.54	3/30/2022					
	3/29/2013	28,037	0	0	41.88	3/29/2023					
	3/31/2014	27,071	0	0	54.21	3/31/2024					
	4/02/2015	14,395	6,171 ⁽¹⁾	0	91.17	4/02/2025					
	3/31/2016	4,441	6,663 ⁽³⁾	0	87.81	3/31/2026					
	3/31/2017	4,140	16,561 ⁽⁵⁾	0	47.10	3/31/2027					
	3/21/2018	0	25,400 ⁽¹⁷⁾	0	39.42	3/21/2028					
	3/28/2019	0	55,834 ⁽¹⁸⁾	0	27.94	3/28/2029					
							4/02/2015	0	0	14,400 ⁽⁹⁾	333,504
						3/31/2016	0	0	24,427 ⁽¹¹⁾	565,729	
						3/31/2017	0	0	50,531 ⁽¹³⁾	1,170,298	
						3/21/2018	0	0	25,400 ⁽¹⁹⁾	588,264	
						4/25/2018	0	0	46,954 ⁽²⁰⁾	1,087,455	
						3/28/2019	27,917 ⁽²¹⁾	646,558	46,528 ⁽²²⁾	1,077,588	
Shelley M. Milano . . .	3/31/2016	5,381	0	0	87.81	3/31/2026					
	3/31/2017	2,106	8,427 ⁽⁵⁾	0	47.10	3/31/2027					
	3/21/2018	0	13,794 ⁽¹⁷⁾	0	39.42	3/21/2028					
	5/16/2018	0	3,839 ⁽²³⁾	0	34.19	5/16/2028					
	3/28/2019	0	38,654 ⁽¹⁸⁾	0	27.94	3/28/2029					
							3/31/2017	19,662 ⁽²⁴⁾	455,372	0	0
						3/21/2018	13,794 ⁽²⁵⁾	319,469	0	0	
						5/16/2018	0	0	36,012 ⁽²⁶⁾	834,038	
						3/28/2019	19,327 ⁽²¹⁾	447,613	32,212 ⁽²²⁾	746,030	
James L. Bersani	3/31/2011	28,373	0	0	26.43	3/31/2021					
	3/30/2012	11,279	0	0	41.54	3/30/2022					
	3/29/2013	11,638	0	0	41.88	3/29/2023					
	3/31/2014	9,260	0	0	54.21	3/31/2024					
	4/02/2015	4,029	1,728 ⁽¹⁾	0	91.17	4/02/2025					
	3/31/2016	3,416	5,125 ⁽³⁾	0	87.81	3/31/2026					
	3/31/2017	2,388	9,555 ⁽⁵⁾	0	47.10	3/31/2027					
	3/21/2018	0	14,650 ⁽¹⁷⁾	0	39.42	3/21/2028					
	3/28/2019	0	34,359 ⁽¹⁸⁾	0	27.94	3/28/2029					
							4/02/2015	4,033 ⁽²⁷⁾	93,404	0	0
							3/31/2016	10,079 ⁽²⁸⁾	233,430	0	0
							3/31/2017	28,662 ⁽²⁴⁾	663,812	0	0
							3/21/2018	14,650 ⁽²⁵⁾	339,294	0	0
						4/25/2018	48,787 ⁽²⁹⁾	1,129,907	0	0	
						3/28/2019	17,180 ⁽²¹⁾	397,889	28,633 ⁽²²⁾	663,140	

(1) Options vest on April 2, 2020.

(2) Options vest on January 27, 2021.

(3) Options vest 50% on March 31, 2020 and 50% on March 31, 2021.

(4) Options vest 50% on January 25, 2021 and 50% on January 25, 2022.

(5) Options vest 25% on March 31, 2020, 37.5% on March 31, 2021 and 37.5% on March 31, 2022.

(6) Options vest 20% on January 30, 2021, 20% on January 30, 2022, 30% on January 30, 2023 and 30% on January 30, 2024.

(7) Options vest 33% on January 29, 2021, 33% on January 29, 2022 and 33% on January 29, 2023.

- (8) The time-based vesting conditions on these shares vested on January 28, 2020, however, the performance-based vesting restrictions are still subject to review and approval by our Compensation Committee.
- (9) Shares vest on April 2, 2020, subject to achievement of a performance condition.
- (10) The time-based vesting conditions for 50% of these shares vested on January 27, 2020, however, the performance-based vesting restrictions are still subject to review and approval by our Compensation Committee. Remaining shares vest on January 27, 2021, also subject to achievement of a performance condition.
- (11) Shares vest 50% on March 31, 2020 and 50% on March 31, 2021, subject to achievement of a performance condition.
- (12) The time-based vesting conditions for 25% of these shares vested on January 25, 2020, however, the performance-based vesting restrictions are still subject to review and approval by our Compensation Committee. Remaining shares vest 50% on January 25, 2021 and 50% on January 25, 2022, also subject to achievement of a performance condition.
- (13) Subject to achievement of a performance condition, shares vest 25% on March 31, 2020, 37.5% on March 31, 2021 and 37.5% on March 31, 2022.
- (14) Subject to achievement of a performance condition, shares vest 20% on January 30, 2021, 20% on January 30, 2022, 30% on January 30, 2023 and 30% on January 30, 2024.
- (15) Shares vest on January 29, 2023.
- (16) Shares vest on January 29, 2023, subject to achievement of a performance condition.
- (17) Options vest 20% on March 21, 2020, 20% on March 21, 2021, 30% on March 21, 2022 and 30% on March 21, 2023.
- (18) Options vest 33% on March 28, 2020, 33% on March 28, 2021, and 33% on March 28, 2022.
- (19) Subject to achievement of a performance condition, shares vest 20% on March 21, 2020, 20% on March 21, 2021, 30% on March 21, 2022 and 30% on March 21, 2023.
- (20) Subject to achievement of a performance condition, shares vest 20% on April 25, 2020, 20% on April 25, 2021, 30% on April 25, 2022 and 30% on April 25, 2023.
- (21) Shares vest on March 28, 2022.
- (22) Subject to achievement of a performance condition, shares vest on March 28, 2022.
- (23) Options vest 20% on May 16, 2020, 20% on May 16, 2021, 30% on May 16, 2022 and 30% on May 16, 2023.
- (24) Shares vest 25% on March 31, 2020, 37.5% on March 31, 2021 and 37.5% on March 31, 2022.
- (25) Shares vest 20% on March 21, 2020, 20% on March 21, 2021, 30% on March 21, 2022 and 30% on March 21, 2023.
- (26) Subject to achievement of a performance condition, shares vest 20% on May 16, 2020, 20% on May 16, 2021, 30% on May 16, 2022 and 30% on May 16, 2023.
- (27) Shares vest on April 2, 2020.
- (28) Shares vest 50% on March 31, 2020 and 50% on March 31, 2021.
- (29) Shares vest 20% on April 25, 2020, 20% on April 25, 2021, 30% on April 25, 2022 and 30% on April 25, 2023.

Option Exercises and Stock Vested Information for Fiscal 2019

The following table provides information relating to Option Awards exercised and RSU Awards vested during the fiscal year ended February 1, 2020.

	Option Awards		Restricted Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) ⁽¹⁾
Leslie H. Wexner	0	0	150,622	3,382,970
Stuart B. Burgdoerfer	0	0	35,872	805,685
Charles C. McGuigan	0	0	48,711	1,094,049
Shelley M. Milano	0	0	17,472	481,878
James L. Bersani	0	0	24,745	680,210

(1) Restricted Stock Award Value Realized is calculated based on the closing stock price on the date the RSUs vested.

Retirement and Other Post-Employment Benefits

Non-qualified Deferred Compensation for Fiscal 2019⁽¹⁾

Name	Executive Contributions in Last Fiscal Year (\$) ⁽²⁾	Registrant Contributions in Last Fiscal Year (\$) ⁽³⁾	Aggregate Earnings in Last Fiscal Year (\$) ⁽⁴⁾	Aggregate Withdrawals/Distributions (\$) ⁽⁵⁾	Aggregate Balance at Last Fiscal Year End (\$) ⁽⁶⁾
Leslie H. Wexner	59,527	234,903	1,890,521	0	35,816,769
Stuart B. Burgdoerfer	60,845	263,685	249,411	0	4,825,631
Charles C. McGuigan	91,620	398,123	390,056	0	7,537,439
Shelley M. Milano	48,670	165,163	52,757	0	1,203,784
James L. Bersani	43,531	193,805	514,052	0	9,888,432

- (1) Amounts disclosed include non-qualified cash deferrals, Company matching contributions, retirement credits and earnings under the Company's Supplemental Retirement Plan (a non-qualified defined contribution plan) and stock deferrals and related reinvested dividend earnings under the Company's amended and restated 1993 Stock Option and Performance Incentive Plan (the "1993 Plan"), 2011 Plan and 2015 Plan. Executive Contributions and related matching Registrant Contributions represent 2019 calendar year deferrals and matches on incentive compensation payments earned based on performance for the Fall 2018 season, which was paid in March 2019, and for the Spring 2019 season, which was paid in August 2019.
- (2) All of the contributions are reported in the 2019 Summary Compensation Table under the "Salary" and/or "Non-Equity Incentive Plan Compensation" columns.
- (3) Reflects the Company's 200% match of associate contributions of up to 3% of base salary and bonus above the IRS qualified plan maximum compensation limit and the Company's retirement contribution of 6% for less than five years of service or 8% for five or more years of service of compensation above the IRS qualified plan maximum compensation limit. Associates become fully vested in these contributions after six years of service. These contributions are also included under the "All Other Compensation" column of the 2019 Summary Compensation Table.
- (4) Non-qualified deferred cash compensation balances earn a fixed rate of interest determined prior to the beginning of each year. The portion of the earnings on deferred cash compensation that exceeds 120% of the applicable federal long-term rate in the amount of \$676,394, \$89,235, \$139,555, \$18,876 and \$180,374 for Mr. Wexner, Mr. Burgdoerfer, Mr. McGuigan, Ms. Milano and Mr. Bersani, respectively, is disclosed in the "Change in Pension Value and Non-qualified Deferred Compensation Earnings" column of the 2019 Summary Compensation Table. Amount includes dividends earned on deferred stock and RSU balances in the amount of \$9,906 for Mr. Bersani. Dividends are reinvested into additional stock units based on the closing market price of Common Stock on the dividend payment date.
- (5) Participants may elect to receive the funds in a lump sum or in up to ten annual installments following termination of employment, but generally may not make withdrawals during their employment. Deferrals under the Supplemental Retirement Plan, the 1993 Plan, the 2011 Plan and the 2015 Plan are unfunded.
- (6) Balance includes the value of deferred stock and RSUs at calendar year-end in the amount of \$198,868 for Mr. Bersani. Value is calculated based on a stock price of \$23.16 per share of Common Stock on January 31, 2020.

Estimated Post-Employment Payments and Benefits

We have entered into certain agreements with our NEOs that will require us to provide compensation in the event of a termination of employment, including a termination following a change in control of our Company.

Mr. Wexner is not covered by such an agreement but is entitled to certain termination compensation under the terms of our benefit and stock plans.

The following tables set forth the expected benefits to be received by each of the other NEOs in the event of termination resulting from various scenarios, assuming a termination date of February 1, 2020 and a stock price of \$23.16, the price of our Common Stock on January 31, 2020. Each scenario relates to the single termination event described and amounts are not cumulative in situations where multiple scenarios may apply.

Proxy Statement

Assumptions and explanations of the numbers set forth in the tables below are set forth in additional text following the tables.⁽¹⁾

Leslie H. Wexner

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control (\$)	Death (\$) ⁽⁵⁾	Disability (\$)	Voluntary Resignation/Retirement (\$)
	w/out Release (\$)	& Signed Release (\$)				
Base Salary.....	\$ 0	0	\$ 0	\$ 0	\$ 0	\$ 0
Bonus ⁽²⁾	0	0	0	0	0	
Gain of Accelerated Stock Options ⁽³⁾	0	0	0	0	0	0
Value of Pro-rated or Accelerated PSUs/RSUs ⁽³⁾	0	3,730,520	7,321,941	7,321,941	7,321,941	3,730,520
Benefits and Perquisites ⁽⁴⁾	48,619	48,619	48,619	1,848,619	503,045	48,619
Tax Gross-Up.....	N/A	N/A	N/A	N/A	N/A	N/A
Total	<u>\$48,619</u>	<u>\$3,779,139</u>	<u>\$7,370,560</u>	<u>\$9,170,560</u>	<u>\$7,824,986</u>	<u>\$3,779,139</u>

Stuart B. Burgdoerfer

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control (\$)	Death (\$) ⁽⁵⁾	Disability (\$)	Voluntary Resignation/Retirement (\$)
	w/out Release (\$)	& Signed Release (\$)				
Base Salary.....	\$900,000	\$1,800,000	\$1,800,000	\$ 0	\$ 0	\$ 0
Bonus ⁽²⁾	0	1,620,000	2,526,462	0	0	0
Gain of Accelerated Stock Options ⁽³⁾	0	0	0	0	0	0
Value of Pro-rated or Accelerated PSUs/RSUs ⁽³⁾	0	1,652,813	4,069,583	4,069,583	4,069,583	1,652,813
Benefits and Perquisites ⁽⁴⁾	65,405	72,148	72,148	1,851,919	505,291	51,919
Tax Gross-Up.....	N/A	N/A	N/A	N/A	N/A	N/A
Total	<u>\$965,405</u>	<u>\$5,144,961</u>	<u>\$8,468,193</u>	<u>\$5,921,502</u>	<u>\$4,574,874</u>	<u>\$1,704,732</u>

Charles C. McGuigan

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control (\$)	Death (\$) ⁽⁵⁾	Disability (\$)	Voluntary Resignation/Retirement (\$)
	w/out Release (\$)	& Signed Release (\$)				
Base Salary.....	\$1,300,000	\$2,600,000	\$ 2,600,000	\$ 0	\$ 0	\$ 0
Bonus ⁽²⁾	0	2,340,000	3,649,334	0	0	0
Gain of Accelerated Stock Options ⁽³⁾	0	0	0	0	0	0
Value of Pro-rated or Accelerated PSUs/RSUs ⁽³⁾	0	2,235,264	5,469,396	5,469,396	5,469,396	2,235,264
Benefits and Perquisites ⁽⁴⁾	91,497	98,324	98,324	2,077,843	631,257	77,843
Tax Gross-Up.....	N/A	N/A	N/A	N/A	N/A	N/A
Total	<u>\$1,391,497</u>	<u>\$7,273,588</u>	<u>\$11,817,054</u>	<u>\$7,547,239</u>	<u>\$6,100,653</u>	<u>\$2,313,107</u>

Shelley M. Milano

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control	Death	Disability	Voluntary Resignation/Retirement
	w/out Release (\$)	& Signed Release (\$)	(\$)	(\$) ⁽⁵⁾	(\$)	(\$) ⁽⁶⁾
Base Salary.....	\$900,000	\$1,800,000	\$1,800,000	\$ 0	\$ 0	\$ 0
Bonus ⁽²⁾	0	1,170,000	1,801,602	0	0	0
Gain of Accelerated Stock Options ⁽³⁾	0	0	0	0	0	0
Value of Pro-rated or Accelerated PSUs/RSUs ⁽³⁾	0	935,456	2,802,522	2,802,522	2,802,522	0
Benefits and Perquisites ⁽⁴⁾	44,080	51,784	51,784	1,911,054	564,906	0
Tax Gross-Up.....	N/A	N/A	N/A	N/A	N/A	N/A
Total.....	<u>\$944,080</u>	<u>\$3,957,240</u>	<u>\$6,455,908</u>	<u>\$4,713,576</u>	<u>\$3,367,428</u>	<u>\$ 0</u>

James L. Bersani

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control	Death	Disability	Voluntary Resignation/Retirement
	w/out Release (\$)	& Signed Release (\$)	(\$)	(\$) ⁽⁵⁾	(\$)	(\$)
Base Salary.....	\$800,000	\$1,600,000	\$1,600,000	\$ 0	\$ 0	\$ 0
Bonus ⁽²⁾	0	1,120,000	1,694,307	0	0	0
Gain of Accelerated Stock Options ⁽³⁾	0	0	0	0	0	0
Value of Pro-rated or Accelerated PSUs/RSUs ⁽³⁾	0	1,339,366	3,520,876	3,520,876	3,520,876	1,339,366
Benefits and Perquisites ⁽⁴⁾	49,900	56,727	56,727	2,036,246	464,660	36,246
Tax Gross-Up.....	N/A	N/A	N/A	N/A	N/A	N/A
Total.....	<u>\$849,900</u>	<u>\$4,116,093</u>	<u>\$6,871,910</u>	<u>\$5,557,122</u>	<u>\$3,985,536</u>	<u>\$1,375,612</u>

- (1) Assumes a termination date of February 1, 2020.
- (2) Bonus amounts assumed at target. Under “Involuntary without Cause or Voluntary with Good Reason” termination scenarios, actual bonus payments would be equal to the bonus payment the NEO would have received if he or she had remained employed with the Company for a period of one year after the termination date of February 1, 2020. Under an “Involuntary Without Cause following Change in Control” termination scenario, bonus payments will be equal to the sum of the last four seasonal bonus payments received.
- (3) Reflects the value of unvested RSUs, PSUs and stock options that, subject to achievement of pre-established performance conditions, if applicable, would become vested based on the \$23.16 fair market value of a share of Common Stock on the last trading day of the fiscal year (January 31, 2020).
- (4) Estimates for benefits and perquisites include the pro rata value of retirement plan contributions on earnings accrued up to the termination date and the continuation of medical, dental and other insurance benefits. Under the “Death” and “Disability” scenarios, includes proceeds from life and disability insurance policies and the value of unvested retirement plan balances that would become vested.
- (5) Generally, in the event of an NEO’s death, subject to the achievement of any underlying performance conditions, any time-vesting conditions are deemed satisfied. Upon death, any outstanding RSUs or PSUs held by Mr. Wexner vest in full without regard to performance. RSUs and PSUs awarded to our other NEOs continue to be subject to continued vesting based on performance (except for RSUs granted to Mr. Bersani and Ms. Milano, for whom there are no performance conditions attached to the RSU grants awarded in March or April of 2018).
- (6) Ms. Milano has not met the age and/or service requirement to qualify for pro rata RSU or PSU vesting and retirement plan contributions under the retirement provisions of the 2011 Plan, the 2015 Plan and the qualified and non-qualified retirement plans.

Assumptions and Explanations of Numbers in Tables

The Compensation Committee retains discretion to provide, and in the past has provided, additional benefits to NEOs upon termination or resignation if it determines the circumstances so warrant.

The tables do not include the payment of the aggregate balance of the NEO’s non-qualified deferred compensation that is disclosed in the Non-qualified Deferred Compensation for Fiscal 2019 table above.

Confidentiality, Non-Competition and Non-Solicitation Agreements

As a condition to each NEO's entitlement to receive certain severance payments and equity vesting acceleration upon certain termination scenarios, the NEO is required to execute a release of claims against us and shall be bound by the terms of certain restrictive covenants, including non-competition and non-solicitation agreements which prohibit the NEO from soliciting or diverting any current or potential employee, customer, or supplier or competing with any of our businesses in which he or she has been employed for a period of one year from the date of termination.

Termination Provisions—Definitions of Cause and Good Reason

The agreements for all NEOs other than Mr. Wexner, who does not have an agreement, contain customary definitions of cause and good reason. "Cause" generally means that (1) for Mr. Burgdoerfer, he willfully failed to perform his or her duties with the Company (other than a failure resulting from the NEO's incapacity due to physical or mental illness), or for our other NEOs, he or she was grossly negligent in the performance of his or her duties with the Company; (2) the NEO has pled "guilty" or "no contest" to or has been convicted of an act which is defined as a felony under federal or state law; or (3) the NEO engaged in misconduct in bad faith (or, in Mr. Burgdoerfer's case "willful misconduct") which could reasonably be expected to materially harm the Company's business or its reputation.

In addition, Messrs. Burgdoerfer and McGuigan have the right to resign for "Good Reason" in case of certain events. "Good Reason" generally means (1) the NEO's failure to continue in a capacity originally contemplated in the NEO's agreement; (2) the assignment to the NEO of any duties materially inconsistent with the NEO's position, duties, authority, responsibilities or reporting requirements, as set out in his or her agreement; (3) a material reduction of or a delay in payment of the NEO's total cash compensation and benefits from those required to be provided; (4) the requirement that, for Mr. Burgdoerfer the NEO be based outside of Columbus, Ohio, and for Mr. McGuigan, the NEO be based outside of the United States, in each case other than for travel that is reasonably required to carry out the NEO's duties; or (5) the failure by the Company to obtain the assumption in writing of its obligation to perform the agreement by a successor.

Payments Upon a Termination in Connection with a Change in Control

A "Change in Control" of the Company will be deemed to have occurred upon the first of any of the following events to occur:

- (a) any person, together with all affiliates, becomes a beneficial owner of securities representing 33% or more of the combined voting power of the voting stock then outstanding;
- (b) during any period of 24 consecutive months, individuals who at the beginning of such period constitute the Board (and any new director, whose election by the Board or nomination for election by the stockholders of the Company was approved by a vote of at least two-thirds of the directors then in office who either were directors at the beginning of the period or whose election or nomination for election was so approved) cease for any reason to constitute a majority of directors then constituting the Board;
- (c) a reorganization, merger or consolidation of the Company is consummated, unless more than 50% of the outstanding shares of Common Stock are beneficially owned by individuals and entities who owned Common Stock just prior to such reorganization, merger or consolidation; or
- (d) the consummation of a complete liquidation or dissolution of the Company.

Participants in the 2015 Plan receive accelerated vesting of equity awards upon a Change in Control in the event of the participant's termination of employment (other than for Cause) within 24 months of the Change in Control ("double trigger" vesting).

No Tax Gross-up

In the event of a termination following a Change in Control, none of our NEOs are entitled to reimbursement or gross-up for any excise taxes that may be imposed under Section 280G of the Code.

We are committed to aligning our executive compensation with our Company's performance. In connection with the Company's continued decline in performance, the Compensation Committee reduced our CEO's target and actual compensation each year since 2016. These actions by the Compensation Committee, resulted in **CEO compensation that decreased significantly more than the decline in performance**. Specifically, when comparing fiscal 2019 CEO pay with performance:

- On a one year basis (from February 1, 2019 to January 31, 2020) our stock price is down **15%** and adjusted operating income is down **14%** while actual CEO direct compensation is down **20%**.
- On a three year basis (from January 27, 2017 through January 31, 2020) our stock price is down **61%** and adjusted operating income is down **40%** while actual CEO direct compensation is down **79%**.
- On a five year basis (from January 30, 2015 through January 31, 2020) our stock price is down **73%** and adjusted operating income is down **37%** while actual CEO direct compensation is down **87%**.

CEO target and actual compensation for fiscal 2019 is near the lowest among our peers. The unfolding COVID-19 crisis and its impact on the economy and our business will be taken into account in reviewing and setting the compensation of NEOs as we go forward.

Fiscal 2019 Director Compensation

The following table sets forth compensation earned by the individuals who served as directors of the Company during fiscal 2019⁽¹⁾.

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)⁽²⁾</u>	<u>Stock Awards (\$)⁽³⁾</u>	<u>Total (\$)</u>
Patricia S. Bellinger	\$121,900	\$121,902	\$243,802
E. Gordon Gee	134,400	134,419	268,819
Dennis S. Hersch ⁽⁴⁾	30,475	121,902	152,377
Donna A. James	164,400	144,422	308,822
David T. Kollat ⁽⁴⁾⁽⁵⁾	115,675	156,911	272,586
Michael G. Morris	135,155	124,417	259,572
Sarah E. Nash ⁽⁴⁾	96,369	111,906	208,276
Robert H. Schottenstein	124,400	124,417	248,817
Anne Sheehan ⁽⁴⁾	87,406	111,906	199,313
Stephen D. Steinour	111,900	111,928	223,828
Allan R. Tessler	194,400	169,400	363,800
Abigail S. Wexner	141,900	131,905	273,805
Raymond Zimmerman	134,400	134,419	268,819

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- (1) Directors who are also associates receive no additional compensation for their service as directors. Our current Board's compensation plan does not provide for stock option awards, non-equity incentive plan compensation, pension or non-qualified deferred compensation. At the end of four years of membership on the Board, each member must maintain ownership of Common Stock equal to the amount of Common Stock received as director compensation over the four-year period.
- (2) Directors receive an annual cash retainer of \$111,900; directors receive an additional annual cash retainer of \$12,500 for membership on the Audit and Compensation Committees and \$10,000 for all other committee memberships; the Audit Committee Chair receives an additional \$20,000; the Compensation Committee Chair and the Nominating & Governance Committee Chair each receives an additional \$15,000; and other committee chairs receive \$10,000; and the lead independent director receives an additional cash retainer of \$15,000.
- (3) Directors receive an annual stock retainer worth \$111,900; directors receive an additional annual stock grant worth \$12,500 for membership on the Audit and Compensation Committees and worth \$10,000 for other committee memberships; and the lead independent director receives an additional stock retainer of \$15,000. Stock retainers were granted under the 2015 Plan. The number of shares issued is calculated based on the fair market value of Common Stock on the date the shares were issued. The value of stock awards reflects the aggregate grant date fair value, excluding estimated forfeitures, computed in accordance with ASC Topic 718 Compensation—Stock Compensation, for each award. See Note 20 to the Company's financial statements filed in the 2019 10-K for a discussion of our assumptions in determining the aggregate grant date fair value of these awards.
- (4) Mr. Hersch and Dr. Kollat retired from the Board and Ms. Nash and Ms. Sheehan were each named to the Board effective May 16, 2019.
- (5) Cash payments to Dr. Kollat include \$67,033 for consulting services provided to the Compensation Committee following his retirement from the Board.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board is composed of three directors who are independent, as defined under the NYSE listing standards. Additionally, each member of the Compensation Committee is a “non-employee director” within the meaning of Section 16b-3 under the Securities Exchange Act of 1934. The Compensation Committee reviews the CD&A on behalf of the Board.

The Compensation Committee has reviewed and discussed the CD&A with management, and based on the review and discussions, the Compensation Committee recommended to the Board that the CD&A be included in the Company’s annual report on Form 10-K for the year ended February 1, 2020 and the Company’s proxy statement.

We are committed to aligning our executive compensation with our Company’s performance. In connection with the Company’s continued decline in performance, the Compensation Committee reduced our CEO’s target and actual compensation each year since 2016. These actions by the Compensation Committee, resulted in **CEO compensation that decreased significantly more than the decline in performance**. Specifically, when comparing fiscal 2019 CEO pay with performance:

- On a one year basis (from February 1, 2019 to January 31, 2020) our stock price is down **15%** and adjusted operating income is down **14%** while actual CEO direct compensation is down **20%**.
- On a three year basis (from January 27, 2017 to January 31, 2020) our stock price is down **61%** and adjusted operating income is down **40%** while actual CEO direct compensation is down **79%**.
- On a five year basis (from January 30, 2015 to January 31, 2020) our stock price is down **73%** and adjusted operating income is down **37%** while actual CEO direct compensation is down **87%**.

CEO target and actual compensation for fiscal 2019 is near the lowest among our peers. The unfolding COVID-19 crisis and its impact on the economy and our business will be taken into account in reviewing and setting the compensation of NEOs as we go forward.

With these actions to reduce CEO pay, Mr. Wexner’s total compensation for fiscal 2019 was \$3.8 million, which is well below the median of our peers. In addition, 2020 target pay is 37% below the median. In summary, there is alignment between our performance, our stockholders’ interests and our CEO’s pay. Accordingly, we recommend stockholders vote FOR the executive compensation program as outlined in Proposal 6.

Compensation Committee

Michael G. Morris, Chair
E. Gordon Gee
Robert H. Schottenstein

2019 PAY RATIO DISCLOSURE

Pay Ratio

In accordance with the requirements of Section 953(b) of the Dodd-Frank Act and Item 402(u) of Regulation S-K (which we collectively refer to as the “Pay Ratio Rule”), we are providing the following estimated information for 2019:

- the median of the annual total compensation of all our employees (except our CEO) was \$13,490;
- the annual total compensation of our CEO was \$3,783,221; and
- the ratio of these two amounts is 280 to 1. We believe that this ratio is calculated in a manner consistent with the requirements of the Pay Ratio Rule.

Methodology for Identifying Our “Median Employee”

Identifying and Adjusting our Employee Population

To identify the median of the annual total compensation of all of our employees (other than our Chief Executive Officer), we identified our total employee population as of February 1, 2020, the last day in our fiscal year. Our employee population consisted of full-time, part-time, seasonal and temporary employees globally.

Determining our Median Employee

To identify our median employee, we calculated the cash compensation paid during the fiscal year for the employee population, annualizing the cash compensation of any permanent employee who joined the Company during the year. We identified the median compensation amount using this compensation measure which was consistently applied to all our employees in the calculation. We then selected a reasonably representative employee with total compensation equal to the median compensation amount as our “median employee”.

Using the methodologies described above, we determined that our median employee was a part-time, hourly employee. The total compensation of the median employee was \$13,490.

Determination of Annual Total Compensation of our Median Employee and our CEO

Once we identified our median employee, we then calculated such employee’s annual total compensation for 2019 using the same methodology we used for purposes of determining the annual compensation of our NEOs for 2019.

Our CEO’s annual total compensation for 2019 for purposes of the Pay Ratio Rule is equal to the amount reported in the “Total” column in the 2019 Summary Compensation Table.

SEC rules for identifying the median employee and calculating the pay ratio allow companies to apply various methodologies and apply various assumptions and, as a result, the pay ratio reported by us may not be comparable to the pay ratio reported by other companies. Our median employee worked approximately 21 hours per week during fiscal 2019. If the total compensation per hour earned by the median employee was extrapolated to full-time employment, median compensation would be approximately \$25,834 and the ratio would be 146 to 1.

SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

The following table shows certain information about the securities ownership of all directors (and nominees) of the Company, the executive officers of the Company named in the “2019 Summary Compensation Table” above and all directors and executive officers of the Company as a group.

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned ^{(a)(b)}	Percent of Class
Patricia S. Bellinger	11,271 ^(d)	*
James Bersani	213,848 ^{(c)(e)}	*
Stuart B. Burgdoerfer	161,105 ^(c)	*
E. Gordon Gee	24,349 ^(d)	*
Donna A. James	65,305 ^(d)	*
Charles C. McGuigan	322,899 ^{(c)(g)}	*
Shelley B. Milano	44,110 ^(c)	*
Michael G. Morris	24,791 ^(d)	*
Sarah E. Nash	5,251 ^(d)	*
Robert H. Schottenstein	15,865 ^{(d)(j)}	*
Anne Sheehan	4,086 ^(d)	*
Stephen D. Steinour	16,277 ^(d)	*
Allan R. Tessler	116,501	*
Abigail S. Wexner	14,557,292 ^(f)	5.26%
Leslie H. Wexner	48,121,098 ^{(c)(g)(h)}	17.40%
Raymond Zimmerman	164,835 ^{(d)(i)}	*
All directors and executive officers as a group	49,311,591 ^{(c)-(i)}	17.83%

* Less than 1%

- (a) Unless otherwise indicated, each named person has voting and investment power over the listed shares and such voting and investment power is exercised solely by the named person or shared with a spouse. None of the listed shares have been pledged as security or otherwise deposited as collateral.
- (b) Reflects beneficial ownership of shares of Common Stock, and shares outstanding, as of February 1, 2020.
- (c) Includes the following number of shares issuable within 60 days of February 1, 2020, upon the exercise or vesting of outstanding stock awards: Mr. Bersani, 104,852; Mr. Burgdoerfer, 114,442; Mr. McGuigan, 152,817; Ms. Milano, 32,911; Mr. Wexner, 684,537; and all directors and executive officers as a group, 1,089,559.
- (d) Includes the following number of deferred stock units credited to directors’ accounts under the 2003 Stock Award and Deferred Compensation Plan for Non-Associate Directors that could be convertible into Common Stock within 60 days after termination from the Board: Ms. Bellinger, 11,271; Dr. Gee, 23,393; Ms. James, 43,567; Mr. Morris, 14,681; Ms. Nash, 5,251; Mr. Schottenstein, 11,365; Ms. Sheehan, 4,086; Mr. Steinour, 6,277; Mr. Zimmerman, 115,348; and all directors as a group, 235,239. Mr. Morris has elected to receive pay-out of his deferred stock units over three years, and his total represents 1/3 of the units which he would be owed upon his termination from the Board. Mr. Steinour has elected to receive pay-out of his deferred stock units over five years, and his total represents 1/5 of the units which he would be owed upon his termination from the Board.
- (e) Includes the following number of deferred stock units credited to executives’ accounts under the Company’s Stock Option and Performance Incentive Plan that could be convertible into Common Stock within 60 days after termination of employment with the Company: Mr. Bersani, 8,586.
- (f) Excludes 33,563,806 shares beneficially owned by Mr. Wexner as to which Mrs. Wexner disclaims beneficial ownership. Includes 127,567 shares held by The Linden East Trust; 3,081,741 shares held by The Wexner Family Charitable Fund; and 191,515 shares held by The Beech Trust. Mrs. Wexner shares voting and investment power with Mr. Wexner with respect to shares held by The Linden East Trust, The Wexner Family Charitable Fund and The Beech Trust, and shares voting and investment power with Dennis Hersch with respect to shares held by The Linden East Trust. Includes 11,156,469 shares directly owned by Mrs. Wexner.
- (g) Includes the following number of shares held in the Savings and Retirement Plan (as of February 1, 2020), over which Messrs. McGuigan and Wexner have investment but not voting power: Mr. McGuigan, 4,874; and Mr. Wexner, 1,913,207.
- (h) Includes 127,567 shares held by The Linden East Trust; 8,483,845 shares held by The Linden West Trust; 3,081,741 shares held by The Wexner Family Charitable Fund; and 191,515 shares held by The Beech Trust. Mr. Wexner shares voting and investment power with Mrs. Wexner with respect to shares held by The Linden East Trust, The Wexner Family Charitable Fund and The Beech Trust, and shares voting and investment power with Dennis Hersch with respect to the shares held by The Linden East Trust and The Linden West Trust. Includes 4,892,608 shares held by the Wexner Personal Holdings Corporation, of which Mr. Wexner is the sole stockholder, director and officer. Includes 11,156,469 shares directly owned by Mrs. Wexner, as to which Mr. Wexner may be deemed to share voting and investment power. Includes 17,589,609 shares directly owned by Mr. Wexner.
- (i) Includes 3,648 shares which are Mr. Zimmerman’s pro rata share of 10,944 shares owned by a corporation of which Mr. Zimmerman is president and a 33% stockholder.
- (j) Includes 2,500 shares held by the Frances Schottenstein 2010 Irrevocable Trust, for which Mr. Schottenstein is co-trustee and shares voting and investment power; and 2,000 shares held by the Irving Schottenstein Marital Trust 2, for which Mr. Schottenstein is co-trustee and has sole voting and investment power. Mr. Schottenstein has a financial interest in 500 of the foregoing shares held by the Irving Schottenstein Marital Trust 2.

DELINQUENT SECTION 16(A) REPORTS

The Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, must file reports of ownership and changes in ownership of the Company's equity securities with the Commission. Copies of those reports must also be furnished to the Company. Based solely on a review of the copies of reports furnished to the Company and written representations of the Company's executive officers and directors that no other reports were required, we believe that during fiscal 2019 our executive officers, directors and greater than 10% beneficial owners complied with these filing requirements, other than an administrative error by the Company that resulted in each of our executive officers (other than Mr. Wexner) being late in filing one Form 4 regarding one transaction relating to a stock grant by the Company and each of our directors including Dennis S. Hersch and David T. Kollat (other than Mses. Nash and Sheehan and Mr. Wexner) being late in filing one Form 4 regarding one transaction relating to the stock retainer granted by the Company in connection with Board service.

SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS

The following table sets forth the names of all persons who, as of the dates indicated below, were known by the Company to be the beneficial owners (as defined in the rules of the Commission) of more than 5% of the shares of Common Stock.

<u>Name and Address of Beneficial Owner</u>	<u>Amount Beneficially Owned</u>	<u>Percent of Class</u>
Leslie H. Wexner ⁽¹⁾ Three Limited Parkway P.O. Box 16000 Columbus, OH 43216	48,121,098	17.40%
The Vanguard Group ⁽²⁾ 100 Vanguard Blvd. Malvern, PA 19355	25,799,747	9.33%
BlackRock, Inc. ⁽³⁾ 55 East 52nd Street New York, NY 10055	19,475,921	7.00%
PRIMECAP Management Company ⁽⁴⁾ 177 E. Colorado Blvd., 11th Floor Pasadena, CA 91105	18,278,971	6.61%
Lone Pine Capital LLC, David F. Craver, Brian F. Doherty, Mala Gaonkar, Kelly A. Granat, Stephen F. Mandel, Jr. and Kerry A. Tyler ⁽⁵⁾ Two Greenwich Plaza Greenwich, CT 06830	14,691,499	5.30%
Melvin Capital Management LP ⁽⁶⁾ 535 Madison Avenue, 22nd Floor New York, NY 10022	14,200,000	5.10%

- (1) As of February 1, 2020. For a description of Mr. Wexner's beneficial ownership, see "Security Ownership of Directors and Management" on page 55.
- (2) As of December 31, 2019, based solely on information set forth in the Schedule 13G/A filed February 12, 2020 by The Vanguard Group, The Vanguard Group has sole dispositive power over 25,488,514 shares and sole voting power over 296,698 shares, and has shared dispositive power over 311,233 shares and shared voting power over 44,137 shares.
- (3) As of December 31, 2019, based solely on information set forth in the Schedule 13G/A filed February 5, 2020 by BlackRock, Inc., BlackRock, Inc. has sole dispositive power over 19,475,921 shares and sole voting power over 17,815,988 shares.
- (4) As of December 31, 2019, based solely on information set forth in the Schedule 13G/A filed February 12, 2020 by PRIMECAP Management Company, PRIMECAP Management Company has sole dispositive power over 18,278,971 shares and sole voting power over 17,448,322 shares.
- (5) As of December 31, 2019, based solely on information set forth in the Schedule 13G filed February 18, 2020 by Lone Pine Capital LLC, David F. Craver, Brian F. Doherty, Mala Gaonkar, Kelly A. Granat, Stephen F. Mandel, Jr. and Kerry A. Tyler (each, a "Lone Pine Reporting Person"), each Lone Pine Reporting Person has shared dispositive power over 14,691,499 shares and shared voting power over 14,691,499 shares.
- (6) As of March 20, 2020, based solely on information set forth in the Schedule 13G filed March 24, 2020 by Melvin Capital Management LP, Melvin Capital Management LP has shared dispositive power over 14,200,000 shares and shared voting power over 14,200,000 shares.

REPORT OF THE AUDIT COMMITTEE

As provided in our written charter, the Audit Committee is instrumental in the Board's fulfillment of its oversight responsibilities relating to (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the qualifications, independence and performance of the Company's independent auditors and (iv) the performance of the Company's internal audit function.

It is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors. Furthermore, while we are responsible for reviewing the Company's policies and practices with respect to risk assessment and management, it is the responsibility of the CEO and senior management to determine the appropriate level of the Company's exposure to risk.

We have reviewed and discussed L Brands' audited financial statements as of and for the year ended February 1, 2020 and met with both management and our independent auditors to discuss the financial statements. Management has represented to us that the financial statements were prepared in accordance with generally accepted accounting principles. We have reviewed with the internal auditors and independent auditors the overall scope and plans for their respective audits. We also met with the internal auditors and independent auditors, with and without management present, to discuss the results of their examinations and their evaluations of the Company's internal controls.

We have also discussed with the independent auditors the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board (the "PCAOB") and the Commission. The Company's independent auditors also provided to us the written disclosures and the letter required by applicable requirements of the PCAOB regarding the independent auditor's communications with the audit committee concerning independence, and we discussed with the independent auditors their independence from the Company. We considered whether the provision of non-audit services by the independent auditors to the Company is compatible with maintaining their independence.

Based on the reviews and discussions summarized in this Report, and subject to the limitations on our role and responsibilities, certain of which are referred to above and in the Audit Committee charter, we recommended to the Board that L Brands' audited financial statements be included in our annual report on Form 10-K for the year ended February 1, 2020 for filing with the Commission.

We have appointed Ernst & Young LLP as L Brands' independent registered public accountants.

Audit Committee

Donna A. James, Chair

Sarah E. Nash

Allan R. Tessler

Raymond Zimmerman

INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

During our 2019 fiscal year, Ernst & Young LLP served as the Company's independent registered public accountants and in that capacity rendered an opinion on our consolidated financial statements as of and for the fiscal year ended February 1, 2020. The Audit Committee has selected Ernst & Young LLP as the Company's independent registered public accountants for the current fiscal year.

Audit Fees

The aggregate audit fees payable to Ernst & Young LLP for the fiscal years ended 2019 and 2018 were approximately \$5,080,000 and \$5,611,000, respectively. These amounts include fees for professional services rendered by Ernst & Young LLP in connection with the audit of our consolidated financial statements and reviews of our unaudited consolidated interim financial statements as well as fees for services that generally only the independent auditor can reasonably be expected to provide, including comfort letters and consultation regarding financial accounting and/or reporting standards. These amounts also include fees for services rendered in connection with the audit of our internal control over financial reporting and fees for services rendered in connection with statutory audits of our international subsidiaries' financial statements.

Audit Related Fees

The aggregate fees for assurance and related services rendered by Ernst & Young LLP that were reasonably related to the audit of our consolidated financial statements for the fiscal years ended 2019 and 2018 were approximately \$319,000 and \$304,000, respectively. The fees under this category are for assurance and related services that are traditionally performed by the independent auditor and include audits of employee benefit plans, agreed upon procedures and other attest engagements.

Tax Fees

The aggregate fees for tax services rendered by Ernst & Young LLP for the fiscal years ended 2019 and 2018 were approximately \$199,000 and \$138,000, respectively. Tax fees include tax compliance and advisory services.

All Other Fees

No fees for other services were paid to Ernst & Young LLP for the fiscal years ended 2019 and 2018.

Pre-approval Policies and Procedures

The Audit Committee pre-approves all audit and non-audit services to be provided by Ernst & Young LLP in a given fiscal year.

OTHER MATTERS

The Board knows of no other matters to be brought before the annual meeting. However, if other matters should come before the meeting, each of the persons named as a proxy intends to vote in accordance with his or her judgment on such matters.

STOCKHOLDER PROPOSALS FOR NEXT YEAR

Stockholder Proposals Pursuant to Rule 14a-8

Proposals submitted for inclusion in the proxy statement for the 2021 annual meeting must be received by the Secretary of the Company at our principal executive offices on or before December 4, 2020.

Stockholder Director Nominations for Inclusion in 2021 Proxy Statement

Written notice of stockholder nominations of persons for election as a director at the 2021 annual meeting that are to be included in our proxy statement for the 2021 annual meeting pursuant to the proxy access provisions in Section 2.05 of our Bylaws must be received by the Secretary of the Company at our principal executive offices no earlier than November 4, 2020 and no later than December 4, 2020. The notice must contain the information required by our Bylaws.

Other Stockholder Proposals

If a stockholder intends to present a proposal or nominate a person for election as a director at the 2021 annual meeting other than as described above, the stockholder must comply with the requirements set forth in Section 2.04 of our Bylaws. The Bylaws require, among other things, that the Secretary receive written notice of the intent to present a proposal or nomination no earlier than February 13, 2021 and no later than March 15, 2021. The notice must contain the information required by our Bylaws.

SOLICITATION EXPENSES

We are soliciting this proxy on behalf of our Board and will bear the solicitation expenses. Our directors or employees may solicit proxies by telephone, facsimile, email and personal solicitation, in addition to the use of the mail. We will, upon request, reimburse banks, brokerage houses and other institutions, nominees, and fiduciaries for their expenses in forwarding proxy materials to beneficial owners.

By Order of the Board of Directors,

/s/ Leslie H. Wexner

Leslie H. Wexner
Chairman of the Board

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

FORM 10-K

(Mark One)

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

For the fiscal year ended February 1, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____
Commission file number 1-8344

L BRANDS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

31-1029810
(I.R.S. Employer Identification No.)

Three Limited Parkway,
Columbus, Ohio
(Address of principal executive offices)

43230
(Zip Code)

Registrant's telephone number, including area code (614) 415-7000

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	LB	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 pursuant to Rule 405 of Regulation S-T 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, a 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 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

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was: \$5,587,493,009.

Number of shares outstanding of the registrant's Common Stock as of March 20, 2020: 276,533,315.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Registrant's 2020 Annual Meeting of Stockholders are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS.

General

L Brands, Inc. (“we” or the “Company”) operates in the highly competitive specialty retail business. Founded in 1963 in Columbus, Ohio, we have evolved from an apparel-based specialty retailer to a segment leader focused on women’s intimate and other apparel, personal care, beauty and home fragrance products. We sell our merchandise through company-owned specialty retail stores in the United States (“U.S.”), Canada, the United Kingdom (“U.K.”), Ireland and Greater China (China and Hong Kong); through websites; and through international franchise, license and wholesale partners (collectively, “partners”).

On February 20, 2020, we and SP VS Buyer LP (“Sycamore”), an affiliate of Sycamore Partners Management, L.P., entered into a Transaction Agreement (the “Transaction Agreement”) pursuant to which, among other things, we will transfer certain assets and liabilities relating to our business conducted under the Victoria's Secret and PINK brands to our newly formed subsidiary (“Victoria's Secret Holdco”) and sell 55% of the equity interests of Victoria's Secret Holdco to Sycamore. After taking into account certain liabilities, Sycamore will purchase the 55% interest in Victoria's Secret Holdco. for approximately \$525 million. We will retain a 45% interest in Victoria’s Secret to enable our shareholders to participate in the upside potential of the business. We intend to use the proceeds from the transaction, along with approximately \$500 million of excess balance sheet cash, to reduce debt. For additional information, see “Recent Developments” below. For additional information regarding the risks and other uncertainties and factors related to the transaction, refer to Item 1A. Risk Factors.

Bath & Body Works

Bath & Body Works, which sells products under the Bath & Body Works, White Barn, C.O. Bigelow and other brand names, is one of the leading specialty retailers of body care, home fragrance products, soaps and sanitizers. We sell our Bath & Body Works products online and at more than 1,735 Bath & Body Works company-owned stores in the U.S. and Canada. Additionally, Bath & Body Works has more than 275 stores in more than 30 other countries operating under franchise, license and wholesale arrangements.

Victoria’s Secret

Victoria’s Secret, including PINK, is a specialty retailer of women's intimate and other apparel with fashion-inspired collections and prestige fragrances. We sell our Victoria’s Secret products online and at more than 1,180 Victoria’s Secret and PINK company-owned stores in the U.S., Canada, U.K., Ireland and Greater China. Additionally, Victoria’s Secret and PINK have more than 440 stores in more than 70 countries operating under franchise, license and wholesale arrangements.

Divestiture and Closure

La Senza

On January 6, 2019, we completed the sale of the La Senza business to an affiliate of Regent LP, a global private equity firm. For additional information, see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Henri Bendel

In January 2019, we closed all of our Henri Bendel stores and the e-commerce website. For additional information, see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Fiscal Year

Our fiscal year ends on the Saturday nearest to January 31. As used herein, “2019,” “2018,” “2016” and “2015” refer to the 52-week periods ended February 1, 2020, February 2, 2019, January 28, 2017 and January 30, 2016, respectively. “2017” refers to the 53-week period ended February 3, 2018.

Real Estate

Company-owned Retail Stores

Our company-owned retail stores are located in shopping malls, lifestyle centers and street locations in the U.S., Canada, the U.K., Ireland and Greater China. As a result of our strong brands and established retail presence, we have been able to lease high-traffic locations in most retail centers in which we operate.

The following table provides the number of our company-owned retail stores in operation for each brand as of February 1, 2020 and February 2, 2019:

	February 1, 2020	February 2, 2019
Victoria's Secret U.S.	1,053	1,098
Victoria's Secret Canada	38	45
Bath & Body Works U.S.	1,637	1,619
Bath & Body Works Canada	102	102
Victoria's Secret U.K. / Ireland	26	26
Victoria's Secret Greater China	23	15
Victoria's Secret Beauty and Accessories Greater China	41	38
Total	<u>2,920</u>	<u>2,943</u>

The following table provides the changes in the number of our company-owned retail stores operated for the past five fiscal years:

	Beginning of Year	Opened	Closed	Acquired (a)	Sold (b)	End of Year
2019	2,943	64	(87)	—	—	2,920
2018	3,075	88	(90)	—	(130)	2,943
2017	3,074	66	(65)	—	—	3,075
2016	3,005	72	(29)	26	—	3,074
2015	2,969	72	(36)	—	—	3,005

(a) Relates to the acquisition of Victoria's Secret Beauty and Accessories franchise stores in Greater China.

(b) Relates to the sale of the La Senza business. For additional information see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Franchise, License and Wholesale Arrangements

In addition to our company-owned stores, our products are sold at hundreds of partner locations in more than 70 countries. Under these arrangements, third parties operate stores that sell our products under our brand names. Revenue recognized under franchise and license arrangements generally consists of royalties earned and recognized upon sale of merchandise by franchise and license partners to retail customers. Revenue is generally recognized under wholesale and sourcing arrangements at the time the title passes to the partner. We continue to increase the number of locations under these types of arrangements as part of our international expansion.

The following table provides the number of our international stores operated by our partners for each business as of February 1, 2020 and February 2, 2019:

	February 1, 2020	February 2, 2019
Victoria's Secret Beauty and Accessories	360	383
Victoria's Secret	84	56
Bath & Body Works	278	235
Total	<u>722</u>	<u>674</u>

Our Strengths

We believe the following competitive strengths contribute to our leading market position, differentiate us from our competitors and will drive future growth:

Industry Leading Brands

We have developed and operate brands that allow us to target markets across the economic spectrum, across demographics and across the world. We believe that our three brands, Victoria's Secret, PINK and Bath & Body Works, are highly recognizable, which provides us with a competitive advantage.

- At Victoria's Secret, we market glamorous and sexy product lines to our customers. While bras and panties are the core of what we do, this brand also gives our customers choices in beauty products, fragrances, sleepwear, loungewear, athletic attire and personal care accessories.
- At PINK, we market products to the college-aged woman. While bras and panties are the core of what we do, this brand also gives our customers choices in apparel, loungewear, athletic attire and accessories.
- Bath & Body Works caters to our customers' entire well-being, providing shower gels and lotions, aromatherapy, home fragrance, soaps and sanitizers and body care accessories.

In-Store Experience and Store Operations

We view our customers' in-store experience as an important vehicle for communicating the image of each brand. We utilize visual presentation of merchandise, in-store marketing, music and our sales associates to reinforce the image represented by the brands.

Our in-store marketing is designed to convey the principal elements and personality of each brand. The store design, furniture, fixtures and music are all carefully planned and coordinated to create a unique shopping experience. Every brand displays merchandise uniformly to ensure a consistent store experience, regardless of location. Store managers receive detailed plans designating fixture and merchandise placement to ensure coordinated execution of the company-wide merchandising strategy.

Our sales associates and managers are a central element in creating the atmosphere of the stores by providing a high level of customer service.

Digital Experience

In addition to our in-store experience, we strive to create a customer-centric digital platform that integrates the digital and physical brand experience. Our digital presence, including social media, our websites and our mobile applications, allows us to get to know our customers better and communicate with them anytime and anywhere.

Product Development, Sourcing and Logistics

We believe a large part of our success comes from frequent and innovative product launches, which include bra launches at Victoria's Secret and PINK and new fragrance and other product launches at Bath & Body Works. Our merchant, design and sourcing teams have a long history of bringing innovative products to our customers. Additionally, we believe that our sourcing and production function (Mast Global) has a long and deep presence in the key sourcing markets including those in the U.S. and Asia, which helps us partner with the best manufacturers to get high-quality products quickly.

Experienced and Committed Management Team

We were founded in 1963 and have been led since inception by Leslie H. Wexner. Our senior management team has a wealth of retail and business experience at L Brands, Inc. and other companies such as The Gap, Ralph Lauren, Tory Burch, Starbucks, Land's End, Levi Strauss, Boots, The Home Depot and Yum Brands. We believe that we have one of the most experienced management teams in retail.

Upon closing of the transaction contemplated by the Transaction Agreement (the "Closing"), Mr. Wexner will step down as Chief Executive Officer and Chairman of the Board to become Chairman Emeritus, remaining as a member of the Board. Andrew Meslow, Chief Executive Officer of Bath & Body Works, will be appointed by the Board as the Chief Executive Officer of L Brands, Inc. and as a director of L Brands, Inc., effective upon the Closing. Mr. Meslow, who joined L Brands, Inc. in 2003, has 29 years of experience in the retail industry, including the last 15 at Bath & Body Works. Additionally, Sarah E. Nash, a member of the Board, will be appointed as the Chair of the Board effective upon the Closing.

Additional Information

Merchandise Vendors

During 2019, we purchased merchandise from approximately 340 vendors located throughout the world. No vendor provided 10% or more of our merchandise purchases.

Distribution and Merchandise Inventory

Most of our merchandise is shipped to our distribution centers in the Columbus, Ohio, area. We use a variety of shipping terms that result in the transfer of title of the merchandise at either the point of origin or point of destination.

Our policy is to maintain sufficient quantities of inventories on hand in our retail stores and distribution centers to enable us to offer customers an appropriate selection of current merchandise. We emphasize rapid turnover and take markdowns as required to keep merchandise fresh and current.

Information Systems

Our management information systems consist of a full range of retail, financial and merchandising systems. The systems include applications related to point-of-sale, e-commerce, merchandising, planning, sourcing, logistics, inventory management, data security and support systems including human resources and finance.

Seasonal Business

Our operations are seasonal in nature and consist of two principal selling seasons: Spring (the first and second quarters) and Fall (the third and fourth quarters). The fourth quarter, including the holiday season, accounted for approximately one-third of our net sales for 2019, 2018 and 2017 and is typically our most profitable quarter. Accordingly, cash requirements are highest in the third quarter as our inventories build in advance of the holiday season.

Working Capital

We fund our business operations through a combination of available cash and cash equivalents and cash flows generated from operations. In addition, our credit facilities are available for additional working capital needs and investment opportunities.

Regulation

We and our products are subject to regulation by various federal, state, local and foreign regulatory authorities. We are subject to a variety of tax and customs regulations and international trade arrangements.

Trademarks and Patents

Our trademarks and patents, which constitute our primary intellectual property, have been registered or are the subject of pending applications in the U.S. Patent and Trademark Office and with the registries of many foreign countries and/or are protected by common law. We believe our products are identified by our intellectual property and, thus, our intellectual property is of significant value. Accordingly, we intend to maintain our intellectual property and related registrations and vigorously protect our intellectual property assets against infringement.

Segment Information

We have three reportable segments: Victoria's Secret, Bath & Body Works and Victoria's Secret and Bath & Body Works International. For additional information, including the financial results of our reportable segments, see Note 21 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Other Information

For additional information about our business, including our net sales and profits for the last three years and selling square footage, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Competition

The sale of women's intimate and other apparel, home fragrance, personal care and beauty products and accessories through retail stores is a highly competitive business with numerous competitors, including individual and chain specialty stores, department stores and discount retailers. Brand image, marketing, design, price, service, assortment and quality are the principal competitive factors in retail store sales. Our online businesses compete with numerous online merchandisers. Image presentation, fulfillment and the factors affecting retail store sales discussed above are the principal competitive factors in online sales.

Associate Relations

As of February 1, 2020, we employed approximately 94,400 associates; 68,900 of whom were part-time. In addition, temporary associates are hired during peak periods, such as the holiday season.

Executive Officers of Registrant

Set forth below is certain information regarding our executive officers.

Leslie H. Wexner, 82, has been our Chief Executive Officer since our founding in 1963 and Chairman of the Board of Directors since 1975.

Stuart B. Burgdoerfer, 57, has been our Executive Vice President and Chief Financial Officer since April 2007.

Charles C. McGuigan, 63, has been our Chief Operating Officer since May 2012 and our Chief Executive Officer and President of Mast Global since February 2011.

Shelley B. Milano, 63, has been our Chief Human Resources Officer since April 2018.

James L. Bersani, 61, has been our President of Real Estate since March 2014 and has led our Real Estate function since April 2006.

Recent Developments

Victoria's Secret Transaction

On February 20, 2020, we and Sycamore entered into a definitive agreement that is intended to deliver long-term value to L Brands, Inc. shareholders by positioning Bath & Body Works as a standalone public company and transitioning Victoria's Secret, including business conducted under the Victoria's Secret and PINK brands and certain support functions, into a privately-held entity.

After taking into account certain liabilities, Sycamore will purchase a 55% interest in Victoria's Secret for approximately \$525 million. We will retain a 45% interest in Victoria's Secret to enable our shareholders to participate in the upside potential of the business. The transaction is expected to close in the second quarter of 2020, subject to customary closing conditions. We will report the results of Victoria's Secret as discontinued operations beginning in the first quarter of 2020.

Upon the Closing, Leslie H. Wexner will step down as Chief Executive Officer and Chairman of the Board to become Chairman Emeritus, remaining as a member of the Board. Andrew Meslow, Chief Executive Officer of Bath & Body Works, will be appointed by the Board as the Chief Executive Officer of L Brands, Inc. and as director of L Brands, Inc., effective upon the Closing. Sarah E. Nash, a member of the Board, will be appointed as the Chair of the Board effective upon the Closing.

Company Response to Coronavirus

We are closely monitoring the outbreak of respiratory illness caused by a novel coronavirus that was first detected in Wuhan, China and has since spread globally. The coronavirus has been declared by the World Health Organization to be a "pandemic," has spread to many countries, including the U.S., and is impacting worldwide economic activity. A public health epidemic, including the coronavirus, poses the risk that we or our employees, contractors, suppliers, and other business partners may be prevented from conducting business activities for an unknown period of time. Related industries in the U.S. and across the world may be adversely affected, including manufacturing and textile production. The situation and preventative or protective actions that governments around the world have taken to contain the spread of the coronavirus have resulted in a period of disruption, including closure of stores where our products are sold, limited store operating hours, reduced customer traffic and consumer spending, labor shortages and delays in manufacturing and shipping of products and raw materials in the U.S., China and other countries. To the extent the impact of the coronavirus continues or worsens, we may have difficulty obtaining the materials necessary for the manufacturing of our products, factories which produce our products may remain closed for sustained periods of time, and industry-wide shipment of products may be negatively impacted. Further, if the impact of the coronavirus continues or worsens, consumer behavior may be altered for an extended period of time which would impact our cash and liquidity and financial condition. The coronavirus and resulting economic disruption has also led to significant volatility in the capital markets and may adversely impact our stock price and ability to access cash. Any one adverse effect of the coronavirus, or a combination of adverse effects, could materially impact our results and financial condition.

Subsequent to February 1, 2020, we announced actions in response to the continued spread of the coronavirus.

On March 16, 2020, in an abundance of caution and as a proactive measure, we elected to borrow \$950 million from our secured revolving credit facility ("Secured Revolving Facility"), leaving our availability under the Secured Revolving Facility at \$22 million.

On March 17, 2020, we announced the temporary closure of all Bath & Body Works, Victoria's Secret and PINK stores in the United States and Canada through March 29, 2020. Associates will continue to receive pay and benefits through April 4, 2020, which is one week longer than originally announced.

Based on the continued spread of the coronavirus and stay-at-home orders by government officials across the country, we are extending the closure of our stores beyond the initial March 29th date. As the situation continues to evolve rapidly, we are not currently able to predict the timing of store reopenings. However, we are monitoring the situation closely and will provide updates as appropriate. We continue to serve customers through our direct channels.

In an effort to further strengthen our financial flexibility and efficiently manage through the pandemic, we are proactively taking the following additional actions:

- Suspending our quarterly cash dividend beginning in the second quarter of fiscal 2020. We remain committed to paying dividends over the long-term and will re-evaluate when appropriate.
- Executing a substantial reduction in expenses and capital expenditures. This includes an ongoing reduction in forward inventory receipts.
- Temporarily reducing base compensation by 20% for senior vice presidents and above. The cash compensation of Chairman and CEO Leslie H. Wexner and other members of the Board of Directors has been suspended. Additionally, we are deferring annual merit increases.
- Furloughing most store associates and those who are not currently working to support the online businesses or who cannot work from home, effective April 5, 2020 until further notice. All furloughed associates will continue to receive existing healthcare benefits. As circumstances change, we will make every effort to bring these associates back to work as soon as possible. Furloughed associates will also be able to apply for unemployment benefits, if eligible.

As of March 27, 2020, we currently have more than \$2 billion in cash, which includes the \$950 million borrowed under the Secured Revolving Facility on March 16, 2020. Our Secured Revolving Facility has certain financial covenants, including a debt to consolidated EBITDA covenant, which may be breached as early as the end of the fiscal quarter ending May 2, 2020. If we were to violate a covenant, our lenders would have the right to accelerate our Secured Revolving Facility indebtedness, demand cash collateral in respect of the letters of credit issued thereunder and terminate the funding commitments available thereunder. While we believe that we would be able to obtain temporary waivers for any such breach of a covenant to prevent an acceleration of our outstanding indebtedness or obtain a replacement credit facility, we cannot conclude with certainty that we would have the ability to obtain necessary waivers or negotiate less restrictive debt covenants with our lenders. We are in active conversations with the lenders under our credit facility to obtain a replacement credit facility that does not contain a debt to consolidated EBITDA financial covenant or a temporary waiver in respect of such financial covenant in our existing Secured Revolving Facility. We believe that our current cash balance, along with the actions taken as outlined above, provides us with sufficient current liquidity.

These recent developments could have a material adverse effect on our results of operations, financial condition and cash flows. Additional information on this risk and other uncertainties and factors, is set forth in Item 1A. Risk Factors.

Available Information

We are subject to the reporting requirements of the Exchange Act and its rules and regulations. The Exchange Act requires us to file reports, proxy statements and other information with the U.S. Securities and Exchange Commission ("SEC"). The SEC maintains a website that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. These materials may be obtained electronically by accessing the SEC's website at www.sec.gov.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available, free of charge, on our website at www.lb.com.

Copies of any of the above-referenced documents will also be made available, free of charge, upon written request to:

L Brands, Inc.
Investor Relations Department
Three Limited Parkway
Columbus, Ohio 43230

ITEM 1A. RISK FACTORS.

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, consumer confidence, consumer spending patterns and market disruptions including severe weather conditions, natural disasters, significant health hazards or pandemics, terrorist activities, financial crises, political crises or other major events, or the prospect of these events;
- the seasonality of our business;
- the risk that the transactions contemplated (the “VS Transaction”) by the transaction agreement dated as of February 20, 2020 between us and SP VS Buyer LP (the “Transaction Agreement”) are not consummated, including the risk that required regulatory approvals for the VS Transaction may not be obtained;
- difficulties arising from business uncertainties and contractual restrictions while the VS Transaction is pending;
- 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;
- liabilities arising from divested businesses;
- the dependence on mall traffic and the availability of suitable store locations on appropriate terms;
- our ability to grow through new store openings and existing store remodels and expansions;
- our ability to successfully expand internationally and related risks;
- our independent franchise, license and wholesale partners;
- our direct channel businesses;
- our ability to protect our reputation and our brand images;
- our ability to attract customers with marketing, advertising and promotional programs;
- our ability to protect our trade names, trademarks and patents;
- the highly competitive nature of the retail industry and the segments in which we operate;
- consumer acceptance of our products and our ability to manage the life cycle of our brands, keep up with fashion trends, develop new merchandise and launch new product lines successfully;
- our ability to source, distribute and sell goods and materials on a global basis, including risks related to:
 - political instability, environmental hazards or natural disasters;
 - significant health hazards or pandemics, which could result in closed factories, reduced workforces, scarcity of raw materials, and scrutiny or embargoing of goods produced in infected areas;
 - duties, taxes and other charges;
 - legal and regulatory matters;
 - volatility in currency exchange rates;
 - local business practices and political issues;
 - potential delays or disruptions in shipping and transportation and related pricing impacts;
 - disruption due to labor disputes; and
 - changing expectations regarding product safety due to new legislation;
- our geographic concentration of vendor and distribution facilities in central Ohio;
- fluctuations in foreign currency exchange rates;
- stock price volatility;

- our ability to pay dividends and related effects;
- our ability to maintain our credit rating;
- our ability to service or refinance our debt;
- shareholder activism matters;
- the ability of our vendors to deliver products in a timely manner, meet quality standards and comply with applicable laws and regulations;
- fluctuations in product input costs;
- our ability to adequately protect our assets from loss and theft;
- fluctuations in energy costs;
- increases in the costs of mailing, paper and printing;
- claims arising from our self-insurance;
- our ability to implement and maintain information technology systems and to protect associated data;
- our ability to maintain the security of customer, associate, third-party or company information;
- our ability to comply with laws and regulations 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.

The following discussion of risk factors contains “forward-looking statements.” These risk factors may be important to understanding any statement in this Form 10-K, other filings or in any other discussions of our business. The following information should be read in conjunction with Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation and Item 8. Financial Statements and Supplementary Data.

In addition to the other information set forth in this report, the reader should carefully consider the following factors which could materially affect our business, financial condition or future results. The risks described below are not our only risks. Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also adversely affect our business, operating results and/or financial condition in a material way.

Our net sales, profit results and cash flows are sensitive to, and may be affected by, general economic conditions, consumer confidence, spending patterns, weather, significant health hazards or pandemics or other market disruptions.

Our net sales, profit, cash flows and future growth may be affected by negative local, regional, national or international political or economic trends or developments that reduce the consumers’ ability or willingness to spend, including the effects of national and international security concerns such as war, terrorism or the threat thereof. In addition, market disruptions due to natural disasters, significant health hazards or pandemics, or other major events or the prospect of these events could also impact consumer spending and confidence levels. Extreme weather conditions in the areas in which our stores are located, particularly in markets where we have multiple stores, could adversely affect our business. Purchases of women’s intimate and other apparel, beauty and personal care products and accessories often decline during periods when economic or market conditions are unsettled or weak. In such circumstances, we may increase the number of promotional sales, which could have a material adverse effect on our results of operations, financial condition and cash flows.

We are closely monitoring the outbreak of respiratory illness caused by a novel coronavirus that was first detected in Wuhan, China and has since spread globally. The coronavirus has been declared by the World Health Organization to be a “pandemic,” has spread to many countries, including the U.S., and is impacting worldwide economic activity. A public health epidemic, including the coronavirus, poses the risk that the we or our employees, contractors, suppliers, and other business partners may be prevented from conducting business activities for an unknown period of time. Related industries in the U.S. and across the world may be adversely effected, including manufacturing and textile production. The situation and preventative or protective actions that governments around the world have taken to contain the spread of the coronavirus have resulted in a period of disruption, including closure of stores where our products are sold, limited store operating hours, reduced customer traffic and

consumer spending, labor shortages or the extended furlough of our employees and delays in manufacturing and shipping of products and raw materials in the U.S., China and other countries. To the extent the impact of the coronavirus continues or worsens, we may have difficulty obtaining the materials necessary for the manufacturing of our products, factories which produce our products may remain closed for sustained periods of time, and industry-wide shipment of products may be negatively impacted. Further, if the impact of the coronavirus continues or worsens, consumer behavior may be altered for an extended period of time which would impact our cash and liquidity and financial condition. The coronavirus and resulting economic disruption has also led to significant volatility in the capital markets and may adversely impact our stock price and ability to access cash. Any one adverse effect of the coronavirus, or a combination of adverse effects, could materially impact our results and financial condition. Our actual results could differ materially from our guidance due to this risk, and other uncertainties and factors.

Recently, the decision by the U.K. to leave the European Union (commonly referred to as “Brexit”) has increased the uncertainty in the economic and political environment in Europe. Ongoing uncertainty remains as to what kind of post-Brexit agreement between the U.K. and the European Union, if any, may be approved by the U.K. parliament. Our business in the U.K. may be adversely impacted by this uncertainty, fluctuations in currency exchange rates, changes in trade policies, or changes in labor, immigration, tax or other laws.

Our net sales, operating income, cash and inventory levels fluctuate on a seasonal basis.

We experience major seasonal fluctuations in our net sales and operating income, with a significant portion of our operating income typically realized during the fourth quarter holiday season. Any decrease in sales or margins during this period could have a material adverse effect on our results of operations, financial condition and cash flows.

Seasonal fluctuations also affect our cash and inventory levels, since we usually order merchandise in advance of peak selling periods and sometimes before new fashion trends are confirmed by customer purchases. We must carry a significant amount of inventory, especially before the holiday season selling period. If we are not successful in selling inventory, we may have to sell the inventory at significantly reduced prices or may not be able to sell the inventory at all, which could have a material adverse effect on our results of operations, financial condition and cash flows.

We have entered into an agreement pursuant to which we will transfer certain assets and liabilities relating to our business conducted under the Victoria’s Secret and PINK brands (the “Victoria’s Secret Business”) to a newly formed subsidiary (“Victoria’s Secret Holdco”) and sell 55% of the equity interests of Victoria’s Secret Holdco to an affiliate of Sycamore Partners Management, L.P. (“Sycamore”). The proposed VS Transaction involves risks, including risks that the proposed transaction may not be completed on the currently contemplated timeline, or at all, and may not achieve the intended benefits.

The VS Transaction is expected to close in the second quarter of 2020, subject to customary closing conditions, including: (1) the expiration or termination of the applicable waiting period under the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended, (2) the receipt of approval under the Competition Act of Canada, (3) the absence of any applicable law, injunction or other judgment that prohibits the closing, and (iv) the completion of certain restructuring transactions. In addition, each of our and Sycamore’s obligation to complete the VS Transaction is subject to, among other things, the accuracy of the other party’s representations and warranties in the Transaction Agreement (subject in most cases to “material” and “material adverse effect” qualifications), and the other party’s compliance with its covenants and agreements in the Transaction Agreement in all material respects. The Transaction Agreement provides that we or Sycamore may choose not to proceed with the VS Transaction if the VS Transaction has not been completed by August 20, 2020, which date may be extended by either party to November 20, 2020 under certain circumstances where the restructuring transactions have not been completed pending governmental approvals.

The satisfaction of the required conditions could delay the consummation of the proposed transaction with Sycamore or prevent it from occurring. Further, there can be no assurance that the conditions to the closing of the proposed transaction will be satisfied or waived or that the proposed transaction will be consummated. With respect to regulatory approvals, there can be no assurance that the required regulatory approvals will be received in a timely manner or at all, or that such approvals will not contain adverse conditions. Failure to consummate the proposed transaction in a timely manner or at all could negatively impact the market price of our common stock, as well as our future business and its financial condition, results of operations and cash flows.

Assuming the VS Transaction is completed, there can be no assurance that we will be able to realize the anticipated value and benefits therefrom, and the VS Transaction may adversely affect our business. The proposed transaction will result in a smaller, less diversified and more narrowly focused business than before the VS Transaction, which makes us more vulnerable to changing market and economic conditions. Additionally, a potential loss of synergies from separating the businesses could negatively impact our balance sheet, profit margins or earnings, and the price of our common stock may not be equal to or

greater than the value of our common stock had the VS Transaction not occurred. If we fail to achieve some or all of the benefits that we expect to achieve as a result of the VS Transaction, or do not achieve them in the time we expect, our results of operations and financial condition could be materially adversely affected.

We will be subject to business uncertainties and contractual restrictions while the VS Transaction is pending.

Uncertainty about the effect of the VS Transaction on employees, commercial partners and vendors may have an adverse effect on us. These uncertainties may impair our ability to retain and motivate key personnel and could cause commercial partners, vendors and others that deal with us to defer or decline entering into contracts with us or seek to change existing business relationships with us. Certain of our contracts contain restrictions that may give rise to a right of termination or cancellation in connection with the VS Transaction. In addition, if key employees depart because of uncertainty about their future roles and the potential complexities of the VS Transaction, our business could be harmed. Furthermore, the Transaction Agreement contains restrictions on our ability to take certain actions relating to the Victoria's Secret Business outside the ordinary course of business prior to the closing, which may delay or prevent us from undertaking certain actions or business opportunities that may arise prior to the closing.

Turnover in company leadership or other key positions may have an adverse impact on company performance.

Upon the consummation of the VS Transaction, our current Chief Executive Officer ("CEO") will step down and a new CEO will be appointed. Leslie H. Wexner will step down from his position as our CEO and Chairman of the Board after leading the company for more than five decades. Mr. Wexner will remain a member of the Board as Chairman Emeritus. Andrew Meslow, the current Chief Executive Officer of Bath & Body Works, will become our new CEO and will be appointed as a member of the Board. Sarah E. Nash, a member of the Board, will be appointed as the Chair of the Board, effective upon Closing. Additionally, current lead independent director Allan Tessler, as well as directors Gordon Gee and Raymond Zimmerman, will retire as of the date of the annual meeting, and upon Mr. Tessler's retirement, Ms. Nash will serve as lead independent director. Such leadership transitions can be inherently difficult to manage, and an inadequate transition of our CEO may cause disruption to our business, including to our relationships with vendors and employees.

We may well experience further changes in key leadership or key positions in the future. The departure of key leadership personnel, especially a long-serving CEO, can take from the company significant knowledge and experience. This loss of knowledge and experience can be mitigated through successful hiring and transition, but there can be no assurance that we will be successful in such efforts. Attracting and retaining qualified senior leadership may be more challenging under adverse business conditions. Failure to attract and retain the right talent, or to smoothly manage the transition of responsibilities resulting from such turnover, would affect our ability to meet our challenges and may cause us to miss performance objectives or financial targets or disrupt our relationships with our customers.

We may be impacted by our ability to attract, develop and retain qualified associates and manage labor-related costs.

We believe our competitive advantage is providing a positive, engaging and satisfying experience for each individual customer, which requires us to have highly trained and engaged associates. Our success depends in part upon our ability to attract, develop and retain a sufficient number of qualified associates, including store personnel and talented merchants. The turnover rate in the retail industry is generally high, and qualified individuals of the requisite caliber and number needed to fill these positions may be in short supply in some areas. Competition for such qualified individuals or changes in labor and healthcare laws could require us to incur higher labor costs. Our inability to recruit a sufficient number of qualified individuals in the future may delay planned openings of new stores or affect the speed with which we expand. Delayed store openings, significant increases in associate turnover rates or significant increases in labor-related costs could have a material adverse effect on our results of operations, financial condition and cash flows.

Retained or contingent liabilities from businesses that we divest could adversely affect our financial results. Our continued involvement with Victoria's Secret Holdco is also subject to various arrangements, and conditions outside of our control could affect our future results.

In the fourth quarter of 2018, we completed the sale of La Senza to an affiliate of Regent LP, a global private equity firm, and in the first quarter of 2020, we signed a Transaction Agreement with Sycamore to effect the VS Transaction. As a result of the La Senza divestiture and upon the consummation of the VS Transaction, we may incur unexpected contingent liabilities, including with respect to leases assumed by the buyer. Our divestiture activities may also present financial and operational risks. Those risks may include difficulties separating personnel, financial and other systems, and indemnities and potential disputes with the buyer of La Senza and/or Victoria's Secret Holdco. Any of these factors could adversely affect our financial condition and results of operations. In addition, we will continue to have financial involvement with Victoria's Secret Holdco after the closing, including through our 45% interest in Victoria's Secret Holdco, transition services agreements and guarantees.

Under these arrangements, performance by Victoria's Secret Holdco or other conditions outside of our control could affect our future results.

Our net sales depend on a volume of traffic to our stores and the availability of suitable lease space.

Most of our stores are located in retail shopping areas including malls and other types of retail centers. Sales at these stores are derived, in part, from the volume of traffic in those retail areas. Our stores benefit from the ability of the retail center and other attractions in an area, including "destination" retail stores, to generate consumer traffic in the vicinity of our stores. Sales volume and retail traffic may be adversely affected by factors that we cannot control, such as economic downturns or changes in consumer demographics in a particular area, consumer trends away from brick-and-mortar retail toward online shopping, competition from internet and other retailers and other retail areas where we do not have stores, significant health hazards or pandemics, the closing of other stores or the decline in popularity or safety in the shopping areas where our stores are located and the deterioration in the financial condition of the operators or developers of the shopping areas in which our stores are located.

Part of our future growth is significantly dependent on our ability to operate stores in desirable locations with capital investment and lease costs providing the opportunity to earn a reasonable return. We cannot be sure as to when or whether such desirable locations will become available at reasonable costs. Some of our store locations require significant upfront capital investment and have material lease commitments. Additionally, we are dependent upon the suitability of the lease spaces that we currently use. The leases that we enter into are generally noncancelable leases with initial terms of 10 years. If we determine that it is no longer economical to operate a store and decide to close it, we may remain obligated under the applicable lease for, among other things, payment of the base rent for the balance of the lease term.

These risks could have a material adverse effect on our ability to grow and our results of operations, financial condition and cash flows.

Our ability to grow depends in part on new store openings and existing store remodels and expansions.

Our continued growth and success will depend in part on our ability to open and operate new stores and expand and remodel existing stores on a timely and profitable basis. Accomplishing our new and existing store expansion goals will depend upon a number of factors, including the ability to partner with developers and landlords to obtain suitable sites for new and expanded stores at acceptable costs, the hiring and training of qualified personnel and the integration of new stores into existing operations. There can be no assurance we will be able to achieve our store expansion goals, manage our growth effectively, successfully integrate the planned new stores into our operations or operate our new, remodeled and expanded stores profitably. These risks could have a material adverse effect on our ability to grow and results of operations, financial condition and cash flows.

Our plans for international expansion include risks that could impact our results and reputation.

We intend to further expand into international markets, including mainland China, through partner arrangements and/or company-owned stores. The risks associated with our expansion into international markets include difficulties in attracting customers due to a lack of customer familiarity with our brands, our lack of familiarity with local customer preferences and seasonal differences in the market. Any of these difficulties may lead to disruption in the overall timing of our international expansion efforts or increased costs. Further, entry into other markets may bring us into competition with new competitors or with existing competitors with an established market presence. Other risks include general economic conditions in specific countries or markets, volatility in the geopolitical landscape, restrictions on the repatriation of funds held internationally, disruptions or delays in shipments, occurrence of significant health hazards or pandemics, changes in diplomatic and trade relationships, political instability and foreign governmental regulation. For example, in December 2019, a strain of coronavirus was reported to have surfaced in Wuhan, China, resulting in temporary store closures and a decrease in consumer traffic in China. To date, this virus has begun to spread globally. We expect the coronavirus to negatively impact our results of operations, particularly in the Greater China business, and our plans for expansion in China, though the extent and duration of this impact remain uncertain. To the extent the impact of the coronavirus continues or worsens, we may have difficulty obtaining the materials necessary for the manufacturing of our products, factories which produce our products may remain closed for sustained periods of time and industry-wide shipment of products may be negatively impacted. Such expansions will also have upfront investment costs that may not be accompanied by sufficient revenues to achieve typical or expected operational and financial performance.

We also have risks related to identifying suitable partners. In addition, certain aspects of these arrangements are not directly within our control, such as the ability of these third parties to meet their projections regarding store openings and sales and their compliance with federal and local law. We cannot ensure the profitability or success of our expansion into international markets.

Further, our results of operations and financial condition may be adversely affected by fluctuations in currency exchange rates. See “Fluctuations in foreign currency exchange rates could impact our financial condition and results of operations” below.

These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

Our licensees, franchisees and wholesalers could take actions that could harm our business or brand images.

We have global representation through independently owned stores operated by our partners. Although we have criteria to evaluate and select prospective partners, the level of control we can exercise over our partners is limited, and the quality and success of their operations may be diminished by any number of factors beyond our control. For example, our partners may not have the business acumen or financial resources necessary to successfully operate stores in a manner consistent with our standards and may not hire and train qualified store managers and other personnel. Our brand image and reputation may suffer materially, and our sales could decline if our partners do not operate successfully. These risks could have an adverse effect on our results of operations, financial condition and cash flows.

Our direct channel businesses include risks that could have an effect on our results.

Our direct operations are subject to numerous risks that could have a material adverse effect on our results. Risks include, but are not limited to, the difficulty in recreating the in-store experience through our direct channels; domestic or international resellers purchasing merchandise and reselling it outside our control; our ability to anticipate and implement innovations in technology and logistics in order to appeal to existing and potential customers who increasingly rely on multiple channels to meet their shopping needs; the failure of and risks related to the systems that operate our web infrastructure, websites and the related support systems, including computer viruses, theft of customer information, privacy concerns, telecommunication failures and electronic break-ins and similar disruptions.

Our failure to maintain efficient and uninterrupted order-taking and fulfillment operations could also have a material adverse effect on our results. The satisfaction of our online customers depends on their timely receipt of merchandise. If we encounter difficulties with the distribution facilities, or if the facilities were to shut down for any reason, including as a result of fire, natural disaster or work stoppage, we could face shortages of inventory; incur significantly higher costs and longer lead times associated with distributing our products to our customers; and cause customer dissatisfaction.

Any of these issues could have a material adverse effect on our operations, financial condition and cash flows.

Our ability to protect our reputation could have a material effect on our brand images.

Our ability to maintain our reputation is critical to our brand images. Our reputation could be jeopardized if we fail to maintain high standards for merchandise quality and integrity. Any negative publicity, including information publicized through traditional or social media platforms and similar venues such as blogs, websites and other forums, may affect our reputation and brand and, consequently, reduce demand for our merchandise, even if such publicity is unverified or inaccurate.

Failure to comply with or the perception that the Company has failed to comply with ethical, social, product, labor and environmental standards, or related political considerations, could also jeopardize our reputation and potentially lead to various adverse consumer actions, including boycotts. Failure to comply with local laws and regulations, to maintain an effective system of internal controls, to maintain the security of customer, associate, third-party or company information or to provide accurate and timely financial statement information could also hurt our reputation. Damage to our reputation or loss of consumer confidence for any of these or other reasons could have a material adverse effect on our results of operations, financial condition and cash flows, as well as require additional resources to rebuild our reputation.

If our marketing, advertising and promotional programs are unsuccessful, or if our competitors are more effective with their programs than we are, our revenue or results of operations may be adversely affected.

Customer traffic and demand for our merchandise are influenced by our advertising, marketing and promotional activities, the name recognition and reputation of our brands and the location of and service offered in our stores. Although we use marketing, advertising and promotional programs to attract customers through various media, including social media, websites, mobile applications, email, print and television, some of our competitors may expend more for their programs than we do, or use different approaches than we do, which may provide them with a competitive advantage. Our programs may not be effective or could require increased expenditures, which could have a material adverse effect on our revenue and results of operations.

Our ability to adequately protect our trade names, trademarks and patents could have an impact on our brand images and ability to penetrate new markets.

We believe that our trade names, trademarks and patents are important assets and an essential element of our strategy. We have obtained or applied for federal registration of these trade names, trademarks and patents and have applied for or obtained registrations in many foreign countries. There can be no assurance that we will obtain such registrations or that the registrations we obtain will prevent the imitation of our products or infringement of our intellectual property rights by others. In particular, the laws of certain foreign countries may not protect proprietary rights to the same extent as the laws of the U.S. If any third-party copies our products or our stores in a manner that projects lesser quality or carries a negative connotation, it could have a material adverse effect on our brand image and reputation as well as our results of operations, financial condition and cash flows.

Our ability to compete favorably in our highly competitive segment of the retail industry could impact our results.

The sale of women's intimate and other apparel, personal care products and accessories is highly competitive. We compete for sales with a broad range of other retailers, including individual and chain specialty stores, department stores and discount retailers. In addition to the traditional store-based retailers, we also compete with direct marketers or retailers that sell similar lines of merchandise and who target customers through online channels. Brand image, marketing, design, price, service, assortment, quality, image presentation and fulfillment are all competitive factors in both the store-based and online channels.

Some of our competitors may have greater financial, marketing and other resources available and trends across our product categories may favor our competitors. We rely to a greater degree than some of our competitors on physical locations in shopping malls and centers and so declines in traffic to such locations may affect us more significantly than our competitors. Some of our competitors sell their products in stores that are located in the same shopping malls and centers as our stores. In addition to competing for sales, we compete for favorable site locations and lease terms in shopping malls and centers.

Increased competition, combined with declines in mall traffic, could result in price reductions, increased marketing expenditures and loss of pricing power and market share, any of which could have a material adverse effect on our results of operations, financial condition and cash flows.

Our ability to manage the life cycle of our brands and to remain current with fashion trends and launch new product lines successfully could impact the image and relevance of our brands.

Our success depends in part on management's ability to effectively manage the life cycle of our brands and to anticipate and respond to changing fashion preferences and consumer demands and to translate market trends into appropriate, salable product offerings in advance of the actual time of sale to the customer. Customer demands and fashion trends change rapidly. If we are unable to successfully anticipate, identify or react to changing styles or trends or we misjudge the market for our products or any new product lines, our sales will be lower, potentially resulting in significant amounts of unsold finished goods inventory. In response, we may be forced to increase our marketing promotions or price markdowns. These risks could have a material adverse effect on our brand image and reputation as well as our results of operations, financial condition and cash flows.

We may be impacted by our ability to adequately source, distribute and sell merchandise and other materials on a global basis.

We source merchandise and other materials directly in international markets and in our domestic market. We distribute merchandise and other materials globally to our partners in international locations and to our stores. Many of our imports and exports are subject to a variety of customs regulations and international trade arrangements, including existing or potential duties, tariffs or safeguard quotas. We compete with other companies for production facilities.

We also face a variety of other risks generally associated with doing business on a global basis. For example:

- political instability, environmental hazards or natural disasters which could negatively affect international economies, financial markets and business activity;
- significant health hazards or pandemics, which could result in closed factories, reduced workforces, scarcity of raw materials, and scrutiny or embargoing of goods produced in infected areas;
- imposition of new or retaliatory trade duties, sanctions or taxes and other charges on imports or exports;
- evolving, new or complex legal and regulatory matters;
- volatility in currency exchange rates;

- local business practice and political issues (including issues relating to compliance with domestic or international labor standards) which may result in adverse publicity or threatened or actual adverse consumer actions, including boycotts;
- potential delays or disruptions in shipping and transportation and related pricing impacts;
- disruption due to labor disputes; and
- changing expectations regarding product safety due to new legislation or other factors.

We also rely upon third-party transportation providers for substantially all of our product shipments, including shipments to and from our distribution centers, to our stores and to our customers. Our utilization of these delivery services for shipments is subject to risks, including increases in labor costs and fuel prices, which would increase our shipping costs, and associate strikes and inclement weather, which may impact our transportation providers' ability to provide delivery services that adequately meet our shipping needs.

For example, the recent outbreak of respiratory illness caused by a novel coronavirus first identified in Wuhan, China has led to work and travel restrictions within, to, and out of mainland China, which in turn has led to delays in textile mill and factory openings, and delays in workers returning, following the Chinese New Year holiday. To date, this virus has begun to spread globally, and various governments have either enforced further restrictions or have begun pondering taking action soon. These restrictions and delays, which may further expand depending on the progression of the illness, may make it difficult for our suppliers to source raw materials in China, manufacture finished goods in China and export our products from China. Additionally, our suppliers throughout Asia source a significant amount of fabric from China. If the severity and reach of the coronavirus outbreak increases, there may be significant and material disruptions to our supply chain and operations, and delays in the manufacture and shipment of our products, which may then have a material adverse effect on our results of operations. Our future performance will depend upon these and the other factors listed above, which are beyond our control, and the occurrence or deepening impact of one or more of these events could have a material adverse effect on our results of operations, financial condition and cash flows.

We rely on a number of vendor and distribution facilities located in the same vicinity, making our business susceptible to local and regional disruptions or adverse conditions.

To achieve the necessary speed and agility in producing our beauty, personal care and home fragrance products, we rely heavily on vendor and distribution facilities in close proximity to our headquarters in Central Ohio. As a result of geographic concentration of the vendor and distribution facilities that we rely upon, our operations are susceptible to local and regional factors, such as accidents, system failures, economic and weather conditions, natural disasters, demographic and population changes, and other unforeseen events and circumstances. Any significant interruption in the operations of these facilities could lead to inventory issues or increased costs, which could have a material adverse effect on our results of operations, financial condition and cash flows.

Fluctuations in foreign currency exchange rates could impact our financial condition and results of operations.

We are exposed to foreign currency exchange rate risk with respect to our sales, profits, assets and liabilities denominated in currencies other than the U.S. dollar. In addition, our royalty arrangements are calculated based on sales in local currency and, as such, we are exposed to foreign currency exchange rate fluctuations. Although we use foreign currency forward contracts to hedge certain foreign currency risks, these measures may not succeed in offsetting all of the short-term negative impacts of foreign currency rate movements on our business and results of operations. Hedging would generally not be effective in offsetting the long-term impact of sustained shifts in foreign exchange rates on our business results. As a result, the fluctuation in the value of the U.S. dollar against other currencies could have a material adverse effect on our results of operations, financial condition and cash flows.

Our stock price may be volatile.

Our stock price may fluctuate substantially as a result of variations in our actual or projected performance or the financial performance of other companies in the retail industry. Any guidance that we provide is based on goals that we believe are reasonably attainable at the time guidance is given. If, or when, we announce actual results that differ from those that have been predicted by us, outside investment analysts or others, our stock price could be adversely affected. Investors who rely on these predictions when making investment decisions with respect to our securities do so at their own risk.

In addition, the stock market may experience price and volume fluctuations that are unrelated or disproportionate to operating performance.

On March 27, 2020, our Board of Directors announced that it planned to suspend our annual ordinary dividend, beginning with the quarterly dividend to be paid in our second fiscal quarter in 2020. There can be no assurance if, when and at what level our Board of Directors may resume making dividend payments.

On March 27, 2020, our Board of Directors announced that it planned to suspend our annual ordinary dividend, beginning with the quarterly dividend to be paid in our second fiscal quarter in 2020. While we remain committed to paying dividends over the long-term and will re-evaluate when appropriate, there can be no assurance if, when and at what level our Board of Directors may resume making dividend payments. Our dividend program requires the use of a portion of our cash flow. Our ability to pay dividends depends on our ability to generate sufficient cash flows from operations in the future. This ability is subject to certain economic, financial, competitive and other factors that are beyond our control. Our failure to pay dividends may negatively impact our stock price.

Our ability to maintain our credit rating could affect our ability to access capital and could increase our interest expense.

The credit rating agencies periodically review our capital structure and the quality and stability of our earnings. A deterioration in our capital structure or the quality and stability of our earnings could result in a downgrade of our credit rating. Any negative ratings actions could constrain the capital available to our company or our industry and could limit our access to funding for our operations. We are dependent upon our ability to access capital at rates and on terms we determine to be attractive. If our ability to access capital becomes constrained, our interest costs will likely increase, which could have a material adverse effect on our results of operations, financial condition and cash flows. Additionally, changes to our credit rating could affect our future interest costs.

If we breach covenants in our Secured Revolving Facility, our ability to service or refinance our debt as well as our financial stability may be impacted.

We currently have substantial indebtedness. Our Secured Revolving Facility contains covenants which require maintenance of certain financial ratios and also, under certain conditions, restrict our ability to pay dividends, repurchase common shares and make other restricted payments as defined in the agreement. Our cash flow from operations provides the primary source of funds for our debt service payments. If our cash flow from operations declines, we may be unable to service or refinance our current debt, or make certain restricted payments as defined in our Secured Revolving Facility. If we fail to comply with any covenant, including our financial maintenance covenants, it could result in an event of default and our lenders could terminate the commitments under our Secured Revolving Facility as well as certain foreign borrowing facilities and make the entire debt incurred thereunder immediately due and payable or we may be forced to sell assets, restructure our indebtedness or seek additional equity capital, which would dilute our stockholders' interests. In particular, as of March 27, 2020, we currently have more than \$2 billion in cash, which includes the \$950 million borrowed under the Secured Revolving Facility on March 16, 2020. However, our Secured Revolving Facility has certain financial covenants, including a debt to consolidated EBITDA covenant, which may be breached as early as the end of the fiscal quarter ending May 2, 2020. We are in active conversations with our lenders regarding a temporary waiver in respect of such financial covenant or the possibility of entering into a replacement credit facility without a similar covenant. If we are unable to obtain a temporary waiver for that anticipated covenant breach or to obtain a replacement credit facility without a similar covenant, our lenders would have the right to accelerate our Secured Revolving Facility indebtedness, demand cash collateral in respect of the letters of credit issued thereunder and terminate the funding commitments available thereunder. If this occurs, we might not be able to repay our debt or borrow sufficient funds to refinance it. Even if new financing is available, it may not be on terms that are acceptable to us.

Shareholder activism could cause us to incur significant expense, hinder execution of our business strategy and impact our stock price.

Shareholder activism, which can take many forms and arise in a variety of situations, could result in substantial costs and divert management's and our board's attention and resources from our business. Additionally, such shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with our associates, customers or service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant fees and other expenses related to activist shareholder matters, including for third-party advisors. Our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any shareholder activism.

We may be impacted by our vendors' ability to manufacture and deliver products in a timely manner, meet quality standards and comply with applicable laws and regulations.

We purchase products from third-party vendors. Factors outside our control, such as production or shipping delays or quality problems, could disrupt merchandise deliveries and result in lost sales, cancellation charges or excessive markdowns.

In addition, quality problems could result in a product liability judgment or a widespread product recall that may negatively impact our sales and profitability for a period of time depending on product availability, competition reaction and consumer attitudes. Even if the product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertions could adversely impact our reputation with existing and potential customers and our brand image.

Our business could also suffer if our third-party vendors fail to comply with applicable laws and regulations. While our internal and vendor operating guidelines promote ethical business practices and our associates visit and monitor the operations of our third-party vendors, we do not control these vendors or their practices. The violation of labor, environmental or other laws by third-party vendors used by us, or the divergence of a third-party vendor's or partner's labor or environmental practices from those generally accepted as ethical or appropriate, could interrupt or otherwise disrupt the shipment of finished products to us or damage our reputation.

These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

Our results may be affected by fluctuations in product input costs.

Product input costs, including freight, labor and raw materials, fluctuate. These fluctuations may result in an increase in our production costs. We may not be able to, or may elect not to, pass these increases on to our customers which may adversely impact our profit margins. These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

Our ability to adequately protect our assets from loss and theft.

Our assets are subject to loss, including those caused by illegal or unethical conduct by associates, customers, vendors or unaffiliated third parties. We have experienced events such as inventory shrinkage in the past, and we cannot assure that incidences of loss and theft will decrease in the future or that the measures we are taking will effectively reduce these losses. Higher rates of loss or increased security costs to combat theft could have a material adverse effect on our results of operations, financial condition and cash flows.

Our results may be affected by fluctuations in energy costs.

Energy costs have fluctuated in the past. These fluctuations may result in an increase in our transportation costs for distribution, utility costs for our retail stores and costs to purchase products from our manufacturers. A continual rise in energy costs could adversely affect consumer spending and demand for our products and increase our operating costs, both of which could have a material adverse effect on our results of operations, financial condition and cash flows.

We may be impacted by increases in costs of mailing, paper and printing.

Postal rate increases and paper and printing costs will affect the cost of our order fulfillment and promotional mailings. We rely on discounts from the basic postal rate structure, such as discounts for bulk mailings and sorting. Future paper and postal rate increases could adversely impact our earnings if we are unable to recover these costs or if we are unable to implement more efficient printing, mailing, delivery and order fulfillment systems. These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

We self-insure certain risks and may be impacted by unfavorable claims experience.

We are self-insured for various types of insurable risks including associate medical benefits, workers' compensation, property, general liability and automobile up to certain stop-loss limits. Claims are difficult to predict and may be volatile. Any adverse claims experience could have a material adverse effect on our results of operations, financial condition and cash flows.

We significantly rely on our ability to implement and sustain information technology systems and to protect associated data.

Our success depends, in part, on the secure and uninterrupted performance of our information technology systems. Our information technology systems, as well as those of our service providers, are vulnerable to damage from a variety of sources, including telecommunication failures, malicious human acts and natural disasters. Moreover, despite maintaining comprehensive measures, some of our systems, e-commerce environments, servers and those of our service providers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Additionally, these types of problems could result in a breach of confidential customer, merchandise, financial, employee or other important information (including personal information) which could result in damage to our reputation and/or litigation. The increased use of smartphones, tablets and other mobile devices may also heighten these and other operational risks. Despite the precautions we have taken, unanticipated problems may nevertheless cause failures in our information technology systems.

Sustained or repeated system disruptions that interrupt our ability to process orders and deliver products to the stores, impact our customers' ability to access our websites in a timely manner or expose confidential customer information, merchandise, financial or other important information (including personal information) could have a material adverse effect on our results of operations, financial condition and cash flows.

In addition, from time to time, we make hardware, software and code modifications and upgrades to our information technology systems for point-of-sale, e-commerce, merchandising, planning, sourcing, logistics, inventory management and support systems including human resources and finance. Modifications involve replacing existing systems with successor systems, making changes to existing systems or acquiring new systems with new functionality. We are aware of inherent risks associated with replacing these systems, including not accurately capturing data and system disruptions. Information technology system disruptions, if not anticipated and appropriately mitigated, could have a material adverse effect on our operations, financial condition and cash flows.

Any significant compromise or breach of our data security, including the security of customer, associate, third-party or company information, could have a material adverse effect on our reputation, results of operations, financial condition and cash flows.

In the operation of our business, we collect, use, transmit and otherwise process a large volume of personal and other confidential, proprietary and sensitive information. Information systems are susceptible to an increasing threat of continually evolving cybersecurity risks. Any significant compromise or breach of our data security, media reports about such an incident, whether accurate or not, or our failure to make adequate or timely disclosures to the public or law enforcement agencies following any such event, whether due to delayed discovery or a failure to follow existing protocols, could significantly damage our reputation with our customers, associates, investors and other third parties, cause the disclosure of personal, confidential, proprietary or sensitive customer, associate, third-party or company information, cause interruptions to our operations and distraction to our management, cause our customers to stop shopping with us and result in significant legal, regulatory and financial liabilities and lost revenues.

While we train our associates and have implemented systems, processes and confidential security measures to protect our physical facilities and information technology systems against unauthorized access and prevent data loss, there is no guarantee that these procedures are adequate to safeguard against all data security breaches. Despite these measures, we may be vulnerable to targeted or random security breaches, phishing attacks, denial of service attacks, acts of vandalism, computer viruses, malware, ransomware, misplaced or lost data, programming and/or human errors or similar events. Our systems and facilities are also subject to compromise from internal threats, such as theft, misuse, unauthorized access or other improper actions by employees, third-party service providers and other third parties with otherwise legitimate access to our systems, website or facilities. Furthermore, because the methods of cyber-attack and deception change frequently, are increasingly complex and sophisticated, and can originate from a wide variety of sources, including nation-state actors, despite our reasonable efforts to ensure the integrity of our systems and website, it is possible that we may not be able to anticipate, detect, appropriately react and respond to, or implement effective preventative measures against, all cybersecurity incidents.

In addition to our own systems, networks and databases, we use third-party service providers to store, transmit and otherwise process certain of this information on our behalf. Due to applicable laws and regulations or contractual obligations, we may be held responsible for any cybersecurity incident attributed to our service providers as they relate to the information we share with them or to which they are granted access. Although we contractually require these service providers to implement and use reasonable security measures, we cannot control third parties and cannot guarantee that a security breach will not occur in their systems.

We may be required to expend significant capital and other resources to protect against, respond to, and recover from any potential, attempted, or existing cybersecurity incidents. As cybersecurity incidents continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. In addition, our remediation efforts may not be successful. The inability to implement, maintain and upgrade adequate safeguards could have a material adverse effect on our results of operations, financial condition and cash flow. Moreover, there could be public announcements regarding any cybersecurity incidents and any steps we take to respond to or remediate such incidents, and if securities analysts or investors perceive these announcements to be negative, it could, among other things, have a substantial adverse effect on the price of our common stock.

While we currently maintain cybersecurity insurance, such insurance may not be sufficient in type or amount to cover us against claims related to breaches, failures or other data security-related incidents, and we cannot be certain that cyber insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance

coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our results of operations, financial condition and cash flows.

Changes in laws or regulations relating to data privacy and security, or any actual or perceived failure by us to comply with such laws and regulations, or contractual or other obligations relating to data privacy and security, could have a material adverse effect on our reputation, results of operations, financial condition and cash flows.

We are, and may increasingly become, subject to various laws and regulations, as well as contractual obligations, relating to data privacy and security in the jurisdictions in which we operate. The regulatory environment related to data privacy and security is increasingly rigorous, with new and constantly changing requirements applicable to our business, and enforcement practices are likely to remain uncertain for the foreseeable future. These laws and regulations may be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible that they will be interpreted and applied in ways that may have a material adverse effect on our results of operations, financial condition and cash flows.

In the U.S., various federal and state regulators, including governmental agencies like the Consumer Financial Protection Bureau and the Federal Trade Commission, have adopted, or are considering adopting, laws and regulations concerning personal information and data security. Certain state laws may be more stringent or broader in scope, or offer greater individual rights, with respect to personal information than federal, international or other state laws, and such laws may differ from each other, all of which may complicate compliance efforts. For example, the California Consumer Privacy Act (“CCPA”), which increases privacy rights for California residents and imposes obligations on companies that process their personal information, went into effect on January 1, 2020. Among other things, the CCPA requires covered companies to provide new disclosures to California consumers and provide such consumers new data protection and privacy rights, including the ability to opt-out of certain sales of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action may increase the likelihood of, and risks associated with, data breach litigation. In addition, laws in all 50 U.S. states require businesses to provide notice to consumers whose personal information has been disclosed as a result of a data breach. State laws are changing rapidly and there is discussion in Congress of a new comprehensive federal data privacy law to which we would become subject if it is enacted.

We are subject to international laws, regulations and standards in many jurisdictions, which apply broadly to the collection, use, retention, security, disclosure, transfer and other processing of personal information. For example, the E.U. General Data Protection Regulation (“GDPR”), which became effective in May 2018, greatly increased the European Commission’s jurisdictional reach of its laws and adds a broad array of requirements for handling personal data. EU member states are tasked under the GDPR to enact, and have enacted, certain implementing legislation that adds to and/or further interprets the GDPR requirements and potentially extends our obligations and potential liability for failing to meet such obligations. The GDPR, together with national legislation, regulations and guidelines of the EU member states and the United Kingdom governing the processing of personal data, impose strict obligations and restrictions on the ability to collect, use, retain, protect, disclose, transfer and otherwise process personal data. In particular, the GDPR includes obligations and restrictions concerning the consent and rights of individuals to whom the personal data relates, the transfer of personal data out of the European Economic Area or the United Kingdom, security breach notifications and the security and confidentiality of personal data. The GDPR authorizes fines for certain violations of up to 4% of global annual revenue or €20 million, whichever is greater.

All of these evolving compliance and operational requirements impose significant costs, such as costs related to organizational changes, implementing additional protection technologies, training associates and engaging consultants, which are likely to increase over time. In addition, such requirements may require us to modify our data processing practices and policies, distract management or divert resources from other initiatives and projects, all of which could have a material adverse effect on our results of operations, financial condition and cash flows. Any failure or perceived failure by us to comply with any applicable federal, state or similar foreign laws and regulations relating to data privacy and security could result in damage to our reputation and our relationship with our customers, as well as proceedings or litigation by governmental agencies or customers, including class action privacy litigation in certain jurisdictions, which would subject us to significant fines, sanctions, awards, penalties or judgments, all of which could have a material adverse effect on our results of operations, financial condition and cash flows.

We may be impacted by our ability to comply with regulatory requirements.

We are subject to numerous regulatory requirements. Our policies, procedures and internal controls are designed to comply with all applicable foreign and domestic laws and regulations, including those required by the Sarbanes-Oxley Act of 2002, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, the SEC and the New York Stock Exchange (the “NYSE”), among others. Although we have put in place policies and procedures aimed at ensuring legal and regulatory compliance, our

associates, subcontractors, vendors, licensees, franchisees and other third parties could take actions that violate these laws and regulations. Any violations of such laws or regulations could have an adverse effect on our reputation, market price of our common stock, results of operations, financial condition and cash flows.

It can be difficult to comply with sometimes conflicting regulations in local, national or foreign jurisdictions as well as new or changing regulations. Also, changes in such laws could make operating our business more expensive or require us to change the way we do business. For example, changes in product safety or other consumer protection laws could lead to increased costs for certain merchandise, or additional labor costs associated with readying merchandise for sale. It may be difficult for us to oversee regulatory changes impacting our business, and our responses to changes in the law could be costly and may negatively impact our operations.

We may be adversely impacted by certain compliance or legal matters.

We, along with third parties we do business with, are subject to complex compliance and litigation risks. Actions filed against us from time to time include commercial, tort, intellectual property, customer, employment, wage and hour, data privacy, securities, anti-corruption and other claims, including purported class action lawsuits. The cost of defending against these types of claims against us or the ultimate resolution of such claims, whether by settlement or adverse court decision, may harm our business. Further, potential claimants may be encouraged to bring suits based on a settlement from us or adverse court decisions against us. We cannot currently assess the likely outcome of such suits, but if the outcome were negative, it could have a material adverse effect on our reputation, results of operations, financial condition and cash flows.

In addition, we may be impacted by litigation trends, including class action lawsuits involving consumers and shareholders, that could have a material adverse effect on our reputation, the market price of our common stock, results of operations, financial condition and cash flows.

We may be impacted by changes in taxation, trade and other regulatory requirements.

We are subject to income tax in local, national and international jurisdictions. In addition, our products are subject to import and excise duties and/or sales or value-added taxes in many jurisdictions. We are also subject to the examination of our tax returns and other tax matters by the Internal Revenue Service and other tax authorities and governmental bodies. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. Fluctuations in tax rates and duties, changes in tax legislation or regulation or adverse outcomes of these examinations could have a material adverse effect on our results of operations, financial condition and cash flows.

There is increased uncertainty with respect to tax policy and trade relations between the U.S. and other countries. Major developments in tax policy or trade relations, such as the imposition of unilateral tariffs on imported products, could have a material adverse effect on our results of operations, financial condition and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The following table provides the location, use and size of our distribution, corporate and product development facilities as of February 1, 2020:

Location	Use	Approximate Square Footage
Columbus, Ohio area	Corporate, distribution and shipping	6,938,000
New York	Office, sourcing and product development/design	495,000
Kettering, Ohio	Call center	94,000
Hong Kong	Office and sourcing	60,000
Mainland China	Office	36,000
Canada	Office	21,000
Various international locations	Office and sourcing	153,000

United States

Our business for the Victoria's Secret, Bath & Body Works and Victoria's Secret and Bath & Body Works International segments is principally conducted from office, distribution and shipping facilities located in the Columbus, Ohio, area. Additional facilities are located in New York and Kettering, Ohio.

Our distribution and shipping facilities consist of eight buildings located in the Columbus, Ohio, area. These buildings, including attached office space, comprise approximately 6.9 million square feet.

As of February 1, 2020, we operate 2,690 retail stores located in leased facilities, primarily in malls and shopping centers, throughout the U.S. A substantial portion of these lease commitments consists of store leases generally with an initial term of 10 years. The store leases expire at various dates between 2020 and 2033.

Typically, when space is leased for a retail store in a mall or shopping center, we supply all improvements, including interior walls, floors, ceilings, fixtures and decorations. The cost of improvements varies widely, depending on the design, size and location of the store. In certain cases, the landlord of the property may provide an allowance to fund all or a portion of the cost of improvements, serving as a lease incentive. Rental terms for new locations usually include a fixed minimum rent plus a percentage of sales in excess of a specified amount. We usually pay certain operating costs such as common area maintenance, utilities, insurance and taxes. For additional information, see Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

International

Canada

We lease offices in the Montreal, Quebec, and Toronto, Ontario, areas.

As of February 1, 2020, we operate 140 retail stores located in leased facilities, primarily in malls and shopping centers, throughout the Canadian provinces. These lease commitments consist of store leases with initial terms of 5 to 10 years expiring on various dates between 2020 and 2030.

United Kingdom / Ireland

As of February 1, 2020, we operate 26 retail stores in leased facilities in the U.K. and Ireland. These lease commitments consist of store leases with initial terms ranging from 10 to 35 years expiring on various dates between 2021 and 2045.

Greater China

We lease offices in Shanghai, Shenzhen and Hong Kong within Greater China.

As of February 1, 2020, we operate 64 retail stores in leased facilities in Greater China. These lease commitments consist of store leases with initial terms ranging from 3 to 15 years expiring on various dates between 2020 and 2032.

Other International

As of February 1, 2020, we also have global representation through stores operated by our partners:

- 360 Victoria's Secret Beauty and Accessories stores in 68 countries;
- 278 Bath & Body Works stores in more than 30 countries;
- 72 Victoria's Secret stores in 28 countries; and
- 12 PINK stores in 5 countries.

We also operate sourcing-related office facilities in various international locations.

ITEM 3. 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 condition and cash flows.

In July 2019, a plaintiff shareholder filed a putative class action complaint in the U.S. District Court for the Southern District of Ohio alleging that we made false and/or misleading statements relating to the November 2018 announcement that we were

reducing our quarterly dividend. In September 2019, a different plaintiff shareholder filed a second putative class action complaint in the U.S. District Court for the Southern District of Ohio containing substantially the same allegations and seeking substantially the same relief. In October 2019, the Court issued an order consolidating the two putative class actions, appointing a lead plaintiff, and approving that lead plaintiff's selection of lead counsel. The lead plaintiff filed a consolidated amended complaint on December 20, 2019 that asserted substantially the same allegations and sought substantially the same relief as the initial complaint. We filed a motion to dismiss the consolidated amended complaint on February 18, 2020. The lead plaintiff must file any opposition to our motion to dismiss no later than May 4, 2020. Our reply brief in further support of our motion to dismiss is due on June 3, 2020. We view this lawsuit as meritless and intend to defend against this lawsuit vigorously.

On February 19, 2020, a plaintiff shareholder filed a complaint in the U.S. District Court for the Southern District of Ohio alleging derivative claims on behalf of L Brands, Inc. against certain current and former directors and officers of L Brands, Inc. We were named as nominal defendant. The lawsuit asserts claims for breach of fiduciary duty, corporate waste and unjust enrichment in connection with alleged misstatements about our quarterly dividend prior to the announced reduction of the dividend in November 2018. We intend to seek dismissal of the lawsuit.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock ("LB") is traded on the NYSE. As of February 1, 2020, there were approximately 34,000 shareholders of record. However, including active associates who participate in our stock purchase plan, associates who own shares through our sponsored retirement plans and others holding shares in broker accounts under street names, we estimate the shareholder base to be approximately 138,000.

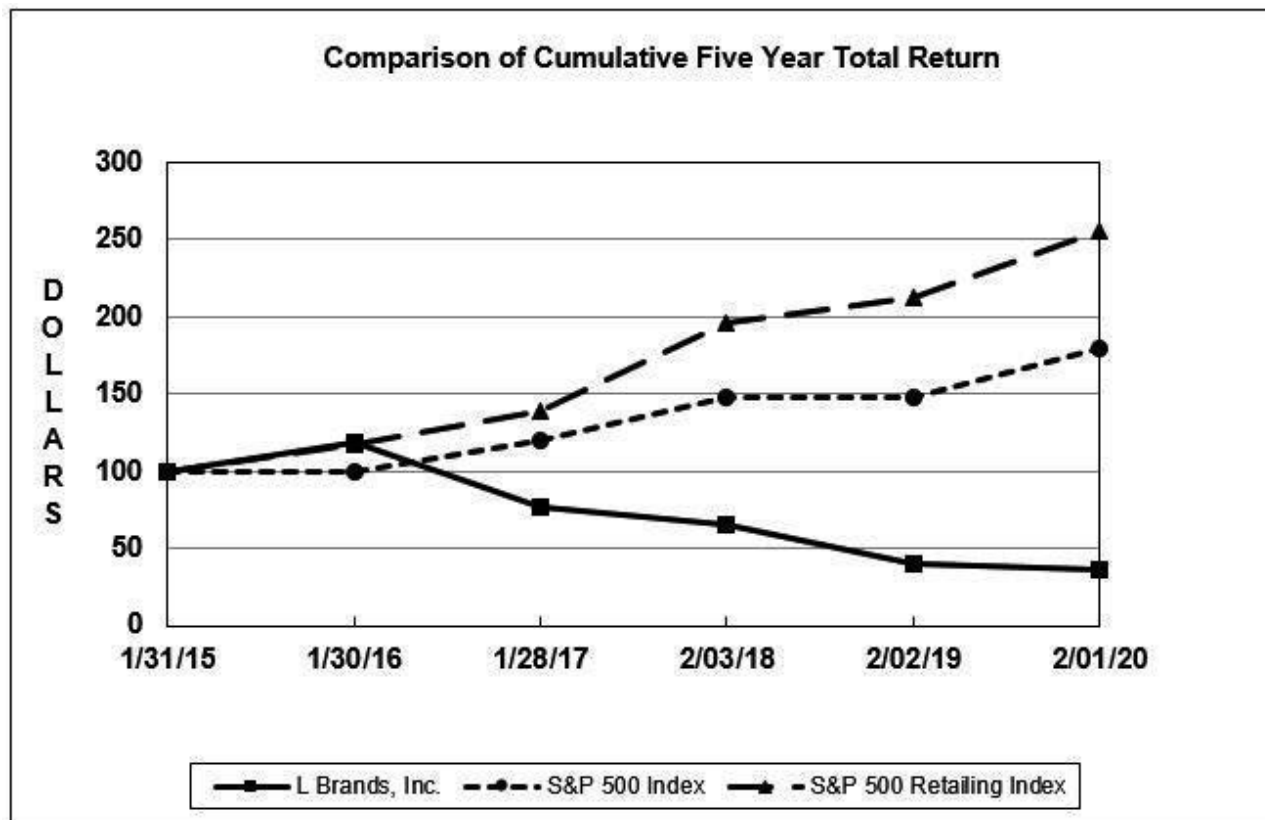
The following table provides our quarterly market prices and cash dividends per share for 2019 and 2018:

	Market Price		Cash Dividend per Share
	High	Low	
2019			
Fourth quarter	\$ 23.63	\$ 15.80	\$ 0.30
Third quarter	24.09	15.82	0.30
Second quarter	28.02	21.45	0.30
First quarter	29.02	24.73	0.30
2018			
Fourth quarter	\$ 38.00	\$ 23.71	\$ 0.60
Third quarter	33.97	25.89	0.60
Second quarter	38.14	30.42	0.60
First quarter	51.13	33.88	0.60

In February 2020, our Board of Directors declared our first quarter of 2020 dividend of \$0.30 per share. This dividend was distributed on March 6, 2020 to shareholders of record at the close of business on February 21, 2020.

The following graph shows the changes, over the past five-year period, in the value of \$100 invested in our common stock, the Standard & Poor's ("S&P") 500 Composite Stock Price Index and the Standard & Poor's 500 Retail Composite Index.

**COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN (a) (b) (c)
AMONG L BRANDS, INC., THE S&P 500 INDEX AND THE S&P 500 RETAIL COMPOSITE INDEX**



- (a) This table represents \$100 invested in stock or in index at the closing price on January 31, 2015, including reinvestment of dividends.
- (b) The January 28, 2017 cumulative total return includes the \$2 special dividend in March 2016.
- (c) The January 30, 2016 cumulative total return includes the \$2 special dividend in March 2015.

The following table provides our repurchases of our common stock during the fourth quarter of 2019:

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 Dollar Value of Shares that May Yet be Purchased Under the Programs (c)
	(in thousands)		(in thousands)	
November 2019	20	\$ 17.17	—	\$ 78,677
December 2019	5	18.26	—	78,677
January 2020	8	22.91	—	78,677
Total	<u>33</u>		<u>—</u>	

- (a) The total number of shares repurchased includes shares repurchased in connection with tax payments due upon vesting of employee restricted stock awards and the use of our stock to pay the exercise price on employee stock options.
- (b) The average price paid per share includes any broker commissions.
- (c) For additional share repurchase program information, see Note 19 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

ITEM 6. SELECTED FINANCIAL DATA.

	Fiscal Year Ended				
	February 1, 2020	February 2, 2019	February 3, 2018 (a)	January 28, 2017	January 30, 2016
Summary of Operations					
	(in millions)				
Net Sales	\$ 12,914	\$ 13,237	\$ 12,632	\$ 12,574	\$ 12,154
Gross Profit	4,450	4,899	4,959	5,125	5,204
Operating Income (b)	258	1,237	1,728	2,003	2,192
Net Income (Loss) (c)	(366)	644	983	1,158	1,253
	(as a percentage of net sales)				
Gross Profit	34.5%	37.0%	39.3%	40.8%	42.8%
Operating Income	2.0%	9.3%	13.7%	15.9%	18.0%
Net Income (Loss)	(2.8%)	4.9%	7.8%	9.2%	10.3%
Per Share Results					
Net Income (Loss) Per Basic Share	\$ (1.33)	\$ 2.33	\$ 3.46	\$ 4.04	\$ 4.30
Net Income (Loss) Per Diluted Share	\$ (1.33)	\$ 2.31	\$ 3.42	\$ 3.98	\$ 4.22
Dividends Per Share	\$ 1.20	\$ 2.40	\$ 2.40	\$ 4.40	\$ 4.00
Weighted Average Diluted Shares Outstanding (in millions)	276	279	287	291	297
Other Financial Information					
	(in millions)				
Cash and Cash Equivalents	\$ 1,499	\$ 1,413	\$ 1,515	\$ 1,934	\$ 2,548
Total Assets (d)	10,125	8,090	8,149	8,170	8,493
Working Capital (d)	873	1,274	1,262	1,451	2,281
Net Cash Provided by Operating Activities	1,236	1,377	1,406	1,990	2,027
Capital Expenditures	458	629	707	990	727
Long-term Debt	5,487	5,739	5,707	5,700	5,715
Other Long-term Liabilities (d)	490	1,004	924	831	904
Shareholders' Equity (Deficit)	(1,499)	(869)	(753)	(729)	(259)
Comparable Sales Increase (Decrease) (e)	(1%)	3%	(3%)	2%	5%
Comparable Store Sales Increase (Decrease) (e)	(3%)	(1%)	(4%)	1%	5%
Return on Average Assets (d)	(4%)	8%	12%	14%	16%
Current Ratio (d)	1.4	1.6	1.6	1.7	2.2
Stores and Associates at End of Year					
Number of Stores (f)	2,920	2,943	3,075	3,074	3,005
Selling Square Feet (in thousands) (f)	12,258	12,396	12,656	12,395	11,902
Number of Associates	94,400	88,900	93,200	93,600	87,900

(a) The fiscal year ended February 3, 2018 ("2017") represents a 53-week fiscal year.

(b) Operating income includes the effect of the following special items:

- (i) In 2019, a \$720 million impairment charge related to Victoria's Secret goodwill and a \$253 million charge related to the impairment of certain Victoria's Secret long-lived store assets.
- (ii) In 2018, a \$99 million loss on the sale of La Senza, an \$81 million charge related to the impairment of certain Victoria's Secret long-lived store assets and \$20 million of Henri Bendel closure costs.

- (iii) In 2016, a \$35 million charge related to strategic actions at Victoria's Secret, including severance charges, fabric cancellations and the write-off of catalogue paper.
- (c) In addition to the special items previously discussed in (b), net income (loss) includes the effect of the following special items:
 - (i) In 2019, a \$30 million loss associated with the early extinguishment of notes maturing between 2020 and 2022, and \$28 million of charges to increase reserves related to ongoing contingent obligations for the La Senza business.
 - (ii) In 2017, a \$92 million tax benefit related to changes in U.S. tax legislation partially offset by a \$29 million loss associated with the early extinguishment of our 2019 Notes.
 - (iii) In 2016, a \$70 million gain related to a \$124 million cash distribution from Easton Town Center, LLC, a \$42 million tax benefit related to the favorable resolution of a discrete income tax matter, partially offset by a \$22 million loss associated with the early extinguishment of our 2017 Notes.
 - (iv) In 2015, a \$69 million gain related to the divestiture of our remaining ownership interest in our third-party apparel sourcing business.

For additional information on these special items, see the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

The effect of the special items described in (b) and (c) above decreased earnings per share by \$3.62 and \$0.51 in 2019 and 2018, respectively, and increased earnings per share by \$0.22 in 2017, and \$0.23 in 2016 and 2015.

- (d) The 2019 amounts reflect our adoption of Accounting Standards Codification ("ASC") 842, *Leases*, in the first quarter of 2019.
- (e) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. A store is typically included in the calculation of comparable sales when it has been open 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales is calculated on a comparable calendar period as opposed to a fiscal basis. Therefore, the percentage change in comparable sales for 2019, 2018, 2016, and 2015 were calculated on a 52-to-52-week basis, and the percentage change in comparable sales for 2017 was calculated on a 53-to-53-week basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.
- (f) Number of stores and selling square feet excludes independently owned Victoria's Secret Beauty and Accessories, Victoria's Secret, PINK, Bath & Body Works and La Senza stores operated by our partners.

ITEM 7. 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 Accounting Standards Codification. The following information should be read in conjunction with our financial statements and the related notes included in Item 8. Financial Statements and Supplementary Data.

Our operating results are generally impacted by economic changes and, therefore, we monitor the retail environment using, among other things, certain key industry performance indicators including competitor performance and mall traffic data. These can provide insight into consumer spending patterns and shopping behavior in the current retail environment and assist us in assessing our performance as well as the potential impact of industry trends on our future operating results. Additionally, we evaluate a number of key performance indicators including comparable sales, gross profit, operating income and other performance metrics such as sales per average selling square foot and inventory per selling square foot in assessing our performance.

Executive Overview

Beginning in 2018, we began making significant changes in our business to focus resources on core categories to enhance performance and accelerate growth. In 2018, these actions included:

- Closing Henri Bendel;

- Selling the La Senza business; and
- Reducing our regular dividend.

Further, on February 20, 2020, we announced the sale of 55% of the Victoria's Secret business to Sycamore for proceeds of approximately \$525 million. The transaction is designed to best position our brands for long-term success and drive shareholder value, and we believe this transaction will highlight the value and performance of the standalone Bath & Body Works business, enhance management focus and reduce structural complexity.

We have a multi-year goal to grow Bath & Body Works and increase operating margins by focusing on these key business priorities:

- Grow our business in North America;
- Extend our brand internationally; and
- Focus on the fundamentals of our business.

We also continue to focus on:

- Attracting and retaining top talent;
- Maintaining a strong cash and liquidity position while optimizing our capital structure; and
- Returning value to our shareholders.

The following is a discussion regarding certain of our key business priorities:

Grow our business in North America

The core assortment of Bath & Body Works is body care, home fragrance products, soaps and sanitizers, which together make up the majority of sales and profits for the business. We see clear opportunities for substantial growth in these categories by focusing on product newness and innovation and expanding into under-penetrated market and price segments. We will continue to invest in the White Barn concept, which continues to yield strong results. In 2020, we plan to increase our square footage at Bath & Body Works North America through the opening of new Bath & Body Works stores, substantially in off-mall locations, and the remodeling of existing stores.

Our Bath & Body Works direct business, with over \$950 million in sales and an operating margin in excess of 20%, grew sales by 32% over last year. We continue to invest in direct channel fulfillment to further accelerate growth.

Extend our brand internationally

We believe there is substantial opportunity for international growth. We have a separate, dedicated team that has taken a methodical, "test and learn" approach to expansion. We plan to expand our presence outside of North America by increasing the number of stores operated by our international partners. Our partners opened 43 net new Bath & Body Works stores in 2019, bringing the total in the Middle East, Latin America, Southeast Asia and Europe to 278 stores. Our partners plan to open additional stores in 2020.

Focus on the fundamentals of our business

We are focused on the fundamentals of our business which include knowing our customers, focusing on core merchandise categories, inventory management, speed and agility, managing real estate and store selling and execution. In terms of speed and agility, we are focused on inventory discipline through lead-time reductions and in-season agility to increase sales and reduce promotional activity. In terms of real estate, we will continue to proactively and rigorously review our portfolio, and we will continue to open and close stores when we believe it makes sense to do so. Finally, we continue to optimize our store selling and execution by concentrating on a better store experience and developing, retaining and investing in talented, trained and productive store associates.

2019 Overview

L Brands' overall financial performance in 2019 was below our expectations. Operating income declined as growth at Bath & Body Works was more than offset by declines at Victoria's Secret. Our net sales decreased \$323 million to \$12.914 billion primarily driven by Victoria's Secret and the sale of La Senza and closure of Henri Bendel in the fourth quarter of 2018. Our operating income decreased \$979 million to \$258 million, primarily due to Victoria's Secret underperformance, and goodwill and long-lived store asset impairment charges. Our operating income rate decreased to 2.0% from 9.3%.

At Bath & Body Works, an aligned, experienced leadership team and strong customer response to our merchandise assortments, driven by a close connection to our customer and a fast and agile supply chain, resulted in another record year, on top of a record 2018. In 2019, Bath & Body Works' comparable sales increased 10% and operating income increased 11%. Sales in the digital

channel increased 32%. We ended the year with more than 800 newly remodeled stores, which include the White Barn store design. These stores present a new, compelling store experience for the brand and customers alike, driving sales growth.

Victoria's Secret underperformed in 2019. Reduced traffic resulted in increased promotion that negatively impacted margin rates. Victoria's Secret segment comparable sales declined 7% for the year, and operating income declined to a loss of \$616 million, due to a \$690 million goodwill impairment charge and sales and margin underperformance.

In Victoria's Secret Lingerie, comparable sales declined in the high-single digit range in 2019, and the merchandise margin rate declined significantly. In the fourth quarter, we continued to pull back on promotional activity in bras, and while sales were down significantly, the merchandise margin rate was up. Sleepwear performance was below our expectations, with sales and merchandise margin rate down significantly to last year.

PINK comparable sales declined in the low-double digit range in 2019, and the merchandise margin rate declined significantly. Growth in bras and panties was more than offset by a decline in apparel, particularly in tops.

Victoria's Secret Beauty had a good year and a solid holiday performance, with positive low-single digit comparable sales and an improvement in the merchandise margin rate.

Outside North America, we opened 59 net new stores in 2019, ending the year with 812 stores. Revenue in our international segment was about flat in 2019 compared to last year, and the operating loss increased by \$199 million, primarily driven by store asset and goodwill impairment charges in Greater China.

For additional information related to our 2019 financial performance, see "Results of Operations – 2019 Compared to 2018."

We are committed to returning value to our shareholders. During 2019, we paid \$332 million in dividends. We use cash flow generated from operating and financing activities to fund our dividends and share repurchase programs. Since 2000, we have returned approximately \$21 billion to shareholders through dividends and share repurchases.

Adjusted Financial Information

In addition to our results provided in accordance with GAAP above and throughout this Form 10-K, provided below are non-GAAP measurements which present operating income, net income and earnings per share in 2019, 2018 and 2017 on an adjusted basis, which remove certain special items. We believe that these special items are not indicative of our ongoing operations due to their size and nature. We use adjusted financial information as key performance measures of results of operations for the purpose of evaluating performance internally. These non-GAAP measurements are not intended to replace the presentation of our financial results in accordance with GAAP. Instead, we believe that the presentation of adjusted financial information provides additional information to investors to facilitate the comparison of past and present operations. Further, our definition of adjusted financial information may differ from similarly titled measures used by other companies. The table below reconciles the GAAP financial measures to the non-GAAP financial measures.

(in millions, except per share amounts)	2019	2018	2017
<u>Detail of Special Items included in Operating Income</u>			
Impairment of Goodwill (a)	\$ (720)	\$ —	\$ —
Victoria's Secret Long-lived Store Asset Impairment (b)	(253)	(81)	—
Loss on Divestiture of La Senza (c)	—	(99)	—
Henri Bendel Closure Costs (d)	—	(20)	—
Total Special Items included in Operating Income	<u>\$ (973)</u>	<u>\$ (200)</u>	<u>\$ —</u>
<u>Detail of Special Items included in Other Income (Loss)</u>			
La Senza Charges (e)	(37)	—	—
Loss on Extinguishment of Debt (f)	(40)	—	(45)
Total Special Items included in Other Income (Loss)	<u>\$ (77)</u>	<u>\$ —</u>	<u>\$ (45)</u>
<u>Detail of Special Items included in Provision for Income Taxes</u>			
Tax Benefit related to Changes in U.S. Tax Legislation (g)	\$ —	\$ —	\$ 92
Tax Effect of Special Items included in Operating Income and Other Income (Loss)	46	58	16
Total Special Items included in Provision for Income Taxes	<u>\$ 46</u>	<u>\$ 58</u>	<u>\$ 108</u>
<u>Reconciliation of Reported Operating Income to Adjusted Operating Income</u>			
Reported Operating Income	\$ 258	\$ 1,237	\$ 1,728
Special Items included in Operating Income	973	200	—
Adjusted Operating Income	<u>\$ 1,231</u>	<u>\$ 1,437</u>	<u>\$ 1,728</u>
<u>Reconciliation of Reported Net Income (Loss) to Adjusted Net Income</u>			
Reported Net Income (Loss)	\$ (366)	\$ 644	\$ 983
Special Items included in Net Income (Loss)	1,004	142	(63)
Adjusted Net Income	<u>\$ 638</u>	<u>\$ 786</u>	<u>\$ 920</u>
<u>Reconciliation of Reported Earnings (Loss) Per Diluted Share to Adjusted Earnings Per Diluted Share</u>			
Reported Earnings (Loss) Per Diluted Share	\$ (1.33)	\$ 2.31	\$ 3.42
Special Items included in Earnings (Loss) Per Diluted Share	3.62	0.51	(0.22)
Adjusted Earnings Per Diluted Share	<u>\$ 2.29</u>	<u>\$ 2.82</u>	<u>\$ 3.20</u>

- (a) In the fourth quarter of 2019, we recognized a \$690 million pre-tax goodwill impairment charge (\$687 million after-tax) related to the Victoria's Secret segment. In the third quarter of 2019, we recognized a \$30 million goodwill impairment charge (no tax impact) related to the Victoria's Secret and Bath & Body Works International segment. For additional information see Note 9, "Goodwill and Trade Names" included in Item 8. Financial Statements and Supplementary Data.

- (b) In the fourth quarter of 2019, we recognized a \$35 million pre-tax impairment charge (\$30 million after-tax) related to Victoria's Secret long-lived store assets. In the third quarter of 2019, we recognized a \$218 million pre-tax impairment charge (\$200 million after-tax) related to Victoria's Secret long-lived store assets. In the third quarter of 2018, we recognized an \$81 million pre-tax impairment charge (\$73 million after-tax) related to Victoria's Secret long-lived store assets. For additional information see Note 7, "Property and Equipment, Net" included in Item 8. Financial Statements and Supplementary Data.
- (c) In the fourth quarter of 2018, we recognized a \$99 million (\$55 million after-tax) loss on the sale of La Senza. For additional information see Note 5, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.
- (d) In the third quarter of 2018, we recognized \$20 million (\$15 million after-tax) of closure costs related to the closure of the Henri Bendel business. For additional information see Note 5, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.
- (e) In the third quarter of 2019, we recognized \$37 million of pre-tax charges (\$28 million after-tax) to increase reserves related to ongoing contingent obligations for the La Senza business, which was sold in the fourth quarter of 2018. For additional information see Note 17, "Commitments and Contingencies" included in Item 8. Financial Statements and Supplementary Data.
- (f) In the second quarter of 2019, we redeemed \$764 million of outstanding notes maturing between 2020 and 2022, resulting in a pre-tax loss on extinguishment of \$40 million (after-tax loss of \$30 million). In the fourth quarter of 2017, we redeemed our \$500 million 8.50% Senior Unsecured Notes due June 2019 resulting in a pre-tax loss on extinguishment of \$45 million (after-tax loss of \$29 million). For additional information see Note 13, "Long-term Debt and Borrowing Facilities" included in Item 8. Financial Statements and Supplementary Data.
- (g) In the fourth quarter of 2017, we recorded a \$92 million tax benefit related to changes in U.S. tax legislation. For additional information see Note 12, "Income Taxes" included in Item 8. Financial Statements and Supplementary Data.

2020 Outlook

On February 20, 2020, we announced the sale of 55% of the Victoria's Secret business to Sycamore for proceeds of approximately \$525 million. The transaction is the result of a comprehensive review of a broad range of options undertaken by our Board of Directors, with input from outside financial advisors, designed to best position our brands for long-term success and drive shareholder value. We believe this transaction will highlight the value and performance of the standalone Bath & Body Works business, enhance management focus and reduce structural complexity.

Additionally, we believe that a private entity structure creates the best environment for a Victoria's Secret turnaround. We believe that Sycamore, which has substantial experience in the retail industry, will bring a new perspective and greater focus to the business. We are pleased that, by retaining a significant ownership stake, our shareholders will have the ability to meaningfully participate in the upside potential of this iconic brand.

Over the next several months, we will be reviewing the functional and corporate support required for the standalone Bath & Body Works business, with a view to simplify our existing structure, while recognizing that we will still be supporting the Victoria's Secret businesses through a Transition Services Agreement with various terms for different services, which will minimize near-term dissynergies.

The management team, in conjunction with our Board, will also be evaluating the capital structure and cash priorities for the standalone Bath & Body Works business.

Upon the Closing, which is expected to occur in the second quarter, Leslie H. Wexner will step down as Chief Executive Officer and Chairman of the Board to become Chairman Emeritus, remaining as a member of the Board. Andrew Meslow, Chief Executive Officer of Bath & Body Works, will be appointed by the Board as the Chief Executive Officer of L Brands, Inc. and as a director of L Brands, Inc., effective upon the Closing. Sarah E. Nash, a member of the Board, will be appointed as the Chair of the Board effective upon the Closing.

The global retail sector and our business continue to face an uncertain environment and, as a result, we will continue to manage our business thoughtfully, and we will focus on the execution of the retail fundamentals.

At the same time, we are aggressively focusing on bringing compelling merchandise assortments, marketing and store and online experiences to our customers. We will look for, and seek to capitalize on, those opportunities available to us.

We are closely monitoring the outbreak of respiratory illness caused by a novel coronavirus that was first detected in Wuhan, China and has since spread globally. The coronavirus has been declared by the World Health Organization to be a "pandemic," has spread to many countries, including the U.S., and is impacting worldwide economic activity. A public health epidemic, including the coronavirus, poses the risk that we or our employees, contractors, suppliers, and other business partners may be prevented from conducting business activities for an unknown period of time. Related industries in the U.S. and across the

world may be adversely affected, including manufacturing and textile production. The situation and preventative or protective actions that governments around the world have taken to contain the spread of the coronavirus have resulted in a period of disruption, including closure of stores where our products are sold, limited store operating hours, reduced customer traffic and consumer spending, labor shortages and delays in manufacturing and shipping of products and raw materials in the U.S., China and other countries. To the extent the impact of the coronavirus continues or worsens, we may have difficulty obtaining the materials necessary for the manufacturing of our products, factories which produce our products may remain closed for sustained periods of time, and industry-wide shipment of products may be negatively impacted. Further, if the impact of the coronavirus continues or worsens, consumer behavior may be altered for an extended period of time which would impact our cash and liquidity and financial condition. The coronavirus and resulting economic disruption has also led to significant volatility in the capital markets and may adversely impact our stock price and ability to access cash. Any one adverse effect of the coronavirus, or a combination of adverse effects, could materially impact our results and financial condition.

These recent developments could have a material adverse effect on our results of operations, financial condition and cash flows. Additional information on this risk and other uncertainties and factors, is set forth in Item 1A. Risk Factors.

Company-Owned Store Data

The following table compares 2019 company-owned store data to the comparable periods for 2018 and 2017:

	2019	2018	2017	% Change	
				2019	2018
Sales per Average Selling Square Foot (a)					
Victoria's Secret U.S.	\$ 684	\$ 739	\$ 784	(7%)	(6%)
Bath & Body Works U.S.	931	891	844	4%	6%
Sales per Average Store (in thousands) (a)					
Victoria's Secret U.S.	\$ 4,455	\$ 4,763	\$ 5,003	(6%)	(5%)
Bath & Body Works U.S.	2,428	2,279	2,107	7%	8%
Average Store Size (selling square feet)					
Victoria's Secret U.S.	6,551	6,484	6,415	1%	1%
Bath & Body Works U.S.	2,631	2,585	2,532	2%	2%
Total Selling Square Feet (in thousands)					
Victoria's Secret U.S.	6,898	7,119	7,210	(3%)	(1%)
Bath & Body Works U.S.	4,306	4,185	4,032	3%	4%

- (a) Sales per average selling square foot and sales per average store, which are indicators of store productivity, are calculated based on store sales for the period divided by the average, including the beginning and end of year, of total square footage and store count, respectively.

The following table represents company-owned store data for 2019:

	Stores Operating at			Stores Operating at
	February 2, 2019	Opened	Closed	
Victoria's Secret U.S.	1,098	7	(52)	1,053
Victoria's Secret Canada	45	—	(7)	38
Total Victoria's Secret	1,143	7	(59)	1,091
Bath & Body Works U.S.	1,619	38	(20)	1,637
Bath & Body Works Canada	102	1	(1)	102
Total Bath & Body Works	1,721	39	(21)	1,739
Victoria's Secret U.K. / Ireland	26	—	—	26
Victoria's Secret Beauty and Accessories	38	10	(7)	41
Victoria's Secret Greater China	15	8	—	23
Total Victoria's Secret and Bath & Body Works International	79	18	(7)	90
Total L Brands Stores	2,943	64	(87)	2,920

The following table represents company-owned store data for 2018:

	Stores Operating at February 3, 2018	Opened	Closed	Sold (a)	Stores Operating at February 2, 2019
Victoria's Secret U.S.	1,124	3	(29)	—	1,098
Victoria's Secret Canada	46	—	(1)	—	45
Total Victoria's Secret	1,170	3	(30)	—	1,143
Bath & Body Works U.S.	1,592	54	(27)	—	1,619
Bath & Body Works Canada	102	1	(1)	—	102
Total Bath & Body Works	1,694	55	(28)	—	1,721
Victoria's Secret U.K. / Ireland	24	2	—	—	26
Victoria's Secret Beauty and Accessories	29	13	(4)	—	38
Victoria's Secret Greater China	7	8	—	—	15
Total Victoria's Secret and Bath & Body Works International	60	23	(4)	—	79
Henri Bendel	27	—	(27)	—	—
La Senza U.S.	5	7	—	(12)	—
La Senza Canada	119	—	(1)	(118)	—
Total L Brands Stores	3,075	88	(90)	(130)	2,943

(a) Relates to the divestiture of La Senza. For additional information see Note 5, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.

The following table represents company-owned store data for 2017:

	Stores Operating at January 28, 2017	Opened	Closed	Stores Operating at February 3, 2018
Victoria's Secret U.S.	1,131	13	(20)	1,124
Victoria's Secret Canada	46	2	(2)	46
Total Victoria's Secret	1,177	15	(22)	1,170
Bath & Body Works U.S.	1,591	32	(31)	1,592
Bath & Body Works Canada	102	—	—	102
Total Bath & Body Works	1,693	32	(31)	1,694
Victoria's Secret U.K. / Ireland	18	6	—	24
Victoria's Secret Beauty and Accessories	31	4	(6)	29
Victoria's Secret Greater China	—	7	—	7
Total Victoria's Secret and Bath & Body Works International	49	17	(6)	60
Henri Bendel	29	—	(2)	27
La Senza U.S.	4	1	—	5
La Senza Canada	122	1	(4)	119
Total L Brands Stores	3,074	66	(65)	3,075

Noncompany-Owned Store Data

The following table represents noncompany-owned store data for 2019:

	Stores Operating at February 2, 2019	Opened	Closed	Stores Operating at February 1, 2020
Victoria's Secret Beauty & Accessories	383	24	(47)	360
Victoria's Secret	56	28	—	84
Bath & Body Works	235	47	(4)	278
Total	674	99	(51)	722

The following table represents noncompany-owned store data for 2018:

	Stores Operating at February 3, 2018	Opened	Closed	Sold (a)	Stores Operating at February 2, 2019
Victoria's Secret Beauty & Accessories	397	32	(46)	—	383
Victoria's Secret	37	19	—	—	56
Bath & Body Works	185	56	(6)	—	235
La Senza	194	2	(17)	(179)	—
Total	813	109	(69)	(179)	674

(a) Relates to the divestiture of La Senza. For additional information see Note 5, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.

The following table represents noncompany-owned store data for 2017:

	Stores Operating at January 28, 2017	Opened	Closed	Stores Operating at February 3, 2018
Victoria's Secret Beauty & Accessories	391	34	(28)	397
Victoria's Secret	28	9	—	37
Bath & Body Works	159	28	(2)	185
La Senza	203	4	(13)	194
Total	781	75	(43)	813

Results of Operations—2019 Compared to 2018

The following information summarizes our results of operations for 2019 compared to 2018.

Operating Income (Loss)

The following table provides our segment operating income (loss) and operating income (loss) rates (expressed as a percentage of net sales) for 2019 in comparison to 2018:

			Operating Income (Loss) Rate	
			2019	2018
	2019	2018	2019	2018
	(in millions)			
Victoria's Secret	\$ (616)	\$ 462	(9.1%)	6.3%
Bath & Body Works	1,191	1,077	23.0%	23.3%
Victoria's Secret and Bath & Body Works International	(236)	(37)	(39.3%)	(6.2%)
Other (a)	(81)	(265)	(23.9%)	(42.5%)
Total Operating Income	\$ 258	\$ 1,237	2.0%	9.3%

(a) Includes sourcing and corporate functions. Results for 2018 also include Henri Bendel and La Senza.

For 2019, operating income decreased \$979 million to \$258 million, and the operating income rate decreased to 2.0% from 9.3%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for 2019 in comparison to 2018:

	2019	2018	% Change
	(in millions)		
Victoria's Secret Stores (a)	\$ 5,112	\$ 5,628	(9%)
Victoria's Secret Direct	1,693	1,747	(3%)
Total Victoria's Secret	6,805	7,375	(8%)
Bath & Body Works Stores (a)	4,212	3,907	8%
Bath & Body Works Direct	958	724	32%
Total Bath & Body Works	5,170	4,631	12%
Victoria's Secret and Bath & Body Works International (b)	600	605	(1%)
Other (c)	339	626	(46%)
Total Net Sales	\$ 12,914	\$ 13,237	(2%)

- (a) Includes company-owned stores in the U.S. and Canada.
- (b) Includes company-owned stores in the U.K., Ireland and Greater China, direct sales in Greater China and wholesale sales, royalties and other fees associated with non-company owned stores.
- (c) Includes wholesale revenues from our sourcing function. Results for 2018 also include store and direct sales for Henri Bendel and La Senza.

The following table provides a reconciliation of net sales for 2018 to 2019:

	Victoria's Secret	Bath & Body Works	Victoria's Secret and Bath & Body Works International	Other	Total
2018 Net Sales	\$ 7,375	\$ 4,631	\$ 605	\$ 626	\$ 13,237
Comparable Store Sales	(461)	190	(46)	—	(317)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	(55)	117	51	—	113
Divested/Closed Businesses	—	—	—	(316)	(316)
Foreign Currency Translation	(3)	(2)	(12)	—	(17)
Direct Channels	(57)	234	1	—	178
Private Label Credit Card	6	—	—	—	6
International Wholesale, Royalty and Other	—	—	1	29	30
2019 Net Sales	\$ 6,805	\$ 5,170	\$ 600	\$ 339	\$ 12,914

The following table compares 2019 comparable sales to 2018:

	2019	2018
Comparable Sales (Stores and Direct) (a)		
Victoria's Secret (b)	(7%)	(2%)
Bath & Body Works (b)	10%	11%
Total Comparable Sales	(1%)	3%
Comparable Store Sales (a)		
Victoria's Secret (b)	(9%)	(6%)
Bath & Body Works (b)	5%	8%
Total Comparable Store Sales	(3%)	(1%)

- (a) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. The change in comparable sales provides an indication of period over period growth (decline). A store is typically included in the calculation of comparable sales when it has been open 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales is calculated on a comparable calendar period as opposed to a fiscal basis. Therefore, the percentage change in comparable sales for 2019 and 2018 was calculated on a 52-to-52-week basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.
- (b) Includes company-owned stores in the U.S. and Canada.

The results by segment are as follows:

Victoria's Secret

For 2019, net sales decreased \$570 million to \$6.805 billion; comparable sales decreased 7%; and comparable store sales decreased 9%. Victoria's Secret Lingerie comparable sales were down in the high-single digit range, primarily due to declines in bras and apparel, driven by merchandise performance. PINK comparable sales were down in the low-double digit range, primarily driven by declines in apparel, principally in tops, due to merchandise performance and the exit of the swim business. Victoria's Secret Beauty comparable sales increased in the low-single digit range, as growth in accessories and PINK beauty were partially offset by a decline in the lip business.

The decrease in comparable sales was driven by declines in store traffic, average unit retail and digital conversion.

Bath & Body Works

For 2019, net sales increased \$539 million to \$5.170 billion; comparable sales increased 10%; and comparable store sales increased 5%. Net sales increased in all of our main categories including home fragrance, body care and soaps and sanitizers, which incorporated newness, innovation and fashion.

The increase in comparable sales was driven by increases in store conversion and digital traffic.

Victoria's Secret and Bath & Body Works International

For 2019, net sales decreased \$5 million to \$600 million due to declines in the Victoria's Secret Travel Retail business and the negative impact of foreign currency in Greater China, partially offset by the increase from new company-owned Victoria's Secret stores in Greater China.

Other

For 2019, net sales decreased \$287 million to \$339 million primarily due to the sale of La Senza and closure of Henri Bendel in the fourth quarter of 2018.

Gross Profit

For 2019, our gross profit decreased \$449 million to \$4.450 billion, and our gross profit rate (expressed as a percentage of net sales) decreased to 34.5% from 37.0% primarily as a result of:

Victoria's Secret

For 2019, the gross profit decrease was primarily driven by lower merchandise margin dollars related to the decrease in net sales, partially offset by a reduction in long-lived store asset impairment charges, from \$70 million in 2018 to \$51 million in 2019.

The gross profit rate decrease was driven by a decline in the merchandise margin rate due to increased promotions to drive traffic and clear inventory, combined with buying and occupancy deleverage on lower net sales.

Bath & Body Works

For 2019, the gross profit increase was driven by higher merchandise margin dollars related to the increase in net sales, partially offset by higher occupancy expenses due to higher distribution and fulfillment expenses related to higher direct channel sales and investments in store real estate.

The gross profit rate decrease was driven by a decline in the merchandise margin rate due to increases in supply chain and sourcing costs and the sales mix shift into the direct business, which has a lower merchandise margin rate than the stores channel.

Victoria's Secret and Bath & Body Works International

For 2019, the gross profit decrease was primarily due to the increase in long-lived store asset impairment charges, related to stores in Greater China, the U.K. and Ireland, from \$31 million in 2018 to \$212 million in 2019.

The gross profit (loss) rate decrease was driven by the increase in long-lived store asset impairment charges.

General, Administrative and Store Operating Expenses

For 2019, our general, administrative and store operating expenses decreased \$91 million to \$3.472 billion due to the elimination of the La Senza and Henri Bendel businesses and lower marketing and store selling expenses at Victoria's Secret, partially offset by higher selling and marketing expenses related to higher sales volume at Bath & Body Works.

The general, administrative and store operating expense rate remained flat at 26.9% as the absence of the higher-rate La Senza and Henri Bendel businesses and declines in marketing and store selling expenses at Victoria's Secret were offset by deleverage on lower net sales.

Impairment of Goodwill

In 2019, our goodwill impairment assessments concluded that the carrying values of our Victoria's Secret and Greater China reporting units exceeded their fair values. Accordingly, we recognized pre-tax goodwill impairment charges of \$690 million and \$30 million in the Victoria's Secret and Victoria's Secret and Bath & Body Works International segments, respectively.

Loss on Divestiture of La Senza

In 2018, we recognized a pre-tax loss on the sale of La Senza of \$99 million related to the recognition of \$45 million of accumulated translation adjustments and the loss related to the transfer of the net working capital and long-lived store assets to the buyer.

Other Income (Loss) and Expenses

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for 2019 and 2018:

	2019	2018
Average daily borrowings (in millions)	\$ 5,725	\$ 5,853
Average borrowing rate (in percentages)	6.6%	6.6%

For 2019, our interest expense decreased \$7 million to \$378 million due to a lower average daily borrowings.

Other Income (Loss)

For 2019, our other income (loss) decreased \$66 million to a \$61 million loss due to a \$40 million pre-tax loss associated with the early extinguishment of \$764 million in outstanding notes maturing between 2020 and 2022 and \$37 million of charges to increase reserves related to ongoing contingent obligations for the La Senza business, which was sold in the fourth quarter of 2018.

Provision for Income Taxes

For 2019, our effective tax rate was (101.9%) compared to 24.9% in 2018. The 2019 rate varied from our combined estimated federal and state statutory rate primarily due to the Victoria's Secret goodwill impairment charges, which generated minimal tax benefit. The 2018 rate was lower than our combined estimated federal and state statutory rate primarily due to the tax effects of the divestiture of the La Senza business.

Results of Operations—Fourth Quarter of 2019 Compared to Fourth Quarter of 2018

The following information summarizes our results of operations for the fourth quarter of 2019 compared to the fourth quarter of 2018.

Operating Income

The following table provides our segment operating income (loss) and operating income (loss) rates (expressed as a percentage of net sales) for the fourth quarter of 2019 in comparison to the fourth quarter of 2018:

	Fourth Quarter		Operating Income (Loss) Rate	
	2019	2018	2019	2018
	(in millions)			
Victoria's Secret	\$ (543)	\$ 301	(23.9%)	11.9%
Bath & Body Works	661	607	30.4%	31.1%
Victoria's Secret and Bath & Body Works International	(15)	19	(8.6%)	9.8%
Other (a)	(21)	(127)	(25.8%)	(71.0%)
Total Operating Income	\$ 82	\$ 800	1.7%	16.5%

(a) Includes sourcing and corporate functions. Results for 2018 also include Henri Bendel and La Senza.

For the fourth quarter of 2019, operating income decreased \$718 million to \$82 million, and the operating income rate decreased to 1.7% from 16.5%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for the fourth quarter of 2019 in comparison to the fourth quarter of 2018:

Fourth Quarter	2019	2018	% Change
	(in millions)		
Victoria's Secret Stores (a)	\$ 1,649	\$ 1,849	(11%)
Victoria's Secret Direct	627	683	(8%)
Total Victoria's Secret	2,276	2,532	(10%)
Bath & Body Works Stores (a)	1,744	1,626	7%
Bath & Body Works Direct	431	325	33%
Total Bath & Body Works	2,175	1,951	11%
Victoria's Secret and Bath & Body Works International (b)	177	190	(7%)
Other (c)	79	179	(56%)
Total Net Sales	\$ 4,707	\$ 4,852	(3%)

(a) Includes company-owned stores in the U.S. and Canada.

(b) Includes company-owned stores in the U.K., Ireland and Greater China, direct sales in Greater China and wholesale sales, royalties and other fees associated with non-company owned stores.

(c) Includes wholesale revenues from our sourcing function. Results for 2018 also include store and direct sales for Henri Bendel and La Senza.

The following table provides a reconciliation of net sales for the fourth quarter of 2019 to the fourth quarter of 2018:

Fourth Quarter	Victoria's Secret	Bath & Body Works	Victoria's Secret and Bath & Body Works International (in millions)	Other	Total
2018 Net Sales	\$ 2,532	\$ 1,951	\$ 190	\$ 179	\$ 4,852
Comparable Store Sales	(180)	79	(18)	—	(119)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	(17)	38	5	—	26
Divested/Closed Businesses	—	—	—	(94)	(94)
Foreign Currency Translation	1	1	1	—	3
Direct Channels	(55)	106	(3)	—	48
Private Label Credit Card Income	(5)	—	—	—	(5)
International, Wholesale, Royalty and Other	—	—	2	(6)	(4)
2019 Net Sales	\$ 2,276	\$ 2,175	\$ 177	\$ 79	\$ 4,707

The following table compares fourth quarter of 2019 comparable sales to fourth quarter of 2018:

Fourth Quarter	2019	2018
Comparable Sales (Stores and Direct) (a)		
Victoria's Secret (b)	(10%)	(3%)
Bath & Body Works (b)	10%	12%
Total Comparable Sales	(2%)	3%
Comparable Store Sales (a)		
Victoria's Secret (b)	(10%)	(7%)
Bath & Body Works (b)	5%	8%
Total Comparable Store Sales	(4%)	(1%)

- (a) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. The change in comparable sales provides an indication of period over period growth (decline). A store is typically included in the calculation of comparable sales when it has been open 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales are calculated on a comparable calendar period as opposed to a fiscal basis. Therefore, the percentage change in comparable sales for 2019 and 2018 was calculated on a 13-to-13-week basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.
- (b) Includes company-owned stores in the U.S. and Canada.

The results by segment are as follows:

Victoria's Secret

For the fourth quarter of 2019, net sales decreased \$256 million to \$2.276 billion; comparable sales decreased 10%; and comparable store sales decreased 10%. Victoria's Secret Lingerie comparable sales were down in the mid-teens as we continued to pull back promotional activity in bras, and due to merchandise performance in sleepwear. PINK comparable sales were down in the mid-teens driven by declines in apparel, principally in tops, due to merchandise performance. PINK lingerie sales were about flat to last year. Victoria's Secret Beauty comparable sales increased in the low-single digit range due to growth in prestige fragrance, driven by a strong launch of Bombshell Intense, and in PINK beauty and accessories.

The decrease in comparable sales was driven by declines in store traffic, average unit retail and digital conversion.

Bath & Body Works

For the fourth quarter of 2019, net sales increased \$224 million to \$2.175 billion; comparable sales increased 10%; and comparable store sales increased 5%. Net sales increased in all of our main categories including home fragrance, body care and soaps and sanitizers, which incorporated newness, innovation and fashion.

The increase in comparable sales was driven by increases in store conversion and digital traffic.

Victoria's Secret and Bath & Body Works International

For the fourth quarter of 2019, net sales decreased \$13 million to \$177 million, due to declines in the Victoria's Secret U.K. business, partially offset by the increase from new company-owned Victoria's Secret stores in Greater China.

Other

For the fourth quarter of 2019, net sales decreased \$100 million to \$79 million due to the sale of La Senza and closure of Henri Bendel in the fourth quarter of 2018.

Gross Profit

For the fourth quarter of 2019, our gross profit decreased \$174 million to \$1.794 billion, and our gross profit rate (expressed as a percentage of net sales) decreased to 38.1% from 40.6% primarily as a result of:

Victoria's Secret

For the fourth quarter of 2019, the gross profit decrease was driven primarily by lower merchandise margin dollars related to the decrease in net sales.

The gross profit rate decrease was driven by a decline in the merchandise margin rate due to increased promotions to drive traffic and clear inventory, combined with buying and occupancy deleverage on lower net sales.

Bath & Body Works

For the fourth quarter of 2019, the gross profit increase was driven by higher merchandise margin dollars related to the increase in net sales, partially offset by higher occupancy expenses due to higher distribution and fulfillment expenses related to higher direct channel sales and investments in store real estate.

The gross profit rate decrease was primarily driven by a decline in the merchandise margin rate due to increases in supply chain and sourcing costs and the sales mix shift into the direct business, which has a lower merchandise margin rate than the stores channel.

Victoria's Secret and Bath & Body Works International

For the fourth quarter of 2019, the gross profit decrease was primarily due to \$35 million in long-lived store asset impairment charges recognized in the fourth quarter of 2019, which was related to the operating lease asset of a store in Greater China.

The gross profit rate decrease was driven by the long-lived store asset impairment charges.

General, Administrative and Store Operating Expenses

For the fourth quarter of 2019, our general, administrative and store operating expenses decreased \$47 million to \$1.022 billion due to the elimination of the La Senza and Henri Bendel businesses and lower marketing and store selling expenses at Victoria's Secret, partially offset by higher selling and marketing expenses related to higher sales volume at Bath & Body Works.

The general, administrative and store operating expense rate decreased to 21.7% from 22.0% driven by the absence of the higher-rate La Senza and Henri Bendel businesses.

Impairment of Goodwill

In the fourth quarter of 2019, our annual goodwill impairment assessment concluded that the carrying value of the Victoria's Secret reporting unit exceeded its fair value. Accordingly, we recognized a pre-tax goodwill impairment charge of \$690 million in the Victoria's Secret segment.

Loss on Divestiture of La Senza

In the fourth quarter of 2018, we recognized a pre-tax loss on the sale of La Senza of \$99 million related to the recognition of \$45 million of accumulated translation adjustments and the transfer of the net working capital and long-lived store assets to the buyer.

Other Income (Loss) and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for the fourth quarter of 2019 and 2018:

Fourth Quarter	2019	2018
Average daily borrowings (in millions)	\$ 5,617	\$ 5,880
Average borrowing rate (in percentages)	6.6%	6.4%

For the fourth quarter of 2019, our interest expense decreased \$1 million to \$92 million due to lower average daily borrowings partially offset by a higher average borrowing rate.

Provision for Income Taxes

For the fourth quarter of 2019, our effective tax rate declined compared to 24.0% in 2018. The 2019 rate varied from our combined estimated federal and state statutory rate primarily due to the Victoria's Secret goodwill impairment charge, which generated minimal tax benefit. The 2018 rate was lower than our combined estimated federal and state statutory rate primarily due to the tax effects of the divestiture of the La Senza business.

Results of Operations—2018 Compared to 2017

We utilize the retail calendar for reporting. As such, the results for 2018 represent the 52-week period ended February 2, 2019, and the results for 2017 represent the 53-week period ended February 3, 2018.

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for 2018 in comparison to 2017:

	2018	2017	Operating Income Rate	
			2018	2017
	(in millions)			
Victoria's Secret	\$ 462	\$ 932	6.3%	12.6%
Bath & Body Works	1,077	953	23.3%	23.0%
Victoria's Secret and Bath & Body Works International	(37)	5	(6.2%)	1.0%
Other (a)	(265)	(162)	(42.5%)	(27.1%)
Total Operating Income	\$ 1,237	\$ 1,728	9.3%	13.7%

(a) Includes sourcing and corporate functions, La Senza and Henri Bendel.

For 2018, operating income decreased \$491 million to \$1.237 billion, and the operating income rate decreased to 9.3% from 13.7%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for 2018 in comparison to 2017:

	2018	2017	% Change
	(in millions)		
Victoria's Secret Stores (a)	\$ 5,628	\$ 5,879	(4%)
Victoria's Secret Direct	1,747	1,508	16%
Total Victoria's Secret	7,375	7,387	—%
Bath & Body Works Stores (a)	3,907	3,589	9%
Bath & Body Works Direct	724	559	30%
Total Bath & Body Works	4,631	4,148	12%
Victoria's Secret and Bath & Body Works International (b)	605	502	20%
Other (c)	626	595	5%
Total Net Sales	\$ 13,237	\$ 12,632	5%

- (a) Includes company-owned stores in the U.S. and Canada.
(b) Includes company-owned stores in the U.K., Ireland and Greater China, direct sales in Greater China and wholesale sales, royalties and other fees associated with non-company owned stores.
(c) Includes wholesale revenues from our sourcing function, Henri Bendel and La Senza results prior to January 6, 2019.

The following table provides a reconciliation of net sales for 2017 to 2018:

	Victoria's Secret	Bath & Body Works	Victoria's Secret and Bath & Body Works International	Other	Total
2017 Net Sales	\$ 7,387	\$ 4,148	\$ 502	\$ 595	\$ 12,632
Comparable Store Sales	(318)	256	(31)	6	(87)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	(58)	67	93	(25)	77
Foreign Currency Translation	(4)	(5)	2	(3)	(10)
Direct Channels	181	165	28	13	387
Private Label Credit Card	187	—	—	—	187
International Wholesale, Royalty and Other	—	—	11	40	51
2018 Net Sales	\$ 7,375	\$ 4,631	\$ 605	\$ 626	\$ 13,237

The following table compares 2018 comparable sales to 2017:

	2018	2017
Comparable Sales (Stores and Direct) (a)		
Victoria's Secret (b)	(2%)	(8%)
Bath & Body Works (b)	11%	5%
Total Comparable Sales	3%	(3%)
Comparable Store Sales (a)		
Victoria's Secret (b)	(6%)	(8%)
Bath & Body Works (b)	8%	2%
Total Comparable Store Sales	(1%)	(4%)

- (a) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. The change in comparable sales provides an indication of period over period growth (decline). A store is typically included in the calculation of comparable sales when it has been open 12 months or more and it has

not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales is calculated on a comparable calendar period as opposed to a fiscal basis. Therefore, the percentage change in comparable sales for 2018 was calculated on a 52-to-52-week basis, and the percentage change in comparable sales for 2017 was calculated on a 53-to-53-week basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.

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

The results by segment are as follows:

Victoria's Secret

For 2018, net sales decreased \$12 million to \$7.375 billion; comparable sales decreased 2%; and comparable store sales decreased 6%. PINK comparable sales decreased in the mid-single digit range, primarily driven by merchandise performance in apparel and the exit of swim. Victoria's Secret Lingerie comparable sales decreased in the low-single digit range, primarily driven by declines in unconstructed and sport bras, due to merchandise performance and category resets, partially offset by increases in sleep and panties. Victoria's Secret Beauty comparable sales increased low-double digits, driven by the merchandise assortment. Additionally, net sales increased as a result of the change in presentation for income received from our Victoria's Secret private label credit card arrangement.

The decrease in comparable store sales was driven by lower average unit retail and reduced traffic.

Bath & Body Works

For 2018, net sales increased \$483 million to \$4.631 billion; comparable sales increased 11%; and comparable store sales increased 8%. Net sales increased in most categories including home fragrance, body care and soaps and sanitizers, which incorporated newness, innovation and fashion.

The increase in comparable store sales was driven by higher average dollar sales and conversion.

Victoria's Secret and Bath & Body Works International

For 2018, net sales increased \$103 million to \$605 million due to new company-owned Victoria's Secret stores, direct channel growth in Greater China and additional stores opened by our partners.

Other

For 2018, net sales increased \$31 million to \$626 million primarily due to an increase in wholesale sales to our international partners, partially offset by a decline in La Senza as we divested this business on January 6, 2019.

Gross Profit

For 2018, our gross profit decreased \$60 million to \$4.899 billion, and our gross profit rate (expressed as a percentage of net sales) decreased to 37.0% from 39.3% primarily as a result of:

Victoria's Secret

For 2018, the gross profit decrease was driven by lower merchandise margin dollars related to the decrease in net sales, increased promotional activity to drive traffic and clear inventory, \$70 million of long-lived store asset impairment charges related to certain stores in the U.S. and Canada and increased distribution and fulfillment expenses related to higher direct channel sales.

The gross profit rate decrease was driven by a decline in the merchandise margin rate due to increased promotional activity and the long-lived store asset impairment charges.

Bath & Body Works

For 2018, the gross profit increase was driven by higher merchandise margin dollars related to the increase in net sales and reduced promotional activity, partially offset by higher occupancy expenses due to higher distribution and fulfillment expenses related to higher direct channel sales and investments in store real estate.

The gross profit rate increase was driven by lower promotional activity.

Victoria's Secret and Bath & Body Works International

For 2018, the gross profit decrease was primarily driven by \$31 million of long-lived store asset impairment charges related to certain Victoria's Secret stores in the U.K. and higher occupancy expenses due to investments in store real estate in Greater

China, partially offset by increased merchandise margin dollars related to higher net sales in Greater China and additional stores opened by our partners.

The gross profit rate decrease was driven by the long-lived store asset impairment charges and investments in store real estate.

General, Administrative and Store Operating Expenses

For 2018, our general, administrative and store operating expenses increased \$332 million to \$3.563 billion driven by the change in presentation for income received from our Victoria's Secret private label credit card arrangement, incremental wage investments, higher selling expenses related to higher sales volumes at Bath & Body Works and new company-owned stores in Greater China.

The general, administrative and store operating expense rate increased to 26.9% from 25.6% due to the presentation change for income received from our Victoria's Secret private label credit card and incremental wage investments.

Loss on Divestiture of La Senza

In 2018, we recognized a pre-tax loss on the sale of La Senza of \$99 million related to the recognition of \$45 million of accumulated translation adjustments and the transfer of the net working capital and long-lived store assets to the buyer.

Other Income and Expenses

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for 2018 and 2017:

	2018	2017
Average daily borrowings (in millions)	\$ 5,853	\$ 5,827
Average borrowing rate (in percentages)	6.6%	7.0%

For 2018, our interest expense decreased \$21 million to \$385 million due to a lower average borrowing rate partially offset by higher average daily borrowings.

Other Income (Loss)

For 2018, our other income (loss) increased \$15 million to \$5 million of income primarily driven by a \$45 million pre-tax loss on extinguishment of the 2019 Notes recognized in 2017, partially offset by fewer distributions received from our Easton investments and the negative impacts of foreign exchange.

Provision for Income Taxes

For 2018, our effective tax rate decreased to 24.9% from 25.1%. The 2018 rate was lower than our combined estimated federal and state statutory rate primarily due to the tax effects of the divestiture of the La Senza business. The 2017 rate was lower than our combined estimated federal and state statutory rate primarily due to the benefit related to changes in U.S. tax legislation.

Results of Operations—Fourth Quarter of 2018 Compared to Fourth Quarter of 2017

We utilize the retail calendar for reporting. As such, the results for the fourth quarter of 2018 represent the 13-week period ended February 2, 2019, and the results for the fourth quarter of 2017 represent the 14-week period ended February 3, 2018.

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for the fourth quarter of 2018 in comparison to the fourth quarter of 2017:

	Fourth Quarter		Operating Income Rate	
	2018	2017	2018	2017
	(in millions)			
Victoria's Secret	\$ 301	\$ 457	11.9%	17.1%
Bath & Body Works	607	557	31.1%	31.0%
Victoria's Secret and Bath & Body Works International	19	4	9.8%	2.3%
Other (a)	(127)	(31)	(71.0%)	(16.1%)
Total Operating Income	\$ 800	\$ 987	16.5%	20.5%

(a) Includes sourcing and corporate functions, La Senza and Henri Bendel.

For the fourth quarter of 2018, operating income decreased \$187 million to \$800 million, and the operating income rate decreased to 16.5% from 20.5%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for the fourth quarter of 2018 in comparison to the fourth quarter of 2017:

Fourth Quarter	2018	2017	% Change
	(in millions)		
Victoria's Secret Stores (a)	\$ 1,849	\$ 2,038	(9%)
Victoria's Secret Direct	683	631	8%
Total Victoria's Secret	2,532	2,669	(5%)
Bath & Body Works Stores (a)	1,626	1,545	5%
Bath & Body Works Direct	325	249	30%
Total Bath & Body Works	1,951	1,794	9%
Victoria's Secret and Bath & Body Works International (b)	190	170	12%
Other (c)	179	190	(6%)
Total Net Sales	\$ 4,852	\$ 4,823	1%

(a) Includes company-owned stores in the U.S. and Canada.

(b) Includes company-owned stores in the U.K., Ireland and Greater China, direct sales in Greater China and wholesale sales, royalties and other fees associated with non-company owned stores.

(c) Includes wholesale revenues from our sourcing function, Henri Bendel and La Senza results prior to January 6, 2019.

The following table provides a reconciliation of net sales for the fourth quarter of 2018 to the fourth quarter of 2017:

Fourth Quarter	Victoria's Secret	Bath & Body Works	Victoria's Secret and Bath & Body Works International	Other	Total
	(in millions)				
2017 Net Sales	\$ 2,669	\$ 1,794	\$ 170	\$ 190	\$ 4,823
Comparable Store Sales	(135)	109	(7)	5	(28)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	(95)	(23)	23	(22)	(117)
Foreign Currency Translation	(4)	(5)	(5)	(3)	(17)
Direct Channels	29	76	7	6	118
Private Label Credit Card Income	68	—	—	—	68
International, Wholesale, Royalty and Other	—	—	2	3	5
2018 Net Sales	\$ 2,532	\$ 1,951	\$ 190	\$ 179	\$ 4,852

The following table compares fourth quarter of 2018 comparable sales to fourth quarter of 2017:

Fourth Quarter	2018	2017
Comparable Sales (Stores and Direct) (a)		
Victoria's Secret (b)	(3%)	(1%)
Bath & Body Works (b)	12%	6%
Total Comparable Sales	3%	2%
Comparable Store Sales (a)		
Victoria's Secret (b)	(7%)	(6%)
Bath & Body Works (b)	8%	4%
Total Comparable Store Sales	(1%)	(2%)

- (a) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. The change in comparable sales provides an indication of period over period growth (decline). A store is typically included in the calculation of comparable sales when it has been open 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales are calculated on a comparable calendar period as opposed to a fiscal basis. Therefore, the percentage change in comparable sales for 2018 was calculated on a 13-to-13-week basis, and the percentage change in comparable sales for 2017 was calculated on a 14-to-14-week basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.
- (b) Includes company-owned stores in the U.S. and Canada.

The results by segment are as follows:

Victoria's Secret

For the fourth quarter of 2018, net sales decreased \$137 million to \$2.532 billion; comparable sales decreased 3%; and comparable store sales decreased 7%. PINK comparable sales decreased in the low-double digit range, primarily driven by merchandise performance in apparel. Victoria's Secret Lingerie comparable sales were about flat, primarily driven by declines in intimate apparel, due to merchandise performance and category resets, offset by an increase in sleep. Victoria's Secret Beauty comparable sales increased in the mid-single digit range, driven by the merchandise assortment. Additionally, net sales increased as a result of the change in presentation for income received from our Victoria's Secret private label credit card arrangement.

The decrease in comparable store sales was driven by lower average unit retail and reduced traffic.

Bath & Body Works

For the fourth quarter of 2018, net sales increased \$157 million to \$1.951 billion; comparable sales increased 12%; and comparable store sales increased 8%. Net sales increased in most categories including home fragrance, body care and soaps and sanitizers, which incorporated newness, innovation and fashion.

The increase in comparable store sales was driven by higher average dollar sales and conversion.

Victoria's Secret and Bath & Body Works International

For the fourth quarter of 2018, net sales increased \$20 million to \$190 million, due to new company-owned Victoria's Secret stores, direct channel growth in Greater China and additional stores opened by our partners. These increases were partially offset by a decline at Victoria's Secret U.K.

Other

For the fourth quarter of 2018, net sales decreased \$11 million to \$179 million due to declines in La Senza and Henri Bendel as we divested La Senza and closed Henri Bendel in the quarter.

Gross Profit

For the fourth quarter of 2018, our gross profit decreased \$72 million to \$1.968 billion, and our gross profit rate (expressed as a percentage of net sales) decreased to 40.6% from 42.3% primarily as a result of:

Victoria's Secret

For the fourth quarter of 2018, the gross profit decrease was driven by lower merchandise margin dollars related to the decrease in net sales, increased promotional activity to drive traffic and clear inventory and due to \$20 million of long-lived store asset impairment charges related to certain stores in the U.S.

The gross profit rate decrease was driven by a decline in the merchandise margin rate due to increased promotional activity and the long-lived store asset impairment charges.

Bath & Body Works

For the fourth quarter of 2018, the gross profit increase was driven by higher merchandise margin dollars related to the increase in net sales and reduced promotional activity, partially offset by higher occupancy expenses due to higher distribution and fulfillment expenses related to higher direct channel sales and investments in store real estate.

The gross profit rate increase was driven by lower promotional activity.

Victoria's Secret and Bath & Body Works International

For the fourth quarter of 2018, the gross profit increase was driven by higher merchandise margin dollars related to higher net sales in Greater China and additional stores opened by our partners.

The gross profit rate increase was driven by buying and occupancy leverage on higher net sales.

General, Administrative and Store Operating Expenses

For the fourth quarter of 2018, our general, administrative and store operating expenses increased \$16 million to \$1.069 billion primarily driven by the change in presentation for income received from our Victoria's Secret private label credit card arrangement, incremental wage investments and higher selling expenses related to higher sales volumes at Bath & Body Works, partially offset by lower selling expenses and fashion show costs at Victoria's Secret.

The general, administrative and store operating expense rate increased to 22.0% from 21.8% due to the presentation change for income received from our Victoria's Secret private label credit card and incremental wage investments.

Loss on Divestiture of La Senza

In the fourth quarter of 2018, we recognized a pre-tax loss on the sale of La Senza of \$99 million related to the recognition of \$45 million of accumulated translation adjustments and the transfer of the net working capital and long-lived store assets to the buyer.

Other Income and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for the fourth quarter of 2018 and 2017:

Fourth Quarter	2018	2017
Average daily borrowings (in millions)	\$ 5,880	\$ 5,893
Average borrowing rate (in percentages)	6.4%	6.9%

For the fourth quarter of 2018, our interest expense decreased \$13 million to \$93 million due to a lower average borrowing rate and lower average daily borrowings.

Other Income (Loss)

For the fourth quarter of 2018, our other income (loss) increased \$42 million to \$4 million of income primarily driven by a \$45 million pre-tax loss on extinguishment of the 2019 Notes recognized in the fourth quarter of 2017.

Provision for Income Taxes

For the fourth quarter of 2018, our effective tax rate increased to 24.0% from 21.1%. The 2018 rate was lower than our combined estimated federal and state statutory rate primarily due to the tax effects of the divestiture of the La Senza business. The 2017 rate was lower than our combined estimated federal and state statutory rate primarily due to the benefit related to changes in U.S. tax legislation.

FINANCIAL CONDITION

Liquidity and Capital Resources

Liquidity, or access to cash, is an important factor in determining our financial stability. We are committed to maintaining adequate liquidity. Cash generated from our operating activities provides the primary resources to support current operations, growth initiatives, seasonal funding requirements and capital expenditures. Our cash provided from operations is impacted by our net income (loss) and working capital changes. Our net income (loss) is impacted by, among other things, sales volume, seasonal sales patterns, success of new product introductions, profit margins and income taxes. Historically, sales are higher during the fourth quarter of the fiscal year due to seasonal and holiday-related sales patterns. Generally, our need for working capital peaks during the summer and fall months as inventory builds in anticipation of the holiday period. Our cash and cash equivalents held by foreign subsidiaries were \$265 million as of February 1, 2020.

On February 20, 2020, we and Sycamore entered into a definitive agreement that is intended to deliver long-term value to L Brands, Inc. shareholders by positioning Bath & Body Works as a standalone public company and transitioning Victoria's Secret, including business conducted under the Victoria's Secret and PINK brands and certain support functions, into a privately-held entity.

After taking into account certain liabilities, Sycamore will purchase a 55% interest in Victoria's Secret for approximately \$525 million. We intend to use the proceeds from the transaction, along with approximately \$500 million of excess balance sheet cash, to reduce debt. The transaction is expected to close in the second quarter of 2020, subject to customary closing conditions.

Company Response to Coronavirus

Subsequent to February 1, 2020, we announced actions in response to the continued spread of the coronavirus.

On March 16, 2020, in an abundance of caution and as a proactive measure, we elected to borrow \$950 million from our Secured Revolving Facility, leaving our availability under the Secured Revolving Facility at \$22 million.

On March 17, 2020, we announced the temporary closure of all Bath & Body Works, Victoria's Secret and PINK stores in the United States and Canada through March 29, 2020. Associates will continue to receive pay and benefits through April 4, 2020, which is one week longer than originally announced.

Based on the continued spread of the coronavirus and stay-at-home orders by government officials across the country, we are extending the closure of our stores beyond the initial March 29th date. As the situation continues to evolve rapidly, we are not currently able to predict the timing of store reopenings. However, we are monitoring the situation closely and will provide updates as appropriate. We continue to serve customers through our direct channels.

In an effort to further strengthen our financial flexibility and efficiently manage through the pandemic, we are proactively taking the following additional actions:

- Suspending our quarterly cash dividend beginning in the second quarter of fiscal 2020. We remain committed to paying dividends over the long-term and will re-evaluate when appropriate.
- Executing a substantial reduction in expenses and capital expenditures. This includes an ongoing reduction in forward inventory receipts.
- Temporarily reducing base compensation by 20% for senior vice presidents and above. The cash compensation of Chairman and CEO Leslie H. Wexner and other members of the Board of Directors has been suspended. Additionally, we are deferring annual merit increases.
- Furloughing most store associates and those who are not currently working to support the online businesses or who cannot work from home, effective April 5, 2020 until further notice. All furloughed associates will continue to receive existing healthcare benefits. As circumstances change, we will make every effort to bring these associates back to work as soon as possible. Furloughed associates will also be able to apply for unemployment benefits, if eligible.

As of March 27, 2020, we currently have more than \$2 billion in cash, which includes the \$950 million borrowed under the Secured Revolving Facility on March 16, 2020. Our Secured Revolving Facility has certain financial covenants, including a debt to consolidated EBITDA covenant, which may be breached as early as the end of the fiscal quarter ending May 2, 2020. If we were to violate a covenant, our lenders would have the right to accelerate our Secured Revolving Facility indebtedness, demand cash collateral in respect of the letters of credit issued thereunder and terminate the funding commitments available thereunder. While we believe that we would be able to obtain temporary waivers for any such breach of a covenant to prevent an acceleration of our outstanding indebtedness or obtain a replacement credit facility, we cannot conclude with certainty that we would have the ability to obtain necessary waivers or negotiate less restrictive debt covenants with our lenders. We are in active conversations with the lenders under our credit facility to obtain a replacement credit facility that does not contain a debt to consolidated EBITDA financial covenant or a temporary waiver in respect of such financial covenant in our existing Secured Revolving Facility. We believe that our current cash balance, along with the actions taken as outlined above, provides us with sufficient current liquidity.

Working Capital and Capitalization

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

The following table provides a summary of our working capital position and capitalization as of February 1, 2020, February 2, 2019 and February 3, 2018:

	February 1, 2020	February 2, 2019	February 3, 2018
	(in millions)		
Net Cash Provided by Operating Activities	\$ 1,236	\$ 1,377	\$ 1,406
Capital Expenditures	458	629	707
Working Capital (a)	873	1,274	1,262
Capitalization:			
Long-term Debt	5,487	5,739	5,707
Shareholders' Equity (Deficit)	(1,499)	(869)	(753)
Total Capitalization	\$ 3,988	\$ 4,870	\$ 4,954
Amounts Available Under Credit Agreements (b)	\$ 981	\$ 991	\$ 991

- (a) The February 1, 2020 amount includes Current Operating Lease Liabilities as a result of our adoption of ASC 842, *Leases*, in the first quarter of 2019.
- (b) Letters of credit issued reduce our availability under the Secured Revolving Facility. We had outstanding letters of credit that reduce our availability under the Secured Revolving Facility of \$19 million as of February 1, 2020, and \$9 million as of February 2, 2019, and February 3, 2018.

The following table provides certain measures of liquidity and capital resources as of February 1, 2020, February 2, 2019 and February 3, 2018:

	February 1, 2020	February 2, 2019	February 3, 2018
Debt-to-capitalization Ratio (a)	138%	118%	115%
Cash Flow to Capital Investment	270%	219%	199%

- (a) Long-term debt divided by total capitalization.

Cash Flow

The following table provides a summary of our cash flow activity for the fiscal years ended February 1, 2020, February 2, 2019 and February 3, 2018:

	2019	2018	2017
	(in millions)		
Cash and Cash Equivalents, Beginning of Year	\$ 1,413	\$ 1,515	\$ 1,934
Net Cash Flows Provided by Operating Activities	1,236	1,377	1,406
Net Cash Flows Used for Investing Activities	(480)	(609)	(698)
Net Cash Flows Used for Financing Activities	(666)	(872)	(1,127)
Effects of Exchange Rate Changes on Cash	(4)	2	—
Net Increase (Decrease) in Cash and Cash Equivalents	86	(102)	(419)
Cash and Cash Equivalents, End of Year	\$ 1,499	\$ 1,413	\$ 1,515

Operating Activities

Net cash provided by operating activities in 2019 was \$1.236 billion, including net loss of \$366 million. Net loss included depreciation of \$588 million, goodwill impairment charges of \$720 million, long-lived store asset impairment charges of \$263 million, share-based compensation expense of \$87 million, loss on extinguishment of debt of \$40 million, La Senza charges of \$37 million and deferred income tax benefits of \$29 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 item in working capital was a decrease in operating cash flow of \$93 million associated with the decrease in Accounts Payables, Accrued Expenses and Other.

Net cash provided by operating activities in 2018 was \$1.377 billion, including net income of \$644 million. Net income included depreciation of \$590 million, long-lived store asset impairment charges of \$101 million, loss on divestiture of La Senza of \$99 million, share-based compensation expense of \$97 million and deferred income tax benefits of \$52 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 item in working capital was a decrease in operating cash flow of \$113 million associated with a decrease in income taxes payable.

Net cash provided by operating activities in 2017 was \$1.406 billion, including net income of \$983 million. Net income included depreciation of \$571 million, deferred income tax benefit of \$108 million, share-based compensation expense of \$102 million, loss on extinguishment of debt of \$45 million and gains on distributions from Easton investments of \$20 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 item in working capital was a decrease in operating cash flow of \$137 million associated with an increase in inventory.

Investing Activities

Net cash used for investing activities in 2019 was \$480 million consisting primarily of \$458 million of capital expenditures. The capital expenditures included \$286 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and logistics to support our digital businesses and other retail capabilities.

Net cash used for investing activities in 2018 was \$609 million consisting primarily of \$629 million of capital expenditures partially offset by a \$16 million return of capital from Easton investments. The capital expenditures included \$487 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

Net cash used for investing activities in 2017 was \$698 million consisting primarily of \$707 million of capital expenditures and purchase of marketable securities of \$10 million, partially offset by a \$29 million return of capital from Easton investments. The capital expenditures included \$601 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

Financing Activities

Net cash used for financing activities in 2019 was \$666 million consisting primarily of \$799 million in payments for the early extinguishment of outstanding notes maturing between 2020 and 2022, quarterly dividend payments of \$1.20 per share, or \$332 million, and tax payments related to share-based awards of \$13 million. These were partially offset by the net proceeds of \$486 million from the issuance of the 2029 Notes and \$5 million of net new borrowings under our Foreign Facilities.

Net cash used for financing activities in 2018 was \$872 million consisting primarily of quarterly dividend payments totaling \$2.40 per share, or \$666 million, payments for repurchases of common stock of \$198 million and payment of long-term debt related to our exchange of notes of \$52 million, partially offset by \$63 million of net new borrowings under our foreign facilities.

Net cash used for financing activities in 2017 was \$1.127 billion consisting primarily of quarterly dividend payments totaling \$2.40 per share, or \$686 million, \$540 million to redeem our 2019 Notes, repurchases of common stock of \$446 million and tax payments related to share-based awards of \$32 million. These were partially offset by the net proceeds of \$495 million from the 2028 Notes issuance, \$52 million of net new borrowings under our foreign facilities and proceeds from the exercise of stock options of \$38 million.

Common Stock Share Repurchases

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

We did not repurchase any shares during 2019.

Under the authority of our Board of Directors, we repurchased shares of our common stock under the following repurchase programs during fiscal 2018 and 2017:

Repurchase Program	Amount Authorized (in millions)	Shares Repurchased		Amount Repurchased		Average Stock Price of Shares Repurchased within Program
		2018 (in thousands)	2017 (in thousands)	2018 (in millions)	2017 (in millions)	
March 2018	\$ 250	4,852	NA	\$ 171	NA	\$ 35.29
September 2017	250	527	3,858	25	\$ 202	\$ 51.72
February 2017	250	NA	5,500	NA	240	\$ 43.57
February 2016	500	NA	51	NA	3	\$ 76.47
Total		<u>5,379</u>	<u>9,409</u>	<u>\$ 196</u>	<u>\$ 445</u>	

In March 2018, our Board of Directors approved a new \$250 million share repurchase program, which included the \$23 million remaining under the September 2017 repurchase program.

The March 2018 repurchase program had \$79 million remaining as of February 1, 2020.

Treasury Stock Retirement

In November 2017, we retired 36 million shares of our treasury stock. The retirement resulted in a reduction of \$2.036 billion in Treasury Stock, \$18 million in the par value of Common Stock, \$82 million in Paid-in Capital and \$1.936 billion in Retained Earnings.

Dividend Policy and Procedures

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

Under the authority and declaration of our Board of Directors, we paid the following dividends during fiscal 2019, 2018 and 2017:

	<u>Ordinary Dividends</u> (per share)	<u>Total Paid</u> (in millions)
2019		
Fourth Quarter	\$ 0.30	\$ 83
Third Quarter	0.30	83
Second Quarter	0.30	83
First Quarter	0.30	83
2019 Total	<u>\$ 1.20</u>	<u>\$ 332</u>
2018		
Fourth Quarter	\$ 0.60	\$ 166
Third Quarter	0.60	165
Second Quarter	0.60	167
First Quarter	0.60	168
2018 Total	<u>\$ 2.40</u>	<u>\$ 666</u>
2017		
Fourth Quarter	\$ 0.60	\$ 170
Third Quarter	0.60	172
Second Quarter	0.60	172
First Quarter	0.60	172
2017 Total	<u>\$ 2.40</u>	<u>\$ 686</u>

In November 2018, our Board of Directors reduced our annual ordinary dividend to \$1.20 per share from \$2.40 per share, beginning with the quarterly dividend paid in March 2019.

Subsequent to February 1, 2020, our Board of Directors declared the first quarter of 2020 ordinary dividend of \$0.30 per share.

Long-term Debt and Borrowing Facilities

The following table provides our outstanding debt balance, net of unamortized debt issuance costs and discounts, as of February 1, 2020 and February 2, 2019:

	February 1, 2020	February 2, 2019
	(in millions)	
Senior Debt with Subsidiary Guarantee		
\$1 billion, 6.875% Fixed Interest Rate Notes due November 2035 ("2035 Notes")	\$ 991	\$ 990
\$860 million, 5.625% Fixed Interest Rate Notes due February 2022 ("2022 Notes")	858	952
\$700 million, 6.75% Fixed Interest Rate Notes due July 2036 ("2036 Notes")	693	693
\$500 million, 5.625% Fixed Interest Rate Notes due October 2023 ("2023 Notes")	498	498
\$500 million, 5.25% Fixed Interest Rate Notes due February 2028 ("2028 Notes")	496	496
\$500 million, 7.50% Fixed Interest Rate Notes due June 2029 ("2029 Notes")	487	—
\$450 million, 6.625% Fixed Interest Rate Notes due April 2021 ("2021 Notes")	450	776
\$297 million, 6.694% Fixed Interest Rate Notes due January 2027 ("2027 Notes")	276	273
\$338 million, 7.00% Fixed Interest Rate Notes due May 2020 ("2020 Notes")	—	337
Secured Foreign Facilities	103	91
Total Senior Debt with Subsidiary Guarantee	\$ 4,852	\$ 5,106
Senior Debt		
\$350 million, 6.95% Fixed Interest Rate Debentures due March 2033 ("2033 Notes")	\$ 348	\$ 348
\$300 million, 7.60% Fixed Interest Rate Notes due July 2037 ("2037 Notes")	298	297
Unsecured Foreign Facilities	50	60
Total Senior Debt	\$ 696	\$ 705
Total	\$ 5,548	\$ 5,811
Current Debt	(61)	(72)
Total Long-term Debt, Net of Current Portion	\$ 5,487	\$ 5,739

Issuance of Notes

In June 2019, we issued \$500 million of 7.50% notes due in June 2029 ("2029 Notes"). The obligation to pay principal and interest on these notes is jointly and severally guaranteed on a full and unconditional basis by certain of our 100% owned subsidiaries (the "Guarantors"). The proceeds from the issuance were \$486 million, which were net of discounts and issuance costs of \$14 million. The discounts and issuance costs are being amortized through the maturity date and are included within Long-term Debt on the February 1, 2020 Consolidated Balance Sheet.

Repurchases of Notes

In June 2019, we completed the early settlement of tender offers to repurchase \$212 million of outstanding 2020 Notes, \$330 million of outstanding 2021 Notes and \$96 million of outstanding 2022 Notes for \$669 million. We used the proceeds from the 2029 Notes, together with cash on hand, to fund the purchase price for the tender offers. Additionally, in July 2019, we redeemed the remaining \$126 million of outstanding 2020 Notes for \$130 million.

In the second quarter of 2019, we recognized a pre-tax loss on extinguishment of debt of \$40 million (after-tax loss of \$30 million), which includes redemption fees and the write-off of unamortized issuance costs. This loss is included in Other Income (Loss) in the 2019 Consolidated Statement of Income (Loss).

Exchange of Notes

In June 2018, we completed private offers to exchange \$62 million, \$220 million and \$44 million of outstanding 2020 Notes, 2021 Notes and 2022 Notes, respectively, for \$297 million of newly issued 6.694% notes due in January 2027 ("2027 Notes") and \$52 million in cash consideration, which included a \$24 million exchange premium. The exchange was treated as a modification under ASC 470, *Debt*, and no gain or loss was recognized. The exchange premium is being amortized through the maturity date of January 2027 and is included within Long-term Debt on the Consolidated Balance Sheets. The obligation to pay principal and interest on the 2027 Notes is jointly and severally guaranteed on a full and unconditional basis by the Guarantors.

Secured Revolving Facility

We and the Guarantors guarantee and pledge collateral to secure a revolving credit facility. The Secured Revolving Facility has aggregate availability of \$1 billion and allows us and certain of our non-U.S. subsidiaries to borrow and obtain letters of credit in U.S. dollars, Canadian dollars, Euros, Hong Kong dollars or British pounds.

In August 2019, we entered into an amendment and restatement ("Amendment") of the Secured Revolving Facility. The Amendment maintained the aggregate availability under the Secured Revolving Facility at \$1 billion and extended the expiration date from May 2022 to August 2024. We incurred fees related to the Amendment of \$5 million, which were capitalized and are recorded in Other Assets on the February 1, 2020 Consolidated Balance Sheet and are being amortized over the remaining term of the Secured Revolving Facility.

The Secured Revolving Facility fees related to committed and unutilized amounts are 0.30% per annum, and the fees related to outstanding letters of credit are 1.75% per annum. In addition, the interest rate on outstanding U.S. dollar borrowings is the London Interbank Offered Rate ("LIBOR") plus 1.75% per annum. The interest rate on outstanding foreign denominated borrowings is the applicable benchmark rate plus 1.75% per annum.

The Secured Revolving Facility contains fixed charge coverage and debt to EBITDA financial covenants. We are required to maintain a fixed charge coverage ratio of not less than 1.75 to 1.00 and a consolidated debt to consolidated EBITDA ratio not exceeding 4.00 to 1.00 for the most recent four-quarter period. Additionally, the Secured Revolving Facility provides that investments and restricted payments may be made, without limitation on amount, if (a) at the time of and after giving effect to such investment or restricted payment, the ratio of consolidated debt to consolidated EBITDA for the most recent four-quarter period is less than 3.50 to 1.00 and (b) no default or event of default exists. As of February 1, 2020, we were in compliance with both of our financial covenants, and the ratio of consolidated debt to consolidated EBITDA was less than 3.50 to 1.00.

During 2019, we borrowed and repaid \$12 million under the Secured Revolving Facility. As of February 1, 2020, there were no borrowings outstanding under the Secured Revolving Facility.

The Secured Revolving Facility supports our letter of credit program. We had \$19 million of outstanding letters of credit as of February 1, 2020 that reduced our availability under the Secured Revolving Facility.

On March 16, 2020, as a proactive measure in response to the continued spread of the coronavirus, we elected to borrow \$950 million from the Secured Revolving Facility, leaving our availability under the Secured Revolving Facility at \$22 million.

Secured Foreign Facilities

We and the Guarantors guarantee and pledge collateral to secure revolving and term loan bank facilities used by certain of our Greater China subsidiaries to support their operations ("Secured Foreign Facilities"). The Secured Foreign Facilities have availability totaling \$150 million. The interest rates on outstanding borrowings are based upon the applicable benchmark rate for each borrowing. During 2019, we borrowed \$117 million and made payments of \$103 million under the Secured Foreign Facilities. The maximum daily amount outstanding at any point in time in 2019 was \$103 million. Borrowings on the Secured Foreign Facilities mature between March 2020 and August 2024. As of February 1, 2020, borrowings of \$11 million are included within Current Debt on the Consolidated Balance Sheet and the remaining borrowings are included within Long-term Debt.

Unsecured Foreign Facilities

We guarantee unsecured revolving and term loan bank facilities used by certain of our Greater China subsidiaries to support their operations ("Unsecured Foreign Facilities"). The Unsecured Foreign Facilities have availability totaling \$75 million. The interest rates on outstanding borrowings are based upon the applicable benchmark rate for each borrowing. During 2019, we borrowed \$50 million and made payments of \$59 million under the Unsecured Foreign Facilities. The maximum daily amount outstanding at any point in time in 2019 was \$74 million. Borrowings on the Unsecured Foreign Facilities mature between March 2020 and April 2020. As of February 1, 2020, borrowings of \$50 million are included within Current Debt on the Consolidated Balance Sheet.

Credit Ratings

Our borrowing costs under our Secured Revolving Facility and Secured Foreign Facilities are linked to our credit ratings. If we receive an upgrade or downgrade to our corporate credit ratings, the borrowing costs could decrease or increase, respectively. The guarantees of our obligations under the Secured Revolving Facility and Secured Foreign Facilities by the Guarantors and the security interests granted in our and the Guarantors' collateral securing such obligations are released if our credit ratings are higher than a certain level. Additionally, the restrictions imposed under the Secured Revolving Facility and Secured Foreign Facilities on our ability to make investments and to make restricted payments cease to apply if our credit ratings are higher than certain levels. Credit rating downgrades by any of the agencies do not accelerate the repayment of any of our debt.

The following table provides our credit ratings as of February 1, 2020:

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

Subsequent to February 1, 2020, Moody's downgraded our Corporate and Senior Unsecured Debt with Subsidiary Guarantee ratings to Ba3, our Senior Unsecured Debt rating to B2 and updated our outlook to Stable. Additionally, S&P downgraded our Corporate and Senior Unsecured Debt with Subsidiary Guarantee ratings to B+, our Senior Unsecured Debt rating to B- and updated our outlook to Negative.

Contingent Liabilities and Contractual Obligations

The following table provides our contractual obligations, aggregated by type, including the maturity profile as of February 1, 2020:

	Payments Due by Period					
	Total	Less Than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Other
Long-term Debt (a)	\$ 9,235	\$ 409	\$ 1,985	\$ 1,102	\$ 5,739	\$ —
Future Lease Obligations (b)	4,804	692	1,333	1,084	1,695	—
Purchase Obligations (c)	1,125	1,032	79	12	2	—
Other Liabilities (d) (e)	411	66	291	30	—	24
Total	\$ 15,575	\$ 2,199	\$ 3,688	\$ 2,228	\$ 7,436	\$ 24

- (a) Long-term debt obligations relate to our principal and interest payments for outstanding notes and debentures. Interest payments have been estimated based on the coupon rate for fixed rate obligations. Interest obligations exclude amounts which have been accrued through February 1, 2020. For additional information, see Note 13 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
- (b) Future lease obligations primarily represent minimum payments due under store lease agreements. For additional information, see Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
- (c) Purchase obligations primarily include purchase orders for merchandise inventory and other agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions.
- (d) Other liabilities primarily include future payments relating to our non-qualified supplemental retirement plan of \$280 million in the "1-3 Years" category. The definitive agreement between us and Sycamore for the sale to Sycamore of the 55% interest in Victoria's Secret requires that we terminate our non-qualified supplemental retirement plan as of the Closing with respect to participants affected by the sale and for all other participants within six months. On March 11, 2020, the Compensation Committee of the Board of Directors authorized management to take steps to terminate the plan as to all participants. The timing and specifics of such termination have not yet been determined. Any remaining benefits and obligations under the non-qualified plan are expected to be paid out in full approximately one year following the applicable termination.
- (e) Other liabilities also include future estimated payments associated with unrecognized tax benefits. The "Less Than 1 Year" category includes \$66 million of these tax items because it is reasonably possible that the amounts could change in the next 12 months due to audit settlements or resolution of uncertainties. The remaining portion totaling \$24 million is included in the "Other" category as it is not reasonably possible that the amounts could change in the next 12 months. In addition, we have a remaining liability of \$41 million related to the deemed repatriation tax on our undistributed foreign earnings resulting from the Tax Cuts and Jobs Act. The tax liability will be paid over the next five years. For additional information, see Note 12 to the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data.

La Senza

In connection with the sale of La Senza in the fourth quarter of 2018, certain of our subsidiaries have remaining contingent obligations of \$40 million related to lease payments under the current terms of noncancelable leases expiring at various dates through 2028. These obligations include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the business. As part of the sale, a liability of \$5 million was recorded for these obligations. During 2019, an additional reserve of \$35 million was recorded related to these obligations and certain other items. As of February 1, 2020, reserves of \$8 million are included within Accrued Expenses and Other on the Consolidated Balance Sheet and the remaining reserves are included within Other Long-term Liabilities.

Other

In connection with noncancelable operating leases of certain assets, we provided residual value guarantees to the lessor if the leased assets cannot be sold for an amount in excess of a specified minimum value at the conclusion of the lease term. The leases expire at various dates through 2021, and the total amount of the guarantees is \$94 million. We recorded a liability of \$17 million and \$11 million related to these guarantee obligations as of February 1, 2020 and February 2, 2019, respectively. This liability is included in Current Operating Lease Liabilities on the February 1, 2020 Consolidated Balance Sheet, and in Other Long-term Liabilities on the February 2, 2019 Consolidated Balance Sheet.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements as defined by Regulation 229.303 Item 303 (a) (4).

Recently Issued Accounting Pronouncements

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASC 842, *Leases*, which requires companies classified as lessees to account for most leases on their balance sheet but recognize expense on their income statement in a manner similar to legacy accounting. The standard also requires enhanced quantitative and qualitative disclosures, including significant judgments made by management, to provide greater insight into the extent of expense recognized and expected to be recognized from existing leases. In July 2018, the FASB approved an amendment to the standard that provides companies a modified retrospective transition option that did not require earlier periods to be restated upon adoption.

We adopted the standard in the first quarter of 2019 under the modified retrospective approach. As allowed by the new standard, we elected the package of transition practical expedients but elected to not apply the hindsight practical expedient to its leases at transition.

Upon adoption at the beginning of 2019, we recorded operating lease liabilities of \$3.7 billion and operating lease assets for its leases of \$3.3 billion. The operating lease assets are net of \$470 million of liabilities for deferred rent and unamortized landlord construction allowances that were previously recorded as Other Long-term Liabilities on the Consolidated Balance Sheet. We also recorded a decrease to opening retained earnings, net of tax, of \$2 million. The adoption of the standard did not materially impact the Consolidated Statements of Income (Loss) or Cash Flows.

Hedging Activities

In August 2017, the FASB issued Accounting Standards Update ("ASU") 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which is intended to better align risk management activities and financial reporting for hedging relationships. The standard eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. It also eases certain documentation and assessment requirements. We adopted the standard in the first quarter of 2019. The adoption of this standard did not have a material impact on our consolidated results of operations, financial position or cash flows.

Goodwill

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill. The standard eliminates the second step from the goodwill impairment test, which required a hypothetical purchase price allocation to determine the implied fair value of goodwill. Under the new standard, the goodwill impairment charge is the excess of the reporting unit's carrying value over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. We adopted this standard in the third quarter of 2019 and performed our interim and annual goodwill impairment assessments in accordance with ASU 2017-04.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*, which requires the use of a forward-looking expected loss impairment model for accounts receivable and certain other financial instruments. This guidance will be effective beginning in fiscal 2020, with early adoption permitted. We do not expect this standard to have a material impact on our consolidated results of operations, financial position or cash flows.

Impact of Inflation

While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on the results of operations and financial condition have been minor.

Critical Accounting Policies and Estimates

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

Inventories

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

We record valuation adjustments to our inventories if the cost of inventory on hand exceeds the amount we expect to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand and market conditions and analysis of historical experience. If actual demand or market conditions are different than those projected by management, future period merchandise margin rates may be unfavorably or favorably affected by adjustments to these estimates.

We also record inventory loss adjustments for estimated physical inventory losses that have occurred since the date of the last physical inventory. These estimates are based on management's analysis of historical results and operating trends.

Management believes that the assumptions used in these estimates are reasonable and appropriate. A 10% increase or decrease in the inventory valuation adjustment would have impacted net loss by approximately \$4 million for 2019. A 10% increase or decrease in the estimated physical inventory loss adjustment would have impacted net loss by approximately \$5 million for 2019.

Valuation of Long-lived Assets

Long-lived Store Assets

Long-lived store assets, which include leasehold improvements, store related assets and operating lease assets (subsequent to the adoption of ASC 842, *Leases*), are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Store assets are grouped at the lowest level for which they are largely independent of other assets or asset groups. If the estimated undiscounted future cash flows related to the asset group are less than the carrying value, we recognize a loss equal to the difference between the carrying value and the estimated fair value, determined by the estimated discounted future cash flows of the asset group. For operating lease assets, we determine the fair value of the assets by comparing the contractual rent payments to estimated market rental rates. An individual asset within an asset group is not impaired below its estimated fair value. The fair value of long-lived store assets are determined using Level 3 inputs within the fair value hierarchy.

In 2019 and 2018, we concluded that the negative operating results for certain of our Victoria's Secret stores were an indicator of potential impairment of the related store asset groups. We determined that the estimated undiscounted future cash flows were less than the carrying values and, as a result, determined the estimated fair values of the store asset groups using estimated discounted future cash flows and estimated market rental rates. Accordingly, we recognized a loss equal to the difference between the carrying value of an asset group and its estimated fair value but did not impair any individual store asset below its estimated fair value.

In 2019, we recognized impairment charges of \$198 million for leasehold improvements and store related assets. Impairment charges of \$151 million related to stores in Greater China, the U.K. and Ireland, and impairment charges of \$47 million related to stores in the U.S. and Canada. For operating lease assets, we recognized impairment charges of \$65 million. Impairment charges of \$61 million related to stores in Greater China and the U.K., and impairment charges of \$4 million related to stores in the U.S.

In total, we recognized impairment charges of \$263 million for long-lived store assets, which are included in Costs of Goods Sold, Buying & Occupancy in the 2019 Consolidated Statement of Income (Loss). Impairment charges of \$212 million, related to store assets in Greater China, the U.K. and Ireland, were recorded within the Victoria's Secret and Bath & Body Works International segment. Impairment charges of \$51 million, related to store assets in the U.S. and Canada, were recorded within the Victoria's Secret segment.

In 2018, we recognized impairment charges of \$101 million for leasehold improvements and store related assets. Impairment charges of \$70 million, related to stores in the U.S. and Canada, were recorded within the Victoria's Secret segment. Impairment charges of \$31 million, related to stores in the U.K., were recorded within the Victoria's Secret and Bath & Body Works International segment. These charges are included in Costs of Goods Sold, Buying & Occupancy in the 2018 Consolidated Statement of Income (Loss).

Our fair value estimates incorporated significant assumptions and judgments including, but not limited to, estimated future cash flows, discount rates and market rental rates. The use of different assumptions or judgments in our assessment could materially increase or decrease the fair value of our store assets and, accordingly, could materially increase or decrease any related impairment charge. A three percentage point reduction to our comparable sales assumptions, a key input in determining estimated future cash flows, would not have resulted in a material incremental impairment charge in 2019. Further sustained declines in our business performance could result in a material impairment charge in a future period.

When a decision has been made to dispose of property and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life.

Goodwill

Goodwill is reviewed for impairment at the reporting unit level each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. We have the option to either first perform a qualitative assessment to determine whether it is more likely than not that each reporting unit's fair value is less than its carrying value (including goodwill), or to proceed directly to the quantitative assessment which requires a comparison of the reporting unit's fair value to its carrying value (including goodwill). If we determine that the fair value of a reporting unit is less than its carrying value, we recognize an impairment charge equal to the difference, not to exceed the total amount of goodwill allocated to the reporting unit. Our reporting units are determined in accordance with the provisions of ASC 350, *Intangibles - Goodwill and Other*. As a result of goodwill impairment charges recognized in 2019, only the Bath & Body Works reporting unit has goodwill as of February 1, 2020.

As of the end of the third quarter of 2019, we performed a quantitative interim impairment assessment over the Victoria's Secret and Greater China reporting units. An interim assessment was performed in consideration of the negative performance of these reporting units and their impact on the sustained decline in our market capitalization. Further, for the Greater China reporting unit, we considered the results of the long-lived store asset impairment assessment.

The interim assessment concluded that the fair value of the Victoria's Secret reporting unit, which was based on a weighted average of the income and market approaches, exceeded its carrying value. However, the fair value of the Greater China reporting unit, which was based on the income approach, did not exceed its carrying value. Accordingly, we recognized a goodwill impairment charge of \$30 million in the third quarter of 2019 related to the Greater China reporting unit. This charge is included in Impairment of Goodwill in the 2019 Consolidated Statement of Income (Loss).

As of the end of the fourth quarter of 2019, we performed our annual goodwill impairment assessment over the Bath & Body Works and Victoria's Secret reporting units. The fair value of the Bath & Body Works reporting unit was estimated using a weighted average of the income and market approaches. As a result of continued fourth quarter declines in business performance and increased risk, volatility and uncertainty related to the Victoria's Secret reporting unit, we estimated its fair value using a market approach.

The annual assessment concluded that the fair value of the Victoria's Secret reporting unit did not exceed its carrying value. Accordingly, we recognized a goodwill impairment charge of \$690 million in the fourth quarter of 2019 related to the Victoria's Secret reporting unit. This charge is included in Impairment of Goodwill in the 2019 Consolidated Statement of Income (Loss). The annual assessment also concluded that the fair value of the Bath & Body Works reporting unit exceeded its carrying value.

The market approach is based on earnings multiples of selected guideline public companies, while the income approach is based on estimated discounted future cash flows. The approaches, which are determined using Level 3 inputs within the fair value hierarchy, incorporated a number of significant assumptions and judgments including, but not limited to, estimated future cash flows, multiples of earnings of similar public companies, discount rates, income tax rates, terminal growth rates and an implied control premium relative to our market capitalization.

The use of different assumptions or judgments in our goodwill impairment assessment, including with respect to the estimated future cash flows, the earnings multiples used in the market approach, the discount rate used to discount such estimated future cash flows to their net present value and the reasonableness of the implied control premium relative to our market capitalization, could materially increase or decrease the fair value of our reporting units and, accordingly, could materially increase or decrease any related impairment charge. Declines in our market capitalization or in our business performance could result in a material impairment charge in a future period.

Intangible Assets - Indefinite Lives

Intangible assets with indefinite lives represent the Victoria's Secret and Bath & Body Works trade names. Intangible assets with indefinite lives are reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. We have the option to either first perform a qualitative assessment to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired, or to proceed directly to the quantitative assessment which requires a comparison of the fair value of the intangible asset to its carrying value. To determine if the fair value of the asset is less than its carrying amount, we will estimate the fair value, usually determined by the relief from royalty method under the income approach, and compare that value with its carrying amount. If the carrying value of the intangible asset exceeds its fair value, we recognize an impairment charge equal to the difference.

As of the end of the third quarter of 2019, we performed a quantitative interim impairment assessment of the Victoria's Secret trade name. An interim assessment was performed in consideration of the negative performance of Victoria's Secret. To estimate the fair value of the Victoria's Secret trade name, we used the relief from royalty method under the income approach. The interim assessment concluded that the fair value of the Victoria's Secret trade name exceeded its carrying value.

As of the end of the fourth quarter of 2019, we performed our annual impairment assessment of the Victoria's Secret and Bath & Body Works trade names. To estimate the fair value of the trade names, we used the relief from royalty method under the income approach. The annual assessment concluded that the fair values of the trade names were in excess of their respective carrying values.

The use of different assumptions or judgments in our impairment assessment of our trade names, including with respect to the estimated future cash flows, the discount rate used to discount such estimated future cash flows to their net present value and royalty rates used for the relief from royalty method, could materially increase or decrease the fair value of our trade names. A 50% reduction to our assumed royalty rate would not have resulted in a material incremental impairment charge in 2019.

Claims and Contingencies

We are subject to various claims and contingencies related to lawsuits, taxes, insurance, regulatory and other matters arising out of the normal course of business. Our determination of the treatment of claims and contingencies in the Consolidated Financial Statements is based on management's view of the expected outcome of the applicable claim or contingency. We consult with legal counsel on matters related to litigation and seek input from both internal and external experts with respect to matters in the ordinary course of business. We accrue a liability if the likelihood of an adverse outcome is probable and the amount is reasonably estimable. If the likelihood of an adverse outcome is only reasonably possible (as opposed to probable) or if an estimate is not reasonably determinable, disclosure of a material claim or contingency is disclosed in the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Income Taxes

We account for income taxes under the asset and liability method. Under this method, taxes currently payable or refundable are accrued, and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted income tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in our Consolidated Statement of Income (Loss) in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

Significant judgment is required in determining the provision for income taxes and related accruals, deferred tax assets and liabilities. In determining our provision for income taxes, we consider permanent differences between book and tax income and statutory income tax rates. Our effective income tax rate is affected by items including changes in tax law, the tax jurisdiction of new stores or business ventures and the level of earnings.

We follow the authoritative guidance included in ASC 740, *Income Taxes*, which contains a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and for which actual outcomes may differ from forecasted outcomes. Our policy is to include interest and penalties related to uncertain tax positions in income tax expense.

Our income tax returns, like those of most companies, are periodically audited by domestic and foreign tax authorities. These audits include questions regarding our tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple tax years are subject to audit by the various tax authorities. A number of years may elapse before a particular matter for which we have established an accrual is audited and fully resolved or clarified. We adjust our tax contingencies accrual and income tax provision in the period in which matters are effectively settled with tax authorities at amounts different from our established accrual, when the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available.

Revenue Recognition

In the first quarter of 2018, we adopted ASC 606, *Revenue from Contracts with Customers*, using the modified retrospective approach.

We recognize revenue based on the amount we expect to receive when control of the goods or services is transferred to our customer. We recognize sales upon customer receipt of merchandise, which for direct channel revenues reflect an estimate of shipments that have not yet been received by our customer based on shipping terms and historical delivery times. Our shipping and handling revenues are included in Net Sales with the related costs included in Costs of Goods Sold, Buying and Occupancy in our Consolidated Statements of Income (Loss). We also provide a reserve for projected merchandise returns based on historical experience. Net Sales exclude sales and other similar taxes collected from customers.

We offer certain loyalty programs that allow customers to earn points based on purchasing activity. As customers accumulate points and reach point thresholds, they can use the points to purchase merchandise in stores or online. We allocate revenue to points earned on qualifying purchases and defer recognition until the points are redeemed. The amount of revenue deferred is based on the relative stand-alone selling price method, which includes an estimate for points not expected to be redeemed based on historical experience.

We sell gift cards with no expiration dates to customers. We do not charge administrative fees on unused gift cards. We recognize revenue from gift cards when they are redeemed by the customer. In addition, we recognize revenue on unredeemed gift cards where the likelihood of the gift card being redeemed is remote and there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). Gift card breakage revenue is recognized in proportion, and over the same period, as actual gift card redemptions. We determine the gift card breakage rate based on historical redemption patterns. Gift card breakage is included in Net Sales in our Consolidated Statements of Income (Loss).

Revenue earned in connection with Victoria's Secret's private label credit card arrangement is recognized over the term of the license arrangement and is included in Net Sales in our 2019 and 2018 Consolidated Statements of Income (Loss).

We also recognize revenues associated with franchise, license, wholesale and sourcing arrangements. Revenue recognized under franchise and license arrangements generally consists of royalties earned and recognized upon sale of merchandise by franchise and license partners to retail customers. Revenue is generally recognized under wholesale and sourcing arrangements at the time the title passes to the partner.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market Risk

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

Foreign Exchange Rate Risk

We have operations in foreign countries which expose us to market risk associated with foreign currency exchange rate fluctuations. Our Canadian dollar, British pound, Chinese Yuan, Hong Kong dollar and Euro denominated earnings are subject to exchange rate risk as substantially all our merchandise sold in Canada, the U.K., Ireland and Greater China is sourced through U.S. dollar transactions. Although we utilize foreign currency forward contracts to partially offset risks associated with our operations in Canada and the U.K., 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. Typically, our investment portfolio is comprised of U.S. government obligations, U.S. Treasury and AAA-rated money market funds, commercial paper and bank deposits. Given the short-term nature and quality of investments in our portfolio, we do not believe there is any material risk to principal associated with increases or decreases in interest rates.

Excluding our Foreign Facilities, all of our long-term debt as of February 1, 2020 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 February 1, 2020, we believe that the carrying values of accounts receivable, accounts payable, accrued expenses and current debt approximate fair value because of their short maturity.

The following table provides a summary of the principal value and estimated fair value of outstanding publicly traded debt and other financial instruments as of February 1, 2020 and February 2, 2019:

	February 1, 2020	February 2, 2019
	(in millions)	
Long-term Debt:		
Principal Value	\$ 5,458	\$ 5,722
Fair Value, Estimated (a)	5,555	5,340
Foreign Currency Cash Flow Hedges (b)	—	(2)

(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.

(b) Hedge arrangements are in a net asset position.

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. Typically, 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

**L BRANDS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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Our fiscal year ends on the Saturday nearest to January 31. Fiscal years are designated in the Consolidated Financial Statements and Notes by the calendar year in which the fiscal year commences. The results for 2019 and 2018 refer to the 52-week periods ended February 1, 2020 and February 2, 2019, respectively. The results for 2017 refer to the 53-week period ended February 3, 2018.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control system is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of February 1, 2020. In making this assessment, management used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria).

Based on our assessment and the COSO criteria, management believes that the Company maintained effective internal control over financial reporting as of February 1, 2020.

The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the Company's internal control over financial reporting. Ernst & Young LLP's report appears on the following page and expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of February 1, 2020.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of L Brands, Inc.

Opinion on Internal Control over Financial Reporting

We have audited L Brands, Inc.'s internal control over financial reporting as of February 1, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, L Brands, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of February 1, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Consolidated Balance Sheets of L Brands, Inc. as of February 1, 2020 and February 2, 2019 and the related Consolidated Statements of Income (Loss), Comprehensive Income (Loss), Total Equity (Deficit), and Cash Flows for each of the three years in the period ended February 1, 2020, and the related notes and our report dated March 27, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. 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 Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Grandview Heights, Ohio
March 27, 2020

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of L Brands, Inc.

Opinion on the Financial Statements

We have audited the accompanying Consolidated Balance Sheets of L Brands, Inc. (the Company) as of February 1, 2020 and February 2, 2019, the related Consolidated Statements of Income (Loss), Comprehensive Income (Loss), Total Equity (Deficit), and Cash Flows for each of the three years in the period ended February 1, 2020, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at February 1, 2020 and February 2, 2019, and the results of its operations and its cash flows for each of the three years in the period ended February 1, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of February 1, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 27, 2020 expressed an unqualified opinion thereon.

Adoption of New Accounting Standard

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method for accounting for leases as of February 3, 2019 due to the adoption of the ASU 2016-02, *Leases* (Topic 842).

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. 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 Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impairment of Store Assets

Description of the Matter As discussed in Note 1 to the consolidated financial statements, the Company reviews long-lived store assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Store assets are grouped at the lowest level for which they are largely independent of other assets or asset groups. If the estimated undiscounted future cash flows related to the asset group are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the estimated fair value, determined by the estimated discounted future cash flows of the asset group.

The Company concluded that negative operating results for certain of the Victoria's Secret stores were an indicator of potential impairment of the related store asset groups. As a result, the Company recognized an impairment loss on leasehold improvements and store related assets of approximately \$188 million in the third quarter of 2019 and \$10 million in the fourth quarter of 2019, which represented the amount by which the carrying value exceeded the estimated fair value of the assets. In addition, the Company recognized an impairment loss of \$30 million in the third quarter of 2019 and \$35 million in the fourth quarter of 2019 for the operating lease assets for the stores.

Auditing management's long-lived store asset impairment analysis, including operating lease assets, is complex and highly judgmental due to the estimation required in determining the future cash flows used to assess recoverability of the store assets (undiscounted) and determining the fair value (discounted). The significant assumptions used include estimated future cash flows directly related to the future operation of the stores (including sales growth rate and gross margin rate), as well as the discount rate used to determine fair value. Significant assumptions used in determining the fair value of the operating lease assets include the current market rent for the remaining lease term of the related stores. These assumptions are subjective in nature and are affected by expectations about future market or economic conditions.

How We Addressed the Matter in Our Audit We tested the design and operating effectiveness of controls over the Company's process to identify impairment indicators, determine the undiscounted future cash flows for the stores, and determine the fair value for those store assets (including those related to operating leases) that were deemed to be impaired. Our testing included controls over management's review of the significant assumptions described above.

Our testing of the Company's impairment measurement included, among other procedures, evaluating the significant assumptions and operating data used to calculate the estimated future cash flows, as well as the estimated fair value. For example, we assessed the Company's long-range plan that is developed by management and reviewed by the Board of Directors and serves as the basis for the future cash flows in the analysis. We also inquired of the Company's executives to understand the business initiatives supporting the assumptions in the future cash flows, compared the future cash flows to the Company's actual performance and assessed the historical accuracy of management's estimates. We performed a sensitivity analysis on the significant assumptions to evaluate the changes in the fair value of the store assets that would result from changes in the assumptions. We also involved internal specialists to assist in testing the estimated market rental rates of the store leases by comparing them to market rates from comparable leases.

Valuation of Goodwill

Description of the Matter As discussed in Note 1 to the consolidated financial statements, goodwill is tested for impairment annually in the fourth quarter or more frequently if circumstances change. As discussed in Note 9, the Company performed an interim impairment assessment over the Victoria's Secret reporting unit in the third quarter of 2019 due to its negative operating results and the impact on the Company's market capitalization. The assessment was based on a weighted average of the income and market approaches, and the Company concluded that the goodwill of the Victoria's Secret reporting unit was not impaired. During the fourth quarter, the Company performed its annual goodwill impairment assessment over the Victoria's Secret reporting unit and estimated the fair value using only the market approach. The Company concluded that the goodwill for Victoria's Secret was fully impaired based on its estimate of fair value and recognized a goodwill impairment charge of \$690 million in the fourth quarter of 2019.

Auditing management's goodwill impairment tests was complex and highly judgmental due to the significant estimation required in determining the fair value of the Victoria's Secret reporting unit. The fair value estimate was sensitive to significant assumptions, such as estimated future cash flows (including sales growth rate and gross margin rate), discount rates, income tax rates, terminal growth rates, multiples of earnings of comparable public companies and an implied control premium relative to the Company's market capitalization. These assumptions are subjective in nature and are affected by expectations about future market or economic conditions.

How We Addressed the Matter in Our Audit We tested the design and operating effectiveness of controls over the Company's goodwill impairment review process, including controls over management's review of the significant assumptions described above.

To test the estimated fair value of the Victoria's Secret reporting unit in the third and fourth quarters of 2019, we involved internal specialists to assist in performing audit procedures that included, among others, assessing methodologies and testing the significant assumptions including the discount rate, the comparable public companies identified and the implied control premium. We assessed the Company's long-range plan that is developed by management and reviewed by the Board of Directors and serves as the basis for the future cash flows in the analysis. We inquired of the Company's executives to understand the business initiatives supporting the assumptions in the future cash flows, compared the future cash flows to the Company's actual performance and assessed the historical accuracy of management's estimates. We performed sensitivity analyses on the significant assumptions to evaluate the changes in the fair value of the reporting unit that would result from changes in the assumptions. In addition, we tested the reconciliation of the fair value of the reporting units to the market capitalization of the Company.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2003.

Grandview Heights, Ohio
March 27, 2020

L BRANDS, INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in millions except per share amounts)

	2019	2018	2017
Net Sales	\$ 12,914	\$ 13,237	\$ 12,632
Costs of Goods Sold, Buying and Occupancy	(8,464)	(8,338)	(7,673)
Gross Profit	4,450	4,899	4,959
General, Administrative and Store Operating Expenses	(3,472)	(3,563)	(3,231)
Impairment of Goodwill	(720)	—	—
Loss on Divestiture of La Senza	—	(99)	—
Operating Income	258	1,237	1,728
Interest Expense	(378)	(385)	(406)
Other Income (Loss)	(61)	5	(10)
Income (Loss) Before Income Taxes	(181)	857	1,312
Provision for Income Taxes	185	213	329
Net Income (Loss)	\$ (366)	\$ 644	\$ 983
Net Income (Loss) Per Basic Share	\$ (1.33)	\$ 2.33	\$ 3.46
Net Income (Loss) Per Diluted Share	\$ (1.33)	\$ 2.31	\$ 3.42

L BRANDS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)

	2019	2018	2017
Net Income (Loss)	\$ (366)	\$ 644	\$ 983
Other Comprehensive Income (Loss), Net of Tax:			
Foreign Currency Translation	(5)	(20)	23
Reclassification of La Senza Currency Translation to Earnings	—	45	—
Unrealized Gain (Loss) on Cash Flow Hedges	2	10	(20)
Reclassification of Cash Flow Hedges to Earnings	(4)	2	7
Unrealized Gain on Marketable Securities	—	—	2
Total Other Comprehensive Income (Loss), Net of Tax	(7)	37	12
Total Comprehensive Income (Loss)	\$ (373)	\$ 681	\$ 995

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

L BRANDS, INC.
CONSOLIDATED BALANCE SHEETS
(in millions except par value amounts)

	February 1, 2020	February 2, 2019
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,499	\$ 1,413
Accounts Receivable, Net	306	367
Inventories	1,287	1,248
Other	153	232
Total Current Assets	3,245	3,260
Property and Equipment, Net	2,486	2,818
Operating Lease Assets	3,053	—
Goodwill	628	1,348
Trade Names	411	411
Deferred Income Taxes	84	62
Other Assets	218	191
Total Assets	\$ 10,125	\$ 8,090
LIABILITIES AND EQUITY (DEFICIT)		
Current Liabilities:		
Accounts Payable	\$ 647	\$ 711
Accrued Expenses and Other	1,052	1,082
Current Debt	61	72
Current Operating Lease Liabilities	478	—
Income Taxes	134	121
Total Current Liabilities	2,372	1,986
Deferred Income Taxes	219	226
Long-term Debt	5,487	5,739
Long-term Operating Lease Liabilities	3,052	—
Other Long-term Liabilities	490	1,004
Shareholders' Equity (Deficit):		
Preferred Stock—\$1.00 par value; 10 shares authorized; none issued	—	—
Common Stock—\$0.50 par value; 1,000 shares authorized; 285 and 283 shares issued; 277 and 275 shares outstanding, respectively	142	141
Paid-in Capital	847	771
Accumulated Other Comprehensive Income	52	59
Retained Earnings (Deficit)	(2,182)	(1,482)
Less: Treasury Stock, at Average Cost; 8 and 8 shares, respectively	(358)	(358)
Total L Brands, Inc. Shareholders' Equity (Deficit)	(1,499)	(869)
Noncontrolling Interest	4	4
Total Equity (Deficit)	(1,495)	(865)
Total Liabilities and Equity (Deficit)	\$ 10,125	\$ 8,090

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

L BRANDS, INC.
CONSOLIDATED STATEMENTS OF TOTAL EQUITY (DEFICIT)
(in millions except per share amounts)

	Common Stock		Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Treasury Stock, at Average Cost	Noncontrolling Interest	Total Equity (Deficit)
	Shares Outstanding	Par Value						
Balance, January 28, 2017	286	\$ 157	\$ 650	\$ 12	\$ 205	\$ (1,753)	\$ 2	\$ (727)
Net Income	—	—	—	—	983	—	—	983
Other Comprehensive Income	—	—	—	12	—	—	—	12
Total Comprehensive Income	—	—	—	12	983	—	—	995
Cash Dividends (\$2.40 per share)	—	—	—	—	(686)	—	—	(686)
Repurchase of Common Stock	(9)	—	—	—	—	(445)	—	(445)
Treasury Share Retirement	—	(18)	(82)	—	(1,936)	2,036	—	—
Share-based Compensation and Other	3	2	110	—	—	—	—	112
Balance, February 3, 2018	280	\$ 141	\$ 678	\$ 24	\$ (1,434)	\$ (162)	\$ 2	\$ (751)
Cumulative Effect of Accounting Changes	—	—	—	(2)	(26)	—	—	(28)
Balance, February 4, 2018	280	\$ 141	\$ 678	\$ 22	\$ (1,460)	\$ (162)	\$ 2	\$ (779)
Net Income	—	—	—	—	644	—	—	644
Other Comprehensive Income	—	—	—	37	—	—	—	37
Total Comprehensive Income	—	—	—	37	644	—	—	681
Cash Dividends (\$2.40 per share)	—	—	—	—	(666)	—	—	(666)
Repurchase of Common Stock	(5)	—	—	—	—	(196)	—	(196)
Share-based Compensation and Other	—	—	93	—	—	—	2	95
Balance, February 2, 2019	275	\$ 141	\$ 771	\$ 59	\$ (1,482)	\$ (358)	\$ 4	\$ (865)
Cumulative Effect of Accounting Change	—	—	—	—	(2)	—	—	(2)
Balance, February 3, 2019	275	\$ 141	\$ 771	\$ 59	\$ (1,484)	\$ (358)	\$ 4	\$ (867)
Net Loss	—	—	—	—	(366)	—	—	(366)
Other Comprehensive Loss	—	—	—	(7)	—	—	—	(7)
Total Comprehensive Loss	—	—	—	(7)	(366)	—	—	(373)
Cash Dividends (\$1.20 per share)	—	—	—	—	(332)	—	—	(332)
Share-based Compensation and Other	2	1	76	—	—	—	—	77
Balance, February 1, 2020	277	\$ 142	\$ 847	\$ 52	\$ (2,182)	\$ (358)	\$ 4	\$ (1,495)

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

L BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	2019	2018	2017
Operating Activities			
Net Income (Loss)	\$ (366)	\$ 644	\$ 983
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation of Long-lived Assets	588	590	571
Amortization of Landlord Allowances	—	(43)	(47)
Share-based Compensation Expense	87	97	102
Deferred Income Taxes	(29)	(52)	(108)
Impairment of Goodwill	720	—	—
Long-lived Store Asset Impairment Charges	263	101	—
Loss on Divestiture of La Senza	—	99	—
Loss on Extinguishment of Debt	40	—	45
La Senza Charges	37	—	—
Gains on Distributions from Easton Investments	(5)	(8)	(20)
Unrealized Losses on Marketable Equity Securities	—	6	—
Changes in Assets and Liabilities, Net of Assets and Liabilities related to Divestiture:			
Accounts Receivable	31	(63)	(13)
Inventories	(40)	(40)	(137)
Accounts Payable, Accrued Expenses and Other	(93)	29	50
Income Taxes Payable	18	(113)	(40)
Other Assets and Liabilities	(15)	130	20
Net Cash Provided by Operating Activities	<u>1,236</u>	<u>1,377</u>	<u>1,406</u>
Investing Activities			
Capital Expenditures	(458)	(629)	(707)
Other Investing Activities	(22)	20	9
Net Cash Used for Investing Activities	<u>(480)</u>	<u>(609)</u>	<u>(698)</u>
Financing Activities			
Proceeds from Issuance of Long-term Debt, Net of Issuance Costs	486	—	495
Payments of Long-term Debt	(799)	(52)	(540)
Borrowings from Secured Revolving Facility	12	92	—
Repayments of Secured Revolving Facility	(12)	(92)	—
Borrowings from Foreign Facilities	167	172	96
Repayments of Foreign Facilities	(162)	(109)	(44)
Dividends Paid	(332)	(666)	(686)
Repurchases of Common Stock	—	(198)	(446)
Tax Payments related to Share-based Awards	(13)	(13)	(32)
Proceeds from Exercise of Stock Options	1	1	38
Financing Costs and Other	(14)	(7)	(8)
Net Cash Used for Financing Activities	<u>(666)</u>	<u>(872)</u>	<u>(1,127)</u>
Effects of Exchange Rate Changes on Cash	(4)	2	—
Net Increase (Decrease) in Cash and Cash Equivalents	86	(102)	(419)
Cash and Cash Equivalents, Beginning of Year	1,413	1,515	1,934
Cash and Cash Equivalents, End of Year	<u>\$ 1,499</u>	<u>\$ 1,413</u>	<u>\$ 1,515</u>

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

L BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

L Brands, Inc. (the "Company") operates in the highly competitive specialty retail business. The Company is a specialty retailer of women's intimate and other apparel, personal care, beauty and home fragrance products. The Company sells its merchandise through company-owned specialty retail stores in the U.S., Canada, U.K., Ireland and Greater China, and through its websites and other channels. The Company's other international operations are primarily through franchise, license and wholesale partners. The Company currently operates the following retail brands:

- Victoria's Secret
- PINK
- Bath & Body Works

On February 20, 2020, the Company and SP VS Buyer LP ("Sycamore"), an affiliate of Sycamore Partners Management, L.P., entered into a Transaction Agreement pursuant to which, among other things, the Company will transfer certain assets and liabilities relating to its business conducted under the Victoria's Secret and PINK brands to a newly formed subsidiary of the Company ("Victoria's Secret Holdco") and sell 55% of the equity interests of Victoria's Secret Holdco to Sycamore. The Company will retain 45% of the equity interests of Victoria's Secret Holdco. For additional information, see Note 23, "Subsequent Events."

Fiscal Year

The Company's fiscal year ends on the Saturday nearest to January 31. As used herein, "2019" and "2018" refer to the 52-week periods ended February 1, 2020 and February 2, 2019, respectively. "2017" refers to the 53-week period ended February 3, 2018.

Basis of Consolidation

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

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

On January 6, 2019, the Company completed the sale of the La Senza business. For additional information, see Note 5, "Restructuring Activities."

Cash and Cash Equivalents

Cash and Cash Equivalents include cash on hand, demand deposits with financial institutions and highly liquid investments with original maturities of less than 90 days. The Company's outstanding checks, which totaled \$15 million as of February 1, 2020 and \$13 million as of February 2, 2019, are included in Accounts Payable on the Consolidated Balance Sheets.

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. Typically, 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 records an allowance for uncollectable accounts when it becomes probable that the counterparty will be unable to pay.

Inventories

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

The Company records valuation adjustments to its inventories if the cost of inventory on hand exceeds the amount it expects to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand, market conditions and analysis of historical experience.

The Company also records inventory loss adjustments for estimated physical inventory losses that have occurred since the date of the last physical inventory. These estimates are based on management's analysis of historical results and operating trends.

Advertising Costs

Advertising and marketing costs are expensed at the time the promotion first appears in media, in the store or when the advertising is mailed. Advertising and marketing costs totaled \$428 million for 2019, \$476 million for 2018 and \$383 million for 2017.

Property and Equipment

The Company's property and equipment are recorded at cost and depreciation is computed on a straight-line basis using the following depreciable life ranges:

Category of Property and Equipment	Depreciable Life Range
Software, including software developed for internal use	3 - 5 years
Store related assets	3 - 10 years
Leasehold improvements	Shorter of lease term or 10 years
Non-store related building and site improvements	10 - 15 years
Other property and equipment	20 years
Buildings	30 years

When a decision has been made to dispose of property and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life. The Company's cost of assets sold or retired and the related accumulated depreciation are removed from the accounts with any resulting gain or loss included in net income (loss). Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend useful lives are capitalized.

Long-lived store assets, which include leasehold improvements, store related assets and operating lease assets (subsequent to the adoption of ASC 842, *Leases*), are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Store assets are grouped at the lowest level for which they are largely independent of other assets or asset groups. If the estimated undiscounted future cash flows related to the asset group are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the estimated fair value, determined by the estimated discounted future cash flows of the asset group. For operating lease assets, the Company determines the fair value of the assets by comparing the contractual rent payments to estimated market rental rates. An individual asset within an asset group is not impaired below its estimated fair value. The fair value of long-lived store assets are determined using Level 3 inputs within the fair value hierarchy.

Leases and Leasehold Improvements

In the first quarter of 2019, the Company adopted ASC 842, *Leases*, using the modified retrospective approach. Results for 2019 are presented under ASC 842, while the prior period consolidated financial statements have not been adjusted and continue to be presented under the accounting standard in effect at that time.

The Company leases retail space, office space, warehouse facilities, storage space, equipment and certain other items under operating leases. A substantial portion of the Company's leases are operating leases for its stores, which generally have an initial term of ten years. Annual store rent consists of a fixed minimum amount and/or variable rent based on a percentage of sales exceeding a stipulated amount. Store lease terms generally also require additional payments covering certain operating costs such as common area maintenance, utilities, insurance and taxes. Certain leases contain predetermined fixed escalations of minimum rentals or require periodic adjustments of minimum rentals depending on an index or rate. Additionally, certain leases contain incentives, such as construction allowances from landlords and/or rent abatements subsequent to taking possession of the leased property.

At lease commencement, the Company recognizes an asset for the right to use the leased asset and a liability based on the present value of the unpaid fixed lease payments. Operating lease costs are recognized on a straight-line basis as lease expense over the lease term. Variable lease payments associated with the Company's leases are recognized upon occurrence of the event or circumstance on which the payments are assessed. Short-term leases with an initial term of 12 months or less are not recorded on the balance sheet, and lease expense is recognized on a straight-line basis over the lease term.

The Company uses its incremental borrowing rate, adjusted for collateral, to determine the present value of its unpaid lease payments.

The Company's store leases often include options to extend the initial term or to terminate the lease prior to the end of the initial term. The exercise of these options is typically at the sole discretion of the Company. These options are included in determining the initial lease term at lease commencement if the Company is reasonably certain to exercise the option. Additionally, the Company may operate stores for a period of time on a month-to-month basis after the expiration of the lease term.

The Company also has leasehold improvements which are amortized over the shorter of their estimated useful lives or the period from the date the assets are placed in service to the end of the initial lease term. Leasehold improvements made after the inception of the initial lease term are depreciated over the shorter of their estimated useful lives or the remaining lease term, including renewal periods, if reasonably assured.

Goodwill and Intangible Assets

The Company has certain intangible assets resulting from business combinations and acquisitions that are recorded at cost.

Goodwill is reviewed for impairment at the reporting unit level each year in the fourth quarter, and may be reviewed more frequently if certain events occur or circumstances change. The Company has the option to either first perform a qualitative assessment to determine whether it is more likely than not that each reporting unit's fair value is less than its carrying value (including goodwill), or to proceed directly to the quantitative assessment which requires a comparison of the reporting unit's fair value to its carrying value (including goodwill). If the Company determines that the fair value of a reporting unit is less than its carrying value, the Company recognizes an impairment charge equal to the difference, not to exceed the total amount of goodwill allocated to the reporting unit. The Company's reporting units are determined in accordance with the provisions of ASC 350, *Intangibles - Goodwill and Other*.

Intangible assets with indefinite lives represent the Victoria's Secret and Bath & Body Works trade names. Intangible assets with indefinite lives are reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. The Company has the option to either first perform a qualitative assessment to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired, or to proceed directly to the quantitative assessment which requires a comparison of the fair value of the intangible asset to its carrying value. To determine if the fair value of the asset is less than its carrying amount, the Company will estimate the fair value, usually determined by the relief from royalty method under the income approach, and compare that value with its carrying amount. If the carrying value of the intangible asset exceeds its fair value, the Company recognizes an impairment charge equal to the difference.

Foreign Currency Translation

The functional currency of the Company's foreign operations is generally the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect as of the balance sheet date, while revenues and expenses are translated at the average exchange rates for the period. The Company's resulting translation adjustments are recorded as a component of accumulated other comprehensive income (loss) in shareholders' equity. Accumulated foreign currency translation adjustments are reclassified to net income (loss) when realized upon sale or upon complete, or substantially complete, liquidation of the investment in the foreign entity.

Derivative Financial Instruments

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

For derivative financial instruments that are designated and qualify as cash flow hedges, the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) in shareholders' equity and reclassified into earnings in the same period during which the hedged item affects earnings. Gains and losses that are reclassified into earnings are recognized in the same line item on the Consolidated Statement of Income (Loss) as the underlying hedged item.

For derivative financial instruments that are not designated as hedging instruments, the gain or loss on the derivative instrument is recognized in current earnings in Other Income (Loss) on the Consolidated Statements of Income (Loss).

Fair Value

The authoritative guidance included in ASC 820, *Fair Value Measurement*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. This authoritative guidance further establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted market prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted market prices included in Level 1, such as quoted prices of similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company estimates the fair value of financial instruments, property and equipment and goodwill and intangible assets in accordance with the provisions of ASC 820.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, taxes currently payable or refundable are accrued, and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted income tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the Company's Consolidated Statement of Income (Loss) in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

In determining the Company's provision for income taxes, the Company considers permanent differences between book and tax income and statutory income tax rates. The Company's effective income tax rate is affected by items including changes in tax law, the tax jurisdiction of new stores or business ventures and the level of earnings.

The Company follows a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and for which actual outcomes may differ from forecasted outcomes. The Company's policy is to include interest and penalties related to uncertain tax positions in income tax expense.

The Company's income tax returns, like those of most companies, are periodically audited by domestic and foreign tax authorities. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple tax years are subject to audit by the various tax authorities. A number of years may elapse before a particular matter for which the Company has established an accrual is audited and fully resolved or clarified. The Company adjusts its tax contingencies accrual and income tax provision in the period in which matters are effectively settled with tax authorities at amounts different from its established accrual, when the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available. The Company includes its tax contingencies accrual, including accrued penalties and interest, in Other Long-term Liabilities on the Consolidated Balance Sheets unless the liability is expected to be paid within one year. Changes to the tax contingencies accrual, including accrued penalties and interest, are included in Provision for Income Taxes on the Consolidated Statements of Income (Loss).

Self-Insurance

The Company is self-insured for medical, workers' compensation, property, general liability and automobile liability up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred but not reported ("IBNR") claims. IBNR claims are estimated using historical claim information and actuarial estimates.

Noncontrolling Interest

Noncontrolling interest represents the portion of equity interests of consolidated affiliates not owned by the Company.

Share-based Compensation

The Company recognizes all share-based payments to employees and directors as compensation cost over the service period based on their estimated fair value on the date of grant. The Company estimates award forfeitures at the time awards are granted and adjusts, if necessary, in subsequent periods based on historical experience and expected future forfeitures.

Compensation cost is recognized over the service period for the fair value of awards that actually vest. Compensation expense for awards without a performance condition is recognized, net of estimated forfeitures, using a single award approach (each award is valued as one grant, irrespective of the number of vesting tranches). Compensation expense for awards with a performance condition is recognized, net of estimated forfeitures, using a multiple award approach (each vesting tranche is valued as one grant).

Revenue Recognition

In the first quarter of 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers*, using the modified retrospective approach. Results for 2019 and 2018 are presented under ASC 606, while results for 2017 have not been adjusted and continue to be presented under the accounting standards in effect for that period.

The Company recognizes revenue based on the amount it expects to receive when control of the goods or services is transferred to the customer. The Company recognizes sales upon customer receipt of merchandise, which for direct channel revenues reflect an estimate of shipments that have not yet been received by the customer based on shipping terms and historical delivery times. The Company's shipping and handling revenues are included in Net Sales with the related costs included in Costs of Goods Sold, Buying and Occupancy in the Consolidated Statements of Income (Loss). The Company also provides a reserve for projected merchandise returns based on historical experience. Net Sales exclude sales and other similar taxes collected from customers.

The Company offers certain loyalty programs that allow customers to earn points based on purchasing activity. As customers accumulate points and reach point thresholds, they can use the points to purchase merchandise in stores or online. The Company allocates revenue to points earned on qualifying purchases and defers recognition until the points are redeemed. The amount of revenue deferred is based on the relative stand-alone selling price method, which includes an estimate for points not expected to be redeemed based on historical experience.

The Company sells gift cards with no expiration dates to customers. The Company does not charge administrative fees on unused gift cards. The Company recognizes revenue from gift cards when they are redeemed by the customer. In addition, the Company recognizes revenue on unredeemed gift cards where the likelihood of the gift card being redeemed is remote and there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). Gift card breakage revenue is recognized in proportion, and over the same period, as actual gift card redemptions. The Company determines the gift card breakage rate based on historical redemption patterns. Gift card breakage is included in Net Sales in the Consolidated Statements of Income (Loss).

Revenue earned in connection with Victoria's Secret's private label credit card arrangement is recognized over the term of the license arrangement and is included in Net Sales in the 2019 and 2018 Consolidated Statements of Income (Loss).

The Company also recognizes revenues associated with franchise, license, wholesale and sourcing arrangements. Revenue recognized under franchise and license arrangements generally consists of royalties earned and recognized upon sale of merchandise by franchise and license partners to retail customers. Revenue is generally recognized under wholesale and sourcing arrangements at the time the title passes to the partner.

Costs of Goods Sold, Buying and Occupancy

The Company's costs of goods sold include merchandise costs, net of discounts and allowances, freight and inventory shrinkage. The Company's buying and occupancy expenses primarily include payroll, benefit costs and operating expenses for its buying departments and distribution network, rent, common area maintenance, real estate taxes, utilities, maintenance, fulfillment expenses and depreciation for the Company's stores, warehouse facilities and equipment.

General, Administrative and Store Operating Expenses

The Company's general, administrative and store operating expenses primarily include payroll and benefit costs for its store-selling and administrative departments (including corporate functions), marketing, advertising and other operating expenses not specifically categorized elsewhere in the Consolidated Statements of Income (Loss).

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.

2. New Accounting Pronouncements

Leases

In February 2016, the FASB issued ASC 842, *Leases*, which requires companies classified as lessees to account for most leases on their balance sheet but recognize expense on their income statement in a manner similar to legacy accounting. The standard also requires enhanced quantitative and qualitative disclosures, including significant judgments made by management, to provide greater insight into the extent of expense recognized and expected to be recognized from existing leases. In July 2018, the FASB approved an amendment to the standard that provides companies a modified retrospective transition option that did not require earlier periods to be restated upon adoption.

The Company adopted the standard in the first quarter of 2019 under the modified retrospective approach. As allowed by the new standard, the Company elected the package of transition practical expedients but elected to not apply the hindsight practical expedient to its leases at transition.

Upon adoption at the beginning of 2019, the Company recorded operating lease liabilities of \$3.7 billion and operating lease assets for its leases of \$3.3 billion. The operating lease assets are net of \$470 million of liabilities for deferred rent and unamortized landlord construction allowances that were previously recorded as Other Long-term Liabilities on the Consolidated Balance Sheet. The Company also recorded a decrease to opening retained earnings, net of tax, of \$2 million. The adoption of the standard did not materially impact the Consolidated Statements of Income (Loss) or Cash Flows. See Note 8, "Leases" for additional disclosures required by the new standard.

Hedging Activities

In August 2017, the FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which is intended to better align risk management activities and financial reporting for hedging relationships. The standard eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. It also eases certain documentation and assessment requirements. The Company adopted the standard in the first quarter of 2019. The adoption of this standard did not have a material impact on the Company's consolidated results of operations, financial position or cash flows.

Goodwill

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill. The standard eliminates the second step from the goodwill impairment test, which required a hypothetical purchase price allocation to determine the implied fair value of goodwill. Under the new standard, the goodwill impairment charge is the excess of the reporting unit's carrying value over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The Company adopted this standard in the third quarter of 2019 and performed its interim and annual goodwill impairment assessments in accordance with ASU 2017-04. For additional information, see Note 9, "Goodwill and Trade Names."

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*, which requires the use of a forward-looking expected loss impairment model for accounts receivable and certain other financial instruments. This guidance will be effective beginning in fiscal 2020, with early adoption permitted. The Company does not expect this standard to have a material impact on its consolidated results of operations, financial position or cash flows.

3. Revenue Recognition

In the first quarter of 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers*, using the modified retrospective approach. Results for 2019 and 2018 are presented under ASC 606, while results for 2017 have not been adjusted and continue to be presented under the accounting standards in effect in that period.

Accounts receivable, net from revenue-generating activities were \$152 million as of February 1, 2020 and \$150 million as of February 2, 2019. Accounts receivable primarily relate to amounts due from the Company's franchise, license and wholesale partners. Under these arrangements, payment terms are typically 60 to 90 days.

The Company records deferred revenue when cash payments are received in advance of transfer of control of goods or services. Deferred revenue primarily relates to gift cards, loyalty and private label credit card programs and direct channel shipments, which are all impacted by seasonal and holiday-related sales patterns. The balance of deferred revenue was \$342 million as of February 1, 2020 and \$331 million as of February 2, 2019. The Company recognized \$218 million as revenue in 2019 from amounts recorded as deferred revenue at the beginning of the period. As of February 1, 2020, the Company recorded deferred revenues of \$330 million within Accrued Expenses and Other, and \$12 million within Other Long-term Liabilities on the Consolidated Balance Sheet.

The following table provides a disaggregation of Net Sales for 2019, 2018 and 2017:

	2019	2018	2017 (a)
	(in millions)		
Victoria's Secret Stores (b)	\$ 5,112	\$ 5,628	\$ 5,879
Victoria's Secret Direct	1,693	1,747	1,508
Total Victoria's Secret	6,805	7,375	7,387
Bath & Body Works Stores (b)	4,212	3,907	3,589
Bath & Body Works Direct	958	724	559
Total Bath & Body Works	5,170	4,631	4,148
Victoria's Secret and Bath & Body Works International (c)	600	605	502
Other (d)	339	626	595
Total Net Sales	<u>\$ 12,914</u>	<u>\$ 13,237</u>	<u>\$ 12,632</u>

(a) 2017 represents a 53-week fiscal year.

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

(c) Includes company-owned stores in the U.K., Ireland and Greater China, direct sales in Greater China and wholesale sales, royalties and other fees associated with non-company owned stores.

(d) Includes wholesale revenues from the Company's sourcing function. Results for 2018 and 2017 also include store and direct sales for Henri Bendel and La Senza.

4. Earnings Per Share

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

The following table provides shares utilized for the calculation of basic and diluted earnings per share for 2019, 2018 and 2017:

	2019	2018	2017 (a)
	(in millions)		
Weighted-average Common Shares:			
Issued Shares	284	283	308
Treasury Shares	(8)	(7)	(24)
Basic Shares	<u>276</u>	<u>276</u>	<u>284</u>
Effect of Dilutive Options and Restricted Stock	—	3	3
Diluted Shares	<u>276</u>	<u>279</u>	<u>287</u>
Anti-dilutive Options and Awards (b)	<u>9</u>	<u>5</u>	<u>4</u>

(a) In November 2017, the Company retired 36 million shares of its Treasury Stock.

(b) These options and awards were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive. For 2019, the dilutive impact of outstanding options and awards were excluded from dilutive shares as a result of the Company's net loss for the period.

5. Restructuring Activities

La Senza

On January 6, 2019, in an effort to increase shareholder value and in order to focus on its larger core businesses, the Company divested its ownership interest in La Senza to an affiliate of Regent LP, a global private equity firm. Regent LP assumed La Senza's operating assets and liabilities in exchange for potential future consideration upon the sale or other monetization of La Senza, as defined in the agreement. In the fourth quarter of 2018, the Company recognized a pre-tax loss on the divestiture of \$99 million, primarily related to \$45 million of accumulated foreign currency translation adjustments reclassified into earnings that were previously recognized as a component of equity, as well as losses related to the transfer of the net working capital and long-lived store assets to the buyer. The loss is included in Loss on Divestiture of La Senza in the 2018 Consolidated Statement of Income (Loss). The after-tax loss on the divestiture was \$55 million, which includes \$44 million of tax benefits primarily associated with the recognition of previously unrecognized deferred tax assets. In 2019, the Company received cash proceeds of \$12 million related to a net working capital settlement from the divestiture. These proceeds are included within Investing Activities in the 2019 Consolidated Statement of Cash Flows.

In conjunction with the transaction, certain of the Company's subsidiaries have remaining contingent obligations related to La Senza lease payments under the terms of existing noncancelable leases. In 2019, the Company's subsidiaries recognized pre-tax non-cash charges of \$37 million to increase the reserves for potential exposure related to the La Senza business. These charges are included in Other Income (Loss) in the 2019 Consolidated Statement of Income (Loss). For additional information, see Note 17, "Commitments and Contingencies."

Additionally, the Company continues to provide technology and other operational support to La Senza for a period of time expected to continue into fiscal 2020.

Henri Bendel

The Company announced the closure of Henri Bendel in the third quarter of 2018. As a result, the Company recognized a pre-tax charge, primarily cash, consisting of lease termination costs, severance and other costs of \$20 million in the third quarter of 2018. In the fourth quarter of 2018, the Company recognized an additional pre-tax charge of \$3 million, primarily related to contract termination and employee retention costs. Restructuring charges of \$14 million and \$9 million are included in Costs of Goods Sold, Buying and Occupancy and General, Administrative and Store Operating Expenses, respectively, in the 2018 Consolidated Statement of Income (Loss).

6. Inventories

The following table provides details of inventories as of February 1, 2020 and February 2, 2019:

	February 1, 2020	February 2, 2019
	(in millions)	
Finished Goods Merchandise	\$ 1,152	\$ 1,107
Raw Materials and Merchandise Components	135	141
Total Inventories	<u>\$ 1,287</u>	<u>\$ 1,248</u>

7. Property and Equipment, Net

The following table provides details of property and equipment, net as of February 1, 2020 and February 2, 2019:

	February 1, 2020	February 2, 2019
	(in millions)	
Land and Improvements	\$ 116	\$ 116
Buildings and Improvements	496	492
Furniture, Fixtures, Software and Equipment	3,861	3,725
Leasehold Improvements	2,018	2,277
Construction in Progress	122	123
Total	6,613	6,733
Accumulated Depreciation and Amortization	(4,127)	(3,915)
Property and Equipment, Net	\$ 2,486	\$ 2,818

Depreciation expense was \$588 million in 2019, \$590 million in 2018 and \$571 million in 2017.

Long-Lived Store Assets

In 2019 and 2018, the Company concluded that the negative operating results for certain of its Victoria's Secret stores were an indicator of potential impairment of the related store asset groups. The Company determined that the estimated undiscounted future cash flows were less than the carrying values and, as a result, determined the estimated fair values of the store asset groups using estimated discounted future cash flows and estimated market rental rates. Long-lived store asset impairment charges are included in Costs of Goods Sold, Buying & Occupancy in the Consolidated Statements of Income (Loss).

The following table provides long-lived store asset impairment charges included in the Consolidated Statements of Income (Loss) for 2019 and 2018:

	Store Asset Impairment		Operating Lease Asset Impairment		Total Impairment	
	2019	2018	2019	2018	2019	2018
	(in millions)					
Victoria's Secret (a)	\$ 47	\$ 70	\$ 4	\$ —	\$ 51	\$ 70
Victoria's Secret and Bath & Body Works International (b)	151	31	61	—	212	31
Total	\$ 198	\$ 101	\$ 65	\$ —	\$ 263	\$ 101

(a) Includes stores in the U.S. and Canada.

(b) Includes stores in Greater China, the U.K. and Ireland.

8. Leases

In the first quarter of 2019, the Company adopted ASC 842, *Leases*, using the modified retrospective approach. Results for 2019 are presented under ASC 842, while prior periods consolidated financial statements have not been adjusted and continue to be presented under the accounting standards in effect at that time.

For leases entered into or reassessed after the adoption of the new standard, the Company has elected the practical expedient allowed by the standard to account for all fixed consideration in a lease as a single lease component. Therefore, the lease payments used to measure the lease liability for these leases include fixed minimum rentals along with fixed operating costs such as common area maintenance and utilities.

The Company has provided residual value guarantees in connection with noncancelable operating leases of certain assets. For additional information, see Note 17, "Commitments and Contingencies."

The following table provides the components of lease cost for operating leases for 2019:

	(in millions)
Operating Lease Costs (a)	\$ 769
Variable Lease Costs	100
Short-term Lease Costs	30
Total Lease Cost	\$ 899

(a) As discussed in Note 7, "Property and Equipment, Net," the Company recognized operating lease asset impairment charges of \$65 million during 2019, which is included as additional operating lease costs.

The following table provides future maturities of operating lease liabilities as of February 1, 2020:

<u>Fiscal Year</u>	(in millions)
2020	\$ 674
2021	693
2022	619
2023	558
2024	481
Thereafter	1,475
Total Lease Payments	\$ 4,500
Less: Interest	(970)
Present Value of Operating Lease Liabilities	\$ 3,530

As of February 1, 2020, the Company has additional operating lease commitments that have not yet commenced of approximately \$264 million.

The following table provides the weighted-average remaining lease term and discount rate for operating leases with lease liabilities as of February 1, 2020:

Weighted Average Remaining Lease Term (years)	7.4
Weighted Average Discount Rate	6.2%

During 2019, the Company paid \$708 million for operating lease liabilities recorded on the balance sheet. These payments are included within the Operating Activities section of the 2019 Consolidated Statement of Cash Flows.

During 2019, the Company obtained \$313 million of additional lease assets as a result of new operating lease obligations.

Finance Leases

The Company leases certain fulfillment equipment under finance leases that expire at various dates through 2023. The Company records finance lease assets, net of accumulated amortization, in Property and Equipment, Net on the Consolidated Balance Sheet. Additionally, the Company records finance lease liabilities in Accrued Expenses and Other and Other Long-term Liabilities on the Consolidated Balance Sheet. Finance lease costs are comprised of the straight-line amortization of the lease asset and the accretion of interest expense under the effective interest method.

The Company recorded \$21 million and \$26 million of finance lease assets, net of accumulated amortization, in Property and Equipment, Net on the February 1, 2020 and February 2, 2019 Consolidated Balance Sheets, respectively. Additionally, the Company recorded finance lease liabilities of \$8 million in Accrued Expenses and Other and \$13 million in Other Long-term Liabilities on the February 1, 2020 Consolidated Balance Sheet, and \$8 million in Accrued Expenses and Other and \$19 million in Other Long-term Liabilities on the February 2, 2019 Consolidated Balance Sheet.

Asset Retirement Obligations

The Company has asset retirement obligations related to certain company-owned international stores that contractually obligate the Company to remove leasehold improvements at the end of a lease. The Company's liabilities for asset retirement obligations totaled \$22 million as of February 1, 2020 and \$18 million as of February 2, 2019. These liabilities are included in Other Long-term Liabilities on the Consolidated Balance Sheets.

Disclosures for 2018 and 2017

The following table provides rent expense, as presented under the prior accounting standard, for 2018 and 2017:

	2018	2017
	(in millions)	
Store Rent:		
Fixed Minimum	\$ 663	\$ 642
Contingent	72	67
Total Store Rent	735	709
Office, Equipment and Other	98	94
Gross Rent Expense	833	803
Sublease Rental Income	(2)	(2)
Total Rent Expense	\$ 831	\$ 801

9. Goodwill and Trade Names

Goodwill

The following table provides detail regarding the composition of goodwill as of February 1, 2020 and February 2, 2019:

	February 1, 2020	February 2, 2019
	(in millions)	
Bath & Body Works	\$ 628	\$ 628
Victoria's Secret	—	690
Victoria's Secret and Bath & Body Works International	—	30
Goodwill	\$ 628	\$ 1,348

As of the end of the third quarter of 2019, the Company performed a quantitative interim impairment assessment over the Victoria's Secret and Greater China reporting units. An interim assessment was performed in consideration of the negative performance of these reporting units and their impact on the sustained decline in the Company's market capitalization. Further, for the Greater China reporting unit, the Company considered the results of the long-lived store asset impairment assessment.

The interim assessment concluded that the fair value of the Victoria's Secret reporting unit, which was based on a weighted average of the income and market approaches, exceeded its carrying value. However, the fair value of the Greater China reporting unit, which was based on the income approach, did not exceed its carrying value. Accordingly, the Company recognized a goodwill impairment charge of \$30 million in the third quarter of 2019 related to the Greater China reporting unit. This charge is included in Impairment of Goodwill in the 2019 Consolidated Statement of Income (Loss).

As of the end of the fourth quarter of 2019, the Company performed its annual goodwill impairment assessment over the Bath & Body Works and Victoria's Secret reporting units. The fair value of the Bath & Body Works reporting unit was estimated using a weighted average of the income and market approaches. As a result of continued fourth quarter declines in business performance and increased risk, volatility and uncertainty related to the Victoria's Secret reporting unit, the Company estimated its fair value using a market approach.

The annual assessment concluded that the fair value of the Victoria's Secret reporting unit did not exceed its carrying value. Accordingly, the Company recognized a goodwill impairment charge of \$690 million in the fourth quarter of 2019 related to the Victoria's Secret reporting unit. This charge is included in Impairment of Goodwill in the 2019 Consolidated Statement of Income (Loss). The annual assessment also concluded that the fair value of the Bath & Body Works reporting unit exceeded its carrying value.

The market approach is based on earnings multiples of selected guideline public companies, while the income approach is based on estimated discounted future cash flows. The approaches, which are determined using Level 3 inputs within the fair value hierarchy, incorporated a number of significant assumptions and judgments including, but not limited to, estimated future cash flows, multiples of earnings of similar public companies, discount rates, income tax rates, terminal growth rates and an implied control premium relative to the Company's market capitalization.

Intangible Assets—Indefinite Lives

Intangible assets with indefinite lives represent the Victoria's Secret and Bath & Body Works trade names. The following table provides additional detail regarding the composition of trade names as of February 1, 2020 and February 2, 2019:

	February 1, 2020	February 2, 2019
	(in millions)	
Victoria's Secret	\$ 246	\$ 246
Bath & Body Works	165	165
Trade Names	\$ 411	\$ 411

As of the end of the third quarter of 2019, the Company performed a quantitative interim impairment assessment of the Victoria's Secret trade name. An interim assessment was performed in consideration of the negative performance of Victoria's Secret. To estimate the fair value of the Victoria's Secret trade name, the Company used the relief from royalty method under the income approach. The interim assessment concluded that the fair value of the Victoria's Secret trade name exceeded its carrying value.

As of the end of the fourth quarter of 2019, the Company performed its annual impairment assessment of the Victoria's Secret and Bath & Body Works trade names. To estimate the fair value of the trade names, the Company used the relief from royalty method under the income approach. The annual assessment concluded that the fair values of the trade names were in excess of their respective carrying values.

10. Equity 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 \$118 million as of February 1, 2020 and \$89 million as of February 2, 2019, are recorded in Other Assets on the Consolidated Balance Sheets.

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

The Company received cash distributions of \$7 million, \$16 million and \$29 million during 2019, 2018 and 2017, respectively, from certain of its Easton investments which are included as return of capital within Investing Activities of the Consolidated Statements of Cash Flows. As a result of these distributions, the Company recognized pre-tax gains totaling \$5 million, \$8 million and \$20 million during 2019, 2018 and 2017, respectively, which are included in Other Income (Loss) in the Consolidated Statements of Income (Loss).

11. Accrued Expenses and Other

The following table provides additional information about the composition of Accrued Expenses and Other as of February 1, 2020 and February 2, 2019:

	February 1, 2020	February 2, 2019
	(in millions)	
Deferred Revenue, Principally from Gift Card Sales	\$ 330	\$ 316
Compensation, Payroll Taxes and Benefits	216	215
Interest	94	92
Taxes, Other than Income	74	78
Accrued Claims on Self-insured Activities	40	45
Rent	35	39
Returns Reserve	23	27
Other	240	270
Total Accrued Expenses and Other	\$ 1,052	\$ 1,082

12. Income Taxes

Current income tax expense represents the amounts expected to be reported on the Company's income tax returns, and deferred tax expense or benefit represents the change in net deferred tax assets and liabilities. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Valuation allowances are recorded as appropriate to reduce deferred tax assets to the amount considered likely to be realized.

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA") was enacted into law. The legislation significantly changes U.S. tax law by, among other things, lowering corporate income tax rates and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The TCJA reduced the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018.

The following table provides the components of the Company's provision for income taxes for 2019, 2018 and 2017:

	2019	2018	2017
	(in millions)		
Current:			
U.S. Federal	\$ 156	\$ 212	\$ 366
U.S. State	35	37	49
Non-U.S.	23	16	22
Total	214	265	437
Deferred:			
U.S. Federal	(7)	(4)	(114)
U.S. State	1	2	6
Non-U.S.	(23)	(50)	—
Total	(29)	(52)	(108)
Provision for Income Taxes	\$ 185	\$ 213	\$ 329

The non-U.S. component of pre-tax income, arising principally from overseas operations, was a loss of \$226 million, loss of \$14 million and income of \$99 million for 2019, 2018 and 2017, respectively.

The following table provides the reconciliation between the statutory federal income tax rate and the effective tax rate for 2019, 2018 and 2017:

	2019	2018	2017
Federal Income Tax Rate	21.0%	21.0%	33.7%
State Income Taxes, Net of Federal Income Tax Effect	(23.0%)	6.0%	3.6%
Impact of Non-U.S. Operations	(5.7%)	2.3%	(1.4%)
Goodwill Impairment	(80.8%)	—%	—%
Change in Valuation Allowance	(18.5%)	(1.1%)	(0.1%)
Divestiture of La Senza	—%	(2.7%)	—%
U.S. Net Deferred Tax Liability Remeasurement	—%	—%	(12.1%)
Deemed Mandatory Repatriation	—%	—%	5.1%
Share-Based Compensation	(7.7%)	1.0%	(1.0%)
Uncertain Tax Positions	12.3%	(0.5%)	(1.2%)
Other Items, Net	0.5%	(1.1%)	(1.5%)
Effective Tax Rate	(101.9%)	24.9%	25.1%

Deferred Taxes

The following table provides the effect of temporary differences that cause deferred income taxes as of February 1, 2020 and February 2, 2019. Deferred tax assets and liabilities represent the future effects on income taxes resulting from temporary differences and carryforwards at the end of the respective year.

	February 1, 2020			February 2, 2019		
	Assets	Liabilities	Total	Assets	Liabilities	Total
	(in millions)					
Operating Loss Carryforwards	\$ 247	\$ —	\$ 247	\$ 217	\$ —	\$ 217
Non-qualified Retirement Plan	62	—	62	64	—	64
Leases	746	(712)	34	50	—	50
Share-based Compensation	40	—	40	47	—	47
Deferred Revenue	20	—	20	28	—	28
Property and Equipment	—	(230)	(230)	—	(278)	(278)
Trade Names and Other Intangibles	—	(94)	(94)	—	(93)	(93)
Other Assets	—	(60)	(60)	—	(60)	(60)
Other, Net	70	(20)	50	60	(27)	33
Valuation Allowance	(204)	—	(204)	(172)	—	(172)
Total Deferred Income Taxes	\$ 981	\$ (1,116)	\$ (135)	\$ 294	\$ (458)	\$ (164)

As of February 1, 2020, the Company had available for state income tax purposes net operating loss carryforwards which expire, if unused, in the years 2020 through 2039. For those states where the Company has determined that it is more likely than not that the state net operating loss carryforwards will not be realized, a valuation allowance has been provided.

As of February 1, 2020, the Company had available for non-U.S. tax purposes net operating loss carryforwards which have an indefinite life and net operating loss carryforwards which expire, if unused, in the years 2028 through 2039. For certain jurisdictions where the Company has determined that it is more likely than not that the net operating loss carryforwards will not be realized, a valuation allowance has been provided on those net operating loss carryforwards as well as other net deferred tax assets.

Income tax payments were \$228 million for 2019, \$324 million for 2018 and \$494 million for 2017.

Uncertain Tax Positions

The following table summarizes the activity related to the Company's unrecognized tax benefits for U.S. federal, state & non-U.S. tax jurisdictions for 2019, 2018 and 2017, without interest and penalties:

	2019	2018	2017
	(in millions)		
Gross Unrecognized Tax Benefits, as of the Beginning of the Fiscal Year	\$ 114	\$ 67	\$ 90
Increases to Unrecognized Tax Benefits for Prior Years	15	35	3
Decreases to Unrecognized Tax Benefits for Prior Years	(22)	(25)	(22)
Increases to Unrecognized Tax Benefits as a Result of Current Year Activity	3	44	7
Decreases to Unrecognized Tax Benefits Relating to Settlements with Taxing Authorities	(16)	—	(2)
Decreases to Unrecognized Tax Benefits as a Result of a Lapse of the Applicable Statute of Limitations	(6)	(7)	(9)
Gross Unrecognized Tax Benefits, as of the End of the Fiscal Year	\$ 88	\$ 114	\$ 67

Of the total gross unrecognized tax benefits, approximately \$81 million, \$104 million and \$46 million, at February 1, 2020, February 2, 2019, and February 3, 2018, respectively, represent the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods. These amounts are net of the offsetting tax effects from other tax jurisdictions.

Of the total unrecognized tax benefits, it is reasonably possible that \$66 million could change in the next 12 months due to audit settlements, expiration of statute of limitations or other resolution of uncertainties. Due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of audits may result in amounts which could be different

from this estimate. In such case, the Company will record additional tax expense or tax benefit in the period in which such matters are effectively settled.

The Company recognizes interest and penalties related to unrecognized tax benefits as components of income tax expense. The Company recognized an income tax benefit from interest and penalties of less than \$1 million, \$5 million and \$2 million in 2019, 2018 and 2017, respectively. The Company has accrued \$12 million for the payment of interest and penalties as of both February 1, 2020 and February 2, 2019. Accrued interest and penalties are included within Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company files U.S. federal income tax returns as well as income tax returns in various states and in non-U.S. jurisdictions. The Company is a participant in the Compliance Assurance Process ("CAP"), which is a program made available by the Internal Revenue Service ("IRS") to certain qualifying large taxpayers, under which participants work collaboratively with the IRS to identify and resolve potential tax issues through open, cooperative and transparent interaction prior to the annual filing of their federal income tax return. The IRS is currently examining the Company's 2018 consolidated U.S. federal income tax return.

The Company is also subject to various U.S. state and local income tax examinations for the years 2015 to 2018. Finally, the Company is subject to multiple non-U.S. tax jurisdiction examinations for the years 2007 to 2018. In some situations, the Company determines that it does not have a filing requirement in a particular tax jurisdiction. Where no return has been filed, no statute of limitations applies. Accordingly, if a tax jurisdiction reaches a conclusion that a filing requirement does exist, additional years may be reviewed by the tax authority. The Company believes it has appropriately accounted for uncertainties related to this issue.

13. Long-term Debt and Borrowing Facilities

The following table provides the Company's outstanding debt balance, net of unamortized debt issuance costs and discounts, as of February 1, 2020 and February 2, 2019:

	February 1, 2020	February 2, 2019
	(in millions)	
Senior Debt with Subsidiary Guarantee		
\$1 billion, 6.875% Fixed Interest Rate Notes due November 2035 ("2035 Notes")	\$ 991	\$ 990
\$860 million, 5.625% Fixed Interest Rate Notes due February 2022 ("2022 Notes")	858	952
\$700 million, 6.75% Fixed Interest Rate Notes due July 2036 ("2036 Notes")	693	693
\$500 million, 5.625% Fixed Interest Rate Notes due October 2023 ("2023 Notes")	498	498
\$500 million, 5.25% Fixed Interest Rate Notes due February 2028 ("2028 Notes")	496	496
\$500 million, 7.50% Fixed Interest Rate Notes due June 2029 ("2029 Notes")	487	—
\$450 million, 6.625% Fixed Interest Rate Notes due April 2021 ("2021 Notes")	450	776
\$297 million, 6.694% Fixed Interest Rate Notes due January 2027 ("2027 Notes")	276	273
\$338 million, 7.00% Fixed Interest Rate Notes due May 2020 ("2020 Notes")	—	337
Secured Foreign Facilities	103	91
Total Senior Debt with Subsidiary Guarantee	\$ 4,852	\$ 5,106
Senior Debt		
\$350 million, 6.95% Fixed Interest Rate Debentures due March 2033 ("2033 Notes")	\$ 348	\$ 348
\$300 million, 7.60% Fixed Interest Rate Notes due July 2037 ("2037 Notes")	298	297
Unsecured Foreign Facilities	50	60
Total Senior Debt	\$ 696	\$ 705
Total	\$ 5,548	\$ 5,811
Current Debt	(61)	(72)
Total Long-term Debt, Net of Current Portion	\$ 5,487	\$ 5,739

The following table provides principal payments due on outstanding debt in the next five fiscal years and the remaining years thereafter:

Fiscal Year (in millions)	
2020	\$ 61
2021	459
2022	869
2023	569
2024	5
Thereafter	\$ 3,648

Cash paid for interest was \$363 million in 2019, \$380 million in 2018 and \$391 million in 2017.

Issuance of Notes

In June 2019, the Company issued \$500 million of 7.50% notes due in June 2029. The obligation to pay principal and interest on these notes is jointly and severally guaranteed on a full and unconditional basis by certain of the Company's 100% owned subsidiaries (the "Guarantors"). The proceeds from the issuance were \$486 million, which were net of discounts and issuance costs of \$14 million. The discounts and issuance costs are being amortized through the maturity date and are included within Long-term Debt on the February 1, 2020 Consolidated Balance Sheet.

Repurchases of Notes

In June 2019, the Company completed the early settlement of tender offers to repurchase \$212 million of outstanding 2020 Notes, \$330 million of outstanding 2021 Notes and \$96 million of outstanding 2022 Notes for \$669 million. The Company used the proceeds from the 2029 Notes, together with cash on hand, to fund the purchase price for the tender offers. Additionally, in July 2019, the Company redeemed the remaining \$126 million of outstanding 2020 Notes for \$130 million.

In the second quarter of 2019, the Company recognized a pre-tax loss on extinguishment of debt of \$40 million (after-tax loss of \$30 million), which includes redemption fees and the write-off of unamortized issuance costs. This loss is included in Other Income (Loss) in the 2019 Consolidated Statement of Income (Loss).

Exchange of Notes

In June 2018, the Company completed private offers to exchange \$62 million, \$220 million and \$44 million of outstanding 2020 Notes, 2021 Notes and 2022 Notes, respectively, for \$297 million of newly issued 6.694% notes due in January 2027 and \$52 million in cash consideration, which included a \$24 million exchange premium. The exchange was treated as a modification under ASC 470, *Debt*, and no gain or loss was recognized. The exchange premium is being amortized through the maturity date of January 2027 and is included within Long-term Debt on the Consolidated Balance Sheets. The obligation to pay principal and interest on the 2027 Notes is jointly and severally guaranteed on a full and unconditional basis by the Guarantors.

Secured Revolving Facility

The Company and the Guarantors guarantee and pledge collateral to secure the Secured Revolving Facility. The Secured Revolving Facility has aggregate availability of \$1 billion and allows the Company and certain of the Company's non-U.S. subsidiaries to borrow and obtain letters of credit in U.S. dollars, Canadian dollars, Euros, Hong Kong dollars or British pounds.

In August 2019, the Company entered into an amendment and restatement of the Secured Revolving Facility. The Amendment maintained the aggregate availability under the Secured Revolving Facility at \$1 billion and extended the expiration date from May 2022 to August 2024. The Company incurred fees related to the Amendment of \$5 million, which were capitalized and are recorded in Other Assets on the February 1, 2020 Consolidated Balance Sheet and are being amortized over the remaining term of the Secured Revolving Facility.

The Secured Revolving Facility fees related to committed and unutilized amounts are 0.30% per annum, and the fees related to outstanding letters of credit are 1.75% per annum. In addition, the interest rate on outstanding U.S. dollar borrowings is LIBOR plus 1.75% per annum. The interest rate on outstanding foreign denominated borrowings is the applicable benchmark rate plus 1.75% per annum.

The Secured Revolving Facility contains fixed charge coverage and debt to EBITDA financial covenants. The Company is required to maintain a fixed charge coverage ratio of not less than 1.75 to 1.00 and a consolidated debt to consolidated EBITDA ratio not exceeding 4.00 to 1.00 for the most recent four-quarter period. Additionally, the Secured Revolving Facility provides that investments and restricted payments may be made, without limitation on amount, if (a) at the time of and after giving effect to such investment or restricted payment, the ratio of consolidated debt to consolidated EBITDA for the most recent four-quarter period is less than 3.50 to 1.00 and (b) no default or event of default exists. As of February 1, 2020, the Company was in compliance with both of its financial covenants, and the ratio of consolidated debt to consolidated EBITDA was less than 3.50 to 1.00.

During 2019, the Company borrowed and repaid \$12 million under the Secured Revolving Facility. As of February 1, 2020, there were no borrowings outstanding under the Secured Revolving Facility.

The Secured Revolving Facility supports the Company's letter of credit program. The Company had \$19 million of outstanding letters of credit as of February 1, 2020 that reduced its availability under the Secured Revolving Facility.

On March 16, 2020, the Company elected to borrow \$950 million from the Secured Revolving Facility, leaving our availability under the Secured Revolving Facility at \$22 million. For additional information, see Note 23, "Subsequent Events."

Secured Foreign Facilities

The Company and the Guarantors guarantee and pledge collateral to secure revolving and term loan bank facilities used by certain of the Company's Greater China subsidiaries to support their operations. The Secured Foreign Facilities have availability totaling \$150 million. The interest rates on outstanding borrowings are based upon the applicable benchmark rate for each borrowing. During 2019, the Company borrowed \$117 million and made payments of \$103 million under the Secured Foreign Facilities. The maximum daily amount outstanding at any point in time in 2019 was \$103 million. Borrowings on the Secured Foreign Facilities mature between March 2020 and August 2024. As of February 1, 2020, borrowings of \$11 million are included within Current Debt on the Consolidated Balance Sheet and the remaining borrowings are included within Long-term Debt.

Unsecured Foreign Facilities

The Company guarantees unsecured revolving and term loan bank facilities used by certain of the Company's Greater China subsidiaries to support their operations. The Unsecured Foreign Facilities have availability totaling \$75 million. The interest rates on outstanding borrowings are based upon the applicable benchmark rate for each borrowing. During 2019, the Company

borrowed \$50 million and made payments of \$59 million under the Unsecured Foreign Facilities. The maximum daily amount outstanding at any point in time in 2019 was \$74 million. Borrowings on the Unsecured Foreign Facilities mature between March 2020 and April 2020. As of February 1, 2020, borrowings of \$50 million are included within Current Debt on the Consolidated Balance Sheet.

14. Derivative Financial Instruments

The earnings of the Company's wholly owned foreign businesses are subject to exchange rate risk as substantially all their merchandise is sourced through U.S. dollar transactions. The Company uses foreign currency forward contracts designated as cash flow hedges to mitigate this foreign currency exposure for its Canadian and U.K. businesses. These forward contracts currently have a maximum term of 18 months. Amounts are reclassified from accumulated other comprehensive income upon the sale of the hedged merchandise to the customer. These gains and losses are recognized in Costs of Goods Sold, Buying and Occupancy in the Consolidated Statements of Income (Loss).

The Company uses foreign currency forward contracts to mitigate the impact of fluctuations in foreign currency exchange rates relative to recognized payable balances denominated in non-functional currencies. The fair value of these non-designated foreign currency forward contracts is not significant as of February 1, 2020.

The following table provides the U.S. dollar notional amount of outstanding foreign currency derivative financial instruments as of February 1, 2020 and February 2, 2019:

	February 1, 2020	February 2, 2019
	(in millions)	
Notional Amount	\$ 139	\$ 147

The following table provides a summary of the fair value and balance sheet classification of outstanding derivative financial instruments designated as foreign currency cash flow hedges as of February 1, 2020 and February 2, 2019:

	February 1, 2020	February 2, 2019
	(in millions)	
Other Current Assets	\$ 1	\$ 2
Accrued Expenses and Other	1	—

The following table provides a summary of the pre-tax financial statement effect of the gains and losses on derivative financial instruments designated as foreign currency cash flow hedges for 2019 and 2018:

	2019	2018
	(in millions)	
Gain (Loss) Recognized in Accumulated Other Comprehensive Income	\$ 2	\$ 11
(Gain) Loss Reclassified from Accumulated Other Comprehensive Income into Costs of Goods Sold, Buying and Occupancy Expense	(5)	2

The Company estimates that less than \$1 million of net gains included in accumulated other comprehensive income as of February 1, 2020 related to foreign currency forward contracts designated as cash flow hedges will be reclassified into earnings within the following 12 months. Actual amounts ultimately reclassified depend on the exchange rates in effect when derivative contracts that are currently outstanding mature.

15. Fair Value Measurements

The following table provides a summary of assets and liabilities measured in the consolidated financial statements at fair value on a recurring basis as of February 1, 2020 and February 2, 2019:

	Level 1	Level 2	Level 3	Total
	(in millions)			
As of February 1, 2020				
<i>Assets:</i>				
Cash and Cash Equivalents	\$ 1,499	\$ —	\$ —	\$ 1,499
Foreign Currency Cash Flow Hedges	—	1	—	1
<i>Liabilities:</i>				
Foreign Currency Cash Flow Hedges	—	1	—	1
As of February 2, 2019				
<i>Assets:</i>				
Cash and Cash Equivalents	\$ 1,413	\$ —	\$ —	\$ 1,413
Marketable Equity Securities	11	—	—	11
Foreign Currency Cash Flow Hedges	—	2	—	2

The Company's Level 1 fair value measurements use unadjusted quoted prices in active markets for identical assets. The Company's marketable equity securities were classified as Level 1 fair value measurements as they are traded with sufficient frequency and volume to enable the Company to obtain pricing information on an ongoing basis. During 2019, the Company received cash proceeds of \$10 million related to sales of its marketable equity securities, which are included within Investing Activities in the 2019 Consolidated Statement of Cash Flows.

The Company's Level 2 fair value measurements use market approach valuation techniques. The primary inputs to these techniques include foreign currency exchange rates, as applicable to the underlying instruments.

The following table provides a summary of the principal value and estimated fair value of outstanding publicly traded debt as of February 1, 2020 and February 2, 2019:

	February 1, 2020	February 2, 2019
	(in millions)	
Principal Value	\$ 5,458	\$ 5,722
Fair Value, Estimated (a)	5,555	5,340

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

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

16. Comprehensive Income

Comprehensive Income includes gains and losses on derivative instruments and foreign currency translation adjustments. The cumulative gains and losses on these items are included in Accumulated Other Comprehensive Income on the Consolidated Balance Sheets and Consolidated Statements of Shareholders' Equity (Deficit).

The following table provides the rollforward of accumulated other comprehensive income for 2019:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income
	(in millions)		
Balance as of February 2, 2019	\$ 57	\$ 2	\$ 59
Other Comprehensive Income (Loss) Before Reclassifications	(5)	2	(3)
Amounts Reclassified from Accumulated Other Comprehensive Income	—	(5)	(5)
Tax Effect	—	1	1
Current-period Other Comprehensive Income (Loss)	(5)	(2)	(7)
Balance as of February 1, 2020	<u>\$ 52</u>	<u>\$ —</u>	<u>\$ 52</u>

The following table provides the rollforward of accumulated other comprehensive income for 2018:

	Foreign Currency Translation	Cash Flow Hedges	Marketable Equity Securities	Accumulated Other Comprehensive Income
	(in millions)			
Balance as of February 3, 2018	\$ 32	\$ (10)	\$ 2	\$ 24
Amount reclassified to Retained Earnings upon adoption of ASC 321, <i>Investments - Equity Securities</i>	—	—	(2)	(2)
Balance as of February 4, 2018	32	(10)	—	22
Other Comprehensive Income (Loss) Before Reclassifications	(20)	11	—	(9)
Amounts Reclassified from Accumulated Other Comprehensive Income	45	2	—	47
Tax Effect	—	(1)	—	(1)
Current-period Other Comprehensive Income	25	12	—	37
Balance as of February 2, 2019	<u>\$ 57</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 59</u>

As a result of the divestiture of La Senza in 2018, the Company reclassified \$45 million of accumulated foreign-currency translation adjustments out of accumulated other comprehensive income and into earnings. For additional information, see Note 5, "Restructuring Activities."

17. Commitments and Contingencies

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

In July 2019, a plaintiff shareholder filed a putative class action complaint in the U.S. District Court for the Southern District of Ohio alleging that the Company made false and/or misleading statements relating to the November 2018 announcement that the Company was reducing its quarterly dividend. In September 2019, a different plaintiff shareholder filed a second putative class action complaint in the U.S. District Court for the Southern District of Ohio containing substantially the same allegations and seeking substantially the same relief. In October 2019, the Court issued an order consolidating the two putative class actions, appointing a lead plaintiff, and approving that lead plaintiff's selection of lead counsel. The lead plaintiff filed a consolidated amended complaint on December 20, 2019 that asserted substantially the same allegations and sought substantially the same relief as the initial complaint. The Company filed a motion to dismiss the consolidated amended complaint on February 18, 2020. The lead plaintiff must file any opposition to our motion to dismiss no later than May 4, 2020. The Company's reply brief in further support of our motion to dismiss is due on June 3, 2020. The Company views this lawsuit as meritless and intends to defend against this lawsuit vigorously.

On February 19, 2020, a plaintiff shareholder filed a complaint in the U.S. District Court for the Southern District of Ohio alleging derivative claims on behalf of the Company against certain of its current and former directors and officers. The Company was named as nominal defendant. The lawsuit asserts claims for breach of fiduciary duty, corporate waste and unjust

enrichment in connection with alleged misstatements about our quarterly dividend prior to the announced reduction of the dividend in November 2018. The Company intends to seek dismissal of the lawsuit.

La Senza

In connection with the sale of La Senza in the fourth quarter of 2018, certain of the Company's subsidiaries have remaining contingent obligations of \$40 million related to lease payments under the current terms of noncancelable leases expiring at various dates through 2028. These obligations include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the business. As part of the sale, a liability of \$5 million was recorded for these obligations. During 2019, an additional reserve of \$35 million was recorded related to these obligations and certain other items. As of February 1, 2020, reserves of \$8 million are included within Accrued Expenses and Other on the Consolidated Balance Sheet and the remaining reserves are included within Other Long-term Liabilities.

Other

In connection with noncancelable operating leases of certain assets, the Company provided residual value guarantees to the lessor if the leased assets cannot be sold for an amount in excess of a specified minimum value at the conclusion of the lease term. The leases expire at various dates through 2021, and the total amount of the guarantees is \$94 million. The Company recorded a liability of \$17 million and \$11 million related to these guarantee obligations as of February 1, 2020 and February 2, 2019, respectively. This liability is included in Current Operating Lease Liabilities on the February 1, 2020 Consolidated Balance Sheet, and in Other Long-term Liabilities on the February 2, 2019 Consolidated Balance Sheet.

18. Retirement Benefits

The Company sponsors a tax-qualified defined contribution retirement plan and a non-qualified supplemental retirement plan for substantially all of its associates within the U.S. Participation in the tax-qualified plan is available to associates who meet certain age and service requirements. Participation in the non-qualified plan is available to associates who meet certain age, service, job level and compensation requirements.

The qualified plan permits participating associates to elect contributions up to the maximum limits allowable under the Internal Revenue Code. The Company matches associate contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates' eligible annual compensation and years of service. Associate contributions and Company matching contributions vest immediately. Additional Company contributions and the related investment earnings are subject to vesting based on years of service. Total expense recognized related to the qualified plan was \$79 million for 2019, \$76 million for 2018 and \$68 million for 2017.

The non-qualified plan is an unfunded plan which provides benefits beyond the Internal Revenue Code limits for qualified defined contribution plans. The plan permits participating associates to elect contributions up to a maximum percentage of eligible compensation. The Company matches associate contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates' eligible compensation and years of service. The plan also permits participating associates to defer additional compensation up to a maximum amount which the Company does not match. Associates' accounts are credited with interest using a fixed rate determined by the Company and reviewed by the Compensation Committee of the Board of Directors prior to the beginning of each year. Associate contributions and the related interest vest immediately. Company contributions, along with related interest, are subject to vesting based on years of service. Associates may elect in-service distributions for the unmatched additional deferred compensation component only. The remaining vested portion of associates' accounts in the plan will be distributed upon termination of employment in either a lump sum or in annual installments over a specified period of up to 10 years.

The definitive agreement between the Company and Sycamore for the sale to Sycamore of the 55% interest in Victoria's Secret requires that the Company terminate its non-qualified supplemental retirement plan as of the closing with respect to participants affected by the sale and for all other participants within six months. On March 11, 2020, the Compensation Committee of the Board of Directors authorized management of the Company to take steps to terminate the plan as to all participants. The timing and specifics of such termination have not yet been determined. Any remaining benefits and obligations under the non-qualified plan are expected to be paid out in full approximately one year following the applicable termination. For additional information regarding the Victoria's Secret transaction, see Note 23, "Subsequent Events."

The following table provides the Company's annual activity for this plan and year-end liability, included in Other Long-term Liabilities on the Consolidated Balance Sheets, as of February 1, 2020 and February 2, 2019:

	February 1, 2020	February 2, 2019
	(in millions)	
Balance at Beginning of Year	\$ 278	\$ 269
Contributions:		
Associate	8	10
Company	12	11
Interest	14	13
Distributions	(32)	(25)
Balance at End of Year	<u>\$ 280</u>	<u>\$ 278</u>

Total expense recognized related to the non-qualified plan was \$26 million for 2019, \$24 million for 2018 and \$20 million for 2017.

19. Shareholders' Equity (Deficit)

Common Stock Share Repurchases

The Company did not repurchase any shares during 2019.

Under the authority of the Company's Board of Directors, the Company repurchased shares of its common stock under the following repurchase programs for fiscal 2018 and 2017:

Repurchase Program	Amount Authorized (in millions)	Shares Repurchased		Amount Repurchased		Average Stock Price of Shares Repurchased within Program
		2018	2017	2018	2017	
		(in thousands)		(in millions)		
March 2018	\$ 250	4,852	NA	\$ 171	NA	\$ 35.29
September 2017	250	527	3,858	25	\$ 202	\$ 51.72
February 2017	250	NA	5,500	NA	240	\$ 43.57
February 2016	500	NA	51	NA	3	\$ 76.47
Total		<u>5,379</u>	<u>9,409</u>	<u>\$ 196</u>	<u>\$ 445</u>	

In March 2018, the Company's Board of Directors approved a new \$250 million share repurchase program, which included the \$23 million remaining under the September 2017 repurchase program.

The March 2018 repurchase program had \$79 million remaining as of February 1, 2020.

Treasury Stock Retirement

In November 2017, the Company retired 36 million shares of its treasury stock. The retirement resulted in a reduction of \$2.036 billion in Treasury Stock, \$18 million in the par value of Common Stock, \$82 million in Paid-in Capital and \$1.936 billion in Retained Earnings.

Dividends

Under the authority and declaration of the Board of Directors, the Company paid the following dividends during fiscal 2019, 2018 and 2017:

	<u>Ordinary Dividends</u> (per share)	<u>Total Paid</u> (in millions)
2019		
Fourth Quarter	\$ 0.30	\$ 83
Third Quarter	0.30	83
Second Quarter	0.30	83
First Quarter	0.30	83
2019 Total	<u>\$ 1.20</u>	<u>\$ 332</u>
2018		
Fourth Quarter	\$ 0.60	\$ 166
Third Quarter	0.60	165
Second Quarter	0.60	167
First Quarter	0.60	168
2018 Total	<u>\$ 2.40</u>	<u>\$ 666</u>
2017		
Fourth Quarter	\$ 0.60	\$ 170
Third Quarter	0.60	172
Second Quarter	0.60	172
First Quarter	0.60	172
2017 Total	<u>\$ 2.40</u>	<u>\$ 686</u>

Subsequent to February 1, 2020, the Company's Board of Directors declared the first quarter of 2020 ordinary dividend of \$0.30 per share.

20. Share-based Compensation

Plan Summary

In 2015, the Company's shareholders approved the 2015 Stock Option and Performance Incentive Plan ("2015 Plan"). The 2015 Plan provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, performance-based restricted stock, performance units and unrestricted shares. The Company grants stock options at a price equal to the fair market value of the stock on the date of grant. Stock options have a maximum term of 10 years. Stock options generally vest ratably over three to five years. Restricted stock generally vests (the restrictions lapse) at the end of a three-year period or on a graded basis over a five-year period.

Under the Company's plans, 160 million options, restricted and unrestricted shares have been authorized to be granted to employees and directors. There were 5 million options and shares available for grant as of February 1, 2020.

Stock Options

The following table provides the Company's stock option activity for the fiscal year ended February 1, 2020:

	Number of Shares	Weighted Average Option Price Per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
	(in thousands)		(in years)	(in thousands)
Outstanding as of February 2, 2019	5,292	\$ 53.14		
Granted	519	27.67		
Exercised	(136)	7.44		
Cancelled	(395)	52.22		
Outstanding as of February 1, 2020	<u>5,280</u>	\$ 51.87	6.03	\$ 318
Vested and Expected to Vest as of February 1, 2020 (a)	5,190	52.29	5.99	318
Options Exercisable as of February 1, 2020	3,372	57.07	4.93	318

(a) The number of options expected to vest includes an estimate of expected forfeitures.

Intrinsic value for stock options is the difference between the current market value of the Company's stock and the option strike price. The total intrinsic value of options exercised was \$3 million for 2019, \$2 million for 2018 and \$44 million for 2017.

The total fair value at grant date of option awards vested was \$9 million for 2019 and 2018, and \$10 million for 2017.

The Company's total unrecognized compensation cost, net of estimated forfeitures, related to nonvested options was \$8 million as of February 1, 2020. This cost is expected to be recognized over a weighted-average period of 1.8 years.

The weighted-average estimated fair value of stock options granted was \$6.05 per share for 2019, \$6.76 per share for 2018 and \$5.96 per share for 2017.

Cash received from stock options exercised was \$1 million for 2019 and 2018, and \$38 million for 2017. Tax benefits realized from tax deductions associated with stock options exercised was less than \$1 million for 2019 and 2018, and \$16 million for 2017.

The Company uses the Black-Scholes option-pricing model for valuation of options granted to employees and directors. The Company's determination of the fair value of options is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards and projected employee stock option exercise behaviors.

The following table contains the weighted-average assumptions used during 2019, 2018 and 2017:

	2019	2018	2017
Expected Volatility	40%	36%	28%
Risk-free Interest Rate	2.2%	2.5%	1.5%
Dividend Yield	4.4%	5.8%	5.1%
Expected Life (in years)	3.2	2.9	3.0

The majority of the Company's stock-based compensation awards are granted on an annual basis in the first quarter of each year. The expected volatility assumption is based on the Company's analysis of historical volatility. The risk-free interest rate assumption is based upon the average daily closing rates during the period for U.S. treasury notes that have a life which approximates the expected life of the option. The dividend yield assumption is based on the Company's history and expectation of dividend payouts in relation to the stock price at the grant date. The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding.

Restricted Stock

The following table provides the Company's restricted stock activity for the fiscal year ended February 1, 2020:

	Number of Shares	Weighted Average Grant Date Fair Value
	(in thousands)	
Unvested as of February 2, 2019	6,689	\$ 45.29
Granted	4,161	23.34
Vested	(1,570)	66.44
Cancelled	(618)	30.75
Unvested as of February 1, 2020	<u>8,662</u>	<u>\$ 32.00</u>

The Company's total intrinsic value of restricted stock vested was \$39 million for 2019, \$44 million for 2018 and \$86 million for 2017.

The Company's total fair value at grant date of awards vested was \$104 million for 2019, \$86 million for 2018 and \$87 million for 2017. The fair value of restricted stock awards is based on the market value of an unrestricted share on the grant date adjusted for anticipated dividend yields.

As of February 1, 2020, there was \$103 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested restricted stock. That cost is expected to be recognized over a weighted-average period of 1.9 years.

The weighted-average estimated fair value of restricted stock granted was \$23.34 per share for 2019, \$30.43 per share for 2018 and \$39.21 per share for 2017.

Tax benefits realized from tax deductions associated with restricted stock vested were \$10 million for 2019 and 2018, and \$32 million for 2017.

Income Statement Impact

The following table provides share-based compensation expense included in the Consolidated Statements of Income (Loss) for 2019, 2018 and 2017:

	2019	2018	2017
	(in millions)		
Costs of Goods Sold, Buying and Occupancy	\$ 29	\$ 29	\$ 32
General, Administrative and Store Operating Expenses	58	68	70
Total Share-based Compensation Expense	<u>\$ 87</u>	<u>\$ 97</u>	<u>\$ 102</u>

The tax benefit associated with recognized share-based compensation expense was \$18 million for 2019, \$20 million for 2018 and \$23 million for 2017.

21. Segment Information

The Company has three reportable segments: Victoria's Secret, Bath & Body Works and Victoria's Secret and Bath & Body Works International.

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

The Bath & Body Works segment sells body care, home fragrance products, soaps and sanitizers under the Bath & Body Works, White Barn, C.O. Bigelow and other brand names. Bath & Body Works merchandise is sold online and at retail stores located in the U.S. and Canada.

The Victoria's Secret and Bath & Body Works International segment includes the Victoria's Secret and Bath & Body Works company-owned and partner-operated stores located outside of the U.S. and Canada, as well as the online business in Greater China. This segment includes the following:

- Victoria's Secret International, comprised of company-owned stores in the U.K., Ireland and Greater China, as well as stores operated by partners under franchise and license arrangements;
- Victoria's Secret Beauty and Accessories, comprised of company-owned stores in Greater China, as well as stores operated by partners under franchise, license and wholesale arrangements, which feature Victoria's Secret branded beauty and accessories products in travel retail and other locations; and
- Bath & Body Works International stores operated by partners under franchise, license and wholesale arrangements.

Other includes Mast Global, a merchandise sourcing and production function serving the Company and its international partners, and Corporate functions, including non-core real estate, equity investments and other governance functions such as treasury and tax. Results for 2018 and 2017 also include La Senza and Henri Bendel.

The following table provides the Company's segment information as of and for the fiscal years ended February 1, 2020, February 2, 2019 and February 3, 2018:

	Victoria's Secret	Bath & Body Works	Victoria's Secret and Bath & Body Works International (in millions)	Other	Total
2019					
Net Sales	\$ 6,805	\$ 5,170	\$ 600	\$ 339	\$ 12,914
Depreciation and Amortization	284	155	40	109	588
Operating Income (Loss) (a)	(616)	1,191	(236)	(81)	258
Total Assets (b) (c)	3,883	2,837	939	2,466	10,125
Capital Expenditures	76	206	24	152	458
2018					
Net Sales	\$ 7,375	\$ 4,631	\$ 605	\$ 626	\$ 13,237
Depreciation and Amortization	280	121	43	103	547
Operating Income (Loss) (d)	462	1,077	(37)	(265)	1,237
Total Assets (b)	3,129	1,898	842	2,221	8,090
Capital Expenditures	150	242	97	140	629
2017					
Net Sales	\$ 7,387	\$ 4,148	\$ 502	\$ 595	\$ 12,632
Depreciation and Amortization	279	101	30	114	524
Operating Income (Loss)	932	953	5	(162)	1,728
Total Assets (b)	3,369	1,753	800	2,227	8,149
Capital Expenditures	270	232	111	94	707

- (a) Victoria's Secret includes goodwill and long-lived store asset impairment charges of \$690 million and \$51 million, respectively. Victoria's Secret and Bath & Body Works International includes long-lived store asset and goodwill impairment charges of \$212 million and \$30 million, respectively. For additional information see Note 7, "Property and Equipment, Net" and Note 9, "Goodwill and Trade Names."
- (b) Assets are allocated to the operating segments based on decision making authority relevant to the applicable assets.
- (c) The 2019 amounts reflect the Company's adoption of ASC 842, *Leases*, in the first quarter of 2019.
- (d) Victoria's Secret and Victoria's Secret and Bath & Body Works International includes long-lived store asset impairment charges of \$70 million and \$31 million, respectively, and Other includes a loss on the sale of La Senza of \$99 million and Henri Bendel closures costs of \$23 million. For additional information see Note 5, "Restructuring Activities" and Note 7, "Property and Equipment, Net."

The Company's international net sales include sales from company-owned stores, royalty revenue from franchise and license arrangements, wholesale revenues and direct sales shipped internationally. Certain of these sales are subject to the impact of fluctuations in foreign currency. The Company's international net sales across all segments totaled \$1.496 billion in 2019, \$1.683 billion in 2018 and \$1.553 billion in 2017. The Company's internationally based long-lived assets were \$713 million as of February 1, 2020 and \$454 million as of February 2, 2019.

22. Quarterly Financial Data (Unaudited)

The following table provides summarized quarterly financial data for 2019:

	Fiscal Quarter Ended			
	May 4, 2019	August 3, 2019 (a)	November 2, 2019 (b)(c)(d)	February 1, 2020 (e)(f)
	(in millions except per share data)			
Net Sales	\$ 2,629	\$ 2,902	\$ 2,677	\$ 4,707
Gross Profit	934	983	741	1,794
Operating Income (Loss)	153	175	(151)	82
Income (Loss) Before Income Taxes	60	42	(277)	(7)
Net Income (Loss)	40	38	(252)	(192)
Net Income (Loss) Per Basic Share (g)	\$ 0.15	\$ 0.14	\$ (0.91)	\$ (0.70)
Net Income (Loss) Per Diluted Share (g)	\$ 0.14	\$ 0.14	\$ (0.91)	\$ (0.70)

- (a) Net income includes the effect of a \$40 million pre-tax loss (\$30 million after-tax) associated with the early redemption of \$764 million of outstanding notes maturing between 2020 and 2022.
- (b) Gross profit includes the effect of a \$218 million pre-tax impairment charge (\$200 million after-tax) related to certain Victoria's Secret long-lived store assets.
- (c) Operating loss includes the effect of a \$30 million (no tax impact) goodwill impairment charge related to the Greater China reporting unit.
- (d) Net loss includes the effect of a \$37 million pre-tax charge (\$28 million after-tax) to increase reserves related to ongoing contingent obligations for the La Senza business.
- (e) Gross profit includes the effect of a \$35 million pre-tax impairment charge (\$30 million after-tax) related to certain Victoria's Secret long-lived store assets.
- (f) Operating income includes the effect of a \$690 million pre-tax goodwill impairment charge (\$687 million after-tax) related to the Victoria's Secret reporting unit.
- (g) Due to changes in stock prices during the year and timing of issuances of shares, the cumulative total of quarterly net income (loss) per share amounts may not equal the net income (loss) per share for the year.

The following table provides summarized quarterly financial data for 2018:

	Fiscal Quarter Ended			
	May 5, 2018	August 4, 2018	November 3, 2018 (a)(b)	February 2, 2019 (c)
	(in millions except per share data)			
Net Sales	\$ 2,626	\$ 2,984	\$ 2,775	\$ 4,852
Gross Profit	944	1,059	928	1,968
Operating Income	155	228	54	800
Income (Loss) Before Income Taxes	59	129	(41)	710
Net Income (Loss)	48	99	(43)	540
Net Income (Loss) Per Basic Share (d)	\$ 0.17	\$ 0.36	\$ (0.16)	\$ 1.96
Net Income (Loss) Per Diluted Share (d)	\$ 0.17	\$ 0.36	\$ (0.16)	\$ 1.94

- (a) Gross profit includes the effect of an \$81 million pre-tax impairment charge (\$73 million after-tax) related to certain Victoria's Secret long-lived store assets.
- (b) Operating income includes the effect of \$20 million (\$15 million after-tax) of Henri Bendel closure costs.
- (c) Operating income includes the effect of a pre-tax loss of \$99 million (\$55 million after-tax) related to the divestiture of La Senza.
- (d) Due to changes in stock prices during the year and timing of issuances and repurchases of shares, the cumulative total of quarterly net income (loss) per share amounts may not equal the net income per share for the year.

23. Subsequent Events

Victoria's Secret Transaction

On February 20, 2020, the Company and Sycamore entered into a definitive agreement that is intended to deliver long-term value to L Brands, Inc. shareholders by positioning Bath & Body Works as a standalone public company and transitioning Victoria's Secret, including business conducted under the Victoria's Secret and PINK brands and certain support functions, into a privately-held entity.

After taking into account certain liabilities, Sycamore will purchase a 55% interest in Victoria's Secret for approximately \$525 million. The Company will retain a 45% interest in Victoria's Secret to enable its shareholders to participate in the upside potential of the business. The Company intends to use the proceeds from the transaction, along with excess balance sheet cash, to reduce debt. The transaction is expected to close in the second quarter of 2020, subject to customary closing conditions. The Company will report the results of Victoria's Secret as discontinued operations beginning in the first quarter of 2020. The Company expects to recognize a loss in the first quarter of 2020 as a result of classifying Victoria's Secret as held for sale.

Legal Proceedings

On February 19, 2020, a plaintiff shareholder filed a complaint in the U.S. District Court for the Southern District of Ohio alleging derivative claims on behalf of the Company against certain of its current and former directors and officers. For additional information, see Note 17, "Commitments and Contingencies."

Company Response to Coronavirus

Subsequent to February 1, 2020, the Company announced actions in response to the continued spread of the coronavirus.

On March 16, 2020, in an abundance of caution and as a proactive measure, the Company elected to borrow \$950 million from its Secured Revolving Facility, leaving its availability under the Secured Revolving Facility at \$22 million.

On March 17, 2020, the Company announced the temporary closure of all Bath & Body Works, Victoria's Secret and PINK stores in the United States and Canada through March 29, 2020. Associates will continue to receive pay and benefits through April 4, 2020, which is one week longer than originally announced.

Based on the continued spread of the coronavirus and stay-at-home orders by government officials across the country, the Company is extending the closure of its stores beyond the initial March 29th date. As the situation continues to evolve rapidly, the Company is not currently able to predict the timing of store reopenings. However, it is monitoring the situation closely and will provide updates as appropriate. The Company continues to serve customers through its direct channels.

In an effort to further strengthen its financial flexibility and efficiently manage through the pandemic, the Company is proactively taking the following additional actions:

- Suspending its quarterly cash dividend beginning in the second quarter of fiscal 2020. The Company remains committed to paying dividends over the long-term and will re-evaluate when appropriate.
- Executing a substantial reduction in expenses and capital expenditures. This includes an ongoing reduction in forward inventory receipts.
- Temporarily reducing base compensation by 20% for senior vice presidents and above. The cash compensation of Chairman and CEO Leslie H. Wexner and other members of the Board of Directors has been suspended. Additionally, the Company is deferring annual merit increases.
- Furloughing most store associates and those who are not currently working to support the online businesses or who cannot work from home, effective April 5, 2020 until further notice. All furloughed associates will continue to receive existing healthcare benefits. As circumstances change, the Company will make every effort to bring these associates back to work as soon as possible. Furloughed associates will also be able to apply for unemployment benefits, if eligible.

As of March 27, 2020, the Company currently has more than \$2 billion in cash, which includes the \$950 million borrowed under the Secured Revolving Facility on March 16, 2020. The Company's Secured Revolving Facility has certain financial covenants, including a debt to consolidated EBITDA covenant, which may be breached as early as the end of the fiscal quarter ending May 2, 2020. If the Company were to violate a covenant, its lenders would have the right to accelerate the Company's Secured Revolving Facility indebtedness, demand cash collateral in respect of the letters of credit issued thereunder and terminate the funding commitments available thereunder. While the Company believes that it would be able to obtain temporary waivers for any such breach of a covenant to prevent an acceleration of its outstanding indebtedness or obtain a replacement credit facility, the Company cannot conclude with certainty that it would have the ability to obtain necessary waivers or negotiate less restrictive debt covenants with its lenders. The Company is in active conversations with the lenders

under its credit facility to obtain a replacement credit facility that does not contain a debt to consolidated EBITDA financial covenant or a temporary waiver in respect of such financial covenant in its existing Secured Revolving Facility. The Company believes that its current cash balance, along with the actions taken as outlined above, provides it with sufficient current liquidity.

24. Supplemental Guarantor Financial Information

The Company's 2021 Notes, 2022 Notes, 2023 Notes, 2027 Notes, 2028 Notes, 2029 Notes, 2035 Notes, 2036 Notes, Secured Revolving Facility and Secured Foreign Facilities are jointly and severally guaranteed on a full and unconditional basis by the Guarantors. The Company is a holding company, and its most significant assets are the stock of its subsidiaries. The Guarantors represent: (a) substantially all of the sales of the Company's domestic subsidiaries, (b) more than 90% of the assets owned by the Company's domestic subsidiaries, other than real property, certain other assets and intercompany investments and balances, and (c) more than 95% of the accounts receivable and inventory directly owned by the Company's domestic subsidiaries.

The following supplemental financial information sets forth for the Company and its guarantor and non-guarantor subsidiaries: the Condensed Consolidating Balance Sheets as of February 1, 2020 and February 2, 2019, and the Condensed Consolidating Statements of Income (Loss), Comprehensive Income (Loss) and Cash Flows for the years ended February 1, 2020, February 2, 2019 and February 3, 2018.

L BRANDS, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
(in millions)

	February 1, 2020				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ —	\$ 1,231	\$ 268	\$ —	\$ 1,499
Accounts Receivable, Net	—	183	123	—	306
Inventories	—	1,138	149	—	1,287
Other	—	85	68	—	153
Total Current Assets	—	2,637	608	—	3,245
Property and Equipment, Net	—	1,747	739	—	2,486
Operating Lease Assets	—	2,545	508	—	3,053
Goodwill	—	628	—	—	628
Trade Names	—	411	—	—	411
Net Investments in and Advances to/from Consolidated Affiliates	3,862	20,231	2,937	(27,030)	—
Deferred Income Taxes	—	8	76	—	84
Other Assets	130	9	690	(611)	218
Total Assets	\$ 3,992	\$ 28,216	\$ 5,558	\$ (27,641)	\$ 10,125
LIABILITIES AND EQUITY (DEFICIT)					
Current Liabilities:					
Accounts Payable	\$ —	\$ 331	\$ 316	\$ —	\$ 647
Accrued Expenses and Other	93	593	366	—	1,052
Current Debt	—	—	61	—	61
Current Operating Lease Liabilities	—	392	86	—	478
Income Taxes	(11)	89	56	—	134
Total Current Liabilities	82	1,405	885	—	2,372
Deferred Income Taxes	—	(37)	256	—	219
Long-term Debt	5,395	597	92	(597)	5,487
Long-term Operating Lease Liabilities	—	2,522	530	—	3,052
Other Long-term Liabilities	62	383	59	(14)	490
Total Equity (Deficit)	(1,547)	23,346	3,736	(27,030)	(1,495)
Total Liabilities and Equity (Deficit)	\$ 3,992	\$ 28,216	\$ 5,558	\$ (27,641)	\$ 10,125

L BRANDS, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
(in millions)

	February 2, 2019				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ —	\$ 997	\$ 416	\$ —	\$ 1,413
Accounts Receivable, Net	—	241	126	—	367
Inventories	—	1,093	155	—	1,248
Other	—	139	93	—	232
Total Current Assets	—	2,470	790	—	3,260
Property and Equipment, Net	—	1,922	896	—	2,818
Goodwill	—	1,318	30	—	1,348
Trade Names	—	411	—	—	411
Net Investments in and Advances to/from Consolidated Affiliates	4,755	19,737	2,047	(26,539)	—
Deferred Income Taxes	—	9	53	—	62
Other Assets	127	15	670	(621)	191
Total Assets	<u>\$ 4,882</u>	<u>\$ 25,882</u>	<u>\$ 4,486</u>	<u>\$ (27,160)</u>	<u>\$ 8,090</u>
LIABILITIES AND EQUITY (DEFICIT)					
Current Liabilities:					
Accounts Payable	\$ —	\$ 363	\$ 348	\$ —	\$ 711
Accrued Expenses and Other	92	597	393	—	1,082
Current Debt	—	—	72	—	72
Income Taxes	(7)	100	28	—	121
Total Current Liabilities	85	1,060	841	—	1,986
Deferred Income Taxes	1	(44)	269	—	226
Long-term Debt	5,661	606	79	(607)	5,739
Other Long-term Liabilities	59	852	107	(14)	1,004
Total Equity (Deficit)	(924)	23,408	3,190	(26,539)	(865)
Total Liabilities and Equity (Deficit)	<u>\$ 4,882</u>	<u>\$ 25,882</u>	<u>\$ 4,486</u>	<u>\$ (27,160)</u>	<u>\$ 8,090</u>

L BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF INCOME (LOSS)
(in millions)

	2019				
	L Brands, Inc.	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	\$ —	\$ 12,317	\$ 3,382	\$ (2,785)	\$ 12,914
Costs of Goods Sold, Buying and Occupancy	—	(8,074)	(2,810)	2,420	(8,464)
Gross Profit	—	4,243	572	(365)	4,450
General, Administrative and Store Operating Expenses	(11)	(3,380)	(331)	250	(3,472)
Impairment of Goodwill	—	(690)	(30)	—	(720)
Operating Income (Loss)	(11)	173	211	(115)	258
Interest Expense	(370)	(116)	(7)	115	(378)
Other Income (Loss)	(40)	—	(21)	—	(61)
Income (Loss) Before Income Taxes	(421)	57	183	—	(181)
Provision (Benefit) for Income Taxes	2	55	128	—	185
Equity in Earnings (Loss), Net of Tax	57	39	390	(486)	—
Net Income (Loss)	<u>\$ (366)</u>	<u>\$ 41</u>	<u>\$ 445</u>	<u>\$ (486)</u>	<u>\$ (366)</u>

L BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(in millions)

	2019				
	L Brands, Inc.	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	\$ (366)	\$ 41	\$ 445	\$ (486)	\$ (366)
Other Comprehensive Income (Loss), Net of Tax:					
Foreign Currency Translation	—	—	(5)	—	(5)
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	2	—	2
Reclassification of Cash Flow Hedges to Earnings	—	—	(4)	—	(4)
Total Other Comprehensive Income (Loss), Net of Tax	—	—	(7)	—	(7)
Total Comprehensive Income (Loss)	<u>\$ (366)</u>	<u>\$ 41</u>	<u>\$ 438</u>	<u>\$ (486)</u>	<u>\$ (373)</u>

L BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF INCOME
(in millions)

	2018				
	L Brands, Inc.	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	\$ —	\$ 12,467	\$ 3,780	\$ (3,010)	\$ 13,237
Costs of Goods Sold, Buying and Occupancy	—	(8,015)	(2,996)	2,673	(8,338)
Gross Profit	—	4,452	784	(337)	4,899
General, Administrative and Store Operating Expenses	(9)	(3,304)	(482)	232	(3,563)
Loss on Divestiture of La Senza	—	(24)	(75)	—	(99)
Operating Income (Loss)	(9)	1,124	227	(105)	1,237
Interest Expense	(379)	(108)	(6)	108	(385)
Other Income (Loss)	—	13	(8)	—	5
Income (Loss) Before Income Taxes	(388)	1,029	213	3	857
Provision (Benefit) for Income Taxes	12	100	101	—	213
Equity in Earnings, Net of Tax	1,044	169	353	(1,566)	—
Net Income (Loss)	<u>\$ 644</u>	<u>\$ 1,098</u>	<u>\$ 465</u>	<u>\$ (1,563)</u>	<u>\$ 644</u>

L BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	2018				
	L Brands, Inc.	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	\$ 644	\$ 1,098	\$ 465	\$ (1,563)	\$ 644
Other Comprehensive Income (Loss), Net of Tax:					
Foreign Currency Translation	—	—	(20)	—	(20)
Reclassification of Foreign Currency Translation to Earnings	—	—	45	—	45
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	10	—	10
Reclassification of Cash Flow Hedges to Earnings	—	—	2	—	2
Total Other Comprehensive Income (Loss), Net of Tax	—	—	37	—	37
Total Comprehensive Income (Loss)	<u>\$ 644</u>	<u>\$ 1,098</u>	<u>\$ 502</u>	<u>\$ (1,563)</u>	<u>\$ 681</u>

L BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF INCOME
(in millions)

	2017				
	L Brands, Inc.	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	\$ —	\$ 11,931	\$ 3,728	\$ (3,027)	\$ 12,632
Costs of Goods Sold, Buying and Occupancy	—	(7,463)	(2,868)	2,658	(7,673)
Gross Profit	—	4,468	860	(369)	4,959
General, Administrative and Store Operating Expenses	(10)	(3,063)	(426)	268	(3,231)
Operating Income (Loss)	(10)	1,405	434	(101)	1,728
Interest Expense	(403)	(99)	(13)	109	(406)
Other Income (Loss)	(46)	11	25	—	(10)
Income (Loss) Before Income Taxes	(459)	1,317	446	8	1,312
Provision (Benefit) for Income Taxes	65	316	(52)	—	329
Equity in Earnings, Net of Tax	1,507	522	412	(2,441)	—
Net Income (Loss)	<u>\$ 983</u>	<u>\$ 1,523</u>	<u>\$ 910</u>	<u>\$ (2,433)</u>	<u>\$ 983</u>

L BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	2017				
	L Brands, Inc.	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	\$ 983	\$ 1,523	\$ 910	\$ (2,433)	\$ 983
Other Comprehensive Income (Loss), Net of Tax:					
Foreign Currency Translation	—	—	23	—	23
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	(20)	—	(20)
Reclassification of Cash Flow Hedges to Earnings	—	—	7	—	7
Unrealized Gain on Marketable Securities	—	—	2	—	2
Total Other Comprehensive Income (Loss), Net of Tax	—	—	12	—	12
Total Comprehensive Income (Loss)	<u>\$ 983</u>	<u>\$ 1,523</u>	<u>\$ 922</u>	<u>\$ (2,433)</u>	<u>\$ 995</u>

L BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(in millions)

	2019				
	L Brands, Inc.	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	\$ (427)	\$ 837	\$ 826	\$ —	\$ 1,236
Investing Activities:					
Capital Expenditures	—	(276)	(182)	—	(458)
Net Investments in Consolidated Affiliates	—	(13)	—	13	—
Other Investing Activities	—	12	(34)	—	(22)
Net Cash Provided by (Used for) Investing Activities	—	(277)	(216)	13	(480)
Financing Activities:					
Proceeds from Issuance of Long-term Debt, Net of Issuance Costs	486	—	—	—	486
Payments of Long-term Debt	(799)	—	—	—	(799)
Borrowings from Secured Revolving Facility	12	—	—	—	12
Repayments of Secured Revolving Facility	(12)	—	—	—	(12)
Borrowings from Foreign Facilities	—	—	167	—	167
Repayments of Foreign Facilities	—	—	(162)	—	(162)
Dividends Paid	(332)	—	—	—	(332)
Tax Payments related to Share-based Awards	(13)	—	—	—	(13)
Net Financing Activities and Advances to/from Consolidated Affiliates	1,090	(318)	(759)	(13)	—
Proceeds from Exercise of Stock Options	1	—	—	—	1
Financing Costs and Other	(6)	(8)	—	—	(14)
Net Cash Provided by (Used for) Financing Activities	427	(326)	(754)	(13)	(666)
Effects of Exchange Rate Changes on Cash	—	—	(4)	—	(4)
Net Increase (Decrease) in Cash and Cash Equivalents	—	234	(148)	—	86
Cash and Cash Equivalents, Beginning of Year	—	997	416	—	1,413
Cash and Cash Equivalents, End of Year	\$ —	\$ 1,231	\$ 268	\$ —	\$ 1,499

L BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(in millions)

	2018				
	L Brands, Inc.	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	\$ (424)	\$ 1,541	\$ 260	\$ —	\$ 1,377
Investing Activities:					
Capital Expenditures	—	(398)	(231)	—	(629)
Net Investments in Consolidated Affiliates	—	—	(21)	21	—
Other Investing Activities	—	4	16	—	20
Net Cash Provided by (Used for) Investing Activities	—	(394)	(236)	21	(609)
Financing Activities:					
Payments of Long-term Debt	(52)	—	—	—	(52)
Borrowings from Secured Revolving Facility	92	—	—	—	92
Repayments of Secured Revolving Facility	(92)	—	—	—	(92)
Borrowings from Foreign Facilities	—	—	172	—	172
Repayments of Foreign Facilities	—	—	(109)	—	(109)
Dividends Paid	(666)	—	—	—	(666)
Repurchases of Common Stock	(198)	—	—	—	(198)
Tax Payments related to Share-based Awards	(13)	—	—	—	(13)
Net Financing Activities and Advances to/from Consolidated Affiliates	1,355	(1,310)	(24)	(21)	—
Proceeds from Exercise of Stock Options	1	—	—	—	1
Financing Costs and Other	(3)	(4)	—	—	(7)
Net Cash Provided by (Used for) Financing Activities	424	(1,314)	39	(21)	(872)
Effects of Exchange Rate Changes on Cash	—	—	2	—	2
Net Increase (Decrease) in Cash and Cash Equivalents	—	(167)	65	—	(102)
Cash and Cash Equivalents, Beginning of Year	—	1,164	351	—	1,515
Cash and Cash Equivalents, End of Year	\$ —	\$ 997	\$ 416	\$ —	\$ 1,413

L BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(in millions)

	2017				
	L Brands, Inc.	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	\$ (401)	\$ 1,353	\$ 454	\$ —	\$ 1,406
Investing Activities:					
Capital Expenditures	—	(495)	(212)	—	(707)
Other Investing Activities	—	(1)	10	—	9
Net Cash Provided by (Used for) Investing Activities	—	(496)	(202)	—	(698)
Financing Activities:					
Proceeds from Issuance of Long-term Debt, Net of Issuance Costs	495	—	—	—	495
Payments of Long-term Debt	(540)	—	—	—	(540)
Borrowings from Foreign Facilities	—	—	96	—	96
Repayments of Foreign Facilities	—	—	(44)	—	(44)
Dividends Paid	(686)	—	—	—	(686)
Repurchases of Common Stock	(446)	—	—	—	(446)
Tax Payments related to Share-based Awards	(32)	—	—	—	(32)
Net Financing Activities and Advances to/from Consolidated Affiliates	1,577	(1,252)	(325)	—	—
Proceeds from Exercise of Stock Options	38	—	—	—	38
Financing Costs and Other	(5)	(3)	—	—	(8)
Net Cash Provided by (Used for) Financing Activities	401	(1,255)	(273)	—	(1,127)
Effects of Exchange Rate Changes on Cash	—	—	—	—	—
Net Increase (Decrease) in Cash and Cash Equivalents	—	(398)	(21)	—	(419)
Cash and Cash Equivalents, Beginning of Year	—	1,562	372	—	1,934
Cash and Cash Equivalents, End of Year	\$ —	\$ 1,164	\$ 351	\$ —	\$ 1,515

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

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

Management's Report on Internal Control Over Financial Reporting. Management's Report on Internal Control Over Financial Reporting as of February 1, 2020 is set forth in Item 8. Financial Statements and Supplementary Data.

Attestation Report of the Registered Public Accounting Firm. The Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting as of February 1, 2020 is set forth in Item 8. Financial Statements and Supplementary Data.

Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting that occurred in the fourth quarter 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

The definitive agreement between the Company and Sycamore for the sale to Sycamore of a 55% interest in Victoria's Secret requires that the Company terminate its non-qualified supplemental retirement plan as of the closing with respect to participants affected by the sale and for all other participants within six months. On March 11, 2020, the Compensation Committee of the Board of Directors authorized management of the Company to take steps to terminate the plan as to all participants. The timing and specifics of such termination have not yet been determined. Any remaining benefits and obligations under the non-qualified plan are expected to be paid out in full approximately one year following the applicable termination. Pursuant to applicable rules under the Internal Revenue Code, certain other deferred compensation arrangements must simultaneously be terminated and liquidated, including any remaining elective deferred stock units and deferral elections under the Company's Stock Award and Deferred Compensation Plan for Non-Associate Directors. For additional information regarding the Company's non-qualified supplemental retirement plan, see Note 18 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

We are actively monitoring the public health and travel concerns relating to the novel coronavirus and the related recommendations and protocols issued by federal, state and local governments. In the event that it is not possible or advisable to hold our annual meeting at the time, date and place as originally planned, we will announce alternative arrangements for the meeting as promptly as practicable, which may include holding the meeting solely by means of remote communication or adjourning or postponing the meeting. Any such change, including details on how to participate in a remote meeting, would be announced in advance via press release, a copy of which would be filed with the Securities and Exchange Commission as additional proxy solicitation materials and posted on our website at <http://www.lb.com>.

Information regarding our directors, executive officers and corporate governance is set forth under the captions “ELECTION OF DIRECTORS—Nominees and Directors”, “—Retiring Directors”, “—Director Independence”, “—Board Leadership Structure”, “—Risk Oversight; Certain Compensation Matters”, “—Cybersecurity Risk”, “—Review of Strategic Plans and Capital Structure”, “—Social Responsibility”, “—Human Capital Management”, “—Succession Planning”, “—Information Concerning Board Meeting Attendance”, “—Committees of the Board”, “—Meetings of the Company's Non-Management Directors”, “—Communications with Stockholders”, “—Attendance at Annual Meetings”, “—Code of Conduct, Related Person Transaction Policy and Associated Matters”, “—Copies of the Company's Code of Conduct, Corporate Governance Principles, Policy and Committee Charters”, and “SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT” in the Proxy Statement and is incorporated herein by reference. Information regarding compliance with Section 16(A) of the Securities Exchange Act of 1934, as amended, is set forth under the caption “DELINQUENT SECTION 16(A) REPORTS” in the Proxy Statement and is incorporated herein by reference. Information regarding executive officers is set forth herein under the caption “Executive Officers of Registrant” in Part I.

ITEM 11. EXECUTIVE COMPENSATION.

Information regarding executive compensation is set forth under the caption “COMPENSATION-RELATED MATTERS” in the Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information regarding the security ownership of certain beneficial owners and management is set forth under the captions “SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT” in the Proxy Statement and “SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS” in the Proxy Statement and is incorporated herein by reference.

The following table summarizes share and exercise price information about L Brands' equity compensation plans as of February 1, 2020.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	14,341,674	\$ 51.87 (2)	5,326,219
Equity compensation plans not approved by security holders	—	—	—
Total	14,341,674	\$ 51.87	5,326,219

(1) Includes the following plans: L Brands, Inc. 2015 Stock Option and Performance Incentive Plan, L Brands, Inc. 2011 Stock Option and Performance Incentive Plan and L Brands, Inc. 1993 Stock Option and Performance Incentive Plan (2009 Restatement). There are no shares remaining available for grant under the 2011 Plan or 1993 Plan.

(2) Does not include outstanding rights to receive Common Stock upon the vesting of restricted share awards or settlement of deferred stock units.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

Information regarding certain relationships and related transactions is set forth under the caption “ELECTION OF DIRECTORS—Nominees and Directors” and “—Director Independence” in the Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Information regarding principal accountant fees and services is set forth under the captions “INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS—Audit Fees”, “—Audit Related Fees”, “—Tax Fees”, “—All Other Fees” and “—Pre-approval Policies and Procedures” in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Consolidated Financial Statements

The following consolidated financial statements of L Brands, Inc. are filed as part of this report under Item 8. Financial Statements and Supplementary Data:

Management's Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements

Consolidated Statements of Income (Loss) for the Years Ended February 1, 2020, February 2, 2019 and February 3, 2018

Consolidated Statements of Comprehensive Income (Loss) for the Years Ended February 1, 2020, February 2, 2019 and February 3, 2018

Consolidated Balance Sheets as of February 1, 2020 and February 2, 2019

Consolidated Statements of Total Equity (Deficit) for the Years Ended February 1, 2020, February 2, 2019 and February 3, 2018

Consolidated Statements of Cash Flows for the Years Ended February 1, 2020, February 2, 2019 and February 3, 2018

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Schedules have been omitted because they are not required or are not applicable or because the information required to be set forth therein either is not material or is included in the financial statements or notes thereto.

(3) List of Exhibits

3. Articles of Incorporation and Bylaws.
- 3.1 Restated Certificate of Incorporation of the Company incorporated by reference to Exhibit 3.1 to the Company's Form 10-K dated February 1, 2014.
- 3.2 Amended and Restated Bylaws of the Company incorporated by reference to Exhibit 3.1 to the Company's Form 8-K dated November 3, 2016.
4. Instruments Defining the Rights of Security Holders.
- 4.1 Conformed copy of the Indenture dated as of March 15, 1988 between the Company and The Bank of New York, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File No. 333-105484) dated May 22, 2003.
- 4.2 Proposed form of Debt Warrant Agreement for Warrants attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3 (File No. 33-53366) originally filed with the Securities and Exchange Commission (the "SEC") on October 16, 1992, as amended by Amendment No. 1 thereto, filed with the SEC on February 23, 1993 (the "1993 Form S-3"). (P)
- 4.3 Proposed form of Debt Warrant Agreement for Warrants not attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.3 to the 1993 Form S-3. (P)
- 4.4 Indenture, dated as of February 19, 2003 between the Company and The Bank of New York, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-4 (File No. 333-104633) dated April 18, 2003.

- 4.5 First Supplemental Indenture dated as of May 31, 2005 among the Company, The Bank of New York and The Bank of New York Trust Company, N.A., incorporated by reference to Exhibit 4.1.2 to the Company's Registration Statement on Form S-3 (Reg. No. 333-125561) filed June 6, 2005.
- 4.6 Second Supplemental Indenture dated as of July 17, 2007 between the Company and The Bank of New York Trust Company, N.A., incorporated by reference to Exhibit 4.1.3 to the Company's Registration Statement on Form S-3 (Reg. No. 333-146420) filed October 1, 2007.
- 4.7 Indenture, dated as of June 19, 2009, among the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated June 24, 2009.
- 4.8 Registration Rights Agreement, dated as of June 19, 2009, among the Company, the guarantors named therein and JP Morgan Securities Inc., as representative of the initial purchasers, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated June 24, 2009.
- 4.9 Third Supplemental Indenture dated as of May 4, 2010 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.4 to the Company's Registration Statement on Form S-3 (Reg. No. 333-170406) filed on November 5, 2010.
- 4.10 Fourth Supplemental Indenture dated as of January 29, 2011 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.5 to the post-effective amendment to the Company's Registration Statement on Form S-3 (Reg. No. 333-170406) filed on March 22, 2011.
- 4.11 Form of Fifth Supplemental Indenture dated as of March 25, 2011 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.6 to the post-effective amendment to the Company's Registration Statement on Form S-3 (Reg. No. 333-170406) filed on March 22, 2011.
- 4.12 Sixth Supplemental Indenture dated as of February 7, 2012 among the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 28, 2012.
- 4.13 Seventh Supplemental Indenture dated as of March 22, 2013 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.8 to the Company's Registration Statement on Form S-3 (Reg. No. 333-191968) filed on October 29, 2013.
- 4.14 Eighth Supplemental Indenture dated as of October 16, 2013 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.9 to the Company's Registration Statement on Form S-3 (Reg. No. 333-191968) filed on October 29, 2013.
- 4.15 Amendment and Restatement Agreement dated July 18, 2014 among L Brands, Inc., a Delaware corporation, L (Overseas) Holdings LP, an Alberta limited partnership, Canadian Retail Holdings Corporation, a Nova Scotia company, Victoria's Secret UK Limited, a company organized under the laws of England and Wales, and Mast Industries (Far East) Limited, a Hong Kong corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (the "Administrative Agent"), in respect of the Amended and Restated Five-Year Revolving Credit Agreement dated as of July 15, 2011 among the Company, the lenders from time to time party thereto and the Administrative Agent, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated July 22, 2014.
- 4.16 Ninth Supplemental Indenture dated as of January 30, 2015 among the Registrant, the New Guarantors, The Bank of New York Mellon Trust Company, as Trustee, and the Old Guarantors to the Base Indenture dated as of March 15, 1988, as amended, relating to the 7.000% Senior Notes due 2020, the 6.625% Senior Notes due 2021, the 5.625% Senior Notes due 2022 and the 5.625% Senior Notes due 2023, incorporated by reference to Exhibit 4.16 to the Company's Registration Statement on Form S-4 (Reg. No. 333-209114) filed on January 25, 2016.
- 4.17 First Amendment dated as of April 21, 2015 among the Company, L (Overseas) Holding LP, an Alberta limited partnership, Canadian Retail Holdings Corporation, a Nova Scotia company, Victoria's Secret UK Limited, a company organized under the laws of England and Wales, and Mast Industries (Far East) Limited, a Hong Kong corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (the "Administrative Agent"), in respect of the Amended and Restated Five-Year Revolving Credit Agreement dated as of July 18, 2014 among the Company, the lenders from time to time party thereto and the Administrative Agent, incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 2, 2015.

- 4.18 Indenture, dated as of October 30, 2015, among L Brands, Inc., the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated November 3, 2015.
- 4.19 Form of 6.875% senior notes due 2035, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated November 3, 2015.
- 4.20 Registration Rights Agreement, dated as of October 30, 2015, among L Brands, Inc., the guarantors named therein and Merrill Lynch, Pierce, Fenner & Smith Incorporated as representative of the initial purchasers, incorporated by reference to Exhibit 4.3 to the Company's Form 8-K dated November 3, 2015.
- 4.21 Indenture, dated as of June 16, 2016, among L Brands, Inc. and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated June 16, 2016.
- 4.22 First Supplemental Indenture, dated as of June 16, 2016, by and among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated June 16, 2016.
- 4.23 Amendment and Restatement Agreement dated as of May 11, 2017 among the Company, L (Overseas) Holding LP, an Alberta limited partnership, Bath & Body Works (Canada) Corp., a Nova Scotia company, Victoria's Secret UK Limited, a company organized under the laws of England and Wales, Mast Industries (Far East) Limited, a Hong Kong corporation, and LB Full Assortment HK Limited, a Hong Kong corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (the "Administrative Agent"), in respect of the Amended and Restated Five-Year Revolving Credit Agreement dated as of July 18, 2014, as amended by Amendment No. 1 thereto dated as of April 21, 2015, among the Company, the lenders from time to time party thereto and the Administrative Agent, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated May 17, 2017.
- 4.24 Second Supplemental Indenture, dated as of January 23, 2018, by and among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated January 23, 2018.
- 4.25 Indenture, dated as of June 18, 2018, by and among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.25 to the Company's Form S-4 dated September 11, 2018.
- 4.26 First Supplemental Indenture, dated as of June 29, 2018, by and among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.26 to the Company's Form S-4 dated September 11, 2018.
- 4.27 Third Supplemental Indenture, dated June 20, 2019, by and among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated June 24, 2019.
- 4.28 Amendment and Restatement Agreement, dated as of August 13, 2019, by and among L Brands, Inc., the Borrowing Subsidiaries named therein and JPMorgan Chase Bank, N.A. as Administrative Agent and Collateral Agent (the "Administrative Agent") under the Amended and Restated Five-Year Revolving Credit Agreement dated as of May 11, 2017, among the Company, the Borrowing Subsidiaries party thereto, the Lenders party thereto and the Administrative Agent, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K Dated August 14, 2019.
- 4.29 Fourth Supplemental Indenture, dated as of June 30, 2019, by and among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 3, 2019.
- 4.30 Tenth Supplemental Indenture, dated as of June 30, 2019, by and among L Brands, Inc., the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 3, 2019.
- 4.31 Description of the Registrant's Securities.
10. Material Contracts.
- 10.1 Officers' Benefits Plan incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 1989 (the "1988 Form 10-K").** (P)

- 10.2 The Company's Supplemental Retirement and Deferred Compensation Plan incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.**
- 10.3 Form of Indemnification Agreement between the Company and the directors and executive officers of the Company incorporated by reference to Exhibit 10.4 to the 1998 Form 10-K.**
- 10.4 Supplemental schedule of directors and executive officers who are parties to an Indemnification Agreement incorporated by reference to Exhibit 10.5 to the 1998 Form 10-K.**
- 10.5 The Company's Incentive Compensation Performance Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 14, 1997.**
- 10.6 Agreement dated as of May 3, 1999 among the Company, Leslie H. Wexner and the Wexner Children's Trust, incorporated by reference to Exhibit 99 (c) 1 to the Company's Schedule 13E-4 dated May 4, 1999.
- 10.7 The Company's Stock Award and Deferred Compensation Plan for Non-Associate Directors incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No. 333-110465) dated November 13, 2003.**
- 10.8 Form of Stock Ownership Guideline incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.**
- 10.9 Employment Agreement effective as of April 9, 2007 among the Company and Stuart Burgdoerfer incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated April 11, 2007.**
- 10.10 Employment Agreement Amendment effective September 5, 2008 among Limited Brands, Inc., and Stuart Burgdoerfer incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 2, 2008.**
- 10.11 The Company's 1993 Stock Option and Performance Incentive Plan (2009 Restatement) incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (File No. 333-110465) dated September 10, 2009.**
- 10.12 Employment Agreement dated as of December 31, 2007 among the Company, beautyAvenues, LLC, and Charles C. McGuigan, as amended by Amendment to Agreement dated December 1, 2008 and Form of Employment Agreement Amendment effective as of March 15, 2012 incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2012.**
- 10.13 The Company's 2011 Stock Option and Performance Incentive Plan originally incorporated by reference to Appendix A to the Company's Proxy Statement dated April 11, 2011 and Amended and Restated dated July 21, 2011 incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2012.**
- 10.14 Form of Sixth Amended and Restated Master Aircraft Time Sharing Agreement incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2015.**
- 10.15 The Company's 2015 Stock Option and Performance Incentive Plan, incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (Reg. No. 333-176588) dated September 4, 2015.**
- 10.16 L Brands, Inc. 2015 Stock Option and Performance Incentive Plan Terms and Conditions of Restricted Share Unit Grant, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 1, 2015.**
- 10.17 L Brands, Inc. 2015 Stock Option and Performance Incentive Plan Terms and Conditions of Stock Option Grant, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 1, 2015.**
- 10.18 L Brands, Inc. 2015 Cash Incentive Compensation Performance Plan, incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated May 26, 2015.**
- 10.19 Agreement, dated as of April 18, 2019, by and among L Brands, Inc., Barington Companies Equity Partners, L.P. and Barington Capital Group, L.P., incorporated by reference to Exhibit 10.1 of the Company's Form 8-K dated April 18, 2019.

- 10.20 Transaction Agreement, dated as of February 20, 2020, between SP VS Buyer LP and L Brands, Inc., incorporated by reference to Exhibit 2.1 to the Company's Form 8-K dated February 26, 2020.
- 21. Subsidiaries of the Registrant.
- 23.1 Consent of Ernst & Young LLP.
- 24. Powers of Attorney.
- 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)

** Identifies management contracts or compensatory plans or arrangements.

(P) Paper Exhibits

(b) Exhibits.

The exhibits to this report are listed in section (a)(3) of Item 15 above.

(c) Not applicable.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 27, 2020

L BRANDS, INC. (Registrant)

By: /s/ STUART B. BURGDOERFER
Stuart B. Burgdoerfer,
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 1, 2020:

<u>Signature</u>	<u>Title</u>
<u>/s/ LESLIE H. WEXNER*</u> Leslie H. Wexner	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)
<u>/s/ STUART B. BURGDOERFER</u> Stuart B. Burgdoerfer	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
<u>/s/ PATRICIA S. BELLINGER*</u> Patricia S. Bellinger	Director
<u>/s/ E. GORDON GEE*</u> E. Gordon Gee	Director
<u>/s/ DONNA A. JAMES*</u> Donna A. James	Director
<u>/s/ MICHAEL G. MORRIS*</u> Michael G. Morris	Director
<u>/s/ SARAH E. NASH*</u> Sarah E. Nash	Director
<u>/s/ ROBERT H. SCHOTTENSTEIN*</u> Robert H. Schottenstein	Director
<u>/s/ ANNE SHEEHAN*</u> Anne Sheehan	Director
<u>/s/ STEPHEN D. STEINOUR*</u> Stephen D. Steinour	Director
<u>/s/ ALLAN R. TESSLER*</u> Allan R. Tessler	Director
<u>/s/ ABIGAIL S. WEXNER*</u> Abigail S. Wexner	Director
<u>/s/ RAYMOND ZIMMERMAN*</u> Raymond Zimmerman	Director

* The undersigned, by signing his name hereto, does hereby sign this report on behalf of each of the above-indicated directors of the registrant pursuant to powers of attorney executed by such directors.

By: /s/ STUART B. BURGDOERFER
Stuart B. Burgdoerfer
Attorney-in-fact

Company Information

Headquarters

L Brands, Inc.
Three Limited Parkway
Columbus, OH 43230
614.415.7000
www.LB.com

Stock Exchange Listing

New York Stock Exchange (Trading Symbol “LB”)

Information Requests

Through our website: www.LB.com

Upon written request to: L Brands, Inc.
Investor Relations
Three Limited Parkway
Columbus, OH 43230

By calling: 614.415.7000

L Brands, Inc.

Founded 1963

as of Feb. 1, 2020:

Approximate associate base: 94,400

Approximate shareholder base: 138,000

NYSE Certification Statement

Our Chief Executive Officer and Chief Financial Officer have filed the certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 with the Securities and Exchange Commission as exhibits to our Form 10-K for the fiscal year ended Feb. 1, 2020. In addition, our Chief Executive Officer filed a separate annual certification to the New York Stock Exchange following our annual shareholders' meeting on May 16, 2019.

Annual Meeting of Shareholders

8:30 a.m. Thursday, May 14, 2020
Three Limited Parkway
Columbus, OH 43230

Independent Public Accountants

Ernst & Young LLP
Grandview Heights, OH

Stock Transfer Agent, Registrar and Dividend Agent

American Stock Transfer & Trust Company (“AST”)
6201 15th Avenue
Brooklyn, NY 11219
866.875.7975
718.921.8124
info@astfinancial.com

<https://www.astfinancial.com>

Investor resources available on our website, www.LB.com, include:

- Anticipated release dates for quarterly earnings
- Live webcasts of quarterly earnings conference calls
- Audio replays of quarterly earnings conference calls
- Current investor presentations and materials

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ADMITTANCE SLIP

2020 ANNUAL MEETING OF STOCKHOLDERS

Date, Time and Place of Meeting:

Date: May 14, 2020

Time: 8:30 a.m., Eastern Time

Place: Three Limited Parkway,
Columbus, Ohio 43230

Attending the Meeting:

Stockholders who plan to attend the meeting in person must bring this admittance slip and a photo identification to gain access. Because of necessary security precautions, bags, purses and briefcases may be subject to inspection. To speed the admissions process, stockholders are encouraged to bring only essential items. Cameras, camcorders or videotaping equipment are not allowed. Photographs or videos taken by the Company at the meeting may be used by the Company. By attending, you waive any claim or rights to these photographs.

For more information about attending the annual meeting, please visit the website at www.lb.com or contact Investor Relations at (614) 415-7585.

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