

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

FORM 10-Q

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

For the quarterly period ended May 2, 2020

OR

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

For the transition period from _____ to _____

Commission file number 1-8344

L BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

Three Limited Parkway

Columbus,

(Address of principal executive offices)

Ohio

(614) 415-7000

(Registrant's Telephone Number, Including Area Code)

31-1029810

(IRS Employer Identification No.)

43230

(Zip Code)

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

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

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

As of May 29, 2020, the number of outstanding shares of the Registrant's common stock, was 277,829,273 shares.

L BRANDS, INC.
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* The Company's fiscal year ends on the Saturday nearest to January 31. As used herein, “first quarter of 2020” and “first quarter of 2019” refer to the thirteen-week periods ended May 2, 2020 and May 4, 2019, respectively.

PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

L BRANDS, INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in millions except per share amounts)
(Unaudited)

	First Quarter	
	2020	2019
Net Sales	\$ 1,654	\$ 2,629
Costs of Goods Sold, Buying and Occupancy	(1,366)	(1,695)
Gross Profit	288	934
General, Administrative and Store Operating Expenses	(606)	(781)
Operating Income (Loss)	(318)	153
Interest Expense	(97)	(99)
Other Income	3	6
Income (Loss) Before Income Taxes	(412)	60
Provision (Benefit) for Income Taxes	(115)	20
Net Income (Loss)	\$ (297)	\$ 40
Net Income (Loss) Per Basic Share	\$ (1.07)	\$ 0.15
Net Income (Loss) Per Dilutive Share	\$ (1.07)	\$ 0.14
Dividends Per Share	\$ 0.30	\$ 0.30

L BRANDS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)
(Unaudited)

	First Quarter	
	2020	2019
Net Income (Loss)	\$ (297)	\$ 40
Other Comprehensive Income (Loss), Net of Tax:		
Foreign Currency Translation	(6)	(4)
Unrealized Gain on Cash Flow Hedges	5	2
Reclassification of Cash Flow Hedges to Earnings	—	(2)
Total Other Comprehensive Loss, Net of Tax	(1)	(4)
Total Comprehensive Income (Loss)	\$ (298)	\$ 36

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

L BRANDS, INC.
CONSOLIDATED BALANCE SHEETS
(in millions except par value amounts)

	May 2, 2020	February 1, 2020	May 4, 2019
	(Unaudited)		(Unaudited)
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 957	\$ 1,499	\$ 1,146
Accounts Receivable, Net	229	306	274
Inventories	1,491	1,287	1,357
Other	172	153	170
Total Current Assets	2,849	3,245	2,947
Property and Equipment, Net	2,299	2,486	2,794
Operating Lease Assets	2,947	3,053	3,271
Goodwill	628	628	1,348
Trade Names	411	411	411
Deferred Income Taxes	84	84	61
Other Assets	221	218	166
Total Assets	\$ 9,439	\$ 10,125	\$ 10,998
LIABILITIES AND EQUITY (DEFICIT)			
Current Liabilities:			
Accounts Payable	\$ 715	\$ 647	\$ 688
Accrued Expenses and Other	826	1,052	872
Current Debt	468	61	72
Current Operating Lease Liabilities	590	478	443
Income Taxes	84	134	122
Total Current Liabilities	2,683	2,372	2,197
Deferred Income Taxes	198	219	238
Long-term Debt	5,034	5,487	5,749
Long-term Operating Lease Liabilities	2,945	3,052	3,234
Other Long-term Liabilities	437	490	478
Shareholders' Equity (Deficit):			
Preferred Stock - \$1.00 par value; 10 shares authorized; none issued	—	—	—
Common Stock - \$0.50 par value; 1,000 shares authorized; 286, 285 and 284 shares issued; 278, 277 and 276 shares outstanding, respectively	143	142	142
Paid-in Capital	865	847	786
Accumulated Other Comprehensive Income	51	52	55
Retained Earnings (Deficit)	(2,562)	(2,182)	(1,527)
Less: Treasury Stock, at Average Cost; 8, 8 and 8 shares, respectively	(358)	(358)	(358)
Total L Brands, Inc. Shareholders' Equity (Deficit)	(1,861)	(1,499)	(902)
Noncontrolling Interest	3	4	4
Total Equity (Accumulated Deficit)	(1,858)	(1,495)	(898)
Total Liabilities and Equity (Deficit)	\$ 9,439	\$ 10,125	\$ 10,998

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)
(Unaudited)

First Quarter 2020

	Common Stock			Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Treasury Stock, at Average Cost	Noncontrolling Interest	Total Equity (Deficit)
	Shares Outstanding	Par Value	Paid-In Capital					
Balance, February 1, 2020	277	\$ 142	\$ 847	\$ 52	\$ (2,182)	\$ (358)	\$ 4	\$ (1,495)
Net Loss	—	—	—	—	(297)	—	—	(297)
Other Comprehensive Loss	—	—	—	(1)	—	—	—	(1)
Total Comprehensive Loss	—	—	—	(1)	(297)	—	—	(298)
Cash Dividends (\$0.30 per share)	—	—	—	—	(83)	—	—	(83)
Share-based Compensation and Other	1	1	18	—	—	—	(1)	18
Balance, May 2, 2020	<u>278</u>	<u>\$ 143</u>	<u>\$ 865</u>	<u>\$ 51</u>	<u>\$ (2,562)</u>	<u>\$ (358)</u>	<u>\$ 3</u>	<u>\$ (1,858)</u>

First Quarter 2019

	Common Stock			Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Treasury Stock, at Average Cost	Noncontrolling Interest	Total Equity (Deficit)
	Shares Outstanding	Par Value	Paid-In Capital					
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 Income	—	—	—	—	40	—	—	40
Other Comprehensive Loss	—	—	—	(4)	—	—	—	(4)
Total Comprehensive Income	—	—	—	(4)	40	—	—	36
Cash Dividends (\$0.30 per share)	—	—	—	—	(83)	—	—	(83)
Share-based Compensation and Other	1	1	15	—	—	—	—	16
Balance, May 4, 2019	<u>276</u>	<u>\$ 142</u>	<u>\$ 786</u>	<u>\$ 55</u>	<u>\$ (1,527)</u>	<u>\$ (358)</u>	<u>\$ 4</u>	<u>\$ (898)</u>

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

L BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

	Year-to-Date	
	2020	2019
Operating Activities:		
Net Income (Loss)	\$ (297)	\$ 40
Adjustments to Reconcile Net Income (Loss) to Net Cash Used for Operating Activities:		
Long-lived Store Asset Impairment Charges	97	—
Depreciation of Long-lived Assets	139	145
Share-based Compensation Expense	20	23
Deferred Income Taxes	(25)	12
Gains on Distributions from Easton Investments	—	(2)
Changes in Assets and Liabilities:		
Accounts Receivable	77	65
Inventories	(208)	(110)
Accounts Payable, Accrued Expenses and Other	(155)	(231)
Income Taxes Payable	(56)	4
Other Assets and Liabilities	66	(19)
Net Cash Used for Operating Activities	<u>(342)</u>	<u>(73)</u>
Investing Activities:		
Capital Expenditures	(55)	(123)
Other Investing Activities	(5)	17
Net Cash Used for Investing Activities	<u>(60)</u>	<u>(106)</u>
Financing Activities:		
Borrowing from Credit Agreement	950	—
Payment of Credit Agreement	(950)	—
Borrowings from Foreign Facilities	23	21
Repayments of Foreign Facilities	(69)	(14)
Dividends Paid	(83)	(83)
Tax Payments related to Share-based Awards	(5)	(9)
Financing Costs and Other	(4)	(1)
Net Cash Used for Financing Activities	<u>(138)</u>	<u>(86)</u>
Effects of Exchange Rate Changes on Cash and Cash Equivalents	(2)	(2)
Net Decrease in Cash and Cash Equivalents	(542)	(267)
Cash and Cash Equivalents, Beginning of Period	1,499	1,413
Cash and Cash Equivalents, End of Period	<u>\$ 957</u>	<u>\$ 1,146</u>

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

L BRANDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business and Basis of Presentation

Description of Business

L Brands, Inc. (the "Company") operates in the highly competitive specialty retail business. The Company is a specialty retailer of home fragrance products, body care, soaps and sanitizers, women's intimate and other apparel, and personal and beauty care products. The Company sells its merchandise through company-owned specialty retail stores in the U.S., Canada, U.K., Ireland and Greater China (China and Hong Kong), 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:

- Bath & Body Works
- Victoria's Secret
- PINK

On February 20, 2020, the Company and an affiliate of Sycamore Partners Management, L.P. ("Sycamore"), entered into a Transaction Agreement (the "Transaction Agreement") pursuant to which, among other things, the Company would have sold a 55% interest in the Company's Victoria's Secret and PINK businesses (collectively, "Victoria's Secret").

On April 22, 2020, the Company received a notice from Sycamore purporting to terminate the Transaction Agreement. Sycamore also filed a lawsuit in the Court of Chancery of the State of Delaware on April 22, 2020 seeking a declaratory judgment that its termination of the Transaction Agreement was valid.

On May 4, 2020, the Company and Sycamore mutually agreed to terminate the Transaction Agreement. In connection with the termination of the Transaction Agreement, the Company and Sycamore agreed to settle all pending litigation in connection with the transactions contemplated by the Transaction Agreement and mutually release all claims in connection with the transactions contemplated by the Transaction Agreement. The Company did not incur any termination penalties in connection with the termination of the Transaction Agreement.

The Company remains committed to establishing Bath & Body Works as a pure-play public company and is taking the necessary steps to prepare Victoria's Secret to operate as a separate standalone company. Management is actively engaged in implementing a comprehensive profit improvement plan that will better position the Company to evaluate the next steps for the separation of the Victoria's Secret business. The Company determined that Victoria's Secret did not meet the held for sale criteria as of May 2, 2020.

Impacts of COVID-19

In March 2020, the coronavirus pandemic ("COVID-19") was declared a global pandemic by the World Health Organization. This pandemic has negatively affected the U.S. and global economies, disrupted global supply chains and financial markets, and led to significant travel and transportation restrictions, including mandatory closures and orders to "shelter-in-place." The situation and preventative or protective actions that governments around the world have taken to contain the spread of COVID-19 have resulted in a period of disruption, including closure of the Company's stores, limited store operating hours, reduced customer traffic and consumer spending and delays in manufacturing and shipping of products and raw materials in the U.S., China and other countries. During this period, the Company is focused on protecting the health and safety of its customers, employees, contractors, suppliers, and other business partners. The Company is also working with its suppliers to minimize potential disruptions, while managing the Company's business in response to a changing dynamic.

The Company's business operations and financial performance for the first quarter of 2020 were materially impacted by the COVID-19 pandemic. All the Company's stores in North America were closed on March 17th, and only approximately 20 Bath & Body Works stores were opened as of the end of the first quarter. Additionally, operations for Victoria's Secret Direct were temporarily suspended for approximately one week in late March, while Bath & Body Works Direct remained open for the duration of the first quarter. Since the global COVID-19 crisis began, the Company has taken prudent actions to manage expenses and to maintain its solid cash position and financial flexibility through the pandemic, including:

- Furloughing most store associates as of April 5, while continuing to provide healthcare benefits for eligible associates;
- Suspending associate merit increases;
- Reducing salaries for senior vice presidents and above by 20%;
- Suspending cash compensation for the Company's former Chairman and CEO, Leslie H. Wexner, and for all members of the Board of Directors;

- Reducing capital expenditures forecast from \$550 million to approximately \$250 million;
- Reducing Spring (first and second quarter) inventory receipts versus last year by approximately 45% at Victoria's Secret and PINK, and by approximately 20% at Bath & Body Works;
- Suspending the quarterly cash dividend beginning in the second quarter of fiscal 2020;
- Suspending store rent payments beginning in April. The Company is in active discussions with its landlords to negotiate with respect to these rent payments and go-forward occupancy costs;
- Amending its revolving credit facility to an asset-backed loan revolving credit facility that does not contain a leverage ratio financial maintenance covenant; and
- Extending payment terms to vendors.

The Company remains committed to managing inventory, expenses and capital conservatively to preserve cash and maximize liquidity.

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") which, among other things, provides employer payroll tax credits for wages paid to employees who are unable to work during the coronavirus outbreak and options to defer payroll tax payments. Based on the Company's evaluation of the CARES Act, it qualifies for certain employer payroll tax credits, which will offset operating expenses. During the first quarter of 2020, the Company recognized \$52 million of qualified payroll tax credits that reduced its store operating expenses.

The Company suspended store rent payments beginning in April, and is in active discussions with its landlords to negotiate with respect to these rent payments and go-forward occupancy costs. The Financial Accounting Standards Board ("FASB") issued guidance in April, which allows COVID-19-related rent concessions to be treated as variable rent. The Company did not recognize any material COVID-19-related rent concessions as of May 2, 2020, as it has not yet finalized negotiations with its landlords.

Fiscal Year

The Company's fiscal year ends on the Saturday nearest to January 31. As used herein, "first quarter of 2020" and "first quarter of 2019" refer to the thirteen-week periods ended May 2, 2020 and May 4, 2019, respectively.

Basis of Consolidation

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

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

Interim Financial Statements

The Consolidated Financial Statements as of and for the periods ended May 2, 2020 and May 4, 2019 are unaudited and are presented pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto contained in the Company's 2019 Annual Report on Form 10-K.

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

Due to the impacts of COVID-19 and seasonal variations in the retail industry, the results of operations for the interim period is not necessarily indicative of the results expected for the full fiscal year.

Derivative Financial Instruments

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

The earnings of the Company's wholly owned foreign businesses are subject to exchange rate risk as substantially all the merchandise is sourced through U.S. dollar transactions. The Company uses foreign currency forward contracts designated as cash flow hedges to mitigate this foreign currency exposure for its Canadian and U.K. businesses. Amounts are reclassified from accumulated other comprehensive income (loss) upon sale of the hedged merchandise to the customer. These gains and losses are recognized in Costs of Goods Sold, Buying and Occupancy in the Consolidated Statements of Income (Loss). The fair value of designated cash flow hedges is not significant as of May 2, 2020.

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.

Use of Estimates in the Preparation of Financial Statements

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

2. New Accounting Pronouncements

Credit Losses

In June 2016, the FASB issued Accounting Standards Update ("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. The Company adopted the standard in the first quarter of fiscal 2020. The adoption of this standard did not have a material impact on the Company's consolidated results of operations, financial position or cash flows.

Guarantor Reporting

In March 2020, the SEC issued a final rule, *Financial Disclosures About Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant's Securities*, that simplifies the disclosure requirements related to registered securities under Rule 3-10 of Regulation S-X. The rule replaces the requirement to provide condensed consolidating financial information with a requirement to present summarized financial information of the issuers and guarantors. It also requires qualitative disclosures with respect to information about guarantors, the terms and conditions of guarantees and the factors that may affect payment. These disclosures may be provided outside the footnotes to the Company's consolidated financial statements. The Company early adopted the reporting requirements of the rule in the first quarter of fiscal 2020, and elected to provide these disclosures in Management's Discussion and Analysis of Financial Condition and Results of Operations.

3. Revenue Recognition

Accounts receivable, net from revenue-generating activities were \$142 million as of May 2, 2020, \$152 million as of February 1, 2020 and \$182 million as of May 4, 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. Deferred revenue was \$348 million as of May 2, 2020, \$342 million as of February 1, 2020 and \$280 million as of May 4, 2019. The Company recognized \$93 million as revenue during the first quarter of 2020 from amounts recorded as deferred revenue at the beginning of the period. As of May 2, 2020, the Company recorded deferred revenue of \$336 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 the first quarter of 2020 and 2019:

	First Quarter	
	2020	2019
	(in millions)	
Bath & Body Works Stores (a)	\$ 424	\$ 715
Bath & Body Works Direct	289	156
Total Bath & Body Works	713	871
Victoria's Secret Stores (a)	514	1,149
Victoria's Secret Direct	308	362
Total Victoria's Secret	822	1,511
Victoria's Secret and Bath & Body Works International (b)	65	135
Other (c)	54	112
Total Net Sales	<u>\$ 1,654</u>	<u>\$ 2,629</u>

(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 the Company's sourcing function.

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

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 the first quarter of 2020 and 2019:

	First Quarter	
	2020	2019
	(in millions)	
Weighted-average Common Shares:		
Issued Shares	285	284
Treasury Shares	(8)	(8)
Basic Shares	277	276
Effect of Dilutive Options and Restricted Stock (a)	—	2
Diluted Shares	277	278
Anti-dilutive Options and Awards (a)	12	5

(a) These options and awards were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive. For the first quarter of 2020, 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.

Shareholders' Equity (Deficit)

Common Stock Share Repurchases

In March 2018, the Company's Board of Directors approved a \$250 million repurchase program, which had \$79 million remaining as of May 2, 2020.

The Company did not repurchase any shares during the first quarter of 2020 or 2019.

Dividends

Under the authority and declaration of the Board of Directors, the Company paid the following dividends during the first quarter of 2020 and 2019:

	Ordinary Dividends	Total Paid
	(per share)	(in millions)
2020		
First Quarter	\$ 0.30	\$ 83
2019		
First Quarter	\$ 0.30	\$ 83

The Board of Directors suspended the quarterly cash dividend beginning in the second quarter of fiscal 2020 as a proactive measure to strengthen the Company's financial flexibility and manage through the COVID-19 pandemic.

5. Inventories

The following table provides details of inventories as of May 2, 2020, February 1, 2020 and May 4, 2019:

	May 2, 2020	February 1, 2020	May 4, 2019
	(in millions)		
Finished Goods Merchandise	\$ 1,347	\$ 1,152	\$ 1,225
Raw Materials and Merchandise Components	144	135	132
Total Inventories	\$ 1,491	\$ 1,287	\$ 1,357

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

6. Property and Equipment, Net

The following table provides details of property and equipment, net as of May 2, 2020, February 1, 2020 and May 4, 2019:

	May 2, 2020	February 1, 2020	May 4, 2019
	(in millions)		
Property and Equipment, at Cost	\$ 6,177	\$ 6,613	\$ 6,744
Accumulated Depreciation and Amortization	(3,878)	(4,127)	(3,950)
Property and Equipment, Net	\$ 2,299	\$ 2,486	\$ 2,794

Depreciation expense was \$139 million and \$145 million for the first quarter of 2020 and 2019, respectively.

The Company remains committed to taking the necessary steps to prepare the Victoria's Secret business to operate as a separate, standalone company. Management is actively working on implementing a comprehensive profit improvement plan that will better position the Company to evaluate the next steps for the separation of the Victoria's Secret business. A component of the profit improvement plan includes a significant rationalization of the Victoria's Secret company-owned store footprint. The Company estimates that it will close approximately 250 stores in North America in 2020. Given the closures as well as the negative operating results of certain Victoria's Secret stores, the Company recorded long-lived store asset impairment charges of \$97 million within the Victoria's Secret segment in the first quarter of 2020. Long-lived store asset impairment charges are included in Costs of Goods Sold, Buying & Occupancy in the 2020 Consolidated Statement of Loss.

7. 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 \$120 million as of May 2, 2020, \$118 million as of February 1, 2020 and \$94 million as of May 4, 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.

8. Income Taxes

We have historically calculated the provision for income taxes on the current estimate of the annual effective tax rate and adjusted as necessary for quarterly events. Due to the impacts of the COVID-19 pandemic, the income tax expense for the thirteen weeks ended May 2, 2020 was computed on a year-to-date effective tax rate.

For the first quarter of 2020, the Company's effective tax rate was 28.0% compared to 33.6% in the first quarter of 2019. The first quarter of 2020 rate was higher than the Company's combined estimated federal and state statutory rate primarily due to the resolution of certain tax matters, which resulted in a \$50 million tax benefit, offset by losses related to certain foreign subsidiaries, which generate no tax benefit. The first quarter of 2019 rate was higher than the Company's combined estimated federal and state statutory rate primarily due to the recognition of tax expense on share-based awards that vested in the quarter.

Income taxes paid were \$9 million and \$12 million for the first quarter of 2020 and 2019, respectively.

Uncertain Tax Positions

The Company had unrecognized tax benefits of \$88 million as of February 1, 2020, of which \$81 million, if recognized, would reduce the effective income tax rate. Through May 2, 2020, the Company had a net decrease to gross unrecognized tax benefits of \$41 million, primarily due to the resolution of certain tax matters. The changes to the unrecognized tax benefits resulted in a \$40 million benefit to the Company's Provision for Income Taxes in the first quarter of 2020.

Of the total unrecognized tax benefits as of May 2, 2020, it is reasonably possible that \$25 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.

9. Long-term Debt and Borrowing Facilities

The following table provides the Company's outstanding debt balance, net of unamortized debt issuance costs and discounts, as of May 2, 2020, February 1, 2020 and May 4, 2019:

	May 2, 2020	February 1, 2020	May 4, 2019
(in millions)			
Senior Debt with Subsidiary Guarantee			
\$1 billion, 6.875% Fixed Interest Rate Notes due November 2035 ("2035 Notes")	\$ 991	\$ 991	\$ 990
\$860 million, 5.625% Fixed Interest Rate Notes due February 2022 ("2022 Notes")	858	858	952
\$700 million, 6.75% Fixed Interest Rate Notes due July 2036 ("2036 Notes")	693	693	693
\$500 million, 5.625% Fixed Interest Rate Notes due October 2023 ("2023 Notes")	498	498	498
\$500 million, 5.25% Fixed Interest Rate Notes due February 2028 ("2028 Notes")	496	496	496
\$500 million, 7.50% Fixed Interest Rate Notes due June 2029 ("2029 Notes")	487	487	—
\$450 million, 6.625% Fixed Interest Rate Notes due April 2021 ("2021 Notes")	450	450	777
\$297 million, 6.694% Fixed Interest Rate Notes due January 2027 ("2027 Notes")	276	276	274
\$338 million, 7.00% Fixed Interest Rate Notes due May 2020 ("2020 Notes")	—	—	338
Secured Foreign Facilities	107	103	91
Total Senior Debt with Subsidiary Guarantee	\$ 4,856	\$ 4,852	\$ 5,109
Senior Debt			
\$350 million, 6.95% Fixed Interest Rate Debentures due March 2033 ("2033 Notes")	\$ 348	\$ 348	\$ 348
\$300 million, 7.60% Fixed Interest Rate Notes due July 2037 ("2037 Notes")	298	298	297
Unsecured Foreign Facilities	—	50	67
Total Senior Debt	\$ 646	\$ 696	\$ 712
Total	\$ 5,502	\$ 5,548	\$ 5,821
Current Debt	(468)	(61)	(72)
Total Long-term Debt, Net of Current Portion	\$ 5,034	\$ 5,487	\$ 5,749

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 May 2, 2020 and February 1, 2020 Consolidated Balance Sheets.

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-offs of unamortized issuance costs.

Revolving Credit Facility

The Company, the Guarantors and certain of the Company's 100% owned Canadian subsidiaries guarantee and pledge collateral to secure a revolving credit facility ("Credit Agreement"). In April 2020, the Company entered into an amendment and restatement ("Amendment") of the Credit Agreement to convert the Company's credit facility into an asset-backed revolving credit facility ("ABL Facility"). The Amendment maintains the aggregate commitments at \$1 billion, and maintains the expiration date in August of 2024. The ABL Facility allows borrowings and letters of credit in U.S. dollars or Canadian dollars.

Availability under the ABL Facility is the lesser of (i) the borrowing base, determined primarily based on the Company's eligible U.S. and Canadian credit card receivables, accounts receivable, inventory and eligible real property, or (ii) the aggregate commitment. If at any time, the outstanding amount under the ABL Facility exceeds the lesser of (i) the aggregate

commitment and (ii) the borrowing base, the Company will be required to prepay the outstanding amounts under the ABL Facility to the extent of such excess. In addition, at any time that our consolidated cash balance exceeds \$350 million, the Company will be required to prepay outstanding amounts under the ABL Facility to the extent of such excess. As of May 2, 2020, the Company was unable to draw upon the ABL Facility as its consolidated cash balance exceeded \$350 million.

As of May 2, 2020, the ABL Facility fees related to committed and unutilized amounts were 0.30% per annum, and the fees related to outstanding letters of credit were 1.75% per annum. In addition, the interest rate on outstanding U.S. dollar borrowings was the London Interbank Offered Rate plus 1.75% per annum. The interest rate on outstanding Canadian dollar-denominated borrowings was the Canadian Dollar Offered Rate plus 1.75% per annum.

The ABL Facility requires the Company to maintain a fixed charge coverage ratio of not less than 1.00 to 1.00 during an event of default or any period commencing on any day when specified excess availability is less than the greater of (1) \$100 million or (2) 15% of the maximum borrowing amount. As of May 2, 2020, the Company was not required to maintain this ratio.

In March 2020, in an abundance of caution and as a proactive measure in response to the COVID-19 pandemic, the Company elected to borrow \$950 million from its revolving facility, which was prepaid upon the completion of the Amendment. As of May 2, 2020, there were no borrowings outstanding under the ABL Facility.

The ABL Facility supports the Company's letter of credit program. The Company had \$28 million of outstanding letters of credit as of May 2, 2020 that reduced its availability under the ABL Facility.

Foreign Facilities

Certain of the Company's Greater China subsidiaries utilize revolving and term loan bank facilities to support their operations ("Foreign Facilities"). The Foreign Facilities allow borrowings in U.S. dollars and Chinese Yuan, and interest rates on outstanding borrowings are based upon the applicable benchmark rate for the currency of each borrowing. Certain of these facilities are guaranteed by the Company, the Guarantors and certain of the Company's 100% owned Canadian subsidiaries ("Secured Foreign Facilities"), and certain of these facilities are guaranteed by the Company only ("Unsecured Foreign Facilities").

The Secured Foreign Facilities have availability totaling \$150 million. During the first quarter of 2020, the Company borrowed \$10 million and made payments of \$6 million under the Secured Foreign Facilities. As of May 2, 2020, there were borrowings of \$107 million outstanding under the Secured Foreign Facilities, of which \$18 million is included within Current Debt on the Consolidated Balance Sheet. Borrowings on the Secured Foreign Facility mature between June 2020 and August 2024. During the first quarter of 2020, the Company agreed to cash collateralize the Secured Foreign Facilities but had not yet put the collateral in place as of May 2, 2020. The Secured Foreign Facilities will be required to be collateralized for the total lender commitments, net of certain paydowns, and, as such, reduces over time.

The Unsecured Foreign Facilities have availability totaling \$75 million. During the first quarter of 2020, the Company borrowed \$13 million and made payments of \$63 million under the Unsecured Foreign Facilities. As of May 2, 2020, there were no borrowings outstanding under the Unsecured Foreign Facilities. Subsequent to May 2, 2020, the Company terminated the Unsecured Foreign Facilities.

10. Fair Value Measurements

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 Cash and Cash Equivalents are considered Level 1 fair value measurements as they are valued using unadjusted quoted prices in active markets for identical assets.

The following table provides a summary of the principal value and estimated fair value of outstanding publicly traded debt as of May 2, 2020, February 1, 2020 and May 4, 2019:

	May 2, 2020	February 1, 2020	May 4, 2019
	(in millions)		
Principal Value	\$ 5,458	\$ 5,458	\$ 5,722
Fair Value, Estimated (a)	4,151	5,555	5,486

(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 and accrued expenses approximate fair value because of their short maturity.

11. Comprehensive Income

The following table provides the rollforward of accumulated other comprehensive income for the first quarter of 2020:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income
(in millions)			
Balance as of February 1, 2020	\$ 52	\$ —	\$ 52
Other Comprehensive Income (Loss) Before Reclassifications	(6)	6	—
Amounts Reclassified from Accumulated Other Comprehensive Income	—	—	—
Tax Effect	—	(1)	(1)
Current-period Other Comprehensive Income (Loss)	(6)	5	(1)
Balance as of May 2, 2020	<u>\$ 46</u>	<u>\$ 5</u>	<u>\$ 51</u>

The following table provides the rollforward of accumulated other comprehensive income for the first quarter of 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	(4)	2	(2)
Amounts Reclassified from Accumulated Other Comprehensive Income	—	(2)	(2)
Tax Effect	—	—	—
Current-period Other Comprehensive Income (Loss)	(4)	—	(4)
Balance as of May 4, 2019	<u>\$ 53</u>	<u>\$ 2</u>	<u>\$ 55</u>

12. Commitments and Contingencies

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

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 filed an opposition to the Company's motion to dismiss on May 4, 2020, and the Company filed a reply brief in further support of its motion to dismiss on June 3, 2020. The Company's motion to dismiss the consolidated amended complaint is now fully briefed and pending before the court. 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.

On May 19, 2020, a purported shareholder filed a derivative lawsuit on behalf of L Brands, Inc. in the Court of Common Pleas for Franklin County, Ohio. The complaint names as defendants certain current and former directors and officers of L Brands, Inc. and alleges, among other things, that these defendants breached their fiduciary duties by violating law and/or company

policies relating to workplace conduct. The Company was named as nominal defendant only, and there are no claims asserted against it. The Company is currently evaluating potential options for responding to 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 \$36 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, additional reserves of \$35 million were recorded related to these obligations. As of May 2, 2020, the Company has recorded reserves of \$37 million related to these and certain other obligations related to the La Senza business. As of May 2, 2020, reserves of \$6 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 as of May 2, 2020 and February 1, 2020, and \$10 million as of May 4, 2019 related to these guarantee obligations. This liability is included in Current Operating Lease Liabilities on the May 2, 2020 and February 1, 2020 Consolidated Balance Sheets, and in Long-term Operating Lease Liabilities on the May 4, 2019 Consolidated Balance Sheet.

13. Retirement Benefits

The Company sponsors a tax-qualified defined contribution retirement plan and a non-qualified supplemental retirement plan for substantially all 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 \$21 million for the first quarter of 2020 and \$19 million for the first quarter of 2019.

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. Total expense recognized related to the non-qualified plan was \$6 million for both the first quarter of 2020 and 2019.

14. Segment Information

The Company has three reportable segments: Bath & Body Works, Victoria's Secret and Victoria's Secret and Bath & Body Works International.

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 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 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, comprised of 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.

The following table provides the Company's segment information for the first quarter of 2020 and 2019:

	Bath & Body Works	Victoria's Secret	Victoria's Secret and Bath & Body Works International	Other	Total
	(in millions)				
2020					
First Quarter:					
Net Sales	\$ 713	\$ 822	\$ 65	\$ 54	\$ 1,654
Operating Income (Loss) (a)	69	(300)	(35)	(52)	(318)
2019					
First Quarter:					
Net Sales	\$ 871	\$ 1,511	\$ 135	\$ 112	\$ 2,629
Operating Income (Loss)	155	33	(4)	(31)	153

(a) Victoria's Secret includes long-lived store asset impairment charges of \$97 million. For additional information, see Note 6, "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 totaled \$179 million and \$349 million for the first quarter of 2020 and 2019, respectively.

15. Subsequent Events

Victoria's Secret Transaction Agreement

On May 4, 2020, the Company and Sycamore mutually agreed to terminate the Transaction Agreement. In connection with the termination of the Transaction Agreement, the Company and Sycamore agreed to settle all pending litigation in connection with the transactions contemplated by the Transaction Agreement and mutually release all claims in connection with the transactions contemplated by the Transaction Agreement. The Company did not incur any termination penalties in connection with the termination of the Transaction Agreement.

Leadership Changes

On May 14, 2020, previously announced leadership and governance changes became effective: Leslie H. Wexner resigned as Chief Executive Officer and Chairman of the Board of Directors (the "Board") to become Chairman Emeritus, remaining as a member of the Board. Andrew M. Meslow, Chief Executive Officer of Bath & Body Works, was appointed by the Board as Chief Executive Officer and as a director of the Company. Further, Sarah E. Nash, a member of the Board, became the Chair of the Board. Finally, former lead independent director Allan Tessler, as well as directors Gordon Gee and Raymond Zimmerman, retired from the Board.

On May 18, 2020, Stuart B. Burgdoerfer agreed to assume the role of Interim Chief Executive Officer for Victoria's Secret, in addition to his role as the Company's Chief Financial Officer. Pursuant to a mutual agreement with the Company entered into on May 18, 2020, Charles C. McGuigan will no longer serve as Chief Operating Officer of the Company or as the Chief Executive Officer of Mast Global, effective as of July 4, 2020.

2020 Stock Plan

On May 14, 2020, the stockholders of the Company approved the Company's 2020 Stock Option and Performance Incentive Plan (the "2020 Plan"). The 2020 Plan provides for 11.7 million shares of Common Stock available for grant, which includes 5.3 million shares of Common Stock available for grant under the previous stock option and performance incentive plan.

Legal Proceedings

On May 19, 2020, a purported shareholder filed a derivative lawsuit on behalf of L Brands, Inc. in the Court of Common Pleas for Franklin County, Ohio. The complaint names as defendants certain current and former directors and officers of L Brands, Inc. and alleges, among other things, that these defendants breached their fiduciary duties by violating law and/or company policies relating to workplace conduct. The Company was named as nominal defendant only, and there are no claims asserted against it. The Company is currently evaluating potential options for responding to the lawsuit.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of L Brands, Inc.

Results of Review of Interim Financial Statements

We have reviewed the accompanying consolidated balance sheets of L Brands, Inc. (the Company) as of May 2, 2020 and May 4, 2019, and the related consolidated statements of income (loss), comprehensive income (loss), total equity (deficit), and cash flows for the thirteen week periods ended May 2, 2020 and May 4, 2019, and the related notes (collectively referred to as the “consolidated interim financial statements”). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of February 1, 2020, and the related consolidated statements of income (loss), comprehensive income (loss), total equity (deficit), and cash flows for the year then ended, and the related notes (not presented herein); and in our report dated March 27, 2020, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of February 1, 2020, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

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

/s/ Ernst & Young LLP

Grandview Heights, Ohio

June 3, 2020

**SAFE HARBOR STATEMENT UNDER THE PRIVATE
SECURITIES LITIGATION ACT OF 1995**

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

We caution that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this report or made by our company or our management involve risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. Accordingly, our future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Words such as “estimate,” “project,” “plan,” “believe,” “expect,” “anticipate,” “intend,” “planned,” “potential” and any similar expressions may identify forward-looking statements. Risks associated with the following factors, among others, in some cases have affected and in the future could affect our financial performance and actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements included in this report or otherwise made by our company or our management:

- 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;
- divestitures or other dispositions, including any divestiture of Victoria’s Secret and related operations, could negatively impact our business, and contingent liabilities from businesses that we have sold could adversely affect our financial statements;
- the seasonality of our business;
- 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, closed stores, 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. Additional information regarding these and other factors can be found in “Item 1A. Risk Factors” in this Form 10-Q and in our 2019 Annual Report on Form 10-K.

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

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

Executive Overview

In the first quarter of 2020, our operating income decreased \$471 million to a loss of \$318 million, and our operating income (loss) rate decreased to (19.2%) from 5.8%. Net sales decreased \$975 million to \$1.654 billion. At Bath & Body Works, net sales decreased \$158 million, or 18%, and operating income decreased \$86 million, or 55%. At Victoria's Secret, net sales decreased \$689 million, or 46%, and operating income decreased to a loss of \$300 million, including long-lived store asset impairment charges of \$97 million. At Victoria's Secret and Bath & Body Works International, net sales decreased \$70 million, or 51%, and the operating loss increased by \$31 million.

Impacts of COVID-19

In March 2020, COVID-19 was declared a global pandemic by the World Health Organization. This pandemic has negatively affected the U.S. and global economies, disrupted global supply chains and financial markets, and led to significant travel and transportation restrictions, including mandatory closures and orders to “shelter-in-place.” The situation and preventative or protective actions that governments around the world have taken to contain the spread of COVID-19 have resulted in a period of disruption, including closure of our stores, limited store operating hours, reduced customer traffic and consumer spending and delays in manufacturing and shipping of products and raw materials in the U.S., China and other countries. During this period, we are focused on protecting the health and safety of our customers, employees, contractors, suppliers, and other business partners. We are also working with our suppliers to minimize potential disruptions, while managing our business in response to a changing dynamic.

Our business operations and financial performance for the first quarter of 2020 were materially impacted by the COVID-19 pandemic. All our stores in North America were closed on March 17th, and only approximately 20 Bath & Body Works stores were opened as of the end of the first quarter. Additionally, operations for Victoria's Secret Direct were temporarily suspended for approximately one week in late March, while Bath & Body Works Direct remained open for the duration of the first quarter. Since the global COVID-19 crisis began, we have taken prudent actions to manage expenses and to maintain our solid cash position and financial flexibility through the pandemic, including:

- Furloughing most store associates as of April 5, while continuing to provide healthcare benefits for eligible associates;
- Suspending associate merit increases;
- Reducing salaries for senior vice presidents and above by 20%;

- Suspending cash compensation for the Company's former Chairman and CEO, Leslie H. Wexner, and for all Board members;
- Reducing our capital expenditures forecast from \$550 million to approximately \$250 million;
- Reducing Spring (first and second quarter) inventory receipts versus last year by approximately 45% at Victoria's Secret and PINK, and by approximately 20% at Bath & Body Works;
- Suspending our quarterly cash dividend beginning in the second quarter of fiscal 2020;
- Suspending store rent payments beginning in April. We are in active discussions with our landlords to negotiate with respect to these rent payments and go-forward occupancy costs;
- Amending our revolving credit facility to an asset-backed loan revolving credit facility that does not contain a leverage ratio financial maintenance covenant; and
- Extending payment terms to vendors.

We remain committed to managing inventory, expenses and capital conservatively to preserve cash and maximize liquidity.

For the second quarter, we are committed to maximizing revenue through continued emphasis on the Direct businesses. We will thoughtfully reopen stores throughout the second quarter, taking steps to ensure the safety of our customers and associates, and adhering to government guidelines. We expect that the majority of our stores will be open by the end of July.

For additional information related to our first quarter 2020 financial performance, see "Results of Operations."

Go-forward Plan for Victoria's Secret

We remain committed to establishing Bath & Body Works as a pure-play public company and are taking the necessary steps to prepare Victoria's Secret to operate as a separate, standalone company. We are actively engaged in implementing a comprehensive profit improvement plan for Victoria's Secret, which includes:

- An increase in focus on inventory management, sourcing cost reductions and tariff mitigations, and an increase in full-price selling driven by an improved product assortment;
- A reduction in store selling costs;
- A rationalization of the Victoria's Secret company-owned store footprint. We estimate that we will close approximately 250 stores in the U.S. and Canada in 2020. We are also actively evaluating strategic alternatives to reduce or eliminate losses in the U.K. and China; and
- A holistic review of our home office organizations, which will include the decentralization of significant functions and services in support of creating standalone companies and a meaningful reduction in overhead expenses, along with a focus on retaining key talent.

We believe that implementing this plan will better position us to evaluate the next steps for the separation of the Victoria's Secret business.

Adjusted Financial Information

In addition to our results provided in accordance with GAAP above and throughout this Form 10-Q, provided below are non-GAAP measurements which present net loss and loss per share in 2020 on an adjusted basis, which remove certain special items. We believe that these special items are not indicative of our ongoing operations due to their size and nature. We use adjusted financial information as key performance measures of results of operations for the purpose of evaluating performance internally. These non-GAAP measurements are not intended to replace the presentation of our financial results in accordance with GAAP. Instead, we believe that the presentation of adjusted financial information provides additional information to investors to facilitate the comparison of past and present operations. Further, our definition of adjusted financial information may differ from similarly titled measures used by other companies. The table below reconciles the GAAP financial measures to the non-GAAP financial measures.

(in millions, except per share amounts)	First Quarter	
	2020	2019
<u>Detail of Special Items - Income (Expense)</u>		
Victoria's Secret Store-Related Asset Impairment (a)	\$ (97)	\$ —
Special Items included in Operating Income (Loss)	(97)	—
Tax Benefit from the Resolution of Certain Tax Matters (b)	50	—
Tax Effect of Special Items included in Operating Income (Loss)	25	—
Special Items included in Net Income (Loss)	\$ (22)	\$ —
<u>Reconciliation of Reported Operating Income (Loss) to Adjusted Operating Income (Loss)</u>		
Reported Operating Income (Loss)	\$ (318)	\$ 153
Special Items included in Operating Income (Loss)	97	—
Adjusted Operating Income (Loss)	\$ (221)	\$ 153
<u>Reconciliation of Reported Net Income (Loss) to Adjusted Net Income (Loss)</u>		
Reported Net Income (Loss)	\$ (297)	\$ 40
Special Items included in Net Income (Loss)	22	—
Adjusted Net Income (Loss)	\$ (275)	\$ 40
<u>Reconciliation of Reported Earnings (Loss) Per Diluted Share to Adjusted Earnings (Loss) Per Diluted Share</u>		
Reported Earnings (Loss) Per Diluted Share	\$ (1.07)	\$ 0.14
Special Items included in Earnings (Loss) Per Diluted Share	0.08	—
Adjusted Earnings (Loss) Per Diluted Share	\$ (0.99)	\$ 0.14

(a) In the first quarter of 2020, we recognized pre-tax impairment charges of \$97 million (\$72 million after tax) related to certain Victoria's Secret long-lived store assets. For additional information see Note 6, "Property and Equipment, Net."

(b) In the first quarter of 2020, we recognized a \$50 million tax benefit related to the resolution of certain tax matters. For additional information see Note 8, "Income Taxes."

Company-Owned Store Data

The following table compares the first quarter of 2020 company-owned store data to the first quarter of 2019:

	First Quarter		
	2020	2019	% Change
Sales per Average Selling Square Foot (a)			
Bath & Body Works U.S.	\$ 93	\$ 160	(42%)
Victoria's Secret U.S.	71	154	(54%)
Sales per Average Store (in thousands) (a)			
Bath & Body Works U.S.	\$ 245	\$ 413	(41%)
Victoria's Secret U.S.	464	1,000	(54%)
Average Store Size (selling square feet)			
Bath & Body Works U.S.	2,633	2,592	2%
Victoria's Secret U.S.	6,587	6,540	1%
Total Selling Square Feet (in thousands)			
Bath & Body Works U.S.	4,305	4,224	2%
Victoria's Secret U.S.	6,804	6,959	(2%)

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

The following table represents company-owned store data for first quarter of 2020:

	Stores Operating at			Stores Operating at May 2, 2020
	February 1, 2020	Opened	Closed	
Bath & Body Works U.S.	1,637	3	(5)	1,635
Bath & Body Works Canada	102	—	—	102
Total Bath & Body Works	1,739	3	(5)	1,737
Victoria's Secret U.S.	1,053	1	(21)	1,033
Victoria's Secret Canada	38	—	(1)	37
Total Victoria's Secret	1,091	1	(22)	1,070
Victoria's Secret U.K. / Ireland	26	—	—	26
Victoria's Secret Beauty and Accessories	41	—	(1)	40
Victoria's Secret Greater China	23	1	—	24
Total Victoria's Secret and Bath & Body Works International	90	1	(1)	90
Total L Brands Stores	2,920	5	(28)	2,897

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

	Stores Operating at			Stores Operating at
	February 2, 2019	Opened	Closed	May 4, 2019
Bath & Body Works U.S.	1,619	14	(3)	1,630
Bath & Body Works Canada	102	—	—	102
Total Bath & Body Works	1,721	14	(3)	1,732
Victoria's Secret U.S.	1,098	1	(35)	1,064
Victoria's Secret Canada	45	—	—	45
Total Victoria's Secret	1,143	1	(35)	1,109
Victoria's Secret U.K. / Ireland	26	—	—	26
Victoria's Secret Beauty and Accessories	38	2	(2)	38
Victoria's Secret Greater China	15	—	—	15
Total Victoria's Secret and Bath & Body Works International	79	2	(2)	79
Total L Brands Stores	2,943	17	(40)	2,920

Noncompany-Owned Store Data

The following table represents noncompany-owned store data for the first quarter of 2020:

	Stores Operating at			Stores Operating at
	February 1, 2020	Opened	Closed	May 2, 2020
Bath & Body Works	278	6	(1)	283
Victoria's Secret Beauty & Accessories	360	—	(7)	353
Victoria's Secret	84	2	—	86
Total	722	8	(8)	722

The following table represents noncompany-owned store data for the first quarter of 2019:

	Stores Operating at			Stores Operating at
	February 2, 2019	Opened	Closed	May 4, 2019
Bath & Body Works	235	9	(1)	243
Victoria's Secret Beauty & Accessories	383	7	(12)	378
Victoria's Secret	56	3	—	59
Total	674	19	(13)	680

First Quarter of 2020 Compared to First Quarter of 2019

Operating Income (Loss)

The following table provides our segment operating income (loss) and operating income (loss) rates (expressed as a percentage of net sales) for the first quarter of 2020 in comparison to the first quarter of 2019:

			Operating Income (Loss) Rate	
	2020	2019	2020	2019
First Quarter	(in millions)			
Bath & Body Works	\$ 69	\$ 155	9.7%	17.8%
Victoria's Secret	(300)	33	(36.5%)	2.2 %
Victoria's Secret and Bath & Body Works International	(35)	(4)	(53.9%)	(3.0%)
Other (a)	(52)	(31)	(94.5%)	(26.9%)
Total Operating Income (Loss)	\$ (318)	\$ 153	(19.2%)	5.8 %

(a) Includes sourcing and corporate functions.

For the first quarter of 2020, operating income (loss) decreased \$471 million, to a loss of \$318 million, and the operating income (loss) rate decreased to (19.2%) from 5.8%. The drivers of the operating income (loss) results are discussed in the following sections.

Net Sales

The following table provides net sales for the first quarter of 2020 in comparison to the first quarter of 2019:

	2020	2019	% Change
First Quarter			
	(in millions)		
Bath & Body Works Stores (a)	\$ 424	\$ 715	(41%)
Bath & Body Works Direct	289	156	85%
Total Bath & Body Works	713	871	(18%)
Victoria's Secret Stores (a)	514	1,149	(55%)
Victoria's Secret Direct	308	362	(15%)
Total Victoria's Secret	822	1,511	(46%)
Victoria's Secret and Bath & Body Works International (b)	65	135	(51%)
Other (c)	54	112	(52%)
Total Net Sales	\$ 1,654	\$ 2,629	(37%)

(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.

The following table provides a reconciliation of net sales for the first quarter of 2020 to the first quarter of 2019:

	Bath & Body Works	Victoria's Secret	Victoria's Secret and Bath & Body Works International	Other	Total
First Quarter					
	(in millions)				
2019 Net Sales	\$ 871	\$ 1,511	\$ 135	\$ 112	\$ 2,629
Comparable Store Sales	65	(84)	(26)	—	(45)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	(355)	(534)	(18)	—	(907)
Foreign Currency Translation	(1)	(1)	(3)	—	(5)
Direct Channels	133	(53)	(1)	—	79
Private Label Credit Card	—	(17)	—	—	(17)
International Wholesale, Royalty and Other	—	—	(22)	(58)	(80)
2020 Net Sales	\$ 713	\$ 822	\$ 65	\$ 54	\$ 1,654

The following table compares the first quarter of 2020 comparable sales to the first quarter of 2019:

First Quarter	2020	2019
Comparable Sales (Stores and Direct) (a)		
Bath & Body Works (b)	41%	13%
Victoria's Secret (b)	(13%)	(5%)
Total Comparable Sales	4%	—%
Comparable Store Sales (a)		
Bath & Body Works (b)	20%	7%
Victoria's Secret (b)	(15%)	(7%)
Total Comparable Store Sales	(5%)	(3%)

(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. 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. Stores are excluded from the comparable sales calculation if they have been closed for four consecutive days or more. Therefore, comparable sales results for the first quarter of 2020 exclude stores that were closed for four consecutive days or more as a result of the COVID-19 pandemic. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales is calculated on a comparable calendar period as opposed to a fiscal basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.

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

The results by segment are as follows:

Bath & Body Works

For the first quarter of 2020, net sales decreased \$158 million to \$713 million, comparable sales increased 41%, and comparable store sales increased 20% (during the period the stores were open). Net sales decreased as a result of the COVID-19-related store closures. Comparable store sales increased meaningfully prior to the temporary store closures, primarily driven by a significant increase in demand for hand soaps and sanitizers, as well as by increases in body care and home fragrance. The Bath & Body Works Direct channel, which remained open throughout the quarter, grew sales by 85% as we focused on increasing our fulfillment capacity to meet the significant and unplanned increase in demand. All major categories in the Direct Channel are experiencing positive sales growth, with high demand in soaps and sanitizers.

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

Victoria's Secret

For the first quarter of 2020, net sales decreased \$689 million to \$822 million, comparable sales decreased 13%, and comparable store sales decreased 15% (during the period stores were open). Net sales decreased as a result of the COVID-19-related store closures. Prior to the temporary store closures, comparable store sales in all categories declined due to merchandise performance. Victoria's Secret Direct channel sales declined by 15%, driven by merchandise performance and also by the temporary suspension of operations in March.

The decrease in comparable sales was driven by declines in traffic and average unit retail.

Victoria's Secret and Bath & Body Works International

For the first quarter of 2020, net sales decreased \$70 million to \$65 million due to a decline in the Victoria's Secret International business and COVID-19-related store closures impacting Company-owned and partner-operated stores.

Other

For the first quarter of 2020, net sales decreased \$58 million to \$54 million due a decrease in wholesale sales to our international partners, impacted significantly by COVID-19-related store closures.

Gross Profit

For the first quarter of 2020, our gross profit decreased \$646 million to \$288 million, and our gross profit rate (expressed as a percentage of net sales) decreased to 17.4% from 35.5%, primarily driven by the following:

Bath & Body Works

For the first quarter of 2020, the gross profit decrease was due to lower merchandise margin dollars related to the decrease in net sales due to the COVID-19-related store closures.

The gross profit rate decrease was driven by buying and occupancy deleverage on lower net sales in the stores channel and a decline in the merchandise margin rate due to the sales mix shift into the direct business, which has a lower merchandise margin rate than the stores channel. This was partially offset by a meaningful reduction in promotional activity.

Victoria's Secret

For the first quarter of 2020, the gross profit decrease was due to lower merchandise margin dollars related to the decrease in net sales due to the COVID-19-related store closures and long-lived store asset impairment charges of \$97 million.

The gross profit rate decrease was primarily driven by the long-lived store asset impairment charges and buying and occupancy deleverage on lower net sales.

Victoria's Secret Bath & Body Works International

For the first quarter of 2020, the gross profit decrease was due to lower merchandise margin dollars related to the decrease in net sales due to the COVID-19-related store closures.

The gross profit rate decrease was primarily driven by buying and occupancy deleverage on lower net sales.

General, Administrative and Store Operating Expenses

For the first quarter of 2020, our general, administrative and store operating expenses decreased \$175 million to \$606 million due to declines in store selling payroll, credit card fees and Victoria's Secret marketing expenses as a result of the COVID-19-related store closures.

The general, administrative and store operating expense rate increased to 36.7% from 29.7% due to deleverage on lower net sales.

Other Income and Expense**Interest Expense**

The following table provides the average daily borrowings and average borrowing rates for the first quarter of 2020 and 2019:

First Quarter	2020	2019
Average daily borrowings (in millions)	\$ 6,077	\$ 5,878
Average borrowing rate (in percentages)	6.3%	6.6%

For the first quarter of 2020, our interest expense decreased \$2 million to \$97 million due to a lower average daily borrowing rate, partially offset by higher average daily borrowings.

Other Income

For the first quarter of 2020, our other income decreased \$3 million to \$3 million primarily due to lower interest rates received on invested cash balances.

Provision for Income Taxes

For the first quarter of 2020, our effective tax rate was 28.0% compared to 33.6% in the first quarter of 2019. The first quarter of 2020 rate was higher than the Company's combined estimated federal and state statutory rate primarily due to the resolution of certain tax matters, which resulted in a \$50 million tax benefit, offset by losses related to certain foreign subsidiaries, which generate no tax benefit. The first quarter of 2019 rate was higher than the Company's combined estimated federal and state statutory rate primarily due to the recognition of tax expense recorded through the income statement on share-based awards that vested in the quarter.

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 \$147 million as of May 2, 2020.

COVID-19 Response

Since the global COVID-19 crisis began, we have taken prudent actions to maintain our solid cash position and financial flexibility through the pandemic, including:

- Reducing our capital expenditures forecast from \$550 million to approximately \$250 million;
- Reducing Spring (first and second quarter) inventory receipts versus last year by approximately 45% at Victoria's Secret and PINK, and by approximately 20% at Bath & Body Works;
- Suspending our quarterly cash dividend beginning in the second quarter of fiscal 2020;
- Suspending store rent payments beginning in April. We are in active discussions with our landlords to negotiate with respect to these rent payments and go-forward occupancy costs;
- Amending our revolving credit facility to an asset-backed loan revolving credit facility that does not contain a leverage ratio financial maintenance covenant; and
- Extending payment terms to vendors.

We remain committed to managing inventory, expenses and capital conservatively to preserve cash and maximize 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 May 2, 2020, February 1, 2020 and May 4, 2019:

	May 2, 2020	February 1, 2020	May 4, 2019
	(in millions)		
Net Cash Provided by (Used for) Operating Activities (a)	\$ (342)	\$ 1,236	\$ (73)
Capital Expenditures (a)	55	458	123
Working Capital	166	873	750
Capitalization:			
Long-term Debt	5,034	5,487	5,749
Shareholders' Equity (Deficit)	(1,861)	(1,499)	(902)
Total Capitalization	\$ 3,173	\$ 3,988	\$ 4,847
Amounts Available Under the Credit Agreement (b)	\$ —	\$ 981	\$ 990

(a) The February 1, 2020 amounts represent a fifty-two-week period, and the May 2, 2020 and May 4, 2019 amounts represent thirteen-week periods.

(b) As of May 2, 2020, we were unable to draw upon the Credit Agreement as our consolidated cash balance exceeded \$350 million. We had outstanding letters of credit that reduced our availability under the Credit Agreement of \$28 million as of May 2, 2020, \$19 million as of February 1, 2020 and \$10 million as of May 4, 2019.

Cash Flow

The following table provides a summary of our cash flow activity for the first quarter of 2020 and 2019:

	Year-to-Date	
	2020	2019
	(in millions)	
Cash and Cash Equivalents, Beginning of Period	\$ 1,499	\$ 1,413
Net Cash Flows Used for Operating Activities	(342)	(73)
Net Cash Flows Used for Investing Activities	(60)	(106)
Net Cash Flows Used for Financing Activities	(138)	(86)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	(2)	(2)
Net Decrease in Cash and Cash Equivalents	(542)	(267)
Cash and Cash Equivalents, End of Period	\$ 957	\$ 1,146

Operating Activities

Net cash used for operating activities in 2020 was \$342 million, including a net loss of \$297 million. Net loss included depreciation of \$139 million, long-lived store asset impairment charges of \$97 million and share-based compensation expense 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 items in working capital were the seasonal and COVID-19-related changes in Inventories, Accounts Payable, Accrued Expenses and Other, and Accounts Receivable.

Net cash used for operating activities in 2019 was \$73 million, including net income of \$40 million. Net income included depreciation of \$145 million and share-based compensation expense of \$23 million. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant items in working capital were the seasonal changes in Accounts Payable, Accrued Expenses and Other, Inventories and Accounts Receivable.

Investing Activities

Net cash used for investing activities in 2020 was \$60 million consisting primarily of capital expenditures of \$55 million. The capital expenditures included \$32 million primarily related to Bath & Body Works for the opening of new stores and the remodeling and improving of 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 2019 was \$106 million consisting primarily of capital expenditures of \$123 million partially offset by proceeds of \$12 million related to our divestiture of La Senza. The capital expenditures included \$83 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.

Financing Activities

Net cash used for financing activities in 2020 was \$138 million consisting primarily of quarterly dividend payments of \$0.30 per share, or \$83 million, and \$46 million of net repayments under our Foreign Facilities. We also borrowed and repaid \$950 million under our Credit Agreement during the first quarter of 2020.

Net cash used for financing activities in 2019 was \$86 million consisting primarily of quarterly dividend payments of \$0.30 per share, or \$83 million, and tax payments related to share-based awards of \$9 million, partially offset by \$7 million of net new borrowings under our Foreign Facilities.

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 the first quarter of 2020 or 2019.

In March 2018, our Board of Directors approved a \$250 million repurchase program, which had \$79 million remaining as of May 2, 2020.

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.

Our Board of Directors suspended our quarterly cash dividend beginning in the second quarter of fiscal 2020 as a proactive measure to strengthen our financial flexibility and manage through the COVID-19 pandemic.

Under the authority and declaration of our Board of Directors, we paid the following dividends during the first quarter of 2020 and 2019:

	Ordinary Dividends (per share)	Total Paid (in millions)
2020		
First Quarter	\$ 0.30	\$ 83
2019		
First Quarter	\$ 0.30	\$ 83

Long-term Debt and Borrowing Facilities

The following table provides our outstanding debt balance, net of unamortized debt issuance costs and discounts, as of May 2, 2020, February 1, 2020 and May 4, 2019:

	May 2, 2020	February 1, 2020	May 4, 2019
	(in millions)		
Senior Debt with Subsidiary Guarantee			
\$1 billion, 6.875% Fixed Interest Rate Notes due November 2035 (“2035 Notes”)	\$ 991	\$ 991	\$ 990
\$860 million, 5.625% Fixed Interest Rate Notes due February 2022 (“2022 Notes”)	858	858	952
\$700 million, 6.75% Fixed Interest Rate Notes due July 2036 (“2036 Notes”)	693	693	693
\$500 million, 5.625% Fixed Interest Rate Notes due October 2023 (“2023 Notes”)	498	498	498
\$500 million, 5.25% Fixed Interest Rate Notes due February 2028 (“2028 Notes”)	496	496	496
\$500 million, 7.50% Fixed Interest Rate Notes due June 2029 (“2029 Notes”)	487	487	—
\$450 million, 6.625% Fixed Interest Rate Notes due April 2021 (“2021 Notes”)	450	450	777
\$297 million, 6.694% Fixed Interest Rate Notes due January 2027 (“2027 Notes”)	276	276	274
\$338 million, 7.00% Fixed Interest Rate Notes due May 2020 (“2020 Notes”)	—	—	338
Secured Foreign Facilities	107	103	91
Total Senior Debt with Subsidiary Guarantee	\$ 4,856	\$ 4,852	\$ 5,109
Senior Debt			
\$350 million, 6.95% Fixed Interest Rate Debentures due March 2033 (“2033 Notes”)	\$ 348	\$ 348	\$ 348
\$300 million, 7.60% Fixed Interest Rate Notes due July 2037 (“2037 Notes”)	298	298	297
Unsecured Foreign Facilities	—	50	67
Total Senior Debt	\$ 646	\$ 696	\$ 712
Total	\$ 5,502	\$ 5,548	\$ 5,821
Current Debt	(468)	(61)	(72)
Total Long-term Debt, Net of Current Portion	\$ 5,034	\$ 5,487	\$ 5,749

Issuance of Notes

In June 2019, we 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 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 May 2, 2020 and February 1, 2020 Consolidated Balance Sheets.

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-offs of unamortized issuance costs.

Revolving Credit Facility

We, the Guarantors and certain of our 100% owned Canadian subsidiaries guarantee and pledge collateral to secure a revolving credit facility. In April 2020, we entered into an amendment and restatement of the Credit Agreement to convert our revolving credit facility into an asset-backed revolving credit facility. The Amendment maintains the aggregate commitments at \$1 billion, and maintains the expiration date in August of 2024. The ABL Facility allows borrowings and letters of credit in U.S. dollars or Canadian dollars.

Availability under the ABL Facility is the lesser of (i) the borrowing base, determined primarily based on our eligible U.S. and Canadian credit card receivables, accounts receivable, inventory and eligible real property, or (ii) the aggregate commitment. If at any time, the outstanding amount under the ABL Facility exceeds the lesser of (i) the aggregate commitment and (ii) the borrowing base, we will be required to prepay outstanding amounts under the ABL Facility to the extent of such excess. In addition, at any time that our consolidated cash balance exceeds \$350 million, we will be required to prepay outstanding amounts under the ABL Facility to the extent of such excess. As of May 2, 2020, we were unable to draw upon the ABL Facility as our consolidated cash balance exceeded \$350 million.

As of May 2, 2020, the ABL Facility fees related to committed and unutilized amounts were 0.30% per annum, and the fees related to outstanding letters of credit were 1.75% per annum. In addition, the interest rate on outstanding U.S. dollar borrowings was the London Interbank Offered Rate plus 1.75% per annum. The interest rate on outstanding Canadian dollar-denominated borrowings was the Canadian Dollar Offered Rate plus 1.75% per annum.

The ABL Facility requires us to maintain a fixed charge coverage ratio of not less than 1.00 to 1.00 during an event of default or any period commencing on any day when specified excess availability is less than the greater of (1) \$100 million or (2) 15% of the maximum borrowing amount. As of May 2, 2020, we were not required to maintain this ratio.

In March 2020, in an abundance of caution and as a proactive measure in response to the COVID-19 pandemic, we elected to borrow \$950 million from our revolving facility, which was prepaid upon the completion of the Amendment. As of May 2, 2020, there were no borrowings outstanding under the ABL Facility.

The ABL Facility supports our letter of credit program. We had \$28 million of outstanding letters of credit as of May 2, 2020 that reduced our availability under the ABL Facility.

Foreign Facilities

Certain of our Greater China subsidiaries utilize revolving and term loan bank facilities to support their operations. The Foreign Facilities allow borrowings in U.S. dollars and Chinese Yuan, and interest rates on outstanding borrowings are based upon the applicable benchmark rate for the currency of each borrowing. Certain of these facilities are guaranteed by us, the Guarantors and certain of our 100% owned Canadian subsidiaries, and certain of these facilities are guaranteed by us only.

The Secured Foreign Facilities have availability totaling \$150 million. During the first quarter of 2020, we borrowed \$10 million and made payments of \$6 million under the Secured Foreign Facilities. As of May 2, 2020, there were borrowings of \$107 million outstanding under the Secured Foreign Facilities, of which \$18 million is included within Current Debt on the Consolidated Balance Sheet. Borrowings on the Secured Foreign Facility mature between June 2020 and August 2024. During the first quarter of 2020, we agreed to cash collateralize the Secured Foreign Facilities but had not yet put the collateral in place as of May 2, 2020. The Secured Foreign Facilities will be required to be collateralized for the total lender commitments, net of certain paydowns, and, as such, reduces over time.

The Unsecured Foreign Facilities have availability totaling \$75 million. During the first quarter of 2020, we borrowed \$13 million and made payments of \$63 million under the Unsecured Foreign Facilities. As of May 2, 2020, there were no borrowings outstanding under the Unsecured Foreign Facilities. Subsequent to May 2, 2020, we terminated the Unsecured Foreign Facilities.

Credit Ratings

The following table provides our credit ratings as of May 2, 2020:

	Moody's	S&P
Corporate	B1	B+
Senior Unsecured Debt with Subsidiary Guarantee	B1	B+
Senior Unsecured Debt	B3	B-
Outlook	Under Review	Negative

Subsequent to May 2, 2020, Moody's downgraded our Corporate and Senior Unsecured Debt with Subsidiary Guarantee ratings to B2, our Senior Unsecured Debt rating to Caa1, and updated our outlook to Negative.

Guarantor Summarized Financial Information

Certain of our subsidiaries, which are listed on Exhibit 22 to this Quarterly Report on Form 10-Q, have guaranteed our obligations under the 2021 Notes, 2022 Notes, 2023 Notes, 2027 Notes, 2028 Notes, 2029 Notes, 2035 Notes and the 2036 Notes (collectively, the "Notes").

The Notes have been issued by L Brands, Inc. (the "Parent Company") and are its senior unsecured obligations. The Notes rank equally in right of payment with all of our existing and future senior unsecured obligations and senior to any of our future subordinated indebtedness and are fully and unconditionally guaranteed on a joint and several basis by each of our wholly-owned subsidiaries that also guarantee our obligations under certain of our senior secured credit facilities (such as guarantees, the "Guarantees"; and, such guaranteeing subsidiaries, the "Subsidiary Guarantors"). The Guarantees of the Subsidiary Guarantors are subject to release in limited circumstances only upon the occurrence of certain customary conditions.

Each Guarantee is limited, by its terms, to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor subject to avoidance under applicable fraudulent conveyance provisions of U.S. and non-U.S. law.

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

SUMMARIZED BALANCE SHEETS

	May 2, 2020	February 1, 2020
	(in millions)	
ASSETS		
Current Assets (a)	\$ 3,402	\$ 3,728
Noncurrent Assets	5,134	5,357
LIABILITIES		
Current Liabilities (b)	\$ 4,179	\$ 4,163
Noncurrent Liabilities (c)	8,460	8,772

- (a) Includes amounts due from non-Guarantor subsidiaries of \$1.072 billion and \$1.091 billion as of May 2, 2020 and February 1, 2020, respectively.
 (b) Includes amounts due to non-Guarantor subsidiaries of \$2.216 billion and \$2.684 billion as of May 2, 2020 and February 1, 2020, respectively.
 (c) Includes amounts due to non-Guarantor subsidiaries of \$476 million as of both May 2, 2020 and February 1, 2020.

SUMMARIZED STATEMENT OF LOSS

	First Quarter
	2020
	(in millions)
Net Sales (a)	\$ 1,589
Gross Profit	275
Operating Loss	(263)
Loss Before Income Taxes	(368)
Net Loss (b)	(256)

(a) Includes net sales of \$39 million to non-Guarantor subsidiaries.

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

Contingent Liabilities and Contractual Obligations*La Senza*

In connection with the sale of La Senza in the fourth quarter of 2018, certain of our subsidiaries have remaining contingent obligations of \$36 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, additional reserves of \$35 million were recorded related to these obligations. As of May 2, 2020, we recorded reserves of \$37 million related to these and certain other obligations related to the La Senza business. As of May 2, 2020, reserves of \$6 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 as of May 2, 2020 and February 1, 2020, and \$10 million as of May 4, 2019 related to these guarantee obligations. This liability is included in Current Operating Lease Liabilities on the May 2, 2020 and February 1, 2020 Consolidated Balance Sheets, and in Long-term Operating Lease Liabilities on the May 4, 2019 Consolidated Balance Sheet.

Contractual Obligations

Our contractual obligations primarily consist of long-term debt and the related interest payments, operating leases, purchase orders for merchandise inventory and other long-term obligations. These contractual obligations impact our short-term and long-term liquidity and capital resource needs. There have been no material changes in our contractual obligations since February 1, 2020, as discussed in "Contingent Liabilities and Contractual Obligations" in our 2019 Annual Report on Form 10-K. Certain of our contractual obligations may fluctuate during the normal course of business (primarily changes in our merchandise inventory-related purchase obligations, which fluctuate throughout the year as a result of the seasonal nature of our operations).

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS*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. We adopted the standard in the first quarter of fiscal 2020. The adoption of this standard did not have a material impact on our consolidated results of operations, financial position or cash flows.

Guarantor Reporting

In March 2020, the SEC issued a final rule, *Financial Disclosures About Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant's Securities*, that simplifies the disclosure requirements related to registered securities under Rule 3-10 of Regulation S-X. The rule replaces the requirement to provide condensed consolidating financial information with a requirement to present summarized financial information of the issuers and guarantors. It also requires qualitative disclosures with respect to information about guarantors, the terms and conditions of guarantees and the factors that may affect payment. These disclosures may be provided outside the footnotes to the Company's consolidated financial statements. We early adopted the reporting requirements of the rule in the first quarter of fiscal 2020, and elected to provide these disclosures in Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

There have been no material changes to the critical accounting policies and estimates disclosed in our 2019 Annual Report on Form 10-K.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

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

Foreign Exchange Rate Risk

We have operations in foreign countries which expose us to market risk associated with foreign currency exchange rate fluctuations. Our Canadian dollar, 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 debt as of May 2, 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 May 2, 2020, we believe that the carrying values of accounts receivable, accounts payable and accrued expenses approximate fair value because of their short maturity.

The following table provides a summary of the principal value and estimated fair value of outstanding publicly traded debt as of May 2, 2020, February 1, 2020 and May 4, 2019:

	May 2, 2020	February 1, 2020	May 4, 2019
	(in millions)		
Principal Value	\$ 5,458	\$ 5,458	\$ 5,722
Fair Value, Estimated (a)	4,151	5,555	5,486

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

Concentration of Credit Risk

We maintain cash and cash equivalents and derivative contracts with various major financial institutions. We monitor the relative credit standing of financial institutions with whom we transact and limit the amount of credit exposure with any one entity. 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 4. CONTROLS AND PROCEDURES

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

Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting that occurred in the first quarter of 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

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 filed an opposition to our motion to dismiss on May 4, 2020, and we filed a reply brief in further support of our motion to dismiss on June 3, 2020. Our motion to dismiss the consolidated amended complaint is now fully briefed and pending before the court. 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 of our current and former directors and officers. 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.

On May 19, 2020, a purported shareholder filed a derivative lawsuit on behalf of L Brands, Inc. in the Court of Common Pleas for Franklin County, Ohio. The complaint names as defendants certain current and former directors and officers of L Brands, Inc. and alleges, among other things, that these defendants breached their fiduciary duties by violating law and/or company policies relating to workplace conduct. We were named as nominal defendant only, and there are no claims asserted against us. We are currently evaluating our potential options for responding to the lawsuit.

Item 1A. RISK FACTORS

The following information supplements the risk factors described in "Item 1A: Risk Factors" in our 2019 Annual Report on Form 10-K and should be read in conjunction with the risk factors described in the 2019 Annual Report on Form 10-K. We wish to caution the reader that the risk factors discussed in "Item 1A: Risk Factors" in our 2019 Annual Report on Form 10-K and those described in this report or other SEC filings could cause actual results to differ materially from those stated in any forward-looking statements.

Divestitures or other dispositions, including any divestiture of Victoria's Secret and related operations, could negatively impact our business, and contingent liabilities from businesses that we have sold could adversely affect our financial statements.

We continually assess the shareholder value and the strategic fit of our existing businesses, and may divest or otherwise dispose of businesses that are deemed not to fit with our strategic plan, or are not achieving the desired shareholder value or return on investment. These transactions, including any divestiture of Victoria's Secret and related operations, pose risks and challenges that could negatively impact our business. For example, we may be unable to do so on satisfactory terms within our anticipated timeframe or at all, and even after reaching a definitive agreement to sell or dispose a business, the sale is typically subject to satisfaction of pre-closing conditions which may not become satisfied. In addition, divestitures or other dispositions may dilute our earnings per share, have other adverse financial and accounting impacts and distract management, and disputes may arise with buyers. In addition, we may be required to indemnify buyers against known and unknown contingent liabilities related to any businesses we have sold or disposed of. The resolution of these contingencies may have a material effect on our financial statements. Uncertainty about the effect of any potential divestiture of Victoria's Secret on employees, commercial partners and vendors may have an adverse effect on us. These uncertainties may impair our ability to retain and motivate key personnel and could cause commercial partners, vendors and others that deal with us to defer or decline entering into contracts with us or seek to change existing business relationships with us. In addition, if key employees depart because of uncertainty about their future roles and the potential complexities of any potential divestiture of Victoria's Secret, our business could be harmed. If we are

unable to divest any such businesses, including Victoria's Secret, we will continue to be subject to the risks of operating such businesses.

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

The following table provides our repurchases of our common stock during the first quarter of 2020:

Period	Total Number of Shares Purchased (a) (in thousands)	Average Price Paid per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Programs (c)	Maximum Number of Shares (or Approximate Dollar Value) that May Yet be Purchased Under the Programs (c) (in thousands)
February 2020	4	\$ 23.36	—	\$ 78,677
March 2020	399	10.95	—	78,677
April 2020	12	11.52	—	78,677
Total	415		—	

(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 4, "Earnings Per Share and Shareholders' Equity (Deficit)" included in Item 1. Financial Statements.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

Exhibits

10.1	Employment Agreement and Cash Retention Award Agreement between L Brands, Inc. and Andrew Meslow, dated May 15, 2020.
10.2	Employment Agreement Amendment and Retention Bonus Agreement between L Brands, Inc. and Stuart Burgdoerfer, dated May 18, 2020.
10.3	Executive Separation Agreement between L Brands, Inc. and Charles McGuigan, dated May 18, 2020.
10.4	Retention Bonus Agreement between L Brands Store Design & Construction, Inc. and Jamie Bersani, dated May 19, 2020.
10.5	Retention Bonus Agreement and Executive Separation Agreement between L Brands, Inc. and Shelley Milano, dated May 29, 2020.
15	Letter re: Unaudited Interim Financial Information re: Incorporation of Report of Independent Registered Public Accounting Firm.
22	List of Guarantor Subsidiaries.
31.1	Section 302 Certification of CEO.
31.2	Section 302 Certification of CFO.
32	Section 906 Certification (by CEO and CFO).
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURE

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

L BRANDS, INC.

(Registrant)

By: /s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer

Executive Vice President and Chief Financial Officer *

Date: June 3, 2020

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

CERTAIN INFORMATION IN THIS DOCUMENT HAS BEEN REDACTED BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM IF PUBLICLY DISCLOSED. INFORMATION THAT WAS OMITTED HAS BEEN NOTED IN THIS DOCUMENT WITH A PLACEHOLDER IDENTIFIED BY THE MARK “[Redacted]”.

Lbrands

This document sets forth our understanding regarding the terms and conditions of your employment.

Position: Chief Executive Officer of L Brands, Inc. (the “Company”)

Location: Company headquarters, currently based in Columbus, Ohio.

Cash Compensation: Base Salary, Annual Incentive Compensation pursuant to the 2015 Cash Incentive Compensation Performance Plan (“IC Plan”) and Cash Retention Award set forth in the Total Rewards Statement. *[Annual base salary - \$1,275,000; annual target performance-based incentive opportunity - 185% of base salary; and retention payments of \$2,000,000 payable on each of January 31, 2021, July 31, 2021 and January 31, 2022, subject to executive remaining in office as of each of those dates]*

Initial Equity Award: Set forth in the Total Rewards Statement and subject to the L Brands, Inc. Stock Option and Performance Incentive Plan Restricted Share Unit Award Agreement substantially in the form attached hereto as **Annex A** (the “Award Agreement”). Your Initial Equity Award (referred to on the Total Rewards Statement as your Promotional Performance Stock Award) will be subject to the terms set forth in the Award Agreement.

Benefits: You are entitled to participate in all employee benefit plans, practices and programs on the same basis and terms applicable to senior executives of the Company generally. You shall be indemnified to the fullest extent permissible by law pursuant to the Company’s by-laws and D&O insurance.

Separation Benefits: See **Annex B** attached.

Other Terms

And Conditions: To the extent that any amounts payable under these Offer Terms and Conditions are subject to Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”), and no exemption or exception applies, payment of such amounts shall be made in accordance with the requirements of Section 409A, including, but not limited to, the requirement that if you are a “specified employee” (as that term is defined in Section 409A and the regulations thereunder), the payment of any such amount (the “Delayed Payments”) will not be made until the first day of the seventh month after the month of your “separation from service” (as that term is defined in Section 409A and the regulations thereunder) or, if earlier, the date of your death. Any Delayed Payments that

would have been paid during the required delay for a specified employee shall be paid to you in a lump sum without interest and all other amounts shall then be paid pursuant to our normal payroll process and these Offer Terms and Conditions. For purposes of Section 409A, your right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Notwithstanding anything contained herein to the contrary, you will not be considered to have terminated employment with the Company for purposes of any payments under these Offer Terms and Conditions which are subject to Section 409A until you would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A and for purposes of any such provision of these Offer Terms and Conditions, references to a "resignation," "termination," "terminate," "termination of employment" or like terms shall mean separation from service.

The terms and conditions above do not constitute an employment contract for a term with you. As set forth in our Code of Conduct, your employment with the Company will be at-will. This offer is also subject to your agreeing to enter into the Confidentiality, Non-Competition and Intellectual Property Agreement, attached hereto as Annex C. The Company reserves the right to amend, vary or withdraw any compensation, benefit, bonus, equity award or other such programs at any time, in the sole discretion of the Company, except that it may not amend, vary or withdraw your Initial Equity Award, Cash Retention Grant, or the Annexes to this Agreement, without your signed written agreement. All compensation, benefit, bonus, equity award and other such programs are governed by and subject to the official plan documents, award agreements and the Board.

L BRANDS, INC.

By: /s/ MICHAEL MORRIS 5/16/20
Date Signed

EXECUTIVE

By: /s/ ANDREW MESLOW 5/15/20
Andrew Meslow Date Signed

Form of L Brands, Inc. Stock Option and Performance Incentive Plan
Restricted Share Unit Award Agreement



L Brands, Inc. Stock Option and Performance Incentive Plan
Restricted Share Unit Award Agreement

By accepting this Restricted Share Unit award, the Participant agrees to the following terms and conditions and the terms of the L Brands, Inc. 2020 Stock Option and Performance Incentive Plan (“the Plan”). Unless otherwise defined herein, capitalized terms used herein shall have the meaning set forth in the Plan.

(1) **GRANT.**

- a. Effective as of May 14, 2020 (the “Grant Date”) the Company hereby grants to the Participant a target award of 1,000,000 Restricted Shares Units, with the actual number of Restricted Shares Units to be determined based on the vesting conditions set forth in Section 2.
- b. The Participant will be eligible to receive up to the following number of shares upon satisfaction of the performance conditions set forth herein:
 1. Threshold: 500,000;
 2. Target: 1,000,000;
 3. Maximum: 1,500,000.
- c. If the Company fails to achieve the threshold level of performance, the Participant will not receive any shares under this Agreement.

(2) **VESTING.**

- a. Subject to the Company’s achievement of the applicable performance requirements as set forth in Section 2(b) and the other requirements of this Agreement, Restricted Share Units will vest as of the May 14 following the completion of the performance periods set forth below (each, a “Vesting Date” and the period from the Grant Date to the Vesting Date, the “Restricted Period”) provided that the Participant continues to be employed on such Vesting Date:
 1. 40% of the grant shall be based on the 3-year period ending on the last day of the Company’s fiscal year ending in 2022 (vests on May 14, 2023) (i.e., 400,000 shares times the applicable Payout Percentage, as defined below) (the “First Tranche”);
 2. 30% shall be based on the 3-year period ending on the last day of the Company’s fiscal year ending in 2023 (vests on May 14, 2024) (i.e., 300,000 shares times the applicable Payout Percentage, as defined below) (the “Second Tranche”); and
 3. 30% shall be based on the 3-year period ending on the last day of the Company’s fiscal year ending in 2024 (vests on May 14, 2025) (i.e., 300,000 shares times the applicable Payout Percentage, as defined below) (the “Third Tranche”) Each of the First Tranche, Second Tranche and Third Tranche shall be referred to as a “Tranche” and the three fiscal year performance period applicable to each Tranche shall be referred to as the applicable “Performance Period” for such Tranche.
- b. The performance requirement applicable to each Tranche for purposes of Section 2(a) shall be the following metrics, each measured based on the Company’s three fiscal years ending as the end the applicable Performance Period:

[Redacted]

The “Payout Percentage” for a Performance Period shall be equal to the number of shares that vest in respect of such Performance Period as provided above, divided by the target number of shares that were eligible to vest in respect of that Performance Period.

- c. “[Redacted]” and “[Redacted]” for the Company shall be as reflected in the Company’s annual audited financial statements for each fiscal year of each applicable Performance Period and shall be compared to comparable measures for the Company’s peers, in each case adjusted by the Committee for the following items:
- i. all items for the Performance Period determined to be extraordinary or unusual in nature or infrequent in occurrence;
 - ii. all items related to a change in accounting principles, as defined by generally accepted accounting principles and as identified in the Company’s audited financial statements, notes to such financial statements, in management’s discussion and analysis or any other filings with the Securities and Exchange Commission;
 - iii. all items for the Performance Period related to an exit or disposal activity as defined under current generally accepted accounting principles;
 - iv. all items for the Performance Period related to discontinued operations as defined under current generally accepted accounting principles;
 - v. any revenue, profit or loss attributable to the business operations of any entity acquired or divested by the company during the Performance Period; and
 - vi. impacts from unanticipated changes in legal or tax structure or unanticipated changes in applicable tax law.
- d. The Committee shall have full discretion in making all determinations relating to the measurement of performance of the Company, performance of peers and the comparison of these measures in determining the percentile of the Company’s performance, including determining comparable measures and adjustments of [Redacted] and [Redacted] for peers, adjusting the measures for peer company fiscal periods that do not align with the fiscal periods of the Company, treatment of changes in peers (e.g., due to mergers, acquisitions, dispositions or restructurings), rounding of applicable percentages and percentiles and any other questions or issues relating to the performance measures applicable with respect to the Restricted Share Units.

- (3) **OFFSET.** The Participant acknowledges that the Company granted the Participant 64,048 Restricted Share Units on February 20, 2020 in connection with his earlier promotion (the “Promotion Grant”). The Participant acknowledges and agrees that the award contemplated herein may be in lieu of, and not in addition to, the Promotion Grant.

As set forth above, the Committee shall determine the Company’s level of performance on each of May 14, 2023, 2024 and 2025. Upon determination of the Company’s level of performance, the Committee will determine the number of shares earned under each tranche as set forth above. If the Committee determines that the Company has met its performance goals and that any shares will be paid out under this Agreement, the Promotion Grant will be deducted from the number of shares earned under this Agreement. The deduction will occur on the first tranche under which shares are earned.

By way of example, upon the determination of the performance level achieved by the Company for the First Tranche, if the Company’s level of performance has reached the threshold level required for any shares to be delivered under this Agreement, 64,048 shares will be deducted from the number of shares earned.

Thus, for the First Tranche:

	# Shares Earned	Deduct Previously Granted RSUs	# Shares Vested on 5/14/2023
<i>Threshold</i>	200,000	(64,048)	135,952
<i>Target</i>	400,000	(64,048)	335,952
<i>Maximum</i>	600,000	(64,048)	535,952

In the event the Company fails to meet the threshold level of performance for the First Tranche, such deduction shall instead hold over to the Second Tranche. If the Company fails to meet the threshold level of performance for the Second Tranche such deduction shall instead hold over to the Third Tranche.

If the Company fails to meet the threshold level of performance for the First Tranche, Second Tranche and Third Tranche, no shares will be deducted.

- (4) **RESTRICTIONS.** None of the Restricted Share Units may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the applicable Restricted Period or prior to the satisfaction of all conditions specified in this Agreement.
- (3) **RECORDING OF AWARD.** The Company shall cause the Restricted Share Unit award to be appropriately recorded as of the Grant Date.
- (4) **RIGHTS OF PARTICIPANT.** Prior to settlement and receipt of the underlying shares of Common Stock, the Participant shall not have the right to vote the Restricted Share Units or to receive dividends with respect thereto.
- (5) **FORFEITURES.**
- (a) Except as noted in this Section (5) and Section (9), Restricted Share Units granted to the Participant pursuant to this Agreement shall be forfeited if (i) the Participant’s employment with the Company or its subsidiaries terminates for any reason prior to the Vesting Date or (ii) the performance conditions set forth in Section 2 are not satisfied. “Termination of employment” shall mean “separation from service” as that term is defined in Section 409A and the Treasury regulations thereunder. Upon such forfeiture, the Restricted Share Unit award or portion thereof shall be cancelled.

- (b) Subject to the conditions outlined below, upon the Participant's involuntary termination of employment by the Company prior to the Vesting Date, the Participant will remain eligible to vest in a portion of the Restricted Share Units granted hereunder and scheduled to vest as of any Vesting Date following the termination of employment, calculated as follows: the total number of such Restricted Share Units granted hereunder scheduled to vest as of the relevant Vesting Date following the termination of employment *multiplied* by a percentage equal to the product of (A)(x) the number of complete months between the Grant Date and the Participant's termination date, *divided by* (y) 60, *times* (B) the applicable Payout Percentage. Such special vesting shall be effective as of the Vesting Date, subject to each of the following conditions:
- (i) Involuntary termination of employment by the Company must be other than for (x) Cause or (y) misconduct (each as determined by the Committee or its designees in their sole discretion);
 - (ii) The Participant must execute a release of claims against the Company in a form specified by the Company, as prescribed in Section (6)(a);
 - (iii) During the Restricted Period, the Participant may not (x) be employed by a competitor of the Company or (y) directly or indirectly solicit, induce or attempt to influence any employee to leave the employment of the Company or assist anyone else in doing so (each as determined by the Committee or its designees in their sole discretion).
- (c) If the Participant's employment terminates as a result of Total Disability prior to the Vesting Date of any Tranche(s) of Restricted Stock Units, as defined in the L Brands Inc. Long-Term Disability Plan, the relevant Restricted Share Units granted to the Participant pursuant to this Agreement shall continue to service vest with respect to such Tranche(s) during the period of the Participant's Total Disability, provided that the Participant's right to settlement of such Tranche(s) shall remain subject to the achievement of the performance and offset conditions set forth in Section 2.
- (d) If the Participant dies during such period of the Participant's Total Disability or the Participant's employment terminates as a result of his or her death prior to the Vesting Date of any Tranche(s) of Restricted Stock Units, the provision of services conditions applicable to such Tranche(s) shall be deemed to have been satisfied as of the date of death, provided, in each case, that the Participant's right to settlement of such Tranche(s) shall remain subject to the achievement of the performance and offset conditions set forth in Section 2.
- (e) Upon the Retirement of the Participant, the Participant will remain eligible to vest in a portion of the Restricted Share Units calculated pursuant to Section 5(b).

For the avoidance of doubt, the Participant's termination of employment will be deemed a Retirement if the Participant meets the age and service requirements for Retirement on the date of such termination of employment and the termination is due to an involuntary termination by the Company without Cause or misconduct.

(6) SETTLEMENT OF NON-DEFERRED RESTRICTED SHARE UNITS.

- (a) Unless a valid deferral election is made pursuant to Section (7), upon the expiration or termination of the Restricted Period and the satisfaction of all other conditions prescribed by the Committee with respect to each Tranche, a number of shares of Common Stock equal to the number of Restricted Share Units times the Payout Percentage with respect to which the restrictions have lapsed for such Tranche shall be delivered, free of all such restrictions, to the Participant or the Participant's beneficiary or estate, as the case may be. Such payment in settlement shall be made promptly, but in any event not later than (x) the end of the year in which the applicable Restricted Period ends and the conditions are satisfied or (y) if later, within thirty (30) days following the lapse of the applicable Restricted Period; *provided*, that the award holder will not be permitted, directly or indirectly, to designate the taxable year of settlement. The Participant (or his or her beneficiary or estate, if applicable) may be required to execute a release of claims against the Company and its subsidiaries in order to receive a settlement payment and shall be required to execute a release to receive the vesting and settlement prescribed in Section (5)(b).
- (b) If the Participant is a "specified employee," as that term is defined in Section 409A and the Treasury regulations thereunder, and the Participant is scheduled to receive payment(s) in connection with his or her termination of employment (including Retirement) on a date determinable based on the date of termination of employment and not a pre-determined fixed date or schedule, then, except in the event of termination of employment as a result of the Participant's death or the Participant's death after such termination of employment, such payment(s) shall, notwithstanding anything else herein, be delayed until the date that is six months after the date of the specified employee's termination of employment to the extent (but only to the extent) such a delay is required to avoid additional tax under Section 409A.

(7) DEFERRAL OF RESTRICTED SHARE UNITS.

- (a) The Participant may elect to defer settlement of the Restricted Share Units until termination of employment and may further elect whether such deferred settlement shall be in the form a single distribution or a series of substantially equal annual installments of up to ten years following such termination of employment (each such deferred Restricted Share Unit, a "Deferred Restricted Share Unit"). Any such deferral election must be made within sixty (60) days following the Grant Date and be with respect to all of the Restricted Stock Units granted hereunder. All elections with respect to Restricted Share Units must be made in accordance with procedures

established by the Committee and any election not made in accordance with such procedures shall be disregarded.

- (b) During the period from and after the Vesting Date through but not including the settlement date of the applicable Deferred Restricted Share Units, the Participant will be credited with dividend equivalents with respect to any dividends declared on the Common Stock underlying the Participant's Deferred Restricted Share Units for which the record date is prior to such settlement date as follows: within sixty (60) days after the date of payment of a dividend by the Company on its shares of Common Stock, the Participant shall be credited with an amount equal to the dividends declared on the Common Stock underlying each Deferred Restricted Share Unit (the "Dividend Equivalents"). The amount of Dividend Equivalents credited to the Participant will be immediately converted into additional Deferred Restricted Share Units based on the value of the Common Stock on the dividend payment date, in accordance with the procedures established by the Committee. Any such Deferred Restricted Share Units received in connection with Dividend Equivalents shall be subject to the terms and conditions and deferral election applicable to the related Deferred Restricted Share Units on which such Dividend Equivalents were credited.

(8) SETTLEMENT OF DEFERRED RESTRICTED SHARE UNITS.

- (a) Deferred Restricted Share Units will be settled solely in shares of unrestricted Common Stock. Shares of Common Stock underlying the Deferred Restricted Share Units that are vested as of the Participant's termination of employment shall be transferred to the Participant in a single distribution or as a series of installments, in each case as previously elected by the Participant in accordance with Section (7)(a). For the avoidance of doubt, if the Participant terminates employment pursuant to Section (5) and the Restricted Period applicable to any Restricted Stock Units has not expired, settlement of any associated Deferred Restricted Share Units shall not begin until after the expiration of the applicable Restricted Period.
- (b) If a single distribution is elected, such shares shall be transferred to the Participant not later than the later of (i) the end of the year of the Participant's termination of employment or (ii) the expiration of the applicable Restricted Period. If installment distributions are elected, the initial installment shall be made during the period beginning March 1 and ending April 30 of the calendar year following the calendar year in which the later of such termination of employment or expiration of the applicable Restricted Period occurred. Subsequent installments shall commence on the first anniversary of the initial installment and shall continue on each subsequent anniversary thereafter for the duration of the selected distribution period. The Participant (or his or her beneficiary or estate, if applicable) may be required to execute a release of claims against the Company and its subsidiaries in order to receive a settlement payment. To the extent such a release is required and, as a result of the timing of the execution of such release, settlement could be made in two different tax years, settlement shall in all such cases be made in the second such year. If the Participant dies prior to the time all shares have been distributed, regardless of the election on file, a lump sum distribution of all undistributed shares shall be made to the Participant's beneficiary or estate within 90 days after the date the Company is notified of the Participant's death. The Participant shall have no rights as a shareholder with respect to Deferred Restricted Share Units until such time, if any, as shares of Common Stock are transferred to the Participant (or his or her beneficiary or estate, if applicable).
- (c) A Participant may change his or her distribution election, provided such change in distribution election is made not less than twelve (12) months before the date the payment (or in the case of installments, the first payment) is scheduled to be made, and is irrevocable after this date. Such an election may be made to change payment(s) from a single payment distribution to installment distributions, or from installment distributions to a single payment distribution, by submitting such election to the Committee; provided, (i) such election does not become effective until at least twelve (12) months after the date on which the election is made and (ii) except in the case of payment permissible upon the Participant's death (or such other conditions permitted under Section 409A of the Code), the payment (or in the case of installments the first payment) must be deferred for a period of not less than five (5) years from the date such payment would have been made or commenced if there had been no election to change the form of payment.
- (d) If an invalid deferral election (including a change in distribution election) is received, the applicable election shall be disregarded. In the case of an invalid initial deferral election, distribution of the shares attributable to the awards shall be made as though the Participant did not elect to defer the Restricted Share Units. In the case of an invalid change in distribution election, distribution of the shares attributable to the awards shall be made as though the Participant did not elect to change the time and form of distribution. For this purpose, an invalid election shall include (but is not limited to) an election that (i) is not executed (regardless of when received), (ii) is executed but received after the applicable irrevocable date set forth herein (based on whether it is an initial election or a change election), and (iii) cannot otherwise become effective under applicable rules.
- (e) If a valid deferral election (including a change in distribution election) is incomplete, the applicable election shall be honored. In the case of a valid but incomplete initial deferral election, distribution of the shares attributable to the awards shall be made as though the Participant elected a deferred lump sum payment. In the case of a valid but incomplete change in distribution election, distribution of the shares attributable to the awards shall be made as though the Participant elected a change in distribution to a deferred lump sum payment. For this purpose, a valid but incomplete election is one that has been received and executed on or before the applicable irrevocable date, but does not indicate the form of payment (lump sum versus installments), or indicates an election for installment payments but not the number of installment payments.
- (9) **EFFECT OF CHANGE IN CONTROL.** In the event of a Change in Control, unless determined otherwise by the Committee prior to the Change in Control (A) if less than one-third of the restricted period has elapsed as of the date of the Change in Control, the Payout Percentage shall be fixed at the time of the Change in Control based on target performance and (B) if more than one-third of the restricted period has elapsed as of the date of the Change in Control, the Payout Percentage shall be fixed at the time of the Change in Control based on maximum performance unless the Committee determines prior to the Change in Control, in its discretion, that actual projected performance can be reasonably predicted, in which case the Payout Percentage shall be based on such predicted performance as determined by the Committee prior to the Change in Control. From and after the Change in Control the Restricted Stock Units (as fixed based on the forgoing) shall be subject solely to the continued service of the Participant until the applicable Vesting Date, subject to Section (5) above or, if applicable, the following provisions of this Section (9). Upon a termination of the Participant's employment (x) by the Company other

than for Cause or (y) by the Participant for Good Reason, in each case within twenty four (24) months following a Change in Control, and provided that that the Change in Control is a "change in control event" as defined in Section 409A and the Treasury regulations thereunder: (A) any service conditions applicable to any Restricted Share Units shall be deemed to have been satisfied and (B) the Restricted Period shall be deemed to have expired and the Restricted Stock Units shall be settled promptly following the Participant's termination of employment. If the transaction agreement relating to the Change in Control expressly provides for treatment of the Restricted Stock Units that is more favorable to the Participant than the treatment prescribed above, the provisions of the transaction agreement shall control.

(10) **TAX WITHHOLDING.** The Company shall have the right to require the Participant or the Participant's beneficiaries or legal representatives to remit to the Company an amount sufficient to satisfy Federal, state or local withholding tax requirements, or to deduct from distributions under the Plan amounts sufficient to satisfy such withholding tax requirements.

(11) **MISCELLANEOUS.**

- (a) **No Right to Employment.** This Agreement shall not confer upon the Participant any right to continue in the employ of the Company or any subsidiary or to be entitled to any remuneration or benefits not set forth in this Agreement or the Plan nor interfere with or limit the right of the Company or any subsidiary to modify the terms of or terminate the Participant's employment at any time.
- (b) **Clawback.** Subject to restrictions set forth in the Plan, if required by law or if the Participant engaged, had knowledge of, or should have had knowledge of, fraudulent conduct or activities relating to the Company, the Company may terminate this Agreement and require the Participant to reimburse to the Company (i) an amount required by law or (ii) the amount of compensation received pursuant to this Agreement and based on the aforementioned conduct.
- (c) **Notice.** Any notice or other communication required or permitted to be given under this Agreement must be given electronically or by regular U.S. mail addressed, if to the Committee or the Company, at the principal office of the Company and, if to the Participant, at the Participant's last known address as set forth in the books and records of the Company.
- (d) **Plan to Govern.** This Agreement and the rights of the Participant hereunder are subject to all of the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for the administration of the Plan.
- (e) **Amendment.** Subject to restrictions set forth in the Plan, the Company may from time to time suspend, modify or amend this Agreement. No suspension, modification or amendment of this Agreement may, without the consent of the Participant, adversely affect the rights of the Participant with respect to the Restricted Share Units granted pursuant to this Agreement, except to the extent any such action is undertaken to cause this Agreement to comply with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations.
- (f) **Severability.** In the event that any provision of this Agreement shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of this Agreement, and this Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.
- (g) **Entire Agreement.** This Agreement and the Plan contain all of the understandings between the Company and the Participant concerning the Restricted Share Units granted hereunder and supersede all prior agreements and understandings.
- (h) **Counterparts.** This Agreement may be executed in counterparts, each of which when signed by the Company and the Participant will be an original and all of which together will be the same Agreement.
- (i) **Governing Law.** To the extent not preempted by Federal law, this Agreement shall be construed in accordance with and governed by the laws of the State of Delaware.

The Company and you have executed this Award Agreement as of the Grant Date set forth above.

L BRANDS, INC.

PARTICIPANT

/s/ MICHAEL MORRIS

/s/ ANDREW MESLOW

Michael Morris

Andrew Meslow

Compensation Committee, Chairman

Separation Benefits

The Company agrees that if your position is eliminated or if you are terminated for reasons other than for Cause (as defined below) or if you resign for Good Reason (as defined below) other than within the 24 months following a Change in Control (as defined in the Plan), you will continue to receive an amount equal to your base salary (payable in accordance with our regular payroll practices) for a period of one (1) year following the date on which your employment terminates (the "Severance Payment"). In addition, in consideration of your execution and nonrevocation of a general release and waiver of claims in a form reasonably acceptable to us (with restrictive covenants no broader or longer than already agreed upon in the attached Confidentiality, Non-Competition and Intellectual Property Agreement) (the "General Release"), *provided* such General Release is no longer subject to revocation (to the extent applicable), within sixty (60) days following your separation date, the Company will also pay you (A) any incentive compensation under the IC Plan that you would have received if you had remained employed with the Company for a period of one (1) year following the termination date (paid as of the customary payment dates for such amounts), and (B) an amount equal to your base salary (payable in accordance with our regular payroll practices) for a period of one (1) year following the date on which your Severance Payment has ended; *provided*, that the first payment pursuant to this sub-section (B) shall be made on the next regularly scheduled payroll date after your Severance Payment has ended.

The Company agrees that if your position is eliminated or if you are terminated for reasons other than for Cause (as defined below) or if you resign for Good Reason (as defined below), within 24 months following a Change in Control (as defined in the Plan), subject to your execution and nonrevocation of the General Release, *provided* such General Release is no longer subject to revocation (to the extent applicable), within sixty (60) days following your separation date, the Company will pay you (A) an amount equal to the sum of the last four (4) seasonal IC payments received under the IC Plan, and a pro rata amount for the season in which your employment was terminated based on the average of the prior four (4) IC payments and the number of days you were employed during such season, which compensation shall be paid in a lump sum at such time incentive compensation is next paid to other senior executives of the Company (and, if the termination or resignation occurs after the end of a season but before you incentive compensation for such season has been paid, your incentive compensation for such season), (B) an amount equal to your base salary (payable in accordance with our regular payroll practices) for a period of two (2) years following the termination date, and (C) an amount equal to the product of (A X B) minus C, where A is the aggregate of all scheduled payments under your Cash Retention Award, B is a fraction the numerator of which is the days elapsed from May 14, 2020 through the date of your termination of employment and the denominator of which is 627, and C is the amount of the Cash Retention Award payments you have received prior to your termination of employment. In addition, the Company shall reimburse you for all documented legal fees and expenses reasonably incurred by you in seeking to obtain or enforce any right or benefit provided above in this paragraph in connection with a termination following a Change in Control. Such reasonable legal fees and expenses incurred by you within the first six months following your termination of employment shall be reimbursed during the seventh month following your termination of employment. Such reasonable legal fees and expenses incurred by you thereafter shall be reimbursed on a monthly basis for fees and expenses incurred in the preceding month in accordance with the Company's expense policies applicable to employees. In no event shall such fees and expenses be reimbursed after the last day of the year following the year in which the fees and expenses were incurred.

In the event your employment is terminated without Cause or you resign for Good Reason and you elect continuation coverage under the Consolidated Omnibus Budget Reconciliation Act, Section 4980B of the Internal Revenue Code and any state law of similar effect ("COBRA"), regardless of whether such termination or resignation is in connection with a Change in Control, for up to eighteen (18) months during the period in which you continue to receive base salary following the termination date, the Company shall, at its expense, provide to you and your beneficiaries medical and dental benefits substantially similar in the aggregate to those provided to

you immediately prior to the date of the termination of your employment, for which the Company shall pay directly to the insurance provider; *provided, however*, that the Company's obligation to provide such benefits shall cease upon the earlier of you becoming employed or the expiration of your rights to continue such medical and dental benefits under COBRA; *provided further*, that if payment of such premiums would result in excise tax or other penalties on the Company, a dollar amount equal to such premiums that the Company would have paid under this agreement during the applicable payment period, shall be paid to you, instead of such premium, as additional cash severance pay.

Any outstanding equity awards, including the Initial Equity Award, will vest in accordance with the terms of the Plan and the underlying award agreement.

"Cause" means that the you (1) willfully failed to perform your duties with the Company (other than a failure resulting from your incapacity due to physical or mental illness), after written notice from the Company to you describing such willful failure and a 30-day opportunity to cure if curable; (2) have plead "guilty" or "no contest" to or have been convicted of an act which is defined as a felony under federal or state law; or (3) engaged in willful misconduct in bad faith which could reasonably be expected to materially harm the Company's business or its reputation.

"Good Reason" means (1) your failure to continue as Chief Executive Officer of the Company (or, in the event of a Change in Control, the resulting ultimate parent company); (2) the assignment to you of any duties materially inconsistent with your position, duties, authority, responsibilities or reporting requirements as Chief Executive Officer of the Company (or, in the event of a Change in Control, the resulting ultimate parent company), or the assignment to another person of duties that would typically be performed by the Chief Executive Officer of the Company (or, in the event of a Change in Control, the resulting ultimate parent company); (3) a material reduction of or a material delay in payment of your total cash compensation and benefits from those set forth in your Total Rewards Statement or required to be provided, or a breach by the Company of this agreement or any RSU award agreement or other equity agreement; (4) the requirement that you be based outside of the United States, other than for travel that is reasonably required to carry out your duties; or (5) the failure by the Company to obtain the assumption in writing of its obligation to perform this agreement by a successor. "Good Reason" will only exist if (a) you deliver written notice to the Company, not more than sixty (60) days after the initial existence of a condition above purporting to give rise to Good Reason setting forth in reasonable detail a description of such condition and (b) the Company fails to cure such act or omission during the thirty (30) days following receipt of such written notice if curable. Actions taken by the Company by reason of your physical or mental infirmity (if such infirmity impairs your ability to substantially perform your duties as Chief Executive Officer) will not give rise to Good Reason termination rights.

The separation benefits above will be in lieu of, and not in addition to, the payments described in Section 5 of the attached Confidentiality, Non-Competition and Intellectual Property Agreement. You do not need to seek other employment or take any other action to mitigate any amounts owed to you under these Offer Terms and Conditions. Such amounts will not be reduced if you do obtain other employment so long as such employment does not violate your obligations under the attached Confidentiality, Non- Competition and Intellectual Property Agreement.

Except as provided above, any awards or amounts provided under the Total Rewards Statement or otherwise, the vesting or payment of which are conditioned upon your continued service or on performance conditions, will only become vested and payable upon satisfaction of those conditions and shall not become vested or payable after your termination from service (for any reason) or a failure to meet applicable performance conditions (other than as expressly provided above in this document).

Confidentiality, Non-Competition and Intellectual Property Agreement

CONFIDENTIALITY, NON-COMPETITION AND INTELLECTUAL PROPERTY AGREEMENT

As an Associate of a subsidiary of L Brands, Inc. (collectively, the "Company"), I have access to or may develop trade secrets, intellectual property, and other confidential or proprietary information ("Confidential Information") of the Company.

THEREFORE, in consideration of my employment or continued employment with the Company and my right to participate in the Company's Stock Option and Performance Incentive Plan, and the Cash Incentive Compensation Performance Plan, as amended, and in recognition of the highly competitive nature of the business conducted by the Company, I agree as follows:

1. I will at all times during and after my employment with the Company faithfully hold the Company's Confidential information in the strictest confidence, and I will use my best efforts and highest diligence to guard against its disclosure to anyone other than as required in the performance of my duties to the Company. I will not use Confidential Information for my personal benefit or for the benefit of any competitor of the Company or other person. I understand that Confidential Information includes all information and materials relating to Intellectual Property, as defined below, the Company's trade secrets and all information relating to the Company that the Company has not made available to the public. By way of example, Confidential Information includes information about the Company's products, designs, processes, advertising, marketing, promotional plans, technical procedures, strategies, financial information, and many other types of information and materials. Upon termination of my employment with the Company, regardless of the reason for such termination, I will return to the Company all documents and other materials of any kind that contain Confidential Information. I will not use any confidential information of any third party, including any prior employer, in the course of my work for the Company. This provision does not prohibit me from cooperating with the EEOC or any other state or local fair employment practices agency. This provision also does not prohibit me from reporting possible violations of federal or state law or regulations to any governmental entity, including but not limited to the Department of Justice and the Securities and Exchange Commission, or from making other disclosures protected under applicable whistleblower provisions of federal or state law or regulations.
2. If I decide to resign my employment with the Company, I will provide the Company with thirty (30) days prior written notice.
3. During the Restricted Period (as described below), I will not, directly or indirectly, solicit, induce or attempt to influence any employee to leave the employment of the Company, nor will I in any way assist anyone else in doing so. Further, during the Restricted Period, I will not, either directly or indirectly,

alone or in conjunction with another party, interfere with or harm, or attempt to interfere with or harm, the relationship of the Company with any person who at any time was an employee, customer or supplier of the Company, or otherwise had a business relationship with the Company.

The "Restricted Period" means the period I am employed by the Company plus the longer of (a) one (1) year from the termination date or (b) the period during which I receive salary continuation set forth in any employment agreement providing for severance or termination benefits in connection with a termination of employment.

4. I agree that all inventions, designs and ideas conceived, produced, created, or reduced to practice, either solely or jointly with others, during my employment with the Company, including those developed on my own time, which relate to or are useful in the Company's business ("Intellectual Property") shall be owned solely by the Company. I understand that whether in preliminary or final form, such Intellectual Property includes, for example, all ideas, inventions, discoveries, designs, innovations, improvements, trade secrets, and other intellectual property. All Intellectual Property is either work made for hire for the Company within the meaning of the U. S. Copyright Act, or, if such Intellectual Property is determined not to be work made for hire, then I irrevocably assign all right, title and interest in and to the Intellectual Property to the Company, including all copyrights, patents, and/or trademarks. I will, without any additional consideration, execute all documents and take all other actions needed to convey my complete ownership of the Intellectual Property to the Company so that the Company may own and protect such Intellectual Property and obtain patent, copyright and trademark registrations for it. I agree that the Company may alter or modify the Intellectual Property at the Company's sole discretion, and I waive all right to claim or disclaim authorship. I represent and warrant that any Intellectual Property that I assign to the Company, except as otherwise disclosed in writing at the time of assignment, will be my sole, exclusive, original work. I have not previously invented any Intellectual Property, or I have advised the Company in writing of any prior inventions or ideas.
5. During the Restricted Period, I will not, directly or indirectly, without the prior written consent of the Company, own, manage, operate, join, control, be employed by, consult with or participate in the ownership, management, operation or control of, or be connected with (as a stockholder, partner, or otherwise), any business, individual, partner, firm, corporation or other entity that substantially competes or plans to compete, directly or indirectly, with the Company, or any of its products; provided, however, that the "beneficial ownership" by me after my termination of employment with the Company, either individually or as a member of a "group," as such terms are used in Rule 13d of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, of not more than two percent (2%) of the voting stock of any publicly held corporation shall not be a violation of this Agreement.
6. I understand that the Company is entitled, in addition to other remedies, to obtain an injunction against

CASH RETENTION AWARD AGREEMENT

This Cash Retention Award Agreement (the "Agreement") is entered into by and between L Brands, Inc. (the "Company") and Andrew Meslow (the "Associate").

WHEREAS, the parties have determined that appropriate steps should be taken to ensure the Associate's continued employment and to ensure that the Associate devotes his best professional efforts, time and skill to the performance of his job responsibilities;

NOW, THEREFORE, in consideration of the foregoing, the parties agree as follows:

1. The Company agrees that if the Associate remains employed and continues to use his best efforts to satisfactorily perform his job duties, the Company will pay the Associate a Cash Retention Award in the Total Amount of Six Million Dollars and Zero Cents (\$6,000,000.00), less applicable withholdings under the following schedule and conditions:
 - a. One-third of the Total Amount payable, which is the sum of Two Million Dollars (\$2,000,000.00), will be paid to the Associate on January 31, 2021, provided that the Associate is employed on the date of the payment and except as provided for in Annex B of the Terms and Conditions of Employment Agreement entered into by the Company and the Associate;
 - b. One-third of the Total Amount payable, which is the sum of Two Million Dollars (\$2,000,000.00), will be paid to the Associate on July 31, 2021, provided that the Associate is employed on the date of the payment and except as provided for in Annex B of the Terms and Conditions of Employment Agreement entered into by the Company and the Associate;
 - c. One-third of the Total Amount payable, which is the sum of Two Million Dollars (\$2,000,000.00), will be paid to the Associate on January 31, 2022, provided that the Associate is employed on the date of the payment and except as provided for in Annex B of the Terms and Conditions of Employment Agreement entered into by the Company and the Associate.
2. The Associate understands that receipt of the Total Amount of the Cash Retention Award is contingent upon the Associate remaining employed with the Company as of each installment date, except as provided for in Annex B of the Terms and Conditions of Employment Agreement entered into by the Company and the Associate and satisfactorily performing his duties in accordance with the terms of this Agreement.
3. The Associate agrees to keep this Agreement confidential and not to reveal the existence of this Agreement, nor any of its terms, to any person, entity or organization.

/s/ SHELLEY MILANO
Shelley Milano

VOLUNTARILY AND KNOWINGLY AGREED
AND ACCEPTED AS SPECIFIED ABOVE:

/s/ ANDREW MESLOW

Andrew Meslow

Date: 5/17/20

EMPLOYMENT AGREEMENT AMENDMENT

This Amendment to the Employment Agreement (defined below) is effective May 13, 2020 and is entered into between L Brands, Inc. (the "Company") and Stuart Burgdoerfer (the "Executive") and shall for all purposes constitute and be deemed an amendment to the Employment Agreement entered into as of April 9, 2007, as previously amended, by and between L Brands, Inc. and the Executive. The Employment Agreement, as modified by this Amendment, shall govern the terms and conditions of Executive's employment relationship with the Company.

WHEREAS, the Executive and the Company desire to cause the Employment Agreement to be amended as provided herein; and

NOW, THEREFORE, in consideration of the foregoing and the respective agreements of the parties contained herein, the parties agree to amend the Executive's Employment Agreement as follows:

1. Section 9 (c) is deleted in its entirety and replaced with the following:

"Termination by the Executive. The Executive may terminate employment hereunder for "Good Reason" by delivering to the Company (1) a Preliminary Notice of Good Reason (as defined below), and (2) not earlier than thirty (30) days from the delivery of such Preliminary Notice, a Notice of Termination. For purposes of this Agreement, "Good Reason" means (i) the failure to continue the Executive in the role of both L Brands Chief Financial Officer and CEO of Victoria's Secret NewCo.; (ii) the assignment to the Executive of any duties materially inconsistent with the Executive's positions, duties, authority, responsibilities or reporting requirements as set forth in Section 2 hereof; (iii) a reduction in or a material delay in payment of the Executive's total cash compensation and benefits from those required to be provided in accordance with the provisions of this Agreement; (iv) the Company, the Board or any person controlling the Company requires the Executive to be based outside of Columbus, Ohio, other than on travel reasonably required to carry out the Executive's obligations under the Agreement; or (v) the failure of the Company to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company within 15 days after a merger, consolidation, sale, or similar transaction; provided, however, that "Good Reason" shall not include (A) acts not taken in bad faith which are cured by the Company in all respects not later than thirty (30) days from the date of receipt by the Company of a written notice from the Executive identifying in reasonable detail the act or acts constituting "Good Reason" (a "Preliminary Notice of Good Reason") or (B) acts taken by the Company by reason of the Executive's physical or mental infirmity which impairs the Executive's ability to substantially perform his duties under this Agreement. A Preliminary Notice of Good Reason shall not, by itself, constitute a Notice of Termination."

2. Section 9 (d) is amended in part as follows:

"Any purported termination for Good Reason by the Executive shall be communicated by a written Notice of Termination to the Company thirty (30) days prior to the Termination Date."

3. Section 10(g)(i) is deleted in its entirety and replaced with the following:

"(i) the Company shall spread out, beginning as of the next regular payroll date following the date of the Change in Control, in equal, consecutive bi-weekly payments to the Executive over the remainder of the two (2) year period commencing on his Termination Date, an amount equal to the sum of (A), (B) and (C), where (A) is the difference between (x) the Severance Amount (as defined in Section 14(a)(ii)) and (y) the sum of the payments made to the Executive prior to the Change in Control pursuant to Section 10(b)(ii), and (B) is the difference between (x) the Bonus Amount (as defined in the Section 14(a)(iii)) and (y) the incentive compensation payments made to the Executive prior to the Change in Control pursuant to Section 10(b)(iii)(A), and (C) is an amount equal to the product of (D X E) minus F, where D is the aggregate of all scheduled payments under your Retention Bonus Agreement, **dated May 14, 2020** ("Retention Bonus Agreement"), B is a fraction the numerator of which is the days elapsed from **May 14, 2020** through the date of your termination of employment and the denominator of which is 627, and C is the amount of the Retention Bonus payments you have received prior to your termination of employment.. If no payment has begun under Section 10(b)(ii) and the requirements for payment under Section 10(g) are satisfied, payment shall be made under this Section 10(g)(i) (with the payments under Section 10(b) equaling zero (0))."

4. Section 14(a)(iii) is deleted in its entirety and replaced with the following:

“(iii) the Company shall pay the Executive an amount equal to the sum of the last four (4) bonus payments the Executive received under the Company’s incentive compensation plan described in Section 6 and a pro-rata amount for the selling season in which the Executive’s employment is terminated based on the average of the prior four (4) bonus payments and the number of days the Executive is employed during such season (the “Bonus Amount”) plus an amount equal to the product of (A X B) minus C, where A is the aggregate of all scheduled payments under your Retention Bonus Agreement, B is a fraction the numerator of which is the days elapsed from **May 14, 2020** through the date of your termination of employment and the denominator of which is 627, and C is the amount of the Retention Bonus payments you have received prior to your termination of employment, all paid in accordance with Section 14(a)(vi);”

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Executive has executed this Agreement to be effective as of the day and year first above written.

L BRANDS, INC.

By: /s/ SHELLEY MILANO 5/18/20

Name: Shelley Milano

Title: Chief Human Resources Officer

/s/ STUART BURGDOERFER 5/18/2020

Stuart Burgdoerfer

RETENTION BONUS AGREEMENT

This Retention Bonus Agreement (the "Agreement") is entered into by and between L Brands, Inc. (the "Company") and Stuart Burgdoerfer (the "Associate").

WHEREAS, the parties have determined that appropriate steps should be taken to ensure the Associate's continued employment and to ensure that the Associate devotes his best professional efforts, time and skill to the performance of his job responsibilities;

NOW, THEREFORE, in consideration of the foregoing, the parties agree as follows:

1. The Company agrees that if the Associate remains employed and continues to use his best efforts to satisfactorily perform his job duties, the Company will pay the Associate a Retention Bonus in the Total Amount of Four Million Five Hundred Thousand Dollars and Zero Cents (\$4,500,000.00), less applicable withholdings under the following schedule and conditions:
 - a. One-third of the Total Amount payable, which is the sum of One Million Five Hundred Thousand Dollars (\$1,500,000.00), will be paid to the Associate on January 31, 2021, provided that the Associate is employed on the date of the payment;
 - b. One-third of the Total Amount payable, which is the sum of One Million Five Hundred Thousand Dollars (\$1,500,000.00), will be paid to the Associate on July 31, 2021, provided that the Associate is employed on the date of the payment;
 - c. One-third of the Total Amount payable, which is the sum of One Million Five Hundred Thousand Dollars (\$1,500,000.00), will be paid to the Associate on January 31, 2022, provided that the Associate is employed on the date of the payment;
2. The Associate understands that receipt of the Total Amount of the Retention Bonus is contingent upon the Associate remaining employed with the Company as of each installment date and satisfactorily performing his duties in accordance with the terms of this Agreement.
3. The Associate agrees to keep this Agreement confidential and not to reveal the existence of this Agreement, nor any of its terms, to any person, entity or organization.

/s/ ANDREW MESLOW

Andrew Meslow

VOLUNTARILY AND KNOWINGLY AGREED
AND ACCEPTED AS SPECIFIED ABOVE:

/s/ STUART BURGDOERFER

Stuart Burgdoerfer

Date: 5/18/2020

EXECUTIVE SEPARATION AGREEMENT

THIS AGREEMENT is entered into between L Brands, Inc. (the "Company") and Charles McGuigan (the "Executive") (collectively, the "parties").

WHEREAS, the Executive's employment with the Company will end effective July 4, 2020 (the "Separation Date"); and

WHEREAS, the Executive acknowledges that, except as modified by this Agreement, the Executive is obligated to comply with all of the terms and covenants that are set forth in Section 11 of the Executive's Employment Agreement, effective as of December 31, 2007, as amended, and fully incorporated into this Agreement ("Employment Agreement"); and

WHEREAS, the Company has determined that due to the Executive's intimate knowledge of its business and personnel that it is in the best interest of the Company to secure from the Executive additional covenants.

NOW, THEREFORE, in consideration of the foregoing and the respective agreements of the parties contained herein, the parties agree as follows:

1. Upon the Executive's separation from the Company and subject to the Executive's compliance with the terms and conditions contained in this Agreement, the Company agrees that the Executive is eligible to receive one hundred four (104) weeks of the Executive's weekly base salary as of February 1, 2020, less applicable withholdings ("Separation Pay"). Said payments will be paid through the Company's standard payroll process and will begin on the first pay period following the Separation Date, will be paid to the Executive's estate following the Executive's death during the payment period and will end upon the Executive's receipt or the Executive's estate's receipt of one hundred four (104) weeks of Separation Pay. If, following the Separation Date, the Executive obtains employment with another employer, the Executive will continue to receive the balance of the one hundred four (104) weekly payments unless said employment is in violation of this Agreement or Section 11 of the Employment Agreement. The Executive agrees to immediately notify Shelley Milano or her successor upon acceptance of any offer of employment.

2. The Company agrees to provide the Executive with outplacement counseling through Lee Hecht Harrison for a period of six (6) months. The Company will pay Lee Hecht Harrison directly for these services.

3. The Company agrees that if the Executive is currently participating in the Company's medical and/or dental plan (collectively, "Health Plans"), it will continue to provide benefits under the Health Plans to the Executive as if the Executive had continued to be employed by the Company during the period the Company is obligated to pay the Executive Separation Pay under paragraph 1 above and shall pay the full premium for such benefits; provided, however, such benefits under the Health Plans shall cease upon the earlier of eighteen (18) months from the Separation Date or the Executive's first day of employment.

4. The Company agrees that the Executive shall receive all monies, rights, or benefits to which the Executive is entitled and/or vested as of the Separation Date under the Company's Deferred Compensation Plans, Savings and Retirement Plans, and Stock Option and Performance Incentive Plan in accordance with the provisions of those plans. With respect to the Company's Performance Incentive Plan, the Company agrees to pay the Executive the Executive's incentive compensation pay-out for the Spring 2020 season, if any, between September 1, 2020 and September 30, 2020; for the Fall 2020 season, if any, between March 1, 2021 and March 31, 2021; and for the Spring 2021 season, if any, between September 1, 2021 and September 30, 2021. For each such season, the Executive's incentive compensation payout shall be calculated consistent with the calculation of the incentive compensation payout for executives of the Company employed in a similar executive capacity as the Executive immediately preceding the Separation Date. Notwithstanding anything in this Agreement to the contrary, the Executive agrees and understands that after the Spring 2021 season that ends on or about August 1, 2021, the Executive is not eligible to participate further in the Company's Performance Incentive Plan. For the Executive's restricted stock grants, the Executive will be entitled

to a pro rata vesting in accordance with the stock award treatment schedule provided to the Executive. The Executive understands that each plan has restrictions and certain requirements that the Executive must follow in order to receive monies, rights, or benefits under those Plans. The Executive is responsible for following all specified restrictions and requirements.

5. Effective July 4, 2022 the Company agrees to release the Executive from the non-compete obligations contained in Section 11(c) of the Executive's Employment Agreement.

6. The Company shall be released from its obligations under paragraphs 1 and 2 of this Agreement if the Executive violates any of the terms and covenants that are set forth herein or in Section 11 of the Executive's Employment Agreement. Further, the Executive agrees to immediately return to the Company all Company-related property and materials in the Executive's possession.

7. The Executive agrees that the sums of money and conditions set forth in paragraphs 1, 2, 3 and 4 represent any and all termination pay, PTO (vested or unvested), back pay, wages, incentive compensation payments, damages (liquidated or unliquidated), benefits, attorneys' fees, costs, interest, or other monies to which the Executive may be entitled from the Company. The Executive also agrees that the sums of money and the conditions set forth in paragraphs 1, 2, 3 and 4 are sufficient consideration for the signing of this Agreement and that the Company is released from any and all obligations under the Employment Agreement.

8. To the extent that any amounts payable under this Agreement are subject to Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), and no exemption or exception applies, payment of such amounts shall be made in accordance with the requirements of Section 409A, including, but not limited to, the requirement that if the Executive is a "specified employee" (as that term is defined in Section 409A and the regulations thereunder), the payment of any such amount (the "Delayed Payments") will not be made until the first day of the seventh month after the month of the Executive's "separation from service" (as that term is defined in Section 409A and the regulations thereunder). Any Delayed Payments that would have been paid during the required delay for a specified employee shall be paid in a lump sum to the Executive with interest calculated thereon based on the prime rate reported in the *Wall Street Journal* on the date the first Delayed Payment was otherwise due, and all other amounts shall then be paid pursuant to the Company's normal payroll process and this Agreement. For purposes of Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. For purposes of any payments to be made or benefits to be provided under this Agreement to which Section 409A applies, the terms "separation" and "termination" and the Separation Date shall have the same meaning as "separation from service" under Section 409A.

Notwithstanding any other provision of this Agreement to the contrary, in the event of any ambiguity in the terms of this Agreement, such term(s) shall be interpreted and at all times administered in a manner that avoids the inclusion of compensation in income under Section 409A, or the payment of increased taxes, excise taxes or other penalties under Section 409A, to the extent possible.

The parties intend this Agreement to be in compliance with, or otherwise exempt from, Section 409A, to the extent possible.

The federal, state, and local income and/or other tax treatment of payments and benefits under this Agreement shall not be, and is not, warranted or guaranteed. Neither the Company, its parent or their subsidiaries, nor their attorneys, or any of their designees, shall be liable for any taxes, penalties, or other monetary amounts owed by the Executive or any other person as a result of any payment under this Agreement.

9. To the fullest extent allowed by law, the Executive acquits, releases and forever discharges the Company, L Brands, Inc., all of their subsidiaries and their past, present and future officers, directors, agents, employees and shareholders, of and from all, and all manner of, actions and causes of action, suits, debts, claims and demands whatsoever, in law or in equity,

which the Executive ever had or may now have, with respect to any aspect of employment by, or termination from, the Company and with respect to any other agreement, including but not limited to, any claim under the Age Discrimination in Employment Act (29 U.S.C. §§ 621, et seq.) and any other federal, state, local or common law with respect to age, race, sex, and all other forms of employment discrimination, breach of contract, tort or federal, state and local laws relating to employment and its termination. The Executive expressly acknowledges that this is a general release of all known and unknown claims and represents full understanding of the meaning and import of a general release of all known and unknown claims, and that the Executive is executing this release, intending thereby to be legally bound by its terms, of the Executive's own free will, without promises or threats or the exertion of duress.

Under this release, the Executive does not waive rights or claims that arise after the date the Executive signs this Agreement, nor does it preclude the Executive from submitting any dispute to arbitration pursuant to paragraph 13 for the purpose of enforcing the Executive's rights under this Agreement.

10. The Executive will not disclose (directly or indirectly) to any person or entity, in any manner whatsoever, confidential information concerning any matters affecting or relating to the operations, business or personnel of the Company or any of its affiliated companies except insofar as disclosure is required pursuant to a subpoena and/or in a court, legislative or regulatory proceeding or process. The Executive also agrees not to make any statements, comments or remarks about the Company, its employees or its operations to the media and/or their agents or any vendor of the Company and/or their agents and agrees to direct all contacts from the media with respect to the Executive's separation from the Company, its employees or its operations to Tammy Roberts Myers or her successor. The Executive will not reveal the existence of this Agreement, nor any of its terms, to any person, entity or organization other than the Executive's attorneys, accountants, advisors, spouse or as required by law. The Executive agrees not to make any disparaging remarks about the Company or its employees, current or former, or otherwise attempt to influence any person, corporation, agency or entity not to do business with the Company.

11. Notwithstanding anything to the contrary contained in this Agreement, nothing herein prohibits or restricts the Executive from filing a charge or complaint with, participating in an investigation with, or reporting possible violations of federal or state law or regulations to: the U.S. Equal Employment Opportunity Commission or any state or local fair employment practices agency; the National Labor Relations Board; the Occupational Safety and Health Administration; the Securities and Exchange Commission; the U.S. Department of Justice; or any other federal, state, or local law enforcement agency.

12. The Executive agrees to fully assist and cooperate with the Company with any and all disputes, lawsuits, claims or proceedings about which the Executive has knowledge or information through the Executive's employment with the Company. This cooperation includes but is not limited to being reasonably accessible to consult with the Company and/or its counsel, attend meetings, review documents, prepare for and attend depositions, hearings or trials without the need for subpoenas, provide any documents in the Executive's possession that relate to the proceeding and provide assistance in obtaining or finding such documents. For any such assistance the Company agrees to provide the Executive with reasonable reimbursement for expenses. The Executive further recognizes a duty and obligation to preserve all attorney-client confidences learned within the Executive's employment with the Company and acknowledges that the Company will not waive its attorney-client privilege with respect to such confidences.

13. If the Executive or Company contends that the provisions of this Agreement are not being complied with, written notice of alleged non-compliance shall be given to the other party within twenty (20) calendar days of knowledge of the alleged non-compliance. Such notice must be either hand delivered or received by mail on or before said 20th day. The party receiving such notice shall have ten (10) business days from receipt of such written notice to resolve the alleged non-compliance through mutual efforts at conciliation. The parties may mutually agree in writing upon additional time to endeavor to resolve the alleged non-compliance. In the event that conciliation fails within the time set forth above, with the exception of a claim for injunctive relief, the parties agree to the submission of the dispute(s) to a mutually agreeable arbitrator whose award shall be accepted as

final and binding upon the parties. If the parties are unable to agree upon an arbitrator, one shall be selected pursuant to American Arbitration Association's Employment Arbitration Rules then in effect. The arbitration shall be held in Columbus, Ohio and the parties shall treat the arbitration proceedings as completely confidential. Except as otherwise agreed, the dispute(s) must be presented, upon the request of either party, to the arbitrator within twenty (20) calendar days from the date of the failure of conciliation, as set forth above, and the arbitrator must issue a decision within twenty (20) calendar days thereafter. Prior to making any request for arbitration, the party requesting arbitration shall certify to the other in writing that the request is well founded both in law and in fact. In the event of arbitration instituted under this Agreement, the parties shall be equally responsible for payment of the arbitrator's fees. In any arbitration instituted under this Agreement, the arbitrator shall have the authority to award any and all other appropriate damages. This Agreement to arbitrate may be compelled under the Ohio or Federal Arbitration Act.

The interpretation and enforcement of this Agreement shall be governed by the internal laws and judicial decisions of the State of Ohio, without regard to any principles of conflicts of laws.

14. The Executive has twenty-one (21) days from date of receipt to sign this Agreement. The Executive understands and is advised to discuss any concerns with an attorney before executing this Agreement. After signing this Agreement, the Executive has seven (7) days to revoke the Agreement. The parties agree that the Executive must clearly communicate any decision to revoke to Shelley Milano or her successor within the seven-day period.

15. This Agreement may not be changed orally and contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, between the Executive and the Company except for Section 11 of the Employment Agreement previously incorporated by reference. If any term or provision of this Agreement or the application thereof to any person, entity or circumstance shall be invalid or unenforceable, the remainder of this Agreement shall be unaffected thereby and each remaining term or provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

WHEREFORE, the parties hereto have read all of the foregoing, understand the same, have had an opportunity to review it with legal counsel, if any, and agree to all of the provisions contained herein.

For Company:

By: /s/ SHELLEY MILANO
Shelley Milano
Its: Chief Human Resources Officer

Date: 5/18/20

Given to the Executive on:

Date: 5/18/20

VOLUNTARILY AND KNOWINGLY
AGREED AND ACCEPTED AS
SPECIFIED ABOVE:

/s/ CHARLES MCGUIGAN
Charles McGuigan
Date: 5/19/20

RETENTION BONUS AGREEMENT

This Retention Bonus Agreement (the "Agreement") is entered into by and between L Brands Store Design & Construction, Inc. (the "Company") and Jamie Bersani (the "Associate").

WHEREAS, the parties have determined that appropriate steps should be taken to ensure the Associate's continued employment and to ensure that the Associate devotes his best professional efforts, time and skill to the performance of his job responsibilities;

NOW, THEREFORE, in consideration of the foregoing, the parties agree as follows:

1. The Company agrees that if the Associate remains employed and continues to use his best efforts to satisfactorily perform his job duties, the Company will pay the Associate a Retention Bonus in the Total Amount of Two Million Two Hundred Fifty Thousand Dollars and Zero Cents (\$2,250,000.00), less applicable withholdings under the following schedule and conditions:
 - a. One-third of the Total Amount payable, which is the sum of Seven Hundred Fifty Thousand Dollars (\$750,000.00), will be paid to the Associate on January 31, 2021, provided that the Associate is employed on the date of the payment;
 - b. One-third of the Total Amount payable, which is the sum of Seven Hundred Fifty Thousand Dollars (\$750,000.00), will be paid to the Associate on July 31, 2021, provided that the Associate is employed on the date of the payment;
 - c. One-third of the Total Amount payable, which is the sum of Seven Hundred Fifty Thousand Dollars (\$750,000.00), will be paid to the Associate on January 31, 2022, provided that the Associate is employed on the date of the payment.
2. The Associate understands that receipt of the Total Amount of the Retention Bonus is contingent upon the Associate remaining employed with the Company as of each installment date and satisfactorily performing his duties in accordance with the terms of this Agreement.
3. The Associate agrees to keep this Agreement confidential and not to reveal the existence of this Agreement, nor any of its terms, to any person, entity or organization.

/s/ STUART BURGDOERFER

Stuart Burgdoerfer

VOLUNTARILY AND KNOWINGLY AGREED
AND ACCEPTED AS SPECIFIED ABOVE:

/s/ JAMIE BERSANI

Jamie Bersani

Date: 5/19/20

RETENTION BONUS AGREEMENT

This Retention Bonus Agreement (the "Agreement") is entered into by and between L Brands, Inc. (the "Company") and Shelley Milano (the "Executive").

WHEREAS, the parties acknowledge that the Executive's employment in her role as Chief Human Resources Officer of L Brands, Inc. has been made redundant due to a corporate restructuring and, as such, the Executive is immediately entitled to her full severance as set forth in her Memorandum regarding Compensation In The Event of Involuntary Termination Other Than For Cause, dated November 2, 2018 ("Memorandum"), but she has agreed to remain employed for a period of time.

NOW, THEREFORE, in consideration of the foregoing, the parties agree as follows:

- a. The Company agrees that if the Executive remains employed until September 30, 2020 and continues to use her best efforts to satisfactorily perform and transition her job duties, to pay the Executive a Retention Bonus in the amount of Seven Hundred Fifty Thousand Dollars (\$750,000.00), less applicable withholdings.
- b. The Executive agrees to use her best efforts to satisfactorily perform her duties. The Executive understands that the Retention Bonus is contingent upon the Executive remaining employed with the Company, satisfactorily performing her duties and complying with the terms of this Agreement.
- c. The parties agree that when her services end, the Executive will receive a separation agreement in the form of the agreement attached hereto as Exhibit A (the "Separation Agreement") and will be eligible to receive the separation pay and benefits outlined in her Memorandum and the Separation Agreement.

/s/ ANDREW MESLOW

Andrew Meslow

VOLUNTARILY AND KNOWINGLY AGREED
AND ACCEPTED AS SPECIFIED ABOVE:

/s/ SHELLEY MILANO

Shelley Milano

Date: 5/29/2020

EXHIBIT A

EXECUTIVE SEPARATION AGREEMENT

THIS AGREEMENT is entered into between L Brands, Inc. (the "Company") and Shelley Milano (the "Executive") (collectively, the "parties").

WHEREAS, the Executive's employment with the Company will end effective _____ (the "Separation Date"); and

WHEREAS, the Executive acknowledges that, except as modified by this Agreement, the Executive is obligated to comply with all of the terms and covenants that are set forth in the Executive's Confidentiality, Non-Competition and Intellectual Property Agreement, which is fully incorporated into this Agreement ("Confidentiality Agreement"); and

WHEREAS, the Company has determined that due to the Executive's intimate knowledge of its business and personnel that it is in the best interest of the Company to secure from the Executive additional covenants.

NOW, THEREFORE, in consideration of the foregoing and the respective agreements of the parties contained herein, the parties agree as follows:

1. Upon the Executive's separation from the Company and subject to the Executive's compliance with the terms and conditions contained in this Agreement, the Company agrees that the Executive is eligible to receive one hundred four (104) weeks of the Executive's weekly base salary, less applicable withholdings ("Separation Pay"). Said payments will be paid through the Company's standard payroll process and will begin on the first pay period following the Separation Date, will be paid to the Executive's estate following the Executive's death during the payment period and will end upon the Executive's receipt or the Executive's estate's receipt of one hundred four (104) weeks of Separation Pay. The Executive agrees to immediately notify _____ upon acceptance of any offer of employment. In addition, the Executive shall receive a lump sum payment in the amount of Seven Hundred Fifty Thousand One Hundred Dollars (\$750,100.00), less applicable withholdings, within 30 days after the Separation Date, in consideration of certain circumstances including the Executive holding the dual role of General Counsel and Chief Human Resources Officer during 2018 and receiving no stock grant in 2015.

2. The Company agrees to provide the Executive with outplacement counseling through Lee Hecht Harrison for a period of six (6) months. The Company will pay Lee Hecht Harrison directly for these services.

3. The Company agrees that if the Executive is currently participating in the Company's medical and/or dental plan (collectively, "Health Plans"), it will continue to provide benefits under the Health Plans to the Executive as if the Executive had continued to be employed by the Company during the period the Company is obligated to pay the Executive Separation Pay under paragraph 1 above; provided, however, such benefits under the Health Plans shall cease eighteen (18) months from the Separation Date. The Executive will be responsible for paying the associate cost for participating in any Health Plans directly to the Company, which will be automatically deducted through the Company's standard payroll process.

4. The Company agrees that the Executive shall receive all monies, rights, or benefits to which the Executive is entitled and/or vested as of the Separation Date under the Company's Deferred Compensation Plans, Savings and Retirement Plans, and Stock Option and Performance Incentive Plan in accordance with the provisions of those plans. With respect to the Company's Performance Incentive Plan, the Company agrees to pay the Executive the Executive's incentive compensation pay-out for Spring/Fall 20____ season, if any, between September/March 1, 20__ and September/March 30/31, 20____; and for the Fall/Spring 20__ season, if any, between March/September 1, 20__ and March/September 31/30, 20____. For each such season, the Executive's incentive compensation payout shall be calculated consistent with the calculation of the incentive compensation payout for executives of the Company employed in a similar executive capacity as the Executive immediately preceding the

Separation Date. Notwithstanding anything in this Agreement to the contrary, the Executive agrees and understands that after the Spring/Fall 20___ season that ends on or about _____, the Executive is not eligible to participate further in the Company's Performance Incentive Plan. For the Executive's restricted stock grants, the Executive will be entitled to a pro rata vesting in accordance with the stock award treatment schedule provided to the Executive. The Executive understands that each plan has restrictions and certain requirements that the Executive must follow in order to receive monies, rights, or benefits under those Plans. The Executive is responsible for following all specified restrictions and requirements.

5. Effective _____ the Company agrees to release the Executive from the non-compete obligations contained in the Executive's Confidentiality Agreement.

6. The Company shall be released from its obligations under paragraphs 1 and 2 of this Agreement if the Executive violates any of the terms and covenants that are set forth herein or in the Executive's Confidentiality Agreement. Further, the Executive agrees to immediately return to the Company all Company-related property and materials in the Executive's possession.

7. The Executive agrees that the sums of money and conditions set forth in paragraphs 1, 2, 3 and 4 represent any and all termination pay, PTO (vested or unvested), back pay, wages, incentive compensation payments, damages (liquidated or unliquidated), benefits, attorneys' fees, costs, interest, or other monies to which the Executive may be entitled from the Company. The Executive also agrees that the sums of money and the conditions set forth in paragraphs 1, 2, 3 and 4 are sufficient consideration for the signing of this Agreement and that the Company is released from any and all obligations under the Confidentiality Agreement.

8. To the extent that any amounts payable under this Agreement are subject to Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), and no exemption or exception applies, payment of such amounts shall be made in accordance with the requirements of Section 409A, including, but not limited to, the requirement that if the Executive is a "specified employee" (as that term is defined in Section 409A and the regulations thereunder), the payment of any such amount (the "Delayed Payments") will not be made until the first day of the seventh month after the month of the Executive's "separation from service" (as that term is defined in Section 409A and the regulations thereunder). Any Delayed Payments that would have been paid during the required delay for a specified employee shall be paid in a lump sum to the Executive with interest calculated thereon based on the prime rate reported in the *Wall Street Journal* on the date the first Delayed Payment was otherwise due, and all other amounts shall then be paid pursuant to the Company's normal payroll process and this Agreement. For purposes of Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. For purposes of any payments to be made or benefits to be provided under this Agreement to which Section 409A applies, the terms "separation" and "termination" and the Separation Date shall have the same meaning as "separation from service" under Section 409A.

Notwithstanding any other provision of this Agreement to the contrary, in the event of any ambiguity in the terms of this Agreement, such term(s) shall be interpreted and at all times administered in a manner that avoids the inclusion of compensation in income under Section 409A, or the payment of increased taxes, excise taxes or other penalties under Section 409A, to the extent possible.

The parties intend this Agreement to be in compliance with, or otherwise exempt from, Section 409A, to the extent possible.

The federal, state, and local income and/or other tax treatment of payments and benefits under this Agreement shall not be, and is not, warranted or guaranteed. Neither the Company, its parent or their subsidiaries, nor their attorneys, or any of their designees, shall be liable for any taxes, penalties, or other monetary amounts owed by the Executive or any other person as a result of any payment under this Agreement.

9. To the fullest extent allowed by law, the Executive acquits, releases and forever discharges the Company, L Brands, Inc., all of their subsidiaries and their past, present and future officers, directors, agents, employees and shareholders, of and from all, and all manner of, actions and causes of action, suits, debts, claims and demands whatsoever, in law or in equity, which the Executive ever had or may now have, with respect to any aspect of employment by, or termination from, the Company and with respect to any other agreement, including but not limited to, any claim under the Age Discrimination in Employment Act (29 U.S.C. §§ 621, et seq.) and any other federal, state, local or common law with respect to age, race, sex, and all other forms of employment discrimination, breach of contract, tort or federal, state and local laws relating to employment and its termination. The Executive expressly acknowledges that this is a general release of all known and unknown claims and represents full understanding of the meaning and import of a general release of all known and unknown claims, and that the Executive is executing this release, intending thereby to be legally bound by its terms, of the Executive's own free will, without promises or threats or the exertion of duress.

Under this release, the Executive does not waive rights or claims that arise after the date the Executive signs this Agreement, nor does it preclude the Executive from submitting any dispute to arbitration pursuant to paragraph 13 for the purpose of enforcing the Executive's rights under this Agreement.

10. The Executive will not disclose (directly or indirectly) to any person or entity, in any manner whatsoever, confidential information concerning any matters affecting or relating to the operations, business or personnel of the Company or any of its affiliated companies except insofar as disclosure is required pursuant to a subpoena and/or in a court, legislative or regulatory proceeding or process. The Executive also agrees not to make any statements, comments or remarks about the Company, its employees or its operations to the media and/or their agents or any vendor of the Company and/or their agents and agrees to direct all contacts from the media with respect to the Executive's separation from the Company, its employees or its operations to Tammy Roberts Myers or her successor. The Executive will not reveal the existence of this Agreement, nor any of its terms, to any person, entity or organization other than the Executive's attorneys, accountants, advisors, spouse or as required by law. The Executive agrees not to make any disparaging remarks about the Company or its employees, current or former, or otherwise attempt to influence any person, corporation, agency or entity not to do business with the Company.

11. Notwithstanding anything to the contrary contained in this Agreement, nothing herein prohibits or restricts the Executive from filing a charge or complaint with, participating in an investigation with, or reporting possible violations of federal or state law or regulations to: the U.S. Equal Employment Opportunity Commission or any state or local fair employment practices agency; the National Labor Relations Board; the Occupational Safety and Health Administration; the Securities and Exchange Commission; the U.S. Department of Justice; or any other federal, state, or local law enforcement agency.

12. The Executive agrees to fully assist and cooperate with the Company with any and all disputes, lawsuits, claims or proceedings about which the Executive has knowledge or information through the Executive's employment with the Company. This cooperation includes but is not limited to being reasonably accessible to consult with the Company and/or its counsel, attend meetings, review documents, prepare for and attend depositions, hearings or trials without the need for subpoenas, provide any documents in the Executive's possession that relate to the proceeding and provide assistance in obtaining or finding such documents. For any such assistance the Company agrees to provide the Executive with reasonable reimbursement for expenses. The Executive further recognizes a duty and obligation to preserve all attorney-client confidences learned within the Executive's employment with the Company and acknowledges that the Company will not waive its attorney-client privilege with respect to such confidences.

13. If the Executive or Company contends that the provisions of this Agreement are not being complied with, written notice of alleged non-compliance shall be given to the other party within twenty (20) calendar days of knowledge of the alleged non-compliance. Such notice must be either hand delivered or received by mail on or before said 20th day. The party receiving such notice shall have ten (10) business days from receipt of such written notice to resolve the alleged non-compliance through

mutual efforts at conciliation. The parties may mutually agree in writing upon additional time to endeavor to resolve the alleged non-compliance. In the event that conciliation fails within the time set forth above, with the exception of a claim for injunctive relief, the parties agree to the submission of the dispute(s) to a mutually agreeable arbitrator whose award shall be accepted as final and binding upon the parties. If the parties are unable to agree upon an arbitrator, one shall be selected pursuant to American Arbitration Association's Employment Arbitration Rules then in effect. The arbitration shall be held in Columbus, Ohio and the parties shall treat the arbitration proceedings as completely confidential. Except as otherwise agreed, the dispute(s) must be presented, upon the request of either party, to the arbitrator within twenty (20) calendar days from the date of the failure of conciliation, as set forth above, and the arbitrator must issue a decision within twenty (20) calendar days thereafter. Prior to making any request for arbitration, the party requesting arbitration shall certify to the other in writing that the request is well founded both in law and in fact. In the event of arbitration instituted under this Agreement, the parties shall be equally responsible for payment of the arbitrator's fees. In any arbitration instituted under this Agreement, the arbitrator shall have the authority to award any and all other appropriate damages. This Agreement to arbitrate may be compelled under the Ohio or Federal Arbitration Act.

The interpretation and enforcement of this Agreement shall be governed by the internal laws and judicial decisions of the State of Ohio, without regard to any principles of conflicts of laws.

14. The Executive has twenty-one (21) days from date of receipt to sign this Agreement. The Executive understands and is advised to discuss any concerns with an attorney before executing this Agreement. After signing this Agreement, the Executive has seven (7) days to revoke the Agreement. The parties agree that the Executive must clearly communicate any decision to revoke to _____ within the seven-day period.

15. This Agreement may not be changed orally and contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, between the Executive and the Company except for the Confidentiality Agreement previously incorporated by reference. If any term or provision of this Agreement or the application thereof to any person, entity or circumstance shall be invalid or unenforceable, the remainder of this Agreement shall be unaffected thereby and each remaining term or provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

WHEREFORE, the parties hereto have read all of the foregoing, understand the same, have had an opportunity to review it with legal counsel, if any, and agree to all of the provisions contained herein.

For Company:

By: /s/ ANDREW MESLOW
Andrew Meslow
Its: Chief Executive Officer

Date: 5/29/20

Given to the Executive on:

Date: 5/29/2020

VOLUNTARILY AND KNOWINGLY
AGREED AND ACCEPTED AS
SPECIFIED ABOVE:

/s/ SHELLEY MILANO
Shelley Milano
Date: 5/29/2020

June 3, 2020

To the Board of Directors and Shareholders
of L Brands, Inc.:

We are aware of the incorporation by reference in the following Registration Statements of L Brands, Inc.:

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

of our report dated June 3, 2020 relating to the unaudited consolidated interim financial statements of L Brands, Inc. that are included in its Form 10-Q for the quarter ended May 2, 2020.

/s/ Ernst & Young LLP

Grandview Heights, Ohio

List of Guarantor Subsidiaries

The 2021 Notes, 2022 Notes, 2023 Notes, 2027 Notes, 2028 Notes, 2029 Notes, 2035 Notes and 2036 Notes are jointly and severally guaranteed on a full and unconditional basis by L Brands, Inc. (incorporated in Delaware) and the following 100% owned subsidiaries of L Brands, Inc. as of May 2, 2020:

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

Section 302 Certification

I, Andrew M. Meslow, certify that:

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

/s/ ANDREW M. MESLOW

Andrew M. Meslow
Chief Executive Officer

Date: June 3, 2020

Section 302 Certification

I, Stuart B. Burgdoerfer, certify that:

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

/s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer
Executive Vice President and
Chief Financial Officer

Date: June 3, 2020

Section 906 Certification

Andrew M. Meslow, the Chief Executive Officer, and Stuart B. Burgdoerfer, the Executive Vice President and Chief Financial Officer, of L Brands, Inc. (the "Company"), each certifies that, to the best of his knowledge:

- (i) the Quarterly Report of the Company on Form 10-Q dated June 3, 2020 for the period ending May 2, 2020 (the "Form 10-Q"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANDREW M. MESLOW

Andrew M. Meslow
Chief Executive Officer

/s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer
Executive Vice President and Chief Financial Officer

Date: June 3, 2020