FLASH REPORT

Limitedbrands (LB) 4Q15 RESULTS: BEATS FORECASTS, OUTLOOK BELOW CONSENSUS

- **L Brands reported 4Q15 revenue of $4.40 billion, up 8.1% year over year and slightly above the consensus estimate of $4.37 billion.**
- **The company reported EPS of $2.15 for the quarter, up 13.7% year over year and beating the consensus estimate of $2.05. Guidance called for EPS of $2.05. The upside was driven by sales at Victoria's Secret and Bath & Body Works, which were up 8.6% and 6.7%, respectively.**
- **The company provided diluted EPS guidance for 2016 of $3.90–$4.10, below the consensus estimate of $4.19. L Brands expects 1Q16 diluted EPS of $0.50–$0.55, short of the $0.65 consensus estimate. Forecasts include negative impacts related to foreign currency exchange rates.**

Figure 1. L Brands Key Metrics

	4Q15	4Q14	YoY Change
Revenue (USD Bil.)	$4.4	$4.1	8.1%
Gross Margin	45.6%	45.1%	47 b.p.
SG&A/Sales	21.0%	21.6%	(54) b.p.
Operating Margin	24.5%	23.5%	100 b.p.
EPS (USD)	$2.15	$1.89	13.7%

Source: Company reports

L Brands reported solid 4Q15 revenue of $4.40 billion, up 8.1% year over year and slightly above the consensus estimate of $4.37 billion.

Victoria's Secret recorded sales of $2.1 billion, up 8.6% from the year-ago quarter. Comparable store sales were up 5%. Bath & Body Works sales increased by 6.7%, to $1.3 billion, year over year. Comparable store sales were up 6%. Victoria's Secret and Bath & Body Works International sales grew by 6.4%, to $112 million. Overall, L Brands recorded comparable store sales growth of 6% for the quarter, beating the consensus estimate of 5%.

2015 RESULTS

For 2015, L Brands reported that total sales increased by 6%, to $12.2 billion. Victoria's Secret net sales were flat at $7.7 billion. Bath & Body Works sales were up 7.1%, to $3.6 billion. Victoria's Secret and Bath & Body Works International led growth, with sales increasing by 14.7%, to $385 million. Overall, comparable store sales for L Brands increased by 5%. Diluted EPS was $4.22, up by 20.6%, compared to $3.50 in 2014.

GUIDANCE

L Brands expects 1Q16 EPS of $0.50–$0.55, short of the $0.65 consensus estimate.

For the first quarter, the consensus estimate calls for comps to rise by 3.1%, with Victoria's Secret comps increasing by 3.0% and Bath & Body Works comps increasing by 3.7%. Revenue is expected to increase by 6% year over year, to $2.67 billion, according to the consensus estimate.

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The company expects to report a mid-single-digit increase in February comparable store sales, versus analysts' expectations of a low-single-digit increase, reflecting a mid-single-digit increase at both Victoria's Secret and Bath & Body Works. Starting in February, direct sales will be included in comparable sales reports.

For 2016, L Brands expects EPS of $3.90–$4.10, short of the consensus estimate of $4.19.

Forecasts include negative impacts related to foreign currency exchange rates.

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