

THE WALL STREET JOURNAL.

BUSINESS

L Brands Picks Chief for Victoria's Secret Lingerie

John Mehas succeeds Jan Singer who resigned last week



PHOTO: THOMAS PETER/REUTERS

By Khadeeja Safdar and Maria Armental

Updated Nov. 19, 2018 5:26 p.m. ET

L Brands Inc., Trying to revamp business at its flagship Victoria's Secret chain, on Monday said it is halving its annual dividend and hiring a Tory Burch executive to lead the lingerie division.

The retailer, which is on track to report its third consecutive annual profit decline, said it plans to cut its annual payout to \$1.20 a share, starting with the March payout. The move will save about \$325 million in cash.

The company said John Mehas will be joining Victoria's Secret early next year to succeed Jan Singer, who resigned last week. Mr. Mehas currently serves as president of Tory Burch and previously led Club Monaco.

In an earnings commentary, the company attributed the weak performance at Victoria's Secret to a "poor assortment" and at its PINK brand to "fashion errors in loungewear." Customers are responding better to new bras and sleepwear at Victoria's Secret, the company said.

Comparable sales at Victoria's Secret, which include digital and same-store sales, fell 2% in the third quarter. Still, that was better than analysts' projected 2.3% decline, according to FactSet data.

The unit accounted for \$1.53 billion of L Brands' total quarterly sales of \$2.77 billion. Much of the rest comes from Bath & Body Works, whose sales have fared better. In the third quarter, Bath & Body Works' comparable sales rose 13% from a year ago.

For 2018, the company said square footage at Victoria's Secret in North America will decline about 1% and increase about 3% at Bath & Body Works, yielding a total company increase of about 1%.

Victoria's Secret has generated years of growth with images of busty supermodels and padded bras retailing at prices topping \$50, but new competitors have moved into the category with alternative styles and messages. Many of them are gaining traction by emphasizing more sizing options and advertising that includes different body types.

L Brands's founder, longtime chairman and chief executive, Leslie Wexner, took charge of Victoria's Secret more than two years ago and made big moves. He changed leadership, shifted away from catalog mailings, exited the swimsuit business and doubled down on sports bras to address the rise of the so-called athleisure trend.

Despite the changes, Victoria's Secret remains married to its traditional sex-infused marketing and continues to emphasize its store fleet, largely in malls across the country. In an interview last year with The Wall Street Journal, Mr. Wexner defended his focus on malls.

Since Victoria's Secret has continued to struggle, Mr. Wexner has been pruning his portfolio of brands, announcing plans to close the Henri Bendel handbag business after the holidays and explore strategic alternatives for intimate-apparel chain La Senza.

Overall, for the 13 weeks ended Nov. 3, L Brands reported a loss of \$42.8 million, or 16 cents a share, compared with a year earlier profit of \$86 million, or 30 cents a share.

The company took an \$80.9 million charge related to the impairment of some Victoria Secrets stores and a \$20.3 million charge related to Henri Bendel's closing. Excluding these items, L Brands said it had an adjusted profit of 16 cents a share.

Copyright ©2017 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.