S&P Global
Market Intelligence

Bath & Body Works, Inc. NYSE:BBWI

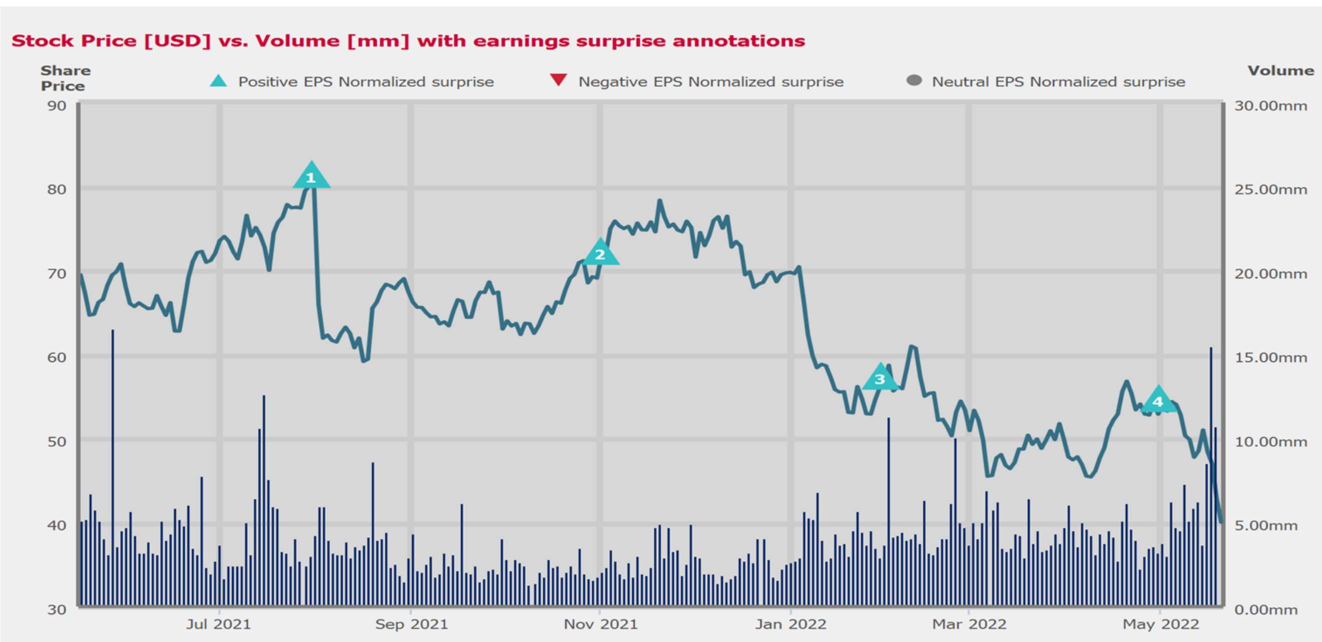
FQ1 2023 Earnings Call Transcripts

Thursday, May 19, 2022 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2023-			-FQ2 2023-	-FY 2023-	-FY 2024-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.52	0.64	▲23.08	0.63	4.08	NA
Revenue (mm)	1442.77	1449.91	▲0.49	1732.94	8075.37	NA

Currency: USD
Consensus as of May-20-2022 10:50 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2022	0.77	1.34	▲1 74.03 %
FQ3 2022	0.61	0.92	▲2 50.82 %
FQ4 2022	2.27	2.30	▲3 1.32 %
FQ1 2023	0.52	0.64	▲4 23.08 %

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EXECUTIVES

Julie B. Rosen
President

Sarah Elizabeth Nash
Interim CEO & Executive Chairman

Wendy C. Arlin
Executive VP & CFO

ANALYSTS

Alexandra Ann Straton
Morgan Stanley, Research Division

Grace Marie Melvin Menk
Jefferies LLC, Research Division

Irwin Bernard Boruchow
Wells Fargo Securities, LLC, Research Division

Janet Joseph Kloppenburg
JJK Research Associates, Inc.

Jungwon Kim
Cowen and Company, LLC, Research Division

Lorraine Corrine Maikis Hutchinson
BofA Securities, Research Division

Matthew Robert Boss
JPMorgan Chase & Co, Research Division

Simeon Avram Siegel
BMO Capital Markets Equity Research

Presentation

Operator

Good morning. My name is Madison, and I will be your conference operator today. At this time, I would like to welcome everyone to the Bath & Body Works First Quarter 2022 Earnings Conference Call. Please be advised that today's conference is being recorded. [Operator Instructions]

I would now like to turn the call over to Ms. Wendy Arlin, Chief Financial Officer at Bath & Body Works. Wendy, you may begin.

Wendy C. Arlin
Executive VP & CFO

Thank you. Good morning, and welcome to Bath & Body Works First Quarter Earnings Conference Call for the period ended April 30, 2022. As a matter of formality, I need to remind you that any forward-looking statements we may make today are subject to our safe harbor statements found in our SEC filings and in our press releases.

Joining me on the call today are Executive Chair of the Board and Interim CEO, Sarah Nash; and Brand President, Julie Rosen. All results we discuss on the call today are adjusted results and exclude the significant items as described in our press release. All results we discuss today represent the continuing operations of the Bath & Body Works business as the spun off Victoria's Secret business has been classified as discontinued operations.

I'll now turn the call over to Sarah.

Sarah Elizabeth Nash
Interim CEO & Executive Chairman

Thanks, Wendy, and thank you, everyone, for joining the call today. I am delighted to be here speaking with all of you and serving as the company's interim CEO. Bath & Body Works is an incredible company with a customer-first focus, along with strong product innovation and development capabilities that include a mostly North American and highly agile supply chain.

Our business is very strong. Our execution is excellent, and our strategy of delivering affordable luxuries to our customers is more relevant than ever. We have built on the past 2 years of extraordinary growth with strong momentum as we entered fiscal 2022. We are pleased to have delivered better-than-expected sales and earnings results in the quarter.

Looking ahead in 2022, we are continuing to plan prudently and use our agility to chase winners. We are accelerating investments in the business to drive our long-term growth, while at the same time, our team continues to successfully navigate the inflationary environment. Long term, we continue to see exceptional opportunities to capitalize on Bath & Body Works existing strength and extend the brand's global potential.

Since taking on the role of Executive Chair and earlier this month stepping into the interim CEO role, I have been spending time gaining even deeper knowledge of our team and our capabilities. This is a strong organization, and one that operates with tremendous speed making us nimble and allowing us to deliver products relevant for our customers.

We look forward to speaking with you today about initiatives we have underway or are accelerating, all designed to ensure we continue to advance our customer-centric culture, increase our data analytics across the business and with our 60 million customers and leverage our store and digital capabilities to transform Bath & Body Works to be a true omnichannel business.

Our opportunities are great and we aim to capitalize on them. Our vertically integrated an approximately 85% North America-based supply chain has been a key differentiator for us. It has enabled Bath & Body Works to successfully navigate a dynamic environment and present full and abundant product assortments to our customers with speed and agility. It gives us the flexibility to chase into the upside as well as manage any downside. And you'll hear from Julie Rosen, our Brand President, about an example of a successful change to the upside with our Butterfly launch from the first quarter.

On a broader level, our ability to leverage our relationships with the world's preeminent fragrance houses, our manufacturing partners and our raw material suppliers, along with our world-class logistics enables us to achieve best-in-class innovation and manufacturing. And this allows us to deliver to our customers what they want, fashion, trends and newness in fragrance, forms and packaging that bring them to delight at an accessible price.

We remain highly focused on innovation, and our product pipeline is full. We have an ability to develop and launch products within 12 to 14 months, which is also best-in-class for an innovator in the scented personal care sector. With our pipeline, we are launching new fragrances and products every 4 to 6 weeks, and expect to maintain this pace going forward.

Importantly, we are also focused on new business opportunities and the acceleration of new product lines for personal care and home, leveraging our stores and digital presence to test and launch these new lines. In addition to hair and face, men's is a big priority. This business delivered close to $400 million in net sales in 2021, and we expect can more than double its size over time.

We continue to lead the market in many of our categories with multiple #1 product forms. The beauty, personal care and home fragrance markets continue to be strong and growing. Our growth strategies will continue to leverage and expand on our fragrance first leadership. And we also plan to explore expansion into other related categories as well as dive deeper into looking into new geographic markets.

In short, and as I said at the start, Bath & Body Works has exceptional opportunities to leverage our existing strength and extend the brand's global potential.

Before I turn the call over to Wendy and Julie to speak about our first quarter performance, I'd also like to take this opportunity to touch briefly on our approach to environmental, social and governance matters, all of which are also core to the company and how we operate.

We have always been deeply committed to delivering high-quality products. The company has had a long-standing commitment not to test on animals, and this continues. In addition, we have always included ingredients that are important to our customers, building on that strong foundation, we are now reformulating several products to exclude ingredients such as parabens, sulfates and dyes. This will be an ongoing focus for us and customers will see more and more mention of these changes on product labels and in our marketing as we continue to evolve.

We completed a restage in aroma therapy at the end of February with a new packaging and formulation made without parabens, sulfates or artificial dyes without compromising our Fragrance authority. The packaging is now in better for the earth or PCR materials.

We have also begun the process of reformulating fragrant body care. Select fragrances and forms launched with new formulation in the first quarter, and we will continue to expand in the second quarter. By the end of 2022, we expect 35% of our assortment to be reformulated in this effort.

Beyond the products themselves, we are also continuing to migrate to PCR packaging for soaps, sanitizers, body care and aroma therapy with a target to expand to 45% of our assortment by year-end. As we migrate to PCR packaging, our bottles will be made with 50% better for earth materials with the goal to eventually get to 100%. We will also continue to focus on diversity and inclusion. Our DE&I efforts are broad and start at the top.

Earlier this year, the Board of Directors amended the charter of the Nominating and Governance Committee to include a commitment to have at least 50% of the Board be diverse and to provide that the initial pool of candidates for any Board vacancy will consist of at least 1 woman and 1 person of color. With the recent appointment of 2 new Board members, 4 of our directors are women. Four of our directors are people of color and 1 of our directors is a member of the LGBTQIA+ community.

We're applying the same commitment and actions to our hiring throughout the organization, and we are making sure that associates, particularly our diverse associates feel welcome, heard and invested in. We now have 8 inclusion resource groups that cultivate an inclusive environment, provide professional development, shape the culture of our company and actively encourage community volunteerism.

I want to thank our associates who worked so hard to create the best possible experience for our customers. I have been consistently impressed by the terrific talent we have within the company. We have a fantastic balance of long tenured associates as well as new associates that bring fresh perspective to the business. It is thanks to our dedicated and committed team that following on the last 2 years of extraordinary growth, the company started the year continuing our momentum and achieving better-than-expected sales and earnings results. Wendy?

Wendy C. Arlin
Executive VP & CFO

Thank you, Sarah. I will be providing financial highlights, but I encourage you to review our slides, posted remarks, and press release, which each contain additional details. We exceeded our sales and earnings guidance for the first quarter, as Sarah noted. In the quarter, we increased net sales by 2%, excluding the estimated first quarter 2021 sales benefit of $50 million related to government stimulus payments. The company's net sales in the first quarter of '22 is on top of 53% net sales growth between fiscal 2019 and fiscal 2021. We are confident in our ability to maintain and grow sales and our customer file over time.

In the United States and Canadian stores, first quarter sales were $1.059 billion, an increase of 1% compared to last year. First quarter direct net sales were $317.5 million, a decrease of 9% compared to last year. The decline is partially due to last year's strong results, as well as our customers utilizing our convenient, omni focused option of buy online, pick up in stores.

We ended the first quarter with FOCUS availability in over 700 stores. We plan to fully roll out BOPIS availability during the course of the year with the goal to be in approximately 75% of our store fleet by fall. We are excited about the role of BOPIS as it drives customer engagement and traffic to our stores.

Our international business, which is a key opportunity for us, continues to drive strong growth for our business.

Looking ahead, in 2022, we are accelerating investments in capabilities in the business to support long-term growth. And there are also macro factors such as inflation that will impact our results. These investments and macro pressures, which we outlined in detail in our commentary released yesterday, could cause this year to vary from our 3- to 5-year growth algorithm. However, we remain committed to that algorithm, including targeted sales growth and profitability.

We, like many other companies, are continuing to experience increased costs in raw materials, transportation and wage rates. We are forecasting incremental pressure versus our initial estimate, and we now estimate that our full year inflation impact could range between $225 million and $250 million or about $75 million higher than our initial estimate. Our speed and agility enables us to manage pricing and promotional activity to maximize margin dollars.

We continue to invest in the customer experience and have been piloting our customer loyalty program. based on encouraging results we have decided to accelerate the rollout of the program to August. Our loyalty members have higher spend and retention rates than our average customer. Thus, we expect that the loyalty program will drive sales and customer retention, deepening our relationships with our customers over the long term.

Equally as important, we believe that over time, our loyalty program will further increase data-driven analytics and marketing, which will support personalized communications and offers.

As we discussed last quarter, we are also investing to establish separate IT capabilities for the Bath & Body Works business. We recently decided to accelerate this work, hiring Accenture to assist us, and we now expect that the separation component of the project to predominantly be completed by next year.

Completing separation on this accelerated basis will, in turn, enable us to more quickly build additional technology capabilities to support long-term growth. We are excited to work with Accenture to not only complete our IT separation, but also to truly transform into a data-driven organization, which will allow us to further strengthen our customer connection and capture new market opportunities.

For the second quarter of 2022, we expect sales to be up in the low single-digit range compared to the prior year, consistent with our first quarter trend, excluding the stimulus benefit from last year. We are forecasting second quarter earnings from continuing operations to be between $0.60 and $0.65 per share compared to $0.77 last year.

For the full year, we are forecasting sales to be up low single digits compared to 2021. We are also forecasting full year earnings per share to be between $3.80 and $4.15 compared to the $4.51 in the prior year. The company is committed to managing and forecasting the business prudently.

Thank you. And now I will turn the call over to Julie.

Julie B. Rosen
President

Thank you, Wendy. I'd like to touch on a few merchandising highlights. First, our single fragrance launch in the quarter, Butterfly, was a huge success. Highly inspired by the women in our lives, we wanted to celebrate International Women's Day, Women's History Month, and Mother's Day. This fragrance was created for women by a woman. Master perfumer, Honorine Blanc, is a highly regarded female in fragrance.

As with any new fragrance product, launches are customer tested for initial smelling and wear. We leveraged the results and the customer debate to make the final fragrance decisions and are constantly listening to customers and applying feedback to our existing strategies for upcoming product launches.

For Butterfly, we worked across our fragrance teams, concept and design, MP&A and supply chain, customer insights, marketing and PR and fields and customers to promote and build demand through impactful marketing, a social push and in-store and online preview. Meeting our customers multiple mindsets each season and putting them at the center of everything that we do is what sets us apart. We not only test fragrance with customers, we also test the packaging with both customers and associates.

For Butterfly, we also launched this early in a small group of stores, which, along with our nimble supply chain allowed us to read feedback, react and read order as soon as the products hit all stores. I'd also like to note again that our new product launch time line of 12 to 14 months is best-in-class in the industry, and Butterfly is an excellent example of our capabilities.

It was our largest spring season cross-category launch across Body & Home. Butterfly was the #1 fragrance for the total company in April, and it was also the #1 fragrance in all forms in the week of launch.

I'd also like to highlight the repackaging of our most beloved fragrance, Japanese Cherry Blossom, in the first quarter. Japanese Cherry Blossom was recognized in March by Women's Wear Daily as one of the top fragrances of all time, what a huge honor. Japanese Cherry Blossom was launched in 2006, and this was the fifth time we updated the packaging to make it more modern and aesthetically pleasing. Current customers look forward to buying their favorite fragrances and updated packaging and the new modern design entice new customers to buy as well. This has been a winning strategy for us as Japanese Cherry Blossom continues to be a top 10 fragrance for us.

Additionally, as we discussed last quarter, we've established a separate and dedicated team focused on innovating into new categories and businesses, and we are pleased with the team's continued progress. As part of their efforts, we continue to explore and test new and next product ideas. We plan to test a new personal care line, including safe care and hair care in the back half of this year, which Sarah mentioned. We have additional tests planned both in home and body in 2023. We're very excited to launch, test and learn on these growth opportunities, and our omnichannel model positions us well to do this.

And finally, I'd like to touch on the reformulations that Sarah mentioned earlier. We have been diligently working on taking parabens, sulfates and dyes out of our formulas and expect to be 35% complete by the end of the year. We're focusing on the forms that go directly on your body first.

In closing, we continue to focus on maximizing our performance by leveraging the strength of our brands, maintaining close connections to our customers and delivering compelling products and experiences at a great value. Wendy?

Wendy C. Arlin
Executive VP & CFO
Thanks, Julie. That concludes our prepared comments. At this time, we'd be happy to take any questions you might have. We plan on going to about 9:45 this morning. In the interest of time and consideration to others, please limit yourself to one question. Madison, I'll turn it over to you.

Question and Answer

Operator

[Operator Instructions] Our first question comes Ike Boruchow from Wells Fargo.

Irwin Bernard Boruchow
Wells Fargo Securities, LLC, Research Division

Wendy, just 2 quick ones for you on the expense line. On the tech spend, so $25 million higher that you're pulling forward, $100 million total. What is the tech spend that you guys have? Just remind us what's laid out for next year to kind of complete that transition? And then on the other side of the cost, the CEO transition costs and retention, I think that is around $50 million, if I'm doing the math right. Can you just explain what exactly that -- those dollars are basically being allocated to just so we know what the rationale is behind that $50 million?

Wendy C. Arlin
Executive VP & CFO

Sure. Thanks, Ike. So on the technology spend, as you mentioned, we are pulling forward about $25 million into this year as we accelerate the work to get separated and move on to transformation. So what I would say is that $25 million acceleration will really benefit 2024 as we go forward since we're pulling it out -- we're making that project go faster.

I would anticipate technology spend will normalize in the out years as a percentage of sales as we go into 2023 and 2024.

In terms of the spend on the transition or leadership and retention items, I would tell you, it breaks down. The biggest piece of it is retention that we're investing in our associates to make sure that we've got a solid team as we go forth through 2022 and 2023. The rest also relates to other items, including share-based compensation, search fees, et cetera. We'll 'take the next question. Go ahead. Sorry.

Irwin Bernard Boruchow
Wells Fargo Securities, LLC, Research Division

No, I was -- just sorry, a quick follow-up on the tech spend for next year. Is it $100 million again? Or is it less than $100 million? I'm just trying to see if there's a net benefit on the cost side from net spend next year.

Wendy C. Arlin
Executive VP & CFO

We think tech spend next year will be roughly flat to what it is this year.

Operator

Our next question comes from Kimberly Greenberger from Morgan Stanley.

Alexandra Ann Straton
Morgan Stanley, Research Division

Great. This is Alex Straton on for Kimberly Greenberger. I just wanted to dig a little bit into where you guys are strategically raising prices across the assortment and the thought process on how you guys assess if it makes sense as well as kind of how you guys are thinking about promotional activity being down this quarter and then how it will evolve through the rest of the year?

Wendy C. Arlin
Executive VP & CFO

Sure. I think, Alex, I'll take the question and then I'll turn it over to Julie, maybe for some color or commentary. So in terms of pricing, pricing is something that we are continuously testing in this business. One of the advantages of our business is that we have a very robust testing program, a very consistent testing agenda. Every weekend, we're out in our stores, testing different pricing. And what that enables us to do is it enables us to see how our customer responds to certain pricing offers. And our pricing really is a component of 2 things. We have ticket, and then we also have our sharp price points or multiple deals that we're running any given day.

So we use that testing to look at both of those factors and at the end of the day, give our customer offers that they respond to, but also maximize our margin dollars at the same time. As we look forward to Q2 and promotional approach, we are seeing the customer respond favorably right now to very sharp price points. And so we've incorporated that into our second quarter guidance. We've got AURs planned down slightly year-over-year in the second quarter, and we're really doing that to resonate with our consumer when the consumer is feeling a little pressure right now. Julie, anything else you want to add?

Julie B. Rosen
President

Yes. I mean I agree with Wendy. We are constantly testing and reading and reacting to those tests. I think that any time we invest in products, we're always looking at pricing. So as we're reformulating our formulas to be better for you, we will be taking those forms up $1 as they enter into our store.

I think a great example is Wallflowers. So Wallflowers had a really great quarter. They continue to have great momentum. We launched our new scent control heaters, which have high, medium and low settings, and they performed well above expectations. Our customers have been asking for this feature, and we've really been working hard on delivering those in stores.

I think what this shows, this product is a great example of our customer is smart and they understand the price value equation of our products and spending $12.50 for the scent control heater didn't even deter them at all from buying it. So not only were the scent control heaters doing well, but our decorative heaters, which are also at times higher-priced heaters. So again, as long as we have the right price value equation, they're very smart, and they go along with us.

Operator

Our next question comes from Lorraine Hutchinson from Bank of America.

Lorraine Corrine Maikis Hutchinson
BofA Securities, Research Division

You mentioned in the prepared comments that you've committed to the profitability algorithm. Can you talk about what are the best opportunities to get back to that low to mid-20s EBIT margin goal?

Wendy C. Arlin
Executive VP & CFO

Sure. Yes. So our -- as you mentioned, our profitability algorithm is low to mid-20s in terms of EBIT percentage. There's obviously lots of levers that we have that enable us to push towards the higher end. The first is, obviously, we want to continue to grow sales. And as we continue to grow sales, we should get leverage in the business and we'll experience that over time. As we've laid out in our sales growth algorithm, we see future growth in all components of our business.

So we see in our store channel through both organic comp growth and square footage growth. We see growth in the direct channel in the future. And we're also very excited about growth opportunity in the international business. And all 3 of those channels are consistent with our overall EBIT percent target that I just mentioned. So in other words, none of those channels hurt us in terms of maintaining that overall profitability rate.

The other thing that it's an important lever for us to pull as Julie just mentioned and I mentioned, we're always continuously looking at pricing. And we have discovered our customer is willing to pay higher prices when we deliver quality. And we'll continue to test and learn and see what pricing is appropriate and try to increase pricing over time. So those are probably the biggest levers that we have to continue to emphasize our long-term profitability growth algorithm.

Operator

Our next question comes from Stephanie Wissink from Jefferies.

Grace Marie Melvin Menk
Jefferies LLC, Research Division

This is Grace Menk on for Steph. I'm wondering if you could highlight how you're using inventory levels to manage risk and opportunity in the business.

Wendy C. Arlin
Executive VP & CFO

Great. So as we said in our prepared remarks, at the end of Q2, our forecasted inventory levels are higher than they would normally be in any given second quarter. And that was a strategic planned thoughtful decision. And the biggest thing to go that went behind that is we wanted to pull some production into the second quarter to make sure that we mitigated any risk of disruption and also to make sure that by having some of our core production pull forward, our supply chain will have more agility going into the holiday period for us to read, react and chase into winners.

So by making that planned decision, we've freed up flexibility and agility in the holiday period. So when we see what the customer wants, we can chase into it and develop or chase into more winners. So that was our strategy behind our inventory.

Julie B. Rosen
President

Yes. And just to add to that, Wendy, this read and react is a competitive advantage for us. It's something that we can do that nobody else really can do. So we were able, in this last quarter, to read and react and order about 10% of our total production on this 4- to 6-week chase time line. And that is a strategy that we will continue to use throughout the end of the year. I think a couple of things. What that does for us is it ensures that we are in the product that the customer loves the most. So we're really going after the winners.

So Butterfly, as Sarah and I both talked about, was a great example of delivering early, reacting and getting back into many units across all categories. I think another area that we had great success, which we haven't really talked about was our tropical collection. Really, it hit on the mindset that was transported and our customer in March was ready to be transported. And we had an outlier fragrance, Pink Pineapple Sunrise, that was a runaway hit, and we immediately reacted and got into that. So we are very adept at being flexible and fluid and getting in and out of what is and isn't working, and that's a winning formula for us.

Operator

Our next question comes from Simeon Siegel from BMO Capital Markets.

Simeon Avram Siegel
BMO Capital Markets Equity Research

Wendy, if I'm not misreading it, and I might be, it looks like inventory dollars may have come in lower than guidance, but the units were in line. So I'm just wondering, is that a mix component or did inflation actually come in better than expected this quarter? And then just maybe for context, any way to think about the 350 bps inflationary impact broken down into raw material costs versus higher transportation? And then maybe the same question go forward, just how you're thinking about the -- for the rest of the year, I mean raw materials versus supply chain pressure and transportation.

Wendy C. Arlin
Executive VP & CFO

I think I got all that, Simeon, but you're probably going to have to repeat some of it. So in terms of inventory, if there wasn't any major call out. A lot of it was just -- it was components coming in a little bit favorable than what we expected because some of that's in transit. And at the end of the day, it was just a little bit better than forecast. No major call-outs on the variants to our initial call out on Q1 inventory.

In terms of inflation, transportation, that subject, we did mention that we are continuing to see pressure in inflation. We quantified approximately $75 million of incremental. As we look at around the $250 million of inflation, about just under half of it is raw materials. And I know we talked about this in the last call, but we continue to see pressure on all of our raw material inputs. And then about 40% of that is transportation.

So we are seeing incremental pressure in transportation. A lot of the increment in the first quarter is due to higher fuel and the impact that that's having on our transportation charges. And then the balance of that $250 million after raw materials and transportation is wage rates in our fulfillment centers and our distribution centers. Simeon, did that cover your question?

Simeon Avram Siegel

BMO Capital Markets Equity Research

Perfect. Yes.

Operator

Our next question comes from Jonna Kim from Cowen.

Jungwon Kim
Cowen and Company, LLC, Research Division

Just curious if you can elaborate a little bit on the color of the consumer. I know you said they're reacting to sharp price points, but have you seen any sort of pullback in the units they're purchasing? And also internationally, you're seeing some growth there. But any region that is notable in terms of any shift in demand, that would be helpful.

Wendy C. Arlin
Executive VP & CFO

Okay. First, we're going to go to Sarah and then Julie can add on. Sarah?

Sarah Elizabeth Nash
Interim CEO & Executive Chairman

We make a daily use product in the affordable luxury category. Our customer comes to us because she loves our newness. She loves the fun and the exciting experience she gets in the store. And as I said earlier, the health of our customers is very strong. We have held on to our 60 million customers that we have grown to over the last 2 years. Our retention rates are strong at over 60% and our retention rates for our loyal customers in the loyalty program are north of 80%. And that is just in the trial program. So we are definitely delivering through our test, read and reactability, which are most impressive. An ability to bring our customer in at a much lower price point, but have them choose to fill up their basket with other items. So we haven't seen in a strong or a large diminution in the basket at all, just a slight variance.

And you know our customers are across the income bracket. We like to say, we are a merited store for daily use affordable luxury. And I think that's important to remember. And all of that is buttressed by our ability to have a supply chain that can read and react in 3 to 4 weeks that literally is across the street.

Again, 65% is made in Columbus, 85% is made in North America. So as Julie will elaborate, that's what enabled us to chase through millions of units in a highly successful launch of Butterfly across 25 categories. So our customer is loyal, she trusts us, and she's coming in repeatedly to see what's new in our stores. Julie?

Julie B. Rosen
President

Yes. So just to give you a little bit context on unit sales, unit sales were up low single digits. And so just to give you a couple of color areas where we saw this, soap were up against last year. And we were in a much stronger inventory position than we were last year, and we believe the business is starting to stabilize and the customers coming to us. So as Sarah mentioned, we believe that we are a use up business. Our products are meant to be used daily and replenished frequently. And what we're finding is they're coming back to replenish. And when they come to our stores and they come to our site, we are great with conversion.

We also have some great innovations in soaps, and I think that they're responding to that as well. So we have a beautiful innovative tools bottle for our gel soaps in vibrant colors she loves putting them on her counter. They're counter proud. It helps her decorate her house, as well as we are seeing strong acceptance to our foaming core Restage soap.

And the other thing to mention, I know we talked about Wallflowers, but unit sales are up there as well. So we have some outlier categories where we're doing quite well.

Operator

Our next question comes from Matthew Boss from JPMorgan.

Matthew Robert Boss
JPMorgan Chase & Co, Research Division

Great. So Wendy, on the margin side, 2 questions. What is your AUR forecast for the back half of the year relative to the front half and just any drivers supporting it? And then on the expense front, multiyear, is there a base case way to think about SG&A dollar growth relative to revenue growth if we're thinking beyond this year's investment bill?

Wendy C. Arlin
Executive VP & CFO

Sure. So in AUR, so we're thinking for the full year, we'll have AURs about flat which would imply a slight increase in the fall season. And as you know, that's an area where we're extremely agile. We constantly are watching pricing and watching promotions and what works and what doesn't work? And we changed the -- our plans weekly, daily sometimes. And so as we go into the fall season, we will be very, very agile and flexible and approach that with that attitude as we go into the important holiday season. But as of right now, we're planning the full year roughly flat.

In terms of SG&A growth, we tend to -- obviously, our biggest -- about 2/3 of our SG&A is store selling, and so that will flex with sales. And so I think the easiest way to model our store SG&A expenses is really to look at it as a percent, as we grow sales we will try and leverage that over time.

Operator

Our next question comes from Janet Kloppenburg from JJK Research Associates.

Janet Joseph Kloppenburg
JJK Research Associates, Inc.

Sarah, I was wondering, I heard what you said about freight and raising gas prices. I'm just wondering, as we look into the back half, if you look for the increases to moderate, if that's assumed in the guidance, we're getting mix reads, some reporting companies are saying they're looking for freight to moderate in the back half and others are saying that it's not going to moderate at all. In fact, it might be worse.

So I would like to understand what's embedded there for guidance. I'd also like to understand where we are in price increases in terms of what inning we're in, given the fact that while material costs continue to rise.

And hi to Julie, and if Julie you could talk a little bit about the fragrance category. You have tough compares, but the category globally is growing rapidly. And I'm wondering if you see an opportunity for the growth there to continue to be outsized versus the other categories.

Wendy C. Arlin
Executive VP & CFO

Okay. So Janet, to be clear, your first question was on freight?

Janet Joseph Kloppenburg
JJK Research Associates, Inc.

Yes, on freight and transportation, that outlook. As we go through the year, do you expect it to continue to be at the level it was in the first quarter or do you expect it to moderate as we go through, particularly in the back half?

Wendy C. Arlin
Executive VP & CFO

Okay. Great. All right. So I'll take the first 2 parts of your question, and then we'll turn it over to Julie on the fragrance market. So in terms of freight, we have forecasted freight rates based on what we know today. And as I mentioned, of our roughly $250 million of pressure that we've quantified, roughly 4% -- sorry, 40% of that is transportation. And the increases we're feeling are, in particular, in surcharges in our parcel network. So it's based on what we know today. we'll see what happens. If rates change over the course of the year, then those costs will either go up or down, but that is -- our current estimate is assuming the fact that exists today.

In terms of what inning we are in pricing, I would describe our pricing conversations as a baseball game that never ends. So I wouldn't say we're ever in a certain inning. That's something that -- over time, we'll continue to test and expand pricing as appropriate. I mean one data point is that if you compare our overall pricing now to pre-pandemic, our AURs are up over -- well, approximately 20% over that time period. So this is something that we're continually looking at, and that will be part of this business' agenda forever as we continue to do business.

So I'll turn it over to Julie for the overall fragrance.

Julie B. Rosen
President

Janet, it is nice to hear your voice again. So can you just repeat the question because you sort of went out and I want to make sure I'm answering it correctly.

Janet Joseph Kloppenburg
JJK Research Associates, Inc.

Well, I follow a lot of companies in the beauty industry and the fragrance category had very strong growth during COVID, but has been sustaining that growth here in the post-COVID environment. So I'm just wondering if you could talk a little bit about those trends as it pertains to BBW, do you see that opportunity for fragrance to grow as a percentage of the mix? And maybe if you can talk about it margin profile versus company average that would help as well.

Julie B. Rosen
President

Yes. We absolutely are seeing great new learnings in olfactive spaces, which is very exciting. So when we have things like JCB, which we repackaged, which has been with us since 2006, it continues to be a top 10 fragrance. The great thing is we can have something like Butterfly, which is a new olfactive space for us, which was a fruity floral also be in the top 10. The other thing to say is we launched a line of gender-neutral White Barn handle this particular quarter and saw huge success from an olfactive space in Amber and Ooze.

So we are in the process. As always, we test everything. We have a major Ooze test going on right now just to understand how much we can go into that as an olfactive space. We make sure that we're balancing by season, and we're also doing a big test in men. So there is a men's how high is high test, where we're testing 16 fragrances.

So there's a lot going on in fragrance. We know at different times of the year, we need to lean certain ways, Gourmet, Pumpkins in fall, but we're also opening up new spaces, which is very exciting, and it's very exciting that our customers coming along with us.

Wendy C. Arlin
Executive VP & CFO

Thank you, Julie. We are out of time. So this concludes our call this morning. Thank you, everyone, for your continuing interest in Bath & Body Works.

Operator
That concludes today's conference. Thank you for participating. You may disconnect at this time.