S&P Global
Market Intelligence

Bath & Body Works, Inc. NYSE:BBWI

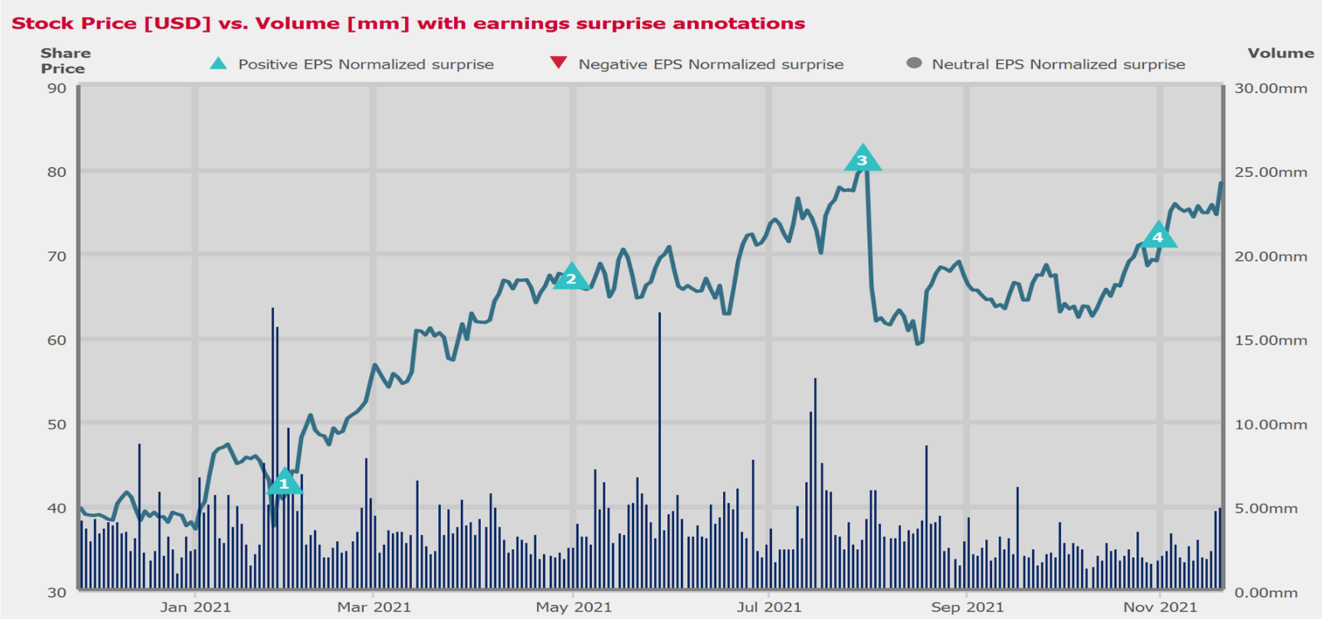
FQ3 2022 Earnings Call Transcripts

Thursday, November 18, 2021 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2022-			-FQ4 2022-	-FY 2022-	-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.61	0.92	▲50.82	2.25	4.54	NA
Revenue (mm)	1611.88	1680.90	▲4.28	2955.72	7827.99	NA

Currency: USD
Consensus as of Nov-19-2021 12:21 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2021	2.98	3.03	▲1 1.68 %
FQ1 2022	1.21	1.25	▲2 3.31 %
FQ2 2022	0.77	1.34	▲3 74.03 %
FQ3 2022	0.61	0.92	▲4 50.82 %

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EXECUTIVES

Amie Preston
Chief Investor Relations Officer

Andrew M. Meslow
CEO & Director

Wendy C. Arlin
Executive VP, CFO & Controller

ANALYSTS

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Jefferies LLC, Research Division

Irwin Bernard Boruchow
Wells Fargo Securities, LLC, Research Division

Jay Daniel Sole
UBS Investment Bank, Research Division

Kimberly Conroy Greenberger
Morgan Stanley, Research Division

Lorraine Corrine Maikis Hutchinson
BofA Securities, Research Division

Marni Shapiro
The Retail Tracker

Matthew Robert Boss
JPMorgan Chase & Co, Research Division

Paul Lawrence Lejuez
Citigroup Inc., Research Division

Roxanne Felice Meyer
MKM Partners LLC, Research Division

Simeon Avram Siegel
BMO Capital Markets Equity Research

Presentation

Operator

Good morning. My name is Julie, and I will be your conference operator today. At this time, I would like to welcome everyone to the Bath & Body Works Third Quarter 2021 Earnings Conference Call. Please be advised that today's conference is being recorded. [Operator Instructions] I will now 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 & Controller

Good morning. Welcome to the Bath & Body Works Third Quarter Earnings Conference Call for the period ending October 31, 2021.

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 statement found in our SEC filings and in our press releases. Joining me on the call today are CEO, Andrew Meslow; and Senior Vice President of Investor Relations, Amie Preston.

All results we discuss on the call today are adjusted results and exclude the third quarter loss on extinguishment of debt in both years as described in our press release. All results we discuss today represent the continuing operations of the Bath & Body Works business as the Victoria's Secret business has been classified as discontinued operations due to its spin-off on August 2, 2021.

Thanks, and now I'll turn the call over to Andrew.

Andrew M. Meslow
CEO & Director

Thanks, Wendy, and good morning, everyone. Turning to our third quarter performance. We delivered strong results, and we could not have done so without the continued hard work and commitment of our associates and partners in stores, distribution and fulfillment centers, call centers, at our vendors and our offices. We'd like to express our deep appreciation for their ongoing dedication and efforts.

We reported adjusted third quarter earnings from continuing operations of $0.92 per share compared to $0.83 per share last year. This result significantly exceeded our third quarter guidance for earnings per share between $0.55 and $0.60. The upside versus our guidance was driven by better-than-forecasted sales and a higher merchandise margin rate.

We continued our strong momentum in the third quarter. Net sales were $1.681 billion, a decline of just 1% versus last year's exceptionally strong results and a 53% increase compared to 2019, which was consistent with the 2-year growth we delivered in the first half of the year.

Performance was strong across all months of the quarter as we saw good customer response to our fall seasonal and Halloween merchandise. We also launched 2 new fragrances in the third quarter, Fairytale and Open Sky, both of which exceeded our expectations.

We are satisfied with our inventory position as we head into holiday. While we are better positioned than most retailers due to our primarily domestic supply chain, we are not immune to challenges. We have proactively managed production and promotions throughout the third quarter and did not experience significant out of stocks. And we do expect our assortments to be full and abundant for holiday. We are partnering closely with our vendors to support production needs in order to continue to meet customer demand.

In terms of our product offering and marketing stories, we invite you to watch a video showcasing our holiday assortment, which we posted to our website this morning.

Inflationary pressures in raw materials, wages, supply chain and transportation costs negatively impacted our third quarter results and will put even more pressure on our fourth quarter as we described in the commentary, which we released yesterday evening. We will continue to proactively manage pricing and promotion with the goal of offsetting as much of this cost pressure as possible.

We are forecasting fourth quarter sales and earnings per share growth over last year and significant growth versus 2019. Specifically, we expect fourth quarter earnings per share between $2.10 and $2.25 compared to earnings per share from continuing operations of $1.96 in 2020 and $1.41 in 2019. And we expect sales growth in the mid- to high single-digit percent range compared to last year.

We are well positioned as we go into the important holiday season and fourth quarter. We have confidence in our merchandise assortments. And although it is very early, customers are responding positively, and quarter-to-date sales are in line with our expectations.

Risks related to COVID persist. And we will continue to operate both of our channels in a safe manner for our customers and our associates. With continued smart and disciplined management of the business, I believe we can deliver a strong holiday and fourth quarter.

Thanks, and now I'll turn it over to Amie Preston.

Amie Preston
Chief Investor Relations Officer
Thanks, Andrew. That concludes our prepared comments. At this time, we'd be happy to take any questions you might have. [Operator Instructions] Thanks, and I'll turn it back over to Julie.

Question and Answer

Operator

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

Irwin Bernard Boruchow
Wells Fargo Securities, LLC, Research Division

Congrats on the sustained growth. I guess, Andrew, I'm sure someone is going to ask this, so I'll just be the one. I mean, your margins were very elevated last year. You guys really were a key beneficiary. But you're really sustaining those levels of profitability in a way that I think most people did not think was likely.

Can you kind of just give us an update? Are we still thinking that this is a low 20s margin business? I mean, you're going to be above the mid-20s this year. Just kind of curious like structurally, how are you seeing things evolve, I would love some higher level perspective from you if that's okay.

Andrew M. Meslow
CEO & Director

Yes, sure. Thanks for the question, Ike. So yes, we've said pretty consistently on earnings calls and in investor meetings that we believe that an operating margin in the low, mid-20 range is appropriate for this business because we think it affords us the right balance of investing in our products, our customer experience, our capabilities while also generating a very high return on sales.

And as we've also talked about, really the driver of the breadth of that range from low to mid is really going to come down to most likely how we're able to maintain the merchandise margin improvement that we've realized here over the last 18 months. And so I would say that our confidence on that from a promotional and pricing power standpoint remains high.

And as we've seen, each of the first 3 quarters of this year, we've been able to keep promotion levels at or below where we were in 2020 and meaningfully below where we were in 2019. And again, that's a combination of all the different levers that we use in terms of more full-price selling, less clearance, fewer days of real power traffic driving promotions, higher prices when we do run promotions, selective, higher tickets and fewer shop-wide discounts.

Really the wild card that's come into play, though, last quarter, Q3 and this coming quarter and forward is going to be around inflationary pressure. And so again, as you look at our margin improvement in Q3 relative to Q2, it was not as much as it was in the first half of the year. And that difference was really about those inflationary pressures.

And again, those are in raw materials. They're in transportation and supplies and in wage rates. And we expect those costs, as we disclosed in our comments, to only go up further in the fourth quarter. So that really is, we believe, more of a short term, on a rolling 12 basis, probably Q3 of '21 through first half of '22, where we start to lap some of those costs.

But as we look beyond that, again, it's going to come down to how much of that merchandise margin pricing power are we able to sustain. And again, as of right now, we're still very confident in our ability to do that. Did I address your question, Ike?

Irwin Bernard Boruchow
Wells Fargo Securities, LLC, Research Division

Yes. Appreciate it.

Andrew M. Meslow
CEO & Director

No, my pleasure.

Amie Preston
Chief Investor Relations Officer

Great. Thanks, Ike.

Operator

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

Lorraine Corrine Maikis Hutchinson
BofA Securities, Research Division

Andrew, can you talk a little bit about some of the pricing actions that you have taken and what the consumer response has been? And then also, if you'll continue to adjust pricing and promotions on a go-forward basis to offset some of these supply chain issues?

Andrew M. Meslow
CEO & Director

Yes. Thanks, Lorraine. So again, as I kind of highlighted there in the prior answer, we have lots of different levers at our disposal around pricing and promotions, including ticket price increases and frequency of promotions and depth of promotions.

On the ticketing front, as we started to get line of sight to what the inflationary pressures were becoming in the end of Q2 and into the back half of the year, we did make select ticket changes. So biggest example would be on our big 3-Wick candle business. We did take the ticket up by $1 there. We also selectively took some tickets up in our body care key forms as well as in some of our wallflower heaters.

More importantly, though, because again, the majority of our sales actually come from everyday promotions, we've also -- based on our testing and our read and react capability, we have been gradually raising the level of promotion prices really across all of our categories here over the last 12 to 18 months.

And that's frankly something that we do every day, that constant test, read, react and make changes to is something we've been doing for years, but honestly, even more important in a time frame like this where we are facing the inflationary pressures. So we continue to do that. We believe we've been successful in that.

We have not seen negative customer reactions to this point in terms of those changes that we've made either to tickets or to promotional levels. And we'll continue to do more of that.

I will say, as we move into the fourth quarter, the reality is that fourth quarter is a much more promotional time frame than the other 3 quarters of the year. We, as a business, rely much more on key promotional days that both drive volume, traffic and customer acquisition.

And so while we will still use that read and react capability that I described, as we head into the fourth quarter, we are expecting a promotional activity more in line with last year, both from a frequency of pricing promotions as well as a depth of pricing promotions. And so that's what our forecast -- that's what is embedded in our forecast.

Amie Preston
Chief Investor Relations Officer

Great. Thanks, Andrew. Thanks, Lorraine.

Operator

Our next question comes from Kimberly Greenberger with Morgan Stanley.

Kimberly Conroy Greenberger
Morgan Stanley, Research Division

Okay. Great. Really nice results here. Andrew, I wanted to ask about the sort of degree of magnitude that you're considering or contemplating for the fourth quarter gross margin.

You talked about having the fourth quarter down compared to last year. If you could just help us understand order of magnitude? And your margins, as I said, have been really outperforming expectations this year. I'm wondering if you can just talk about the puts and takes around your gross margin forecast for the holiday season? And what could cause that gross margin or the overall operating margin in Q4 to come in a bit better than you're currently forecasting?

Amie Preston
Chief Investor Relations Officer

Okay. Kimberly, we're going to go to Wendy.

Wendy C. Arlin
Executive VP, CFO & Controller

Kimberly, so as we look forward to Q4 and our gross margin, as we talked about in our prepared remarks, what's really driving our gross margin down is the pressure coming from inflation that we talked about. So we are forecasting merchandise margin rate to be down significantly as compared to Q4 of last year.

That is being driven by the inflation. Of the inflation we called out, roughly half of it is raw material, and the other part of it being driven by transportation, wage pressures and supplies. But a significant pressure on our AUCs is occurring in Q4.

And that's combined with the fact that on the pricing side, as Andrew said, we're planning to be generally consistent from a promotional strategy in Q4 compared to last year. So you add that up, so to speak, and that's what's driving our gross profit or gross margin rate down significantly and -- in the quarter.

Amie Preston
Chief Investor Relations Officer

And then Andrew, do you want to talk about potential upside to the forecast?

Andrew M. Meslow
CEO & Director

Sure. So again, the opportunity we have from a rate standpoint is really about whether or not we're able to be a little bit less promotional than last year. As I mentioned and Wendy reaffirmed, our current guidance is a very similar approach to last year.

So if we were able to be little bit more aggressive in terms of pricing than that, that could potentially result in some upside. And then the other piece would be if we're able to perform at the high or even higher range of our forecast, obviously, some of the costs are more fixed in magnitude, and so we could get some leverage if we were able to overdeliver on the sales line versus our forecast.

Amie Preston
Chief Investor Relations Officer

Thanks, Kimberly.

Operator

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

Simeon Avram Siegel
BMO Capital Markets Equity Research

Congrats on the ongoing results, really well done. So the AUR is great, feels pretty well understood at this point. I think in the script, you said you saw low double-digit increase in UPTs as well. If I got that right, can you just speak to that growth?

I don't know if there's any new shopping tendencies with higher bundling you're seeing versus pre-COVID, if there's something you think that will last or if there's a onetime COVID lap? So just trying to think about the UPTs going from here.

And then to the last point, if you can speak to the $90 million to $100 million increase in forecasted costs, if you can break that down between raw materials, supply chain and transportation at all, that would be really helpful.

Amie Preston
Chief Investor Relations Officer

Okay. So let's start with Andrew.

Andrew M. Meslow
CEO & Director

Thanks for the question, Simeon. I just want to make sure I understood. The first part, that was specific to the digital business or to the other...

Simeon Avram Siegel
BMO Capital Markets Equity Research

I thought I -- whatever it was, I think you called out a pretty nice [indiscernible].

Amie Preston
Chief Investor Relations Officer

[indiscernible] 2-year.

Andrew M. Meslow
CEO & Director

2-year. Yes. So when we think about the business on a 2-year basis in general, the growth that we've seen in stores has been phenomenal. And really, that started with the reopening trend from last year in the July, August, September time frame. And from there, we saw continued strength through the balance of the year.

So in the third quarter versus 2 years ago, we saw traffic -- we saw traffic up, we saw conversion up versus 2 years ago, and we saw transactions up significantly.

And then to your question, we saw average dollar sale up meaningfully on a 2-year basis. And again, the driver within that is both UPTs and AUR. AUR through some of the pricing and promotional pieces that we were talking about earlier. But on the UPT side, it's really been driven by the continued move of our customer to purchase across multiple categories. And that has been something that we have been, frankly, driving for in terms of how we build our assortments. So we do a lot more cross-category collections now than we did further back in our history. We do a lot more cross-category merchandising both in-stores and online. And we occasionally do cross-category promotions as well.

And so the combination of all of those activities has driven us to see on a multiyear basis, us go from about 55% of our customers purchasing multiple categories 2 years ago to now close to 60% of our customers purchasing across multiple categories. And that, obviously, has a great impact on the UPT and more importantly, on that average dollar sale.

Amie Preston
Chief Investor Relations Officer

Great. And we'll go to Wendy for the question about cost.

Wendy C. Arlin
Executive VP, CFO & Controller

Thanks. On inflation, in terms of the guidance, roughly half of the dollars that we mentioned in our prepared remarks relate to raw materials. So we're seeing pressure throughout the components that we use in our business, including wax and other parts of our product. So that's roughly half. I would say roughly 1/4 or 25% of the pressure we're seeing is in transportation. So that would be both inbound, outbound and parcel. And then the balance would be primarily in wage -- wages. So whether it's the wage rates at our vendors that produce our product or in our distribution centers and fulfillment centers, we are seeing -- in all those places we are seeing wage pressure. So that's how it breaks down.

Amie Preston
Chief Investor Relations Officer

Thanks, Wendy. Thanks, Simeon.

Simeon Avram Siegel
BMO Capital Markets Equity Research

Congrats, guys. Best of luck for the holiday.

Amie Preston

Chief Investor Relations Officer

Thank you.

Operator

Our next question comes from Matthew Boss with JPMorgan.

Matthew Robert Boss
JPMorgan Chase & Co, Research Division

Congrats on another great quarter.

Amie Preston
Chief Investor Relations Officer

Thanks, Matt.

Matthew Robert Boss
JPMorgan Chase & Co, Research Division

Andrew, can you speak to growth in the customer files that you've seen during the pandemic? How do you think this translates to market share opportunity by category going forward?

And then a question that I just had in terms of the P&L. So you're guiding fourth quarter sales up mid- to high single digits against 22% growth a year ago. So as we think about the algorithm, mid- to high single digits going forward, obviously, compares will ease over time. Does that provide potential upside as we think multiyear about your ability to lap up against these material compares and what it may mean going forward?

Amie Preston
Chief Investor Relations Officer

Thanks, Matt. Andrew?

Andrew M. Meslow
CEO & Director

Yes. In terms of the customer, so the great news there, Matt, is that what we were talking about at the end of last year, at the end of 2020, was that despite the fact that we had overall a very strong year, we actually had seen a decline in our customer file in 2020 really driven by the fact that our stores were closed for 90 days in the middle of the first half. And so while we saw a great performance in the back half of '20, we still came up short.

The good news is that the first half of 2021 and Q3 have continued a strong trend of absolute customer growth so that we're now up. On a rolling 12-month basis, we're up low double digits to 2 years ago in addition. So that's in terms of the number of customers that we're seeing. And we're also continuing to see really very strong customer engagement metrics that are up from a spend standpoint in the high 20% versus 2 years ago. So very, very strong file.

And within that, a part of your question, we're seeing nice growth on a 2-year basis now across all of our categories from a customer standpoint. And as mentioned earlier, that percent of customers who are shopping across multiple categories is also up meaningfully. And as we've disclosed in the past, those multi-category customers spend over 3x more than a customer who purchases only one category.

In a similar way, we're also seeing nice growth in our dual-channel customers. So low teens percent of our business now in dual-channel customers versus high single-digit percent of our customers dual channel 2 years ago. And those customers also spend order of magnitude 3x more than a single-channel customer. So nice performance there.

Again, we gained -- what this is all telling us is that, obviously, we gained customers here during the pandemic. Some of that, obviously, through soaps and sanitizers. But as we're now lapping really that the extreme of those time frames in Q2 and Q3 of last year, we're seeing very nice retention rates. Our retention rate on customers is actually higher than it was pre-pandemic even on a much higher customer base. So that's great.

As mentioned earlier, the engagement metrics continue to be very strong. And importantly, I think one of the things to also note is that the profile and performance of the new customers that we've gained inside of this time frame is very comparable to the performance of our prior customer file. So these are equally valuable customers that at this point, we believe it should be very valuable on a go-forward basis as well.

Amie Preston
Chief Investor Relations Officer

Great. Matt, did we hit all your questions?

Andrew M. Meslow
CEO & Director

The second question was about Q4 guidance. So...

Wendy C. Arlin
Executive VP, CFO & Controller

Yes. On Q4, I think you're asking about our longer-term growth algorithm and what does our Q4 guidance tell us about the longer term. I would say our multiyear growth algorithm, as you pointed out, we communicated was we anticipate total sales growth of being up mid- to high single digits over time. We believe that is still the appropriate growth algorithm. I think what's important to note about Q4 is that we are lapping capacity restrictions in Q4 of last year. So that's something that as we look for a multiyear growth algorithm, we won't have that as we go forward in 2022 and later.

Amie Preston
Chief Investor Relations Officer

Great. Thanks, Matt.

Operator

Our next question comes from Stephanie Wissink with Jefferies.

Grace Marie Melvin Menk
Jefferies LLC, Research Division

This is Grace Menk on for Steph. I'm wondering if you could talk about the trends that you're seeing in sanitization and the outlook for that part of the business going forward?

Amie Preston
Chief Investor Relations Officer

Thanks. Andrew?

Andrew M. Meslow
CEO & Director

Yes. So we looked at the soap and sanitizer business together and really think about how that's performed during the pandemic relative to where it was prior to the pandemic. And as we've shared in the past, in 2019, for example, the soap and sanitizer business was right around 14% of our business, total business for the year. Last year, it got up to almost 20% of the business, obviously driven by, really, the pandemic buying that was occurring in Q2 and in Q3.

And as we said at the beginning of this year, we expected it to moderate this year and probably stabilize somewhere in the mid- to low teens percent of the business. What I would say is that our year-to-date results and our Q3 results were all in line with that level of expectation in terms of where we expect it to shake out.

And I think it's important to know that in the third quarter where I think there was legitimate concern about would we be able to anniversary the tremendously high sales growth that we saw last year of mid-50s percent in the total business with soap and sanitizer driving a number that was in the north of 70% range in that time frame.

The good news is that while we did see an expected year-over-year decline in soap and sanitizer in Q3, the growth that we were able to generate on a year-over-year basis in our body care business, our home fragrance business and our gifting and accessories businesses, we're almost able to fully offset that soap and sanitizer decline. And so again, on a longer-term trend, we do expect it to be up to where it was pre-pandemic, but it certainly won't be as high. I'm speaking about soaps and sanitizers. Again, it won't be as high as it was in 2020. Hope that helps.

Amie Preston
Chief Investor Relations Officer

Great. Thanks.

Operator

Our next question comes from Roxanne Meyer with MKM Partners.

Roxanne Felice Meyer
MKM Partners LLC, Research Division

Congrats on the improved sales and full-price selling in third quarter. My question is on White Barn. You still have a nice runway for growth in your remodels. Can you remind us of the productivity of these, how much more productive they are than your stores without an attached White Barn and how you see the path for growth over the next year and few years?

And then as a follow-up on the flat promotional strategy for 4Q, I know that last year, you adjusted your approach to promos just given your capacity is constrained. So for example, running your candle day for multiple days. How are you going to impact things like that this year?

Amie Preston
Chief Investor Relations Officer

Thanks, Roxanne. Andrew?

Andrew M. Meslow
CEO & Director

Thanks, Roxanne. Yes. So appreciate the question on the White Barn strategy and performance. Prior to the pandemic, that was one of the major things we were talking about in the business. Again as we had, prior to the start of the pandemic, gotten about half of our fleet through a White Barn remodel as we call it, where we add that White Barn room to our existing real estate.

And as we talked about pretty extensively, the productivity increases that we see out of those stores, when we do that, of high teens to low 20% increases was something we continue to be very excited about. And the good news is after taking an understandable break on our real estate activity in 2020 out of an abundance of caution, as we've ramped up in 2021 to numbers that aren't quite where we were in '17, '18 and '19 in terms of a number of projects, but still meaningfully higher than 2020. The good news is that the performance of those White Barn remodels or new stores continues to be very, very strong and on line -- in line with the level of performance that we were seeing prior to the pandemic. So where does that leave us? By the end of this year, we'll have about 1,000 of our stores in the White Barn remodel format. And ultimately, we would like all of our stores to be in that format. Really, the question will be of the venues -- the mall venues that are at risk or vulnerable, how many of those do we do versus how many of those do we replace with different off-mall locations.

So the second part of your question on the Q4 promo strategy. Again, as mentioned earlier, we are planning activity that's in line with last year. And to your point, the last year promotional strategy was meaningfully different than our prior year strategy. That included on some of our try it to believe it days, which are our key promotional sharp price days on individual categories, the candle day being the biggest of those, as you mentioned. We took from historically being only 1 day deal generally on a big Saturday to last year, we were successful in spreading those out over multiple days.

In addition, our Black Friday deal, that historically has been a 1-day only deal, that also last year we spread and basically made that promotion over the whole Black Friday week. And so in both of those cases, both of those key price points, try to believe it days and that Black Friday deal, our intent is to be similar to last year and extend them over multiple days.

Amie Preston
Chief Investor Relations Officer

Great. Thanks, Roxanne.

Operator

Our next question comes from Jay Sole with UBS.

Jay Daniel Sole
UBS Investment Bank, Research Division

Great. I guess, Andrew, I have a question about hand sanitizer, about the market in general. What's your sense for how the hand sanitizer market overall across U.S. has performed? And can you compare that to your business just to help us maybe understand the trends within Bath & Body Works versus some of the trends more broadly speaking?

And then secondly, I think you touched on some of the constraints last year in-stores during the holiday season because there was no vaccine yet and some of that. But can you also talk about some of the constraints online last year? I mean last year, there's a lot of talk about shipping surcharges and difficulty fulfilling online orders because demand was so strong. What will that look like this year? How will that online business compare this year to last year?

Amie Preston
Chief Investor Relations Officer

Thanks, Jay. Andrew?

Andrew M. Meslow
CEO & Director

Thanks, Jay. So on sanitizers, obviously, the market in 2020 saw an explosive growth. And I think as we've talked about on a prior call or 2, that included many, many people who historically have not been in the hand sanitizer business getting into the hand sanitizer business as a reaction to that tremendous increase in the market that was occurring, driven by customer demand, obviously.

So as we've come out of 2020 and through 2021, many of those players, those ancillary players that had gotten into the business, obviously, got out of the business and in some cases, had to go to deep price promotions in order to exit their positions. And so we are still very happy that we are in the hand sanitizer business. We're in it in a meaningfully and profitable way.

It is up materially from where it was 2 years ago. As mentioned earlier, it's obviously down on a 1-year basis as we're lapping that explosive growth last year. But we view it as definitely a very attractive market to be part of on a go-forward basis as we do expect and frankly, are continuing to see that customer behavior is different now in 2021 than it was back in 2019 and prior.

So again, a market that saw tremendous growth last year. I think the market is experiencing a decline this year. We won't have full year numbers on that until early in the new year. But certainly, from what we're able to gauge, that's what's happening. But we're very pleased with our business within that.

So the second part of your question on capacity online. So yes, last year, certainly, we were constrained in multiple ways. So one way was the online business for Bath & Body Works was order of magnitude doubling year-over-year, and that certainly was not our plan as we entered the year in 2020. And while the team did a phenomenal job of procuring additional fulfillment capacity through the full year, the reality is we were really hand to mouth in terms of our ability to fulfill the business last year.

And so while we were pleased with the overall business results, the lead times or the amount of time it was taking to ship products to our customers was longer than we would like it to be. Our shipping cutoff as we headed into holiday was earlier than we would have liked it to be. And in some cases, based on inventory levels, our online business wasn't able to participate in all the different promotions that we were running in stores.

So I think the good news is, this year, we're in much better shape in terms of having procured the appropriate amount of fulfillment capacity that will allow us to have shorter shipping windows, and I'm knocking on wood, hopefully, be able to extend our shipping cutoff pre-Christmas. Some of that will obviously depend on the macro environment and what our carriers are able to provide year-over-year.

But that as well as our inventory levels, we're confident will leave us with much less constraints online this year versus last year.

Amie Preston
Chief Investor Relations Officer

Thanks, Andrew.

Operator

Our next question comes from Paul Lejuez with Citi.

Paul Lawrence Lejuez
Citigroup Inc., Research Division

Just one quick short term and one longer term. Short term, were there ticket changes that were taken for the fourth quarter this holiday season that had not taken effect in 3Q? So just curious if you've made any changes recently.

Then just longer term, I'm just kind of curious, Andrew, what do you look at as the lowest-hanging fruit as you think about that mid- to high single-digit top line growth over the next several years? But even as we look out to '22, any new categories, new opportunities that you see as kind of low-hanging fruit as we look out to next year and beyond?

Amie Preston
Chief Investor Relations Officer

Thanks, Paul.

Andrew M. Meslow
CEO & Director

Yes. Thanks, Paul. So on the first part of your question, Q4 ticket differences versus Q3, I think the short answer to that would be no. The ticket changes that we made as we started to get visibility into the inflationary pressures, as I talked about earlier, we really made as we moved into the back half of the year. So the third quarter had those ticket increases in it already. So nothing that we're doing differently from a ticket standpoint, Q4 versus Q3.

And then on your question on long term, as we talked about over the summer, our long-term outlook and our business plan associated with that, we talked about lots of things in terms of further expansion within our existing core categories as well as getting into adjacent categories. But my belief is that the lowest hanging fruit within that is still around key item opportunities to further expand out our assortment in the categories in which we already play. So examples of that are things like an additional form in candles.

Today, we're very reliant on the one 3-Wick and to a lesser extent, on a single-wick candle. So additional opportunity there.

Within body care, opportunities around things like bar soap, things like antiperspirant deodorants in the men's business, things like moisturizing body wash across the body care assortment. And then within soaps, we're also very reliant on our foaming soap and so further expansion of additional soap forms and sanitizer forms opportunities. So again, from a lowest hanging fruit within the categories that we're already very successful in opportunity to expand key items.

Amie Preston
Chief Investor Relations Officer

Thanks, Paul. I think we have time for 1 last question.

Operator

Our last question comes from Marni Shapiro with Retail Tracker.

Marni Shapiro
The Retail Tracker

Andrew, I was actually so happy to see the bar soap back. So thank you for that. I'm curious as you guys have raised prices a little bit, pulled back on promotions, are you seeing kind of conversely, a stronger reaction when you do put promotions in place? And how should we think about your post-Christmas traditional sale this year?

Amie Preston

Chief Investor Relations Officer

Thanks, Marni. Andrew?

Andrew M. Meslow
CEO & Director

Yes. Thanks, Marni. Good question. So again, the short answer to the first part of your question would be yes. So as we've either done ticket price increases or shallower everyday deal promotions when we then do go to a sharper promotion, whether it's on the try it to believe it days or even on other, what we would call power promotions, a buy one, get one free event on our 3-Wick candles, for example, we are seeing nice strong reactions to those promotions to your point, showing that while the customer has gotten accustomed to the higher prices, they still do really respond well when we do that deeper promo.

And to the second part of your question on semiannual sale. Semiannual sale last year, we did run one, but it was at significantly shallower discounts than we are historically. And the penetration within that semiannual sale driven by clearance merchandise and specifically bought for sale merchandise was down meaningfully over prior years and in 2021, which will be calendar 2022 for that Jan sale, we are expecting a return to a more traditional approach to semiannual sale, both in terms of depth of offer and in terms of amount of clearance and bought for sale versus history.

Marni Shapiro
The Retail Tracker

Excellent.

Andrew M. Meslow
CEO & Director

And that's all embedded in our guidance as well.

Marni Shapiro
The Retail Tracker

I figured your promotions are doing well. Sometimes it's like a frenzy in your store when you run some of them.

Andrew M. Meslow
CEO & Director

We do like a frenzy as long as we're all safe and socially distant.

Amie Preston
Chief Investor Relations Officer

Thanks, Marni. That concludes our call today. Thanks for your interest in Bath & Body Works. And we wish you all a healthy and Happy Thanksgiving. Thanks. Bye.

Andrew M. Meslow
CEO & Director

Thanks, everybody.

Operator
Thank you for your participation. Participants, you may disconnect at this time.