

Gap Inc. Fiscal 2022

FIRST QUARTER EARNINGS RESULTS

Sonia Syngal
CHIEF EXECUTIVE OFFICER

Katrina O'Connell
CHIEF FINANCIAL OFFICER



Forward Looking Statements / Non-GAAP Financial Measures

FORWARD LOOKING STATEMENTS

This conference call and webcast contain forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. All statements other than those that are purely historical are forward-looking statements. Forward-looking statements include statements identified as such in our May 26, 2022 press release.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results to differ materially from those in the forward-looking statements. Additional information regarding factors that could cause results to differ can be found in the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2022, as well as the Company's subsequent filings with the Securities and Exchange Commission.

These forward-looking statements are based on information as of May 26, 2022. We assume no obligation to publicly update or revise our forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

SEC REGULATION G

This presentation includes the non-GAAP measures adjusted operating expenses, adjusted operating income (loss), adjusted net income (loss), and adjusted diluted earnings per share as well as adjusted expected diluted earnings per share, and adjusted expected operating margin. The description and reconciliation of these measures from the most directly comparable GAAP measure is included in our May 26, 2022 earnings press release, which is available on investors.gapinc.com.

Q1 2022

Financial Highlights

- Net sales of \$3.5 billion, down 13% y/y; comparable sales down 14%.
 - Net sales negatively impacted by ~5 pts of headwind related to lapping the benefit of stimulus last year and ~3 pts from divestitures, store closures, and EU partnerships
- Gross margin of 31.5%, down 930 bps y/y inclusive of ~480 bps of incremental transitory air freight costs
 - Driven primarily by higher discounting at Old Navy and inflationary commodity price increases, partially offset by the benefit of lower discounting at Banana Republic
- Operating margin of -5.7%, inclusive of ~480 bps of incremental transitory air freight costs
 - Driven primarily by gross margin deleverage as well as SG&A deleverage on the lower sales volumes
- Reported diluted loss per share of \$0.44, inclusive of approx. \$0.34 of incremental transitory air freight costs



Q1 2022 P&L Summary (REPORTED)

UNAUDITED

(\$ Millions)	Q1 2022 ⁽¹⁾	Q1 2021	Q1 2022 vs. Q1 2021
Net Sales	\$3,477	\$3,991	(13%)
Comparable Sales	(14%)	+28%	
Gross Profit	\$1,096	\$1,630	(33%)
% of Sales	31.5%	40.8%	(930 bps)
Merchandise Margin B/(W)			(760 bps)
ROD % of Sales B/(W)			(170 bps)
Operating Expenses	\$1,293	\$1,390	(7%)
% of Sales	37.2%	34.8%	+240 bps
Operating Income (Loss)	(\$197)	\$240	n/a
% of Sales	(5.7%)	6.0%	(1170 bps)
Net Income (Loss)	(\$162)	\$166	n/a
Diluted EPS	(\$0.44)	\$0.43	(\$0.87)

(1) Includes approximately \$170 million, or 480 basis points, of incremental transitory air freight costs.



Q1 2022 P&L Summary

(vs. 2021
ADJUSTED)

UNAUDITED

(\$ Millions)	Q1 2022 ⁽¹⁾	Q1 2021	Q1 2022 vs. Q1 2021
Net Sales	\$3,477	\$3,991	(13%)
Comparable Sales	(14%)	+28%	
Gross Profit	\$1,096	\$1,630	(33%)
% of Sales	31.5%	40.8%	(930 bps)
Merchandise Margin B/(W)			(760 bps)
ROD % of Sales B/(W)			(170 bps)
Operating Expenses	\$1,293	\$1,334 ⁽²⁾	(3%)
% of Sales	37.2%	33.4% ⁽²⁾	+380 bps
Operating Income (Loss)	(\$197)	\$296 ⁽²⁾	n/a
% of Sales	(5.7%)	7.4% ⁽²⁾	(1310 bps)
Net Income (Loss)	(\$162)	\$186 ⁽²⁾	n/a
Diluted EPS	(\$0.44)	\$0.48 ⁽²⁾	(\$0.92)

(1) Includes approximately \$170 million, or 480 basis points, of incremental transitory air freight costs.

(2) The description and reconciliation of these measures from their nearest GAAP measure is included in our May 26, 2022 earnings press release, which is available on investors.gapinc.com.



Q1 2022 Net Sales Growth



Gap Inc.

(13%)



(19%)



(11%)



+24%



+4%

Q1 2022 Comparable Sales

Gap Inc.

(14%)



(22%)



(11%)



+27%



(7%)

▼
NORTH AMERICA COMP:
(11%)

Q1 2022

Fiscal 2022 Outlook

	AS OF MAY 26, 2022
Reported Diluted Earnings per Share	\$0.40 to \$0.70
Adjusted Diluted Earnings per Share ⁽¹⁾	\$0.30 to \$0.60
Net Sales Growth	Down low to mid-single digits
Gross Margin	36.5% to 37.5%
Reported Operating Margin	1.8% to 2.8%
Adjusted Operating Margin ⁽¹⁾	1.5% to 2.5%
Net Interest Expense	About \$80 million
Effective Tax Rate	About 27%
Capital Expenditures	About \$700 million

(1) Excludes a net benefit expected from international initiatives.



Power Plan 2023

Power of our Brands

Grow purpose-led, billion-dollar lifestyle brands

Power of our Platform

Leverage our omni capabilities and scaled operations, and extend our engineered approach to cost and growth

Power of our Portfolio

Extend customer reach across every age, body and occasion through our collective power



Gap Inc. has the Power to Deliver Our Strategy



BRAND POWER



**ENDURING
CUSTOMER
RELATIONSHIPS**



OMNI-EXPERIENCE



PRODUCT LOVE



**LEAN & ADVANTAGED
OPERATIONS**



TEAM & VALUES

We grow purpose-led, billion-dollar lifestyle brands



OLD NAVY

**We Believe In The
Democracy Of Style**



GAP

**Modern American
Optimism**



BANANA REPUBLIC

**Designed For
Adventures Near & Far**



ATHLETA

**The Power
Of She**

Improving Value by Turning Customers into Lifetime Loyalists

55+

MILLION

members of our integrated
loyalty program ⁽¹⁾

Spend **2X** more annually ⁽²⁾

3X more likely
to shop across channels ⁽²⁾

2X more likely to shop
multiple brands ⁽²⁾

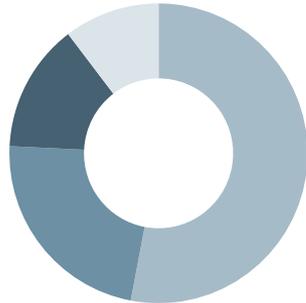
(1) Includes credit card holders.

(2) Based on rolling 12-month data as of April 30, 2022.

We have Omni-Strength in North America

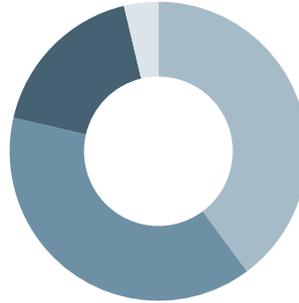
- Less than 20% of revenue generated from indoor malls
- Over 90% of net sales generated in North America and partnering to amplify our reach internationally

BRAND



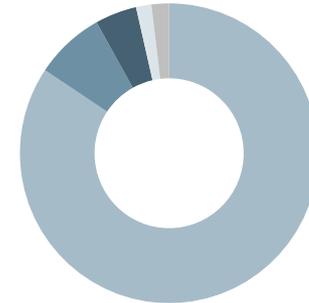
- Old Navy **53%**
- Gap **23%**
- Banana Republic **14%**
- Athleta **10%**

CHANNEL



- Strip & Lifestyle Centers **40%**⁽¹⁾
- Online **39%**
- Indoor Mall **17%**
- Street **4%**

REGION



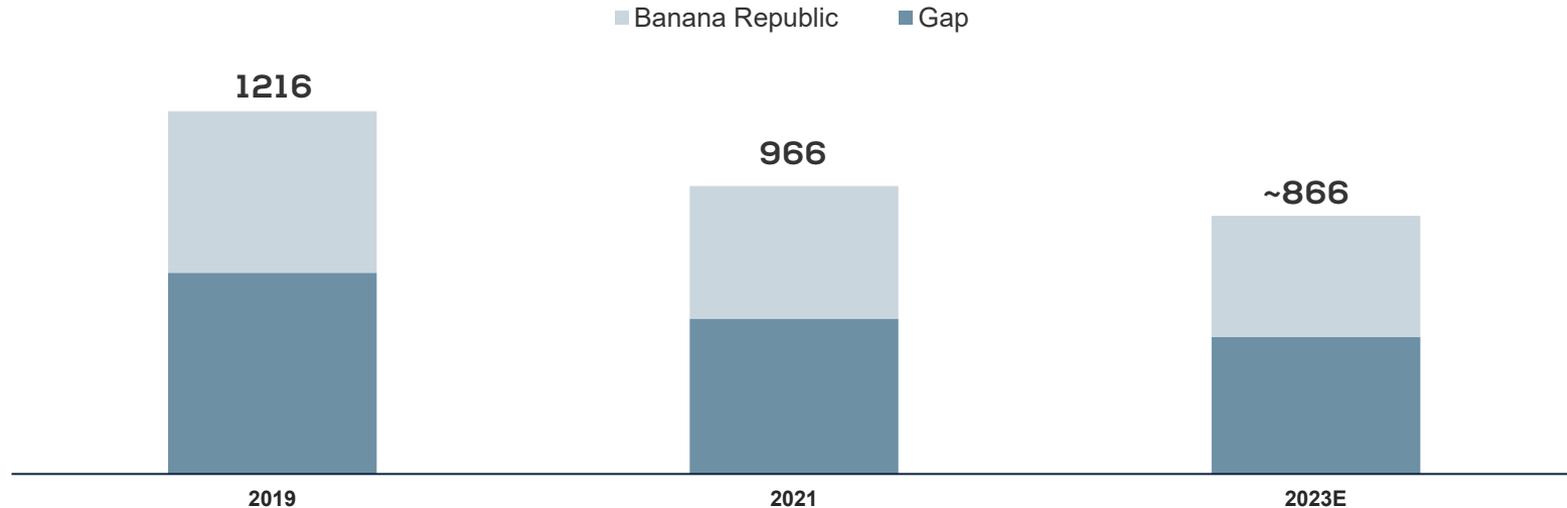
- U.S. **85%**
- Canada **8%**
- Asia **4%**
- Europe **2%**
- Other **1%**

Note: All data based on Q1 2022 net sales.
(1) Includes Open Air Malls and Outlet Centers.

Rationalizing our North America Fleet

- Expect to complete ~85% of the ~350 N.A. Gap and Banana Republic planned store closures by the end of FY22

NORTH AMERICA STORE COUNT



Commitment to Environmental, Social & Governance Performance

ENVIRONMENT

92%

fabrics with PFC-based finishes successfully converted or exited



Leading

Textile Material Change Index
Leading is the highest level reserved for companies pioneering industry transformation



92%

cotton sourced from more sustainable sources for Spring '22 products



SOCIAL

10K+

jobs provided to the next generation of leaders through This Way ONward; more than halfway to the goal of 20K jobs by 2025



1.5M+

people have improved access to drinking water through USAID and Gap Inc. Women + Water Alliance ⁽¹⁾



1M+

women and girls reached through P.A.C.E. program



GOVERNANCE

6 of 11

Directors are women



Annual ESG Report

Released April '22 with SASB, GRI, and TCFD-aligned disclosures



Regular Board Oversight

from its Governance and Sustainability Committee



(1) Includes: supporting communities to develop village action plans for water security, to assist government in its planning, financing and maintenance of piped water services; and catalyzing microloans for water piped connections, water handpumps, water storage, rainwater collection structures, water filters and toilets.