

# Gap Inc.

**Fiscal 2016**

**First Quarter Earnings Results**

**Sabrina Simmons**

Executive Vice President &  
Chief Financial Officer

## 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 19, 2016 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. Information regarding factors that could cause results to differ can be found in our May 19, 2016 earnings press release, our Annual Report on Form 10-K for the fiscal year ended January 30, 2016, and our subsequent filings with the U.S. Securities and Exchange Commission, all of which are available on [gapinc.com](http://gapinc.com).

These forward-looking statements are based on information as of May 19, 2016. 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 measure free cash flow. The reconciliation to GAAP of this measure is included in our May 19, 2016 earnings press release, which is available on [gapinc.com](http://gapinc.com).

# 2016 Estimated Restructuring Impact

Gap Inc.

(As of May 19, 2016)

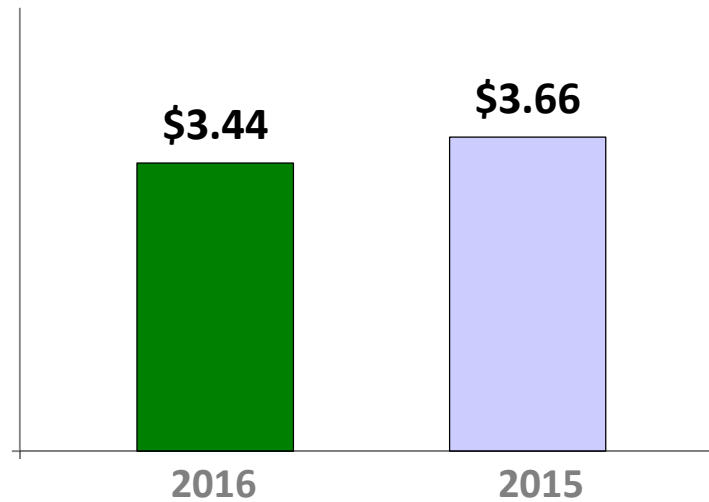
Restructuring Costs	~\$300 million
Non-cash Impact	~\$100 million
<b>Annualized Benefit</b>	<b>~\$275 million</b>
Operating Margin Benefit	Nearly +2 points
Annualized Sales Loss	~\$250 million

# Q1 Net Sales & Gross Profit

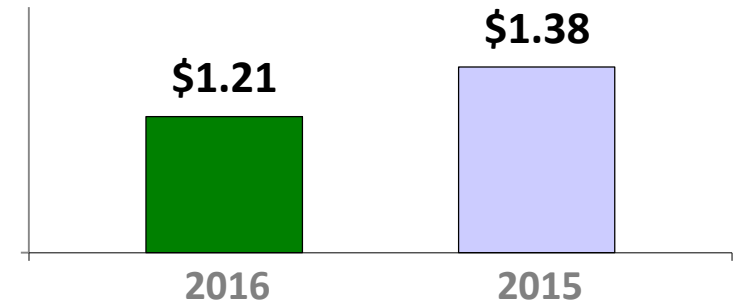
(In Billions)

Gap Inc.

## Net Sales



## Gross Profit



Comp	(5%)	(4%)
Net Sales Growth vs. Prior Year	(6%)	(3%)
Net Sales Growth vs. Prior Year in Constant Currency	(5%)	(1%)

Gross Margin

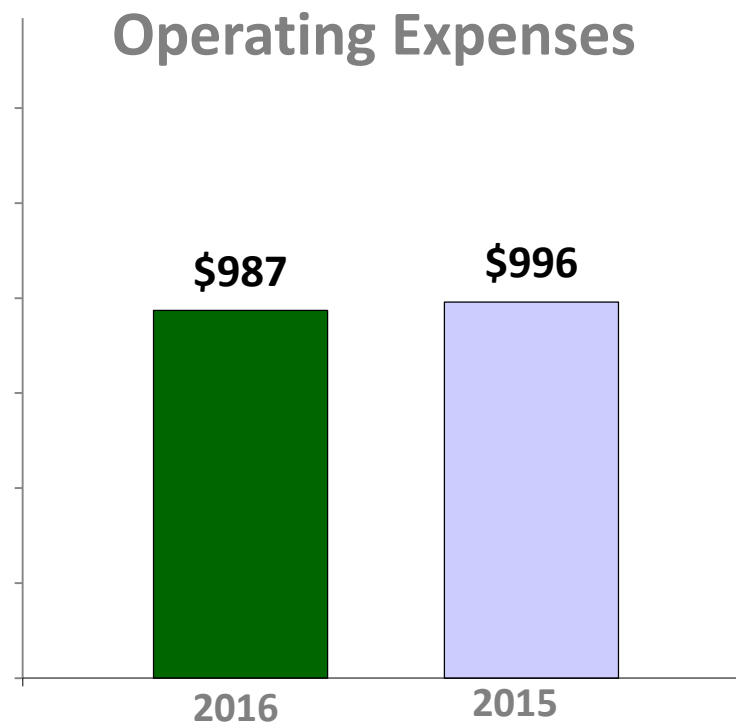
35.2%

37.8%

# Q1 Operating Expenses

(In Millions)

Gap Inc.



As a Percentage  
Of Net Sales

**28.7%**

**27.2%**

Marketing Expenses

**\$127**

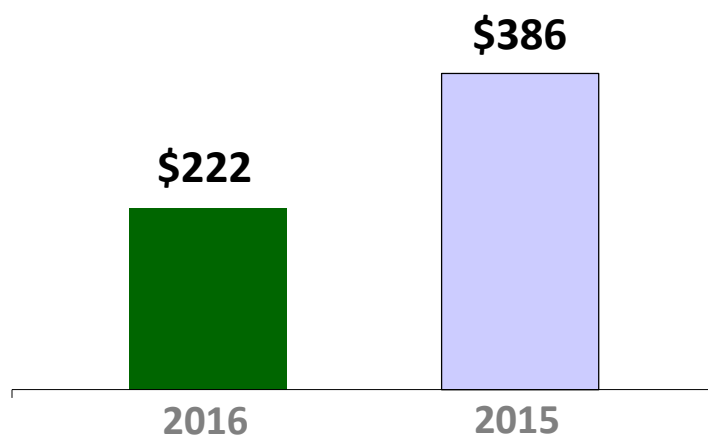
**\$136**

# Q1 Operating Income & Net Income

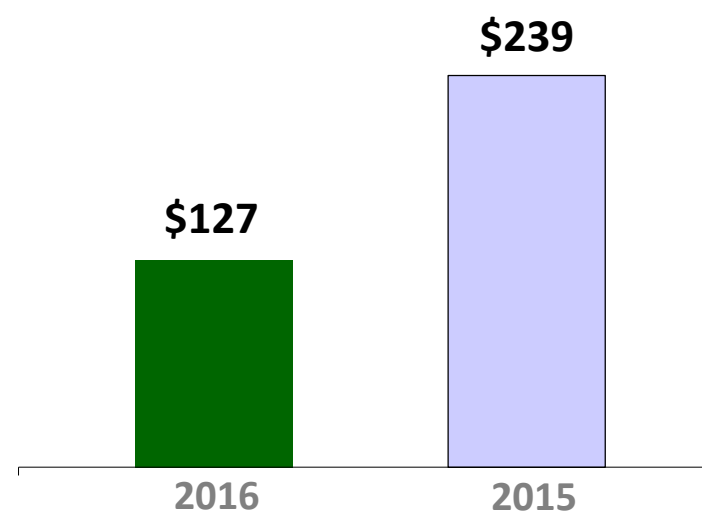
Gap Inc.

(In Millions)

## Operating Income



## Net Income



As a Percentage  
Of Net Sales

6.5%

10.6%

Diluted EPS

\$0.32

\$0.56

Weighted Average Diluted Shares (in Millions)

399

424

# Balance Sheet and Cash Flow

(Through End of Q1)

Gap Inc.

- **Total inventory down about 3 percent at the end of Q1**
- **Free cash flow of about \$30 million**
- **Ended with \$1.3 billion in cash and cash equivalents**

# Fiscal 2016 Outlook

(As of May 19, 2016)

Gap Inc.

## Full Fiscal Year 2016

### **Diluted Earnings per Share<sup>(1)</sup>**

First Call consensus of \$1.92 falls within a reasonable range of potential outcomes

### **Company-Operated Stores:**

Net Store Closures

About 50

New Athleta Stores

About 15

New China Stores

About 25

Square Footage Change

Down about 2%

### **Capital Expenditures**

About \$525 million

### **Depreciation and Amortization<sup>(2)</sup>**

About \$550 million

### **Effective Tax Rate**

About 40%

## End of Q2-16

### **Gap Inc. Total Inventory \$ (YoY % Change)**

Down low single digits

(1) Excludes estimated pre-tax charges restructuring charges of ~\$300 million

(2) Net of amortization of lease incentives



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