

Gap Inc. Fiscal 2021

THIRD QUARTER EARNINGS RESULTS

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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 November 23, 2021 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 30, 2021, as well as the Company's subsequent filings with the Securities and Exchange Commission.

These forward-looking statements are based on information as of November 23, 2021. 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 free cash flow, adjusted gross margin, adjusted operating expenses, adjusted operating income, adjusted operating margin, adjusted diluted earnings per share, and adjusted expected diluted earnings per share. The description and reconciliation of these measures from GAAP is included in our November 23, 2021 earnings press release, which is available on investors.gapinc.com.

We grow purpose-led, billion-dollar lifestyle brands



OLD NAVY



GAP



BANANA REPUBLIC



ATHLETA

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

Q3 2021 P&L Summary (REPORTED)

(\$ Millions)	Q3 2021 ⁽¹⁾	Q3 2020	Q3 2021 vs. Q3 2020	Q3 2019 ⁽²⁾	Q3 2021 vs. Q3 2019
Net Sales	\$3,943	\$3,994	(1%)	\$3,998	-1%
Gross Profit	\$1,661	\$1,620	+3%	\$1,559	+7%
% of Sales	42.1%	40.6%	+150 bps	39.0%	+310 bps
Merchandise Margin B/(W)			+180 bps		(10 bps)
ROD % of Sales B/(W)			(30 bps)		+320 bps
Operating Expenses	\$1,508	\$1,445	+4%	\$1,338	+13%
% of Sales	38.2%	36.2%	+200 bps	33.5%	+470 bps
Operating Income (Loss)	\$153	\$175	(13%)	\$221	(31%)
% of Sales	3.9%	4.4%	(50 bps)	5.5%	(160 bps)
Net Income (Loss)	(\$152)	\$95	n/a	\$140	n/a
Diluted EPS	(\$0.40)	\$0.25	n/a	\$0.37	n/a

(1) Includes a \$325 million loss on extinguishment of debt and charges related to changes in the company's European operating model.

(2) Third quarter of fiscal 2019 information provided due to unique comparisons to 2020 as a result of COVID-19.

Q3 2021 P&L Summary (ADJUSTED)

(\$ Millions)	Q3 2021	Q3 2020	Q3 2021 vs. Q3 2020	Q3 2019 ⁽²⁾	Q3 2021 vs. Q3 2019
Net Sales	\$3,943	\$3,994	(1%)	\$3,998	(1%)
Adjusted Gross Profit	\$1,652 ⁽¹⁾	\$1,620	+2%	\$1,560	+6%
% of Sales	41.9% ⁽¹⁾	40.6%	+130 bps	39.0%	+290 bps
Merchandise Margin B/(W)			+190 bps		(10 bps)
ROD % of Sales B/(W)			(60 bps)		+300 bps
Adjusted Operating Expenses	\$1,482 ⁽¹⁾	\$1,445	+3%	\$1,261	+18%
% of Sales	37.6% ⁽¹⁾	36.2%	+140 bps	31.5%	+610 bps
Adjusted Operating Income (Loss)	\$170 ⁽¹⁾	\$175	(3%)	\$299	(43%)
% of Sales	4.3% ⁽¹⁾	4.4%	(10 bps)	7.5%	(320 bps)
Adjusted Net Income (Loss)	\$102 ⁽¹⁾	\$95	+7%	\$199	(49%)
Adjusted Diluted EPS	\$0.27 ⁽¹⁾	\$0.25	+\$0.02	\$0.53	(\$0.26)

(1) The description and reconciliation of these measures from GAAP is included in our November 23, 2021 earnings press release, which is available on investors.gapinc.com.

(2) Third quarter of fiscal 2019 information provided due to unique comparisons to 2020 as a result of COVID-19.

Q3 2021

Financial Highlights

Port delays and factory closures, especially in Vietnam, materially impacted Q3 performance and FY21 outlook, despite strong demand for our brands.

- Sales of \$3.9B were down 1% versus 2019 due to a significant deceleration in the global supply chain, negatively impacting sales by an estimated \$300M or 8 percentage points ⁽¹⁾
- Adjusted Gross Margin of 42.1% was the highest third quarter rate in over ten years. Rent & Occupancy savings resulting from higher online sales and strategic store closures plus strong product acceptance resulting in less discounting largely offset by approximately 250bps of short-term headwinds related to air freight
- Adjusted operating expenses of 37.6% reflected increased investments in technology and elevated spend on brand building marketing, contributing to record high AURs
- Adjusted operating margin of 4.3% included approximately 250bps of impact from added air costs as well as a negative impact from an estimated \$300M in lost sales ⁽¹⁾
- Updated FY21 Adjusted diluted EPS of \$1.25-\$1.40 includes an estimated \$550M-\$650M in lost sales from supply chain constraints on available inventory and approximately \$450M in total air freight costs

(1) The Company's third quarter 2021 estimated impact of lost sales due to supply chain disruption reflects the difference between the expected net sales by brand, which incorporated the growth trends from the first half of fiscal 2021 versus the first half of fiscal 2019, and the reported net sales for the third quarter of fiscal 2021.



Q3 2021

Supply Chain Update

Situation

- Port delays, especially LA/Long Beach worsened during the quarter, extending to up to 15 days
- Factory closures in Vietnam extended over 2 ½ months from August through October leading to Holiday inventory cancellations and delays

Q3 Financial Impacts

- Sales: Estimated \$300M lost sales due to inventory constraints ⁽¹⁾
- Gross Margin: Approximately \$100M in air freight costs
- Inventory: -11% decline vs 2019 average on-hand inventory

FY Financial Impacts

- Sales: Estimated \$550M to \$650M lost sales due to inventory constraints ⁽¹⁾
- Gross Margin: Approximately \$450M in transitory air freight costs

Mitigation Efforts

Near term levers:

- Secured additional air capacity to satisfy holiday demand
- Moving select receipts to East Coast ports to limit impact of LA-Long Beach congestion

Long term levers:

- Adjusted product-to-market pipeline to move receipt timing forward
- Accelerating digital product creation at Old Navy – reducing weeks from production time
- Increasing geographic diversification largely through a focus on multi-national vendors

(1) The Company's third quarter 2021 estimated impact of lost sales due to supply chain disruption reflects the difference between the expected net sales by brand, which incorporated the growth trends from the first half of fiscal 2021 versus the first half of fiscal 2019, and the reported net sales for the third quarter of fiscal 2021.

Q3 2021 Net Sales Growth



vs.
FY20

(1%)

(6%)

+5%

+24%

+10%

vs.
FY19

(1%)

+8%

(10%)

(18%)

+48%

vs. FY19
ESTIMATED
IMPACT
FROM:

▼
STORE CLOSURES/
DIVESTITURES
~9 points
+
SUPPLY CONSTRAINTS:
~8 points

▼
STORE CLOSURES:
~18 points

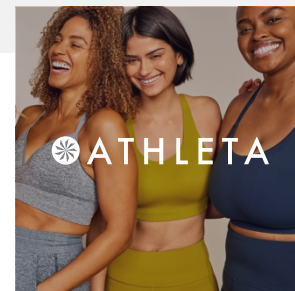
▼
STORE CLOSURES:
~10 points

Note: Consistent with 1H 2021 presentation, comparisons for the third quarter of 2019 are also included.

Q3 2021

Comparable Sales

Gap Inc.



vs.
FY20

(1%)

(9%)

+7%

+28%

+2%

vs.
FY19

+5%

+6%

+3%

(10%)

+41%



**NORTH AMERICA COMP
VS. FY19:
+13%**

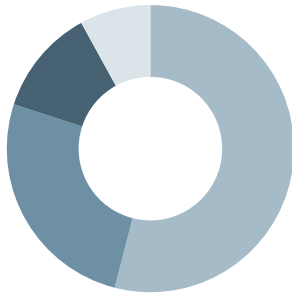
Note: Consistent with 1H 2021 presentation, comparisons for the third quarter of 2019 are also included.

Q3 2021

We have Omni-Strength in North America

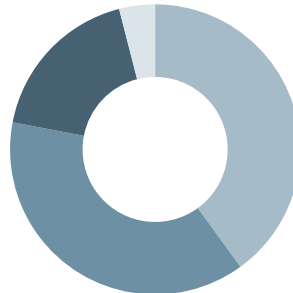
- Higher-margin Old Navy and Athleta were 62% of company sales
- Less than 20% of revenue generated from indoor malls
- Over 90% of company sales generated in North America and partnering to amplify our reach internationally

BRAND



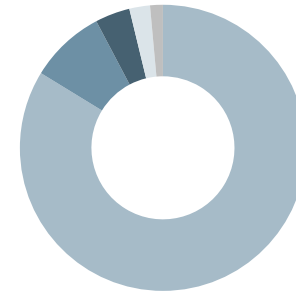
- Old Navy **54%**
- Gap **26%**
- Banana Republic **12%**
- Athleta **8%**

CHANNEL



- Strip & Lifestyle Centers **40%**⁽¹⁾
- Online **38%**
- Indoor Mall **18%**
- Street **4%**

REGION



- U.S. **84%**
- Canada **9%**
- Asia **4%**
- Europe **2%**
- Other **1%**

Note: All data based on Q3 2021 net sales.

(1) Includes Open Air Malls and Outlet Centers.

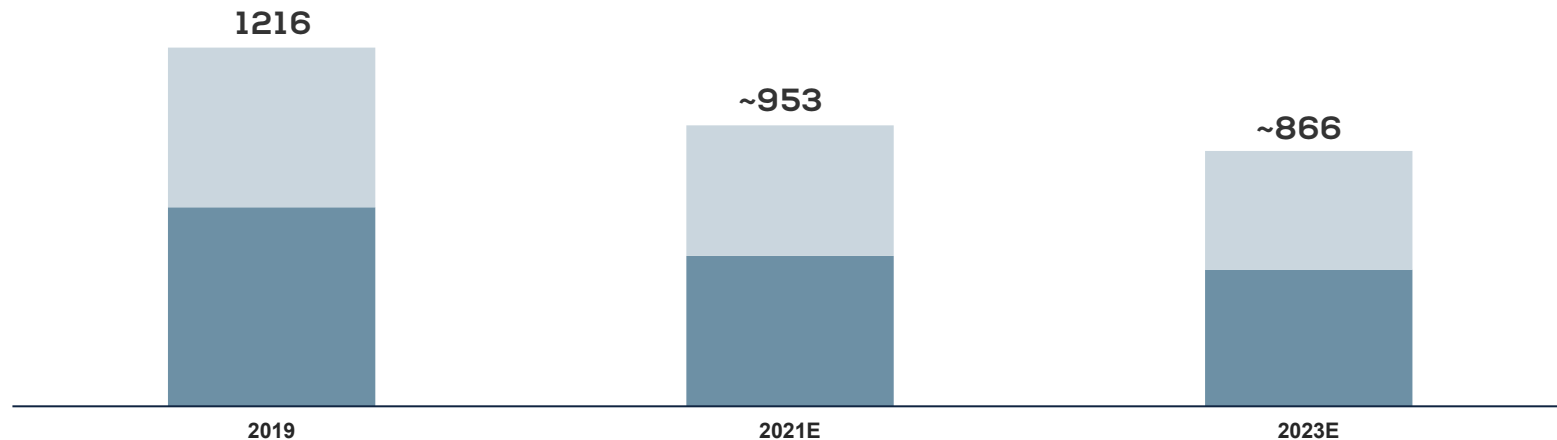
Q3 2021

Rationalizing our North America Fleet

- On-track to close ~350 N.A. Gap and Banana Republic stores by end of FY23
- Expect to complete ~75% of North America closures by end of FY21

NORTH AMERICA STORE COUNT

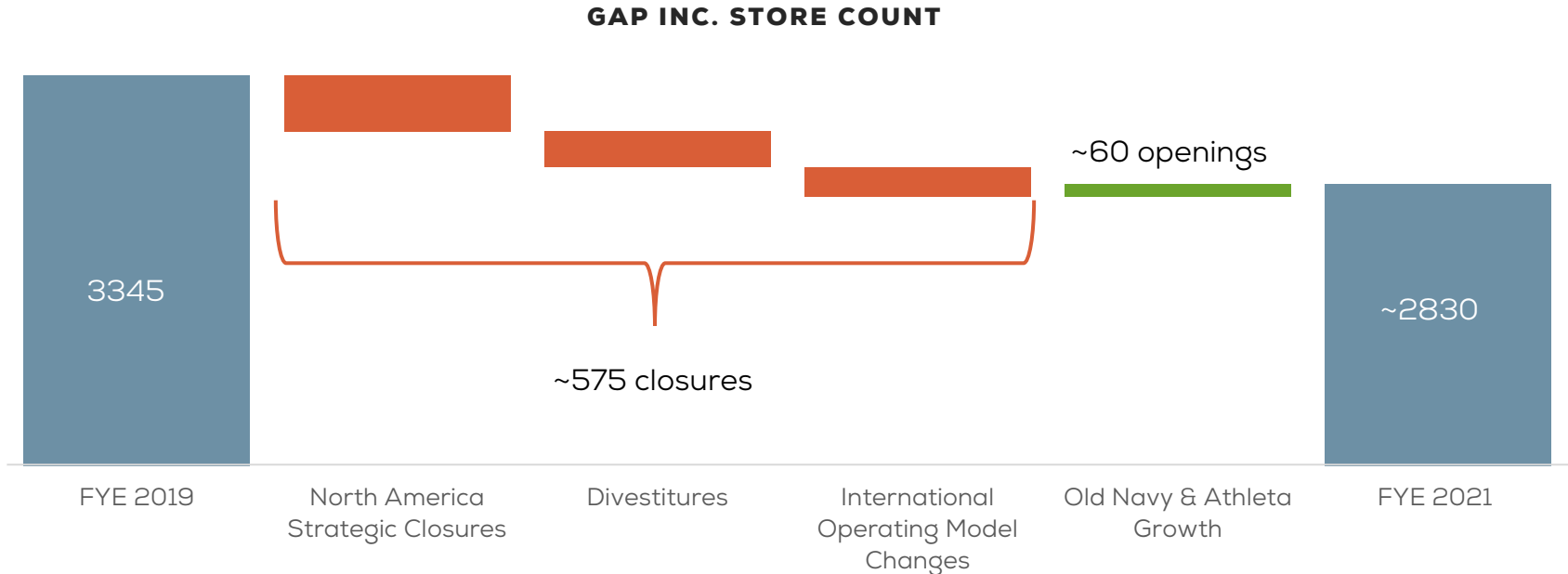
■ Banana Republic ■ Gap



Q3 2021

Optimizing the Profitability of our Global Fleet

- Finalized agreements to transition European markets to a partnership model
- Strategically closing underperforming North America store locations to drive profitability
- Investing in store growth for Old Navy and Athleta



Q3 2021

Improving Value by Turning Customers into Lifetime Loyalists

45+
MILLION

members of our integrated
loyalty program ⁽¹⁾

Spend **2X** more annually

3X more likely to shop across
channels

2X more likely to shop
multiple brands

(1) Includes credit card holders.

Q3 2021

Commitment to Environmental, Social & Governance Performance

ENVIRONMENT

1M

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



65%

diversion rate of plastic waste across stores and distribution centers



59%

cotton sourced from more sustainable sources in 2020



SOCIAL

1st Gap Inc. Equality + Belonging Report released

to share progress on 2025 Commitments



New Opportunity Hiring Partners

in 2021 include the Tent Partnership for Refugees and the Second Chance Business Coalition



>800k

Women & Girls reached through P.A.C.E. program



GOVERNANCE

6 of 13

Directors are women



Annual Global Sustainability Report

with SASB disclosure since 2018



Regular Board & Committee Oversight

including 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.

Q3 2021

Fiscal 2021 Outlook

AS OF NOV. 23, 2021

Diluted Earnings per Share	\$0.45- \$0.60
Adjusted Diluted Earnings per Share ⁽¹⁾	\$1.25 - \$1.40
Net Sales Growth ⁽²⁾	About 20%
Operating Margin	About 4.5%
Adjusted Operating Margin ⁽³⁾	About 5%
Interest Expense, Net	\$163 million
Effective Tax Rate	About 23%
Adjusted Effective Tax Rate ⁽¹⁾	About 26%
Capital Expenditures	About \$800 million

(1) Excludes loss on extinguishment of debt, charges associated with divestiture activity related to Janie & Jack and Intermix, as well as estimated charges related to strategic changes in the company's European business.

(2) This outlook reflects lost revenue related to the company's decision to change its European operating model, as well as the completed divestitures of its Janie & Jack and Intermix businesses.

(3) Excludes charges associated with divestiture activity related to Janie & Jack and Intermix, as well as estimated charges related to strategic changes in the company's European business.