

Gap Inc. Fiscal 2022

SECOND 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 August 25, 2022 earnings 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 August 25, 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 conference call and webcast include the non-GAAP measures adjusted gross margin, adjusted operating margin, adjusted diluted earnings per share, adjusted gross profit, adjusted operating expenses/adjusted SG&A, adjusted operating income, adjusted net income, and free cash flow. The description and reconciliation of these measures from the most directly comparable GAAP measure is included in our August 25, 2022 earnings press release, which is available on investors.gapinc.com.

Q2 2022

Financial Highlights

- Net sales of \$3.86 billion, down 8% y/y; comparable sales down 10%
- Reported gross margin of 34.5%, down 880 basis y/y; Adjusted gross margin of 36.0%, down 730 bps y/y
 - Both are inclusive of an estimated 130 bps of incremental transitory air freight costs
- Reported operating margin of (0.7%), Adjusted operating margin of 1.7%
 - Both are inclusive of an estimated 130 bps of incremental transitory air freight costs
- Reported diluted loss per share of \$0.13; Adjusted diluted earnings per share of \$0.08
 - Both are inclusive of an estimated \$0.10 related to incremental transitory air freight costs



Q2 2022 P&L Summary (REPORTED)

UNAUDITED

(\$ Millions)	Q2 2022 ⁽¹⁾	Q2 2021	Q2 2022 vs. Q2 2021
Net Sales	\$3,857	\$4,211	(8%)
Comparable Sales	(10%)	+3%	
Gross Profit	\$1,330	\$1,823	(27%)
% of Sales	34.5%	43.3%	(880 bps)
Merchandise Margin B/(W)			(850 bps)
ROD % of Sales B/(W)			(30 bps)
Operating Expenses	\$1,358	\$1,414 ⁽²⁾	(4%)
% of Sales	35.2%	33.6%	+160 bps
Operating Income (Loss)	(\$28)	\$409	n/a
% of Sales	(0.7%)	9.7%	(1040 bps)
Net Income (Loss)	(\$49)	\$258	n/a
Diluted Earnings (Loss) Per Share	(\$0.13)	\$0.67	(\$0.80)

(1) Includes \$58 million of charges related to the impairment of unproductive inventory, approximately \$50 million of incremental transitory air freight costs, and \$35 million in costs related to the transition of the Old Navy Mexico business.

(2) Includes \$19 million of charges primarily related to changes in the company's European operating model.



Q2 2022 P&L Summary (ADJUSTED)

UNAUDITED

(\$ Millions)

	Q2 2022	Q2 2021	Q2 2022 vs. Q2 2021
Net Sales	\$3,857	\$4,211	(8%)
Comparable Sales	(10%)	+3%	
Adjusted Gross Profit	\$1,388 ⁽¹⁾	\$1,823	(24%)
% of Sales	36.0% ⁽¹⁾	43.3%	(730 bps)
Merchandise Margin B/(W)			(700 bps)
ROD % of Sales B/(W)			(30 bps)
Adjusted Operating Expenses	\$1,323 ⁽¹⁾	\$1,395 ⁽¹⁾	(5%)
% of Sales	34.3% ⁽¹⁾	33.1% ⁽¹⁾	+120 bps
Adjusted Operating Income	\$65 ⁽¹⁾	\$428 ⁽¹⁾	(85%)
% of Sales	1.7% ⁽¹⁾	10.2% ⁽¹⁾	(850 bps)
Adjusted Net Income	\$30 ⁽¹⁾	\$272 ⁽¹⁾	(89%)
Adjusted Diluted EPS	\$0.08 ⁽¹⁾	\$0.70 ⁽¹⁾	(\$0.62)

(1) The description and reconciliation of these measures from their nearest GAAP measure is included in our August 25, 2022 earnings press release, which is available on investors.gapinc.com.

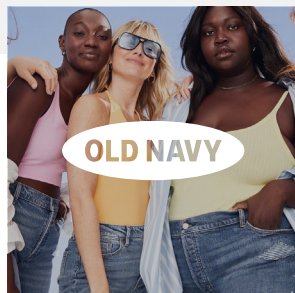


Q2 2022

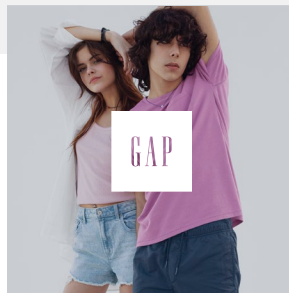
Net Sales Growth

Gap Inc.

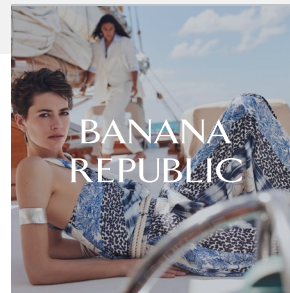
(8%)



(13%)



(10%)



+9%

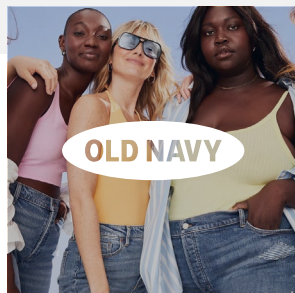


+1%

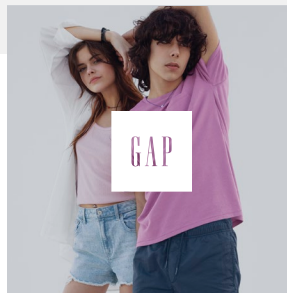
Q2 2022 Comparable Sales

Gap Inc.

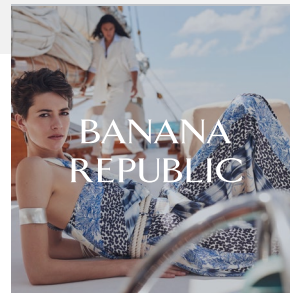
(10%)



(15%)



(7%)

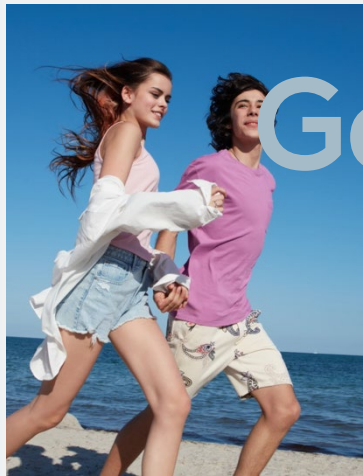


+8%



(8%)

▼
NORTH AMERICA COMP:
(10%)



Gap Inc. Power Plan

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

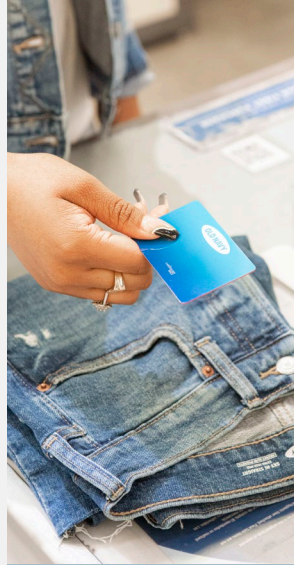
Extend customer reach across every age, body and occasion through our collective power



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

OVER **40** MILLION ACTIVE
LOYALTY MEMBERS ⁽¹⁾

Spend **2X** more annually ⁽²⁾

3X more likely
to shop across channels ⁽²⁾

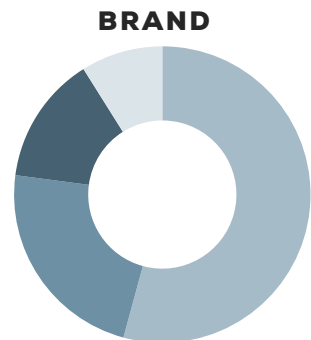
2X more likely to shop
multiple brands ⁽²⁾

(1) Defined as loyalty members who have made a purchase in the past 12 months, includes credit card holders.

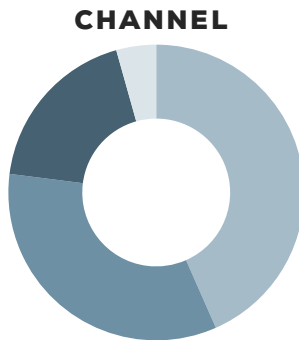
(2) Based on rolling 12-month data as of July 30, 2022.

We have Omni-Strength in North America

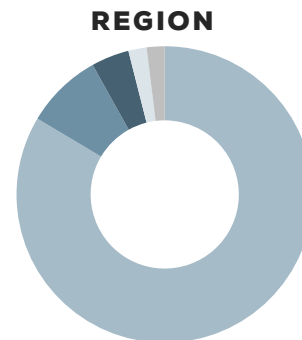
- Less than 20% of revenue generated from indoor malls
- Over 90% of net sales generated in North America and partnering to amplify our reach internationally



■ Old Navy **54%**
■ Gap **23%**
■ Banana Republic **14%**
■ Athleta **9%**



■ Strip & Lifestyle Centers **43%⁽¹⁾**
■ Online **34%⁽²⁾**
■ Indoor Mall **19%**
■ Street **4%**



■ U.S. **84%**
■ Canada **8%**
■ Asia **4%**
■ Europe **2%**
■ Other **2%**

Note: All data based on Q2 2022 net sales.

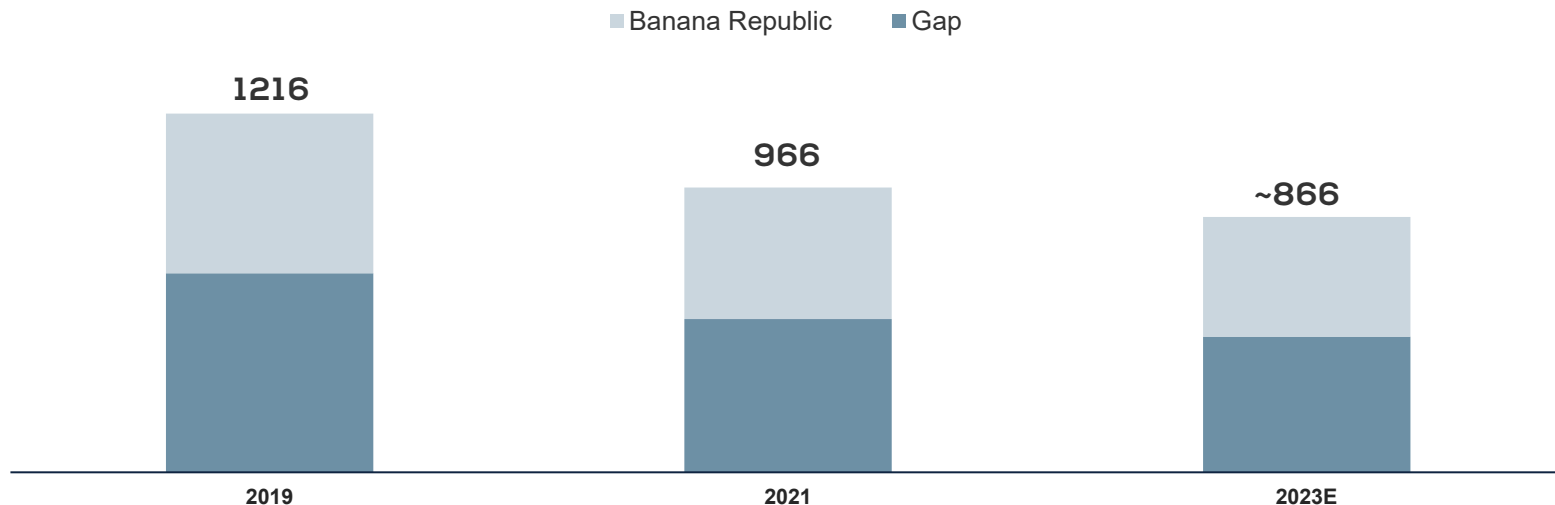
(1) Includes Open Air Malls and Outlet Centers.

(2) Also includes sales from products that are picked up or shipped from stores.

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, on track to reach 100% by Fall 2023



Leading

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



39%

reduction in Scope 1 + 2 greenhouse gas emissions in 2020 from a 2017 baseline



SOCIAL

13.5K+

youth participated in This Way ONward; more than halfway to the goal of 20K participants by 2025



2M+

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

5 of 10

Directors are women



Annual Equality + Belonging Report Released June '22 to share progress on 2025 Commitments



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.