

Gap Inc. Fiscal 2022

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 17, 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 November 17, 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 profit, adjusted gross margin, adjusted operating expenses/adjusted SG&A, adjusted operating income, adjusted operating margin, adjusted net income, adjusted income taxes, and adjusted diluted earnings per share. The description and reconciliation of these measures from the most directly comparable GAAP measure is included in our November 17, 2022 earnings press release, which is available on investors.gapinc.com.

Q3 2022 Financial Highlights

- Net sales of \$4.04 billion, up 2% y/y; Comparable sales up 1%
 - Online sales increased 5% y/y; Store sales increased 1% y/y
- Reported gross margin of 37.4%, down 470bps y/y; Adjusted gross margin of 38.7%, down 320bps y/y ⁽¹⁾
- Reported operating margin of 4.6%; Adjusted operating margin of 3.9% ⁽¹⁾
- Reported diluted EPS of \$0.77, including \$0.31 income tax benefit; Adjusted diluted earnings per share of \$0.71, including \$0.33 income tax benefit ⁽¹⁾

⁽¹⁾ The description and reconciliation of these measures from their nearest GAAP measure is included in our November 17, 2022 earnings press release, which is available on investors.gapinc.com.



Q3 2022 P&L Summary (REPORTED)

UNAUDITED (\$ Millions)

	Q3 2022 ⁽¹⁾	Q3 2021 ⁽²⁾	Q3 2022 vs. Q3 2021
Net Sales	\$4,039	\$3,943	+2%
Comparable Sales	+1%	(1%)	
Gross Profit	\$1,509	\$1,661	(9%)
% of Sales	37.4%	42.1%	(470 bps)
Merchandise Margin B/(W)			(480 bps)
ROD % of Sales B/(W)			+10 bps
Operating Expenses	\$1,323	\$1,508	(12%)
% of Sales	32.8%	38.2%	(540 bps)
Operating Income	\$186	\$153	+22%
% of Sales	4.6%	3.9%	+70 bps
Net Income (Loss)	\$282	(\$152)	n/a
Diluted Earnings (Loss) Per Share	\$0.77	(\$0.40)	+\$1.17

- (1) Includes a \$83 million gain on sale of the UK distribution center and \$53 million in impairment charges related to YZY Gap. Includes \$114 million income tax benefit related to the cumulative impact of a change in estimated annual tax rate.
- (2) Includes a \$325 million loss on extinguishment of debt and charges related to changes in the company's European operating model.



Q3 2022 P&L Summary (ADJUSTED)

UNAUDITED (\$ Millions)

	Q3 2022	Q3 2021	Q3 2022 vs. Q3 2021
Net Sales	\$4,039	\$3,943	+2%
Comparable Sales	+1%	(1%)	
Adjusted Gross Profit	\$1,562 ⁽¹⁾	\$1,652 ⁽¹⁾	(5%)
% of Sales	38.7% ⁽¹⁾	41.9% ⁽¹⁾	(320 bps)
Merchandise Margin B/(W)			(370 bps)
ROD % of Sales B/(W)			+50 bps
Adjusted Operating Expenses	\$1,406 ⁽¹⁾	\$1,482 ⁽¹⁾	(5%)
% of Sales	34.8% ⁽¹⁾	37.6% ⁽¹⁾	(280 bps)
Adjusted Operating Income	\$156 ⁽¹⁾	\$170 ⁽¹⁾	(8%)
% of Sales	3.9% ⁽¹⁾	4.3% ⁽¹⁾	(40 bps)
Adjusted Net Income	\$260 ⁽¹⁾	\$102 ⁽¹⁾	+155%
Adjusted Diluted EPS	\$0.71 ⁽¹⁾	\$0.27 ⁽¹⁾	+\$0.44

(1) The description and reconciliation of these measures from their nearest GAAP measure is included in our November 17, 2022 earnings press release, which is available on investors.gapinc.com.



Q3 2022

Net Sales Growth



+2%



+2%



0%



+8%



+6%

Q3 2022

Comparable Sales



+1%



(1%)



+4%



+10%



0%



**NORTH AMERICA COMP:
0%**



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**



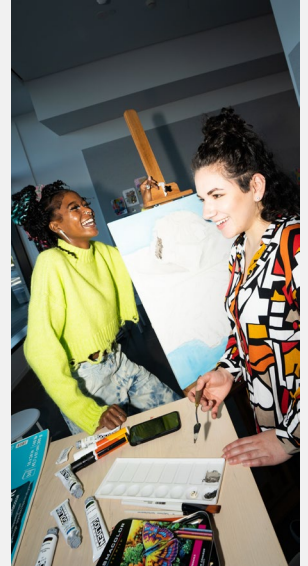
OMNI-EXPERIENCE



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⁾

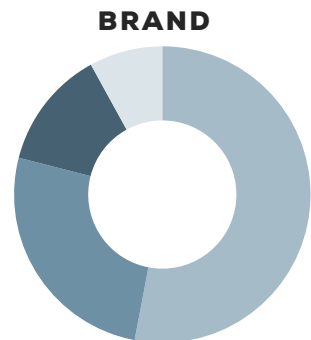
3X more likely to shop
multiple brands ⁽²⁾

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

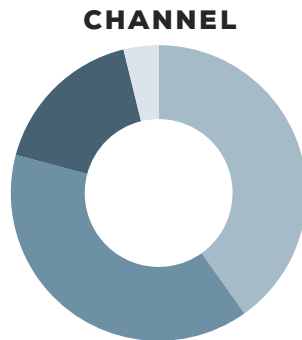
(2) Based on rolling 12-month data through October 2022.

We have Omni-Strength in North America

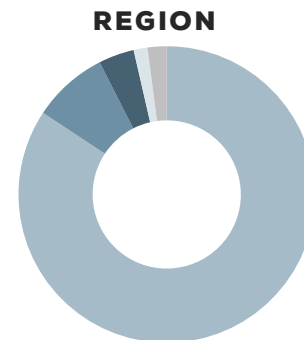
- Less than 20% of revenue generated from indoor malls
- Over 90% of net sales generated in North America and partnering to amplify our reach internationally



■ Old Navy **53%**
■ Gap **26%**
■ Banana Republic **13%**
■ Athleta **8%**



■ Strip & Lifestyle Centers **40%**⁽¹⁾
■ Online **39%**⁽²⁾
■ Indoor Mall **17%**
■ Street **4%**



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

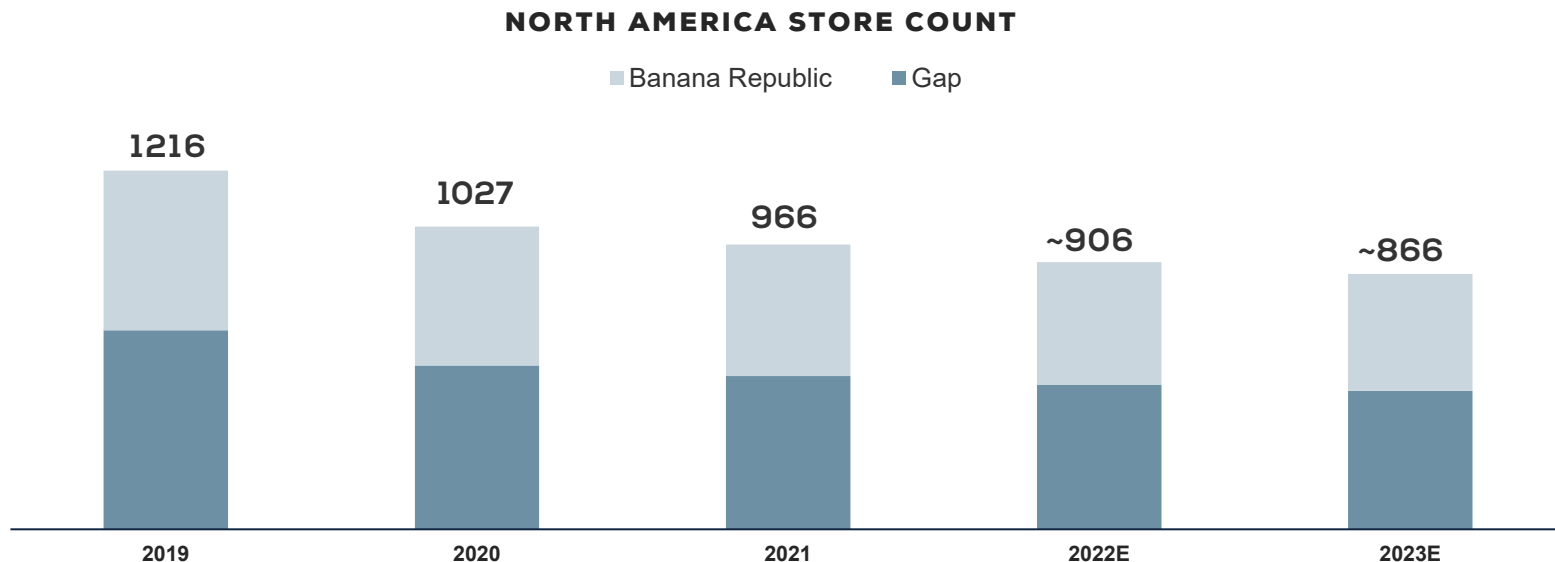
Note: All data based on Q3 2022 net sales.

(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 ~90% of the 350 N.A. Gap and Banana Republic planned store closures by the end of FY22



Commitment to Environmental, Social & Governance Performance

ENVIRONMENT

37%

of our electricity for owned and operated facilities in 2021 was renewable



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 ⁽¹⁾



2M+

people have improved access to drinking water through USAID and Gap Inc. Women + Water Alliance ⁽²⁾



1M+

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



GOVERNANCE

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Directors are women



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



Regular Board Oversight from its Governance and Sustainability Committee



1) As of 7/18/2022

2) 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.