

Gap Inc. Fiscal 2020

FOURTH QUARTER & FISCAL YEAR 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 March 4, 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 Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on June 9, 2020, as well as the Company's subsequent filings with the Securities and Exchange Commission.

These forward-looking statements are based on information as of March 4, 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 measure free cash flow, adjusted operating income and adjusted operating expense. The description and reconciliation of these measures from GAAP is included in our March 4, 2021 earnings press release, which is available on investors.gapinc.com.

Statement from the CEO

In an unprecedented year, I couldn't be prouder of what our employees have accomplished together. Our powerful brands moved to offense with purpose-led marketing and strength in relevant categories, like Active and Fleece, allowing us to gain meaningful market share quarter-over-quarter in a fragmented environment. This was enabled by our \$6 billion online business and advantaged digital capabilities allowing us to expand our reach to more than 183 million customers this year.

SONIA SYNGAL, CHIEF EXECUTIVE OFFICER, GAP INC.
MARCH 4, 2021



BANANA REPUBLIC





Power Plan 2023

Power of our Brands

Grow four purpose-led, billion-dollar lifestyle brands

Power of our Portfolio

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

Power of our Platform

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



Q4 2020

Financial Highlights

- Comparable sales flat
- 49% increase in online net sales year-over-year
- Third consecutive quarter of improved net sales
- Ended the year with \$2.4 billion in cash, cash equivalents and short-term investments



Q4 2020 P&L Summary

(\$ Millions)	Q4 2020	Q4 2019	Q4 2020 vs. Q4 2019
Net Sales	\$4,424	\$4,674	(5%)
Gross Profit % of Sales	\$1,668 37.7%	\$1,674 35.8%	+0% +190 bps
Merchandise Margin B/(W) LY ROD % of Sales B/(W) LY	(210 bps) +400 bps	+20 bps +0 bps	
Operating Expenses % of Sales	\$1,534 34.7%	\$1,919 41.1%	(20%) (640 bps)
Operating Income (Loss) % of Sales	\$134 3.0%	(\$245) (5.2%)	+\$379 +820 bps
Net Income (Loss) Diluted EPS	\$234 \$0.61	(\$184) (\$0.49)	+\$418 +\$1.10



Q4 2020

Adjusted Operating Expense / Income

Reflects non-cash impairment charges related to Intermix

(\$ Millions)

13 Weeks Ended January 30, 2021	Operating Expenses	Operating Expenses as a % of Net Sales
Operating expenses, as reported	\$ 1,534	34.7%
Less: Non-cash impairment charges related to Intermix (a)	(56)	(1.3)%
Adjusted operating expenses	<u>\$ 1,478</u>	<u>33.4%</u>

(\$ in millions)

13 Weeks Ended January 30, 2021	Operating Income	Operating Income as a % of Net Sales
Operating income, as reported	\$ 134	3.0%
Add: Non-cash impairment charges related to Intermix (a)	56	1.3%
Adjusted operating income	<u>\$ 190</u>	<u>4.3%</u>

(a) Represents trade name impairment of \$31 million as well as store asset and operating lease asset impairment of \$25 million.

FY 2020

Financial Highlights

- Unveiled the company's Power Plan 2023 strategy
- Delivered over \$6 billion in sales online; 45% of total net sales
- Higher-margin Old Navy and Athleta were 63% of company sales
- Surpassed \$1 billion in sales at Athleta with 16% annual sales growth



FY 2020 P&L Summary

Fiscal year 2020 results significantly impacted by COVID-related store closures

(\$ Millions)	FY 2020	FY 2019	FY 2020 vs. FY 2019
Net Sales	\$13,800	\$16,383	(16%)
Gross Profit	\$4,705	\$6,133	(23%)
% of Sales	34.1%	37.4%	(330 bps)
Merchandise Margin B/(W) LY	(410bps)	(60bps)	
ROD % of Sales B/(W) LY	+80 bps	(10bps)	
Operating Expenses	\$5,567	\$5,559	+0%
% of Sales	40.3%	33.9%	+640 bps
Operating Income (Loss)	(\$862)	\$574	(\$1,436)
% of Sales	(6.2%)	3.5%	(970 bps)
Net Income (Loss)	(\$665)	\$351	(\$1,016)
Diluted EPS	(\$1.78)	\$0.93	(\$2.71)



Q4 2020

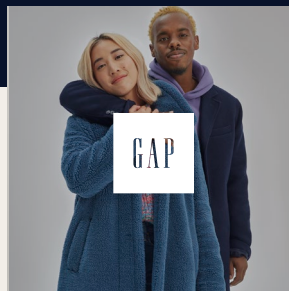
Comparable Sales Growth

Gap Inc.

+0%



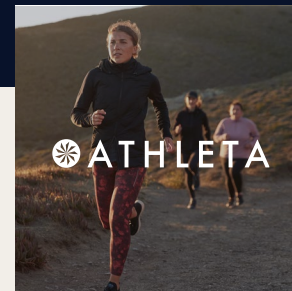
+7%



(6%)



(22%)

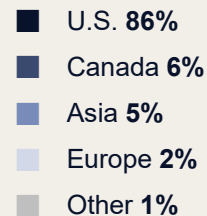
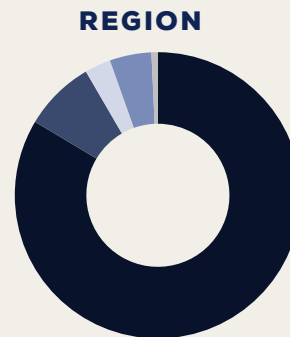
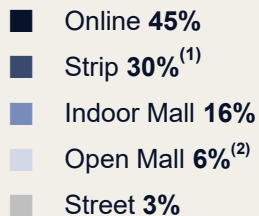
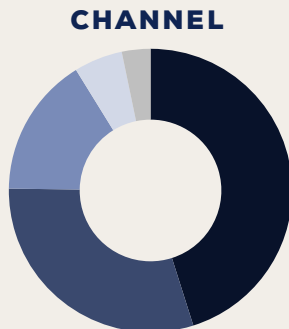
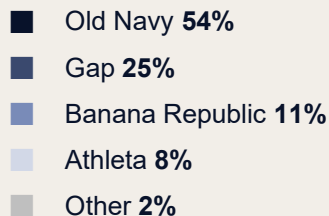
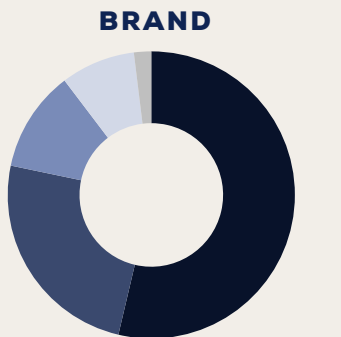


+26%

Q4 2020

Revenue Breakdown

- Higher-margin Old Navy and Athleta are 62% of company sales and on a path to 70% by 2023
- Highly-attractive online, strip, and street locations are ~80% of company sales



Note: All data based on Q4 2020 net sales.

(1) Includes Strip and Lifestyle Centers. (2) Includes Open Malls and Outlet Centers.

Delivering an omni-experience and extending our reach

Our leading omni-channel platform is allowing our customers to shop safely and seamlessly with us from anywhere

183 MILLION

global customer file; representing 14% growth year-over-year in Q4 2020 ⁽¹⁾

~44% INCREASE

in customers shopping online in Q4 2020 vs. last year ⁽²⁾

~6.4 MILLION

customers enrolled into our multi-tender loyalty program in Q4 2020

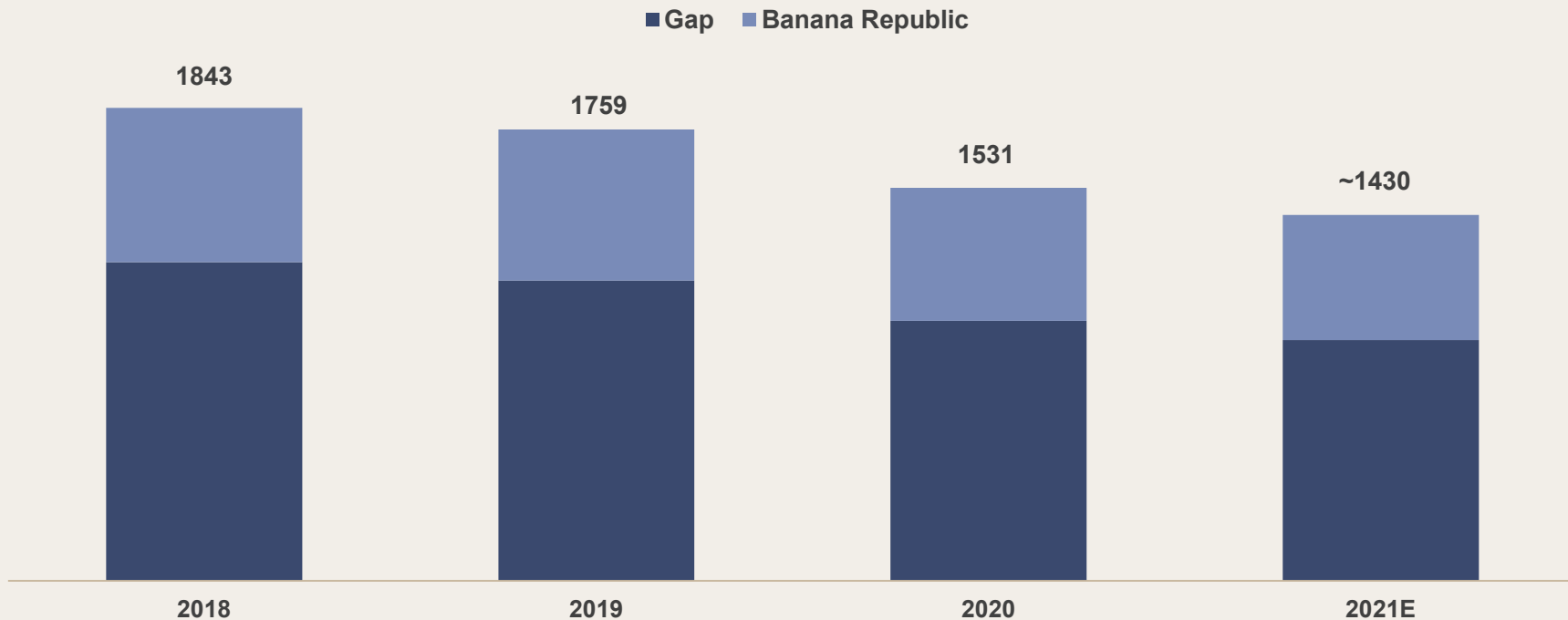
(1) 183 million refers to total number of recognized customers directly accessible for marketing outreach as of the end of fiscal year 2020.

(2) Represents growth in number of unique customers who have made an online purchase on our site.



Rationalizing Our Store Fleet

Completed 228 Gap and Banana Republic net store closures globally in 2020



Commitment to Environmental, Social & Governance Performance

ENVIRONMENTAL

11.2B

liters of water
saved in manufacturing
since 2014



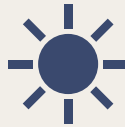
>65%

of waste diverted from
landfill across U.S facilities
on track to meet our goal of
diverting 80% by FY 2021



90MW

renewable-energy
generation
wind project which generates enough
clean energy to power half of our stores



SOCIAL

Ranked 100%
in HRC's Corporate
Equality Index
for the 14th year in a row



1,600+
youth hired
through our first-jobs program,
This Way Ahead.



>800k
Women & Girls
reached through
P.A.C.E. program
since the program launched in 2007



GOVERNANCE

6 of 13
Directors
are women*

*effective March 22, 2021



Annual
Global
Sustainability
Report
with SASB disclosure since 2018



Regular Board
& Committee
Oversight
including Governance and
Sustainability Committee



Gap Inc.



FISCAL 2021 Outlook

AS OF MARCH 4, 2021

Diluted Earnings per Share

\$1.20 - \$1.35

Net Sales Growth

Mid to high-teens

Operating Margin

About 5%

Net Interest Expense

About \$210 million

Effective Tax Rate

About 25%

Capital Expenditures

About \$800 million
