

Gap Inc. Fiscal 2021

FOURTH QUARTER 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 3, 2022 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 March 3, 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 presentation includes the non-GAAP measures adjusted gross profit, adjusted operating expenses, adjusted operating income (loss), adjusted net income (loss), and adjusted diluted earnings per share for each of Q4 and full year 2021 as well as adjusted expected diluted earnings per share, and adjusted expected operating margin. The description and reconciliation of these measures from GAAP is included in our March 3, 2022 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



FY 2021 Financial Highlights

- Fiscal 2021 sales reached \$16.7B, growing 21% year-over-year and 2% versus 2019
- Expanded gross margin significantly through ROD leverage and higher product margins from AUR growth versus 2019
- Returned over \$400M to shareholders through dividend program and share repurchase plan
- Restructured long-term debt, generating \$140M in annual interest expense savings beginning in 2022



Q4 2021 P&L Summary (REPORTED)

UNAUDITED

(\$ Millions)

	Q4 2021 ⁽¹⁾	Q4 2020 ⁽²⁾	Q4 2021 vs. Q4 2020	Q4 2019 ⁽³⁾	Q4 2021 vs. Q4 2019
Net Sales	\$4,525	\$4,424	+2%	\$4,674	(3%)
Comparable Sales			+3%		+3%
Gross Profit	\$1,523	\$1,668	(9%)	\$1,674	(9%)
% of Sales	33.7%	37.7%	(400 bps)	35.8%	(210 bps)
Merchandise Margin B/(W)			(280 bps)		(490 bps)
ROD % of Sales B/(W)			(120 bps)		+280 bps
Operating Expenses	\$1,515	\$1,534	(1%)	\$1,919	(21%)
% of Sales	33.5%	34.7%	(120 bps)	41.1%	(760 bps)
Operating Income (Loss)	\$8	\$134	(94%)	(\$245)	n/a
% of Sales	0.2%	3.0%	(280 bps)	(5.2%)	(540 bps)
Net Income (Loss)	(\$16)	\$234	n/a	(\$184)	(91%)
Diluted EPS	(\$0.04)	\$0.61	(\$0.65)	(\$0.49)	(\$0.45)

(1) Includes costs related to changes in the company's European operating model.

(2) Includes \$56 million in non-cash impairment charges related to Intermix.

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

Q4 2021 P&L Summary (ADJUSTED)

UNAUDITED

(\$ Millions)

	Q4 2021	Q4 2020 ⁽²⁾	Q4 2021 vs. Q4 2020	Q4 2019 ⁽³⁾	Q4 2021 vs. Q4 2019
Net Sales	\$4,525	\$4,424	+2%	\$4,674	(3%)
Comparable Sales			+3%		+3%
Gross Profit	\$1,523	\$1,668	(9%)	\$1,696 ⁽¹⁾	(10%)
% of Sales	33.7%	37.7%	(400 bps)	36.3% ⁽¹⁾	(260 bps)
Merchandise Margin B/(W)			(280 bps)		(500 bps)
ROD % of Sales B/(W)			(120 bps)		+240 bps
Adjusted Operating Expenses	\$1,507 ⁽¹⁾	\$1,534	(2%)	\$1,418 ⁽¹⁾	+6%
% of Sales	33.3% ⁽¹⁾	34.7%	(140 bps)	30.3% ⁽¹⁾	+300 bps
Adjusted Operating Income (Loss)	\$16 ⁽¹⁾	\$134	(87%)	\$278 ⁽¹⁾	(94%)
% of Sales	0.4% ⁽¹⁾	3.0%	(260 bps)	5.9% ⁽¹⁾	(550 bps)
Adjusted Net Income (Loss)	(\$8) ⁽¹⁾	\$234	n/a	\$217 ⁽¹⁾	n/a
Adjusted Diluted EPS	(\$0.02) ⁽¹⁾	\$0.61	(\$0.63)	\$0.58 ⁽¹⁾	(\$0.60)

(1) The description and reconciliation of these measures from their nearest GAAP measure is included in our March 3, 2022 earnings press release, which is available on investors.gapinc.com.

(2) Includes \$56 million in non-cash impairment charges related to Intermix.

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

Q4 2021

Net Sales Growth

Gap Inc.

vs.
FY20

+2%

(3%)

vs.
FY19

(3%)

+2%

▼
STORE CLOSURES/
DIVESTITURES
~9 points



+7%

(13%)

▼
STORE CLOSURES:
~17 points



+22%

(11%)

▼
STORE CLOSURES:
~10 points



+18%

+52%

vs. FY19
ESTIMATED
IMPACT
FROM:

Note: Consistent with prior quarters in fiscal 2021, comparisons to the fourth quarter of 2019 are also included.

Q4 2021 Comparable Sales

Gap Inc.

vs.
FY20

+3%

(6%)

vs.
FY19

+3%

(0%)



+10%

+3%



+26%

(2%)



+12%

+42%



**NORTH AMERICA COMP
VS. FY19:
+12%**

Note: Consistent with prior quarters in fiscal 2021, comparisons to the fourth quarter of 2019 are also included.

FY 2021 P&L Summary (REPORTED)

UNAUDITED

(\$ Millions)	FY 2021 ⁽¹⁾	FY 2020	FY 2021 vs. FY 2020	FY 2019 ⁽²⁾	FY 2021 vs. FY 2019
Net Sales	\$16,670	\$13,800	+21%	\$16,383	+2%
Comparable Sales			+6%		+8%
Gross Profit	\$6,637	\$4,705	+41%	\$6,133	+8%
% of Sales	39.8%	34.1%	+570 bps	37.4%	+240 bps
Merchandise Margin B/(W)			+310 bps		(100 bps)
ROD % of Sales B/(W)			+260 bps		+340 bps
Operating Expenses	\$5,827	\$5,567	+5%	\$5,559	+5%
% of Sales	35.0%	40.3%	(530 bps)	33.9%	+110 bps
Operating Income (Loss)	\$810	(\$862)	n/a	\$574	+41%
% of Sales	4.9%	(6.2%)	+1110 bps	3.5%	+140 bps
Net Income (Loss)	\$256	(\$665)	n/a	\$351	(27%)
Diluted EPS	\$0.67	(\$1.78)	+\$2.45	\$0.93	(\$0.26)

(1) Includes one-time fees associated with restructuring the company's long-term debt and charges related to divestiture activity and changes to the company's European operating model.

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

FY 2021 P&L Summary (ADJUSTED)

UNAUDITED

(\$ Millions)

	FY 2021	FY 2020 ⁽²⁾	FY 2021 vs. FY 2020	FY 2019 ⁽³⁾	FY 2021 vs. FY 2019
Net Sales	\$16,670	\$13,800	+21%	\$16,383	+2%
Comparable Sales			+6%		+8%
Adjusted Gross Profit	\$6,628 ⁽¹⁾	\$4,705	+41%	\$6,156 ⁽¹⁾	+8%
% of Sales	39.8% ⁽¹⁾	34.1%	+570 bps	37.6% ⁽¹⁾	+220 bps
Merchandise Margin B/(W)			+320 bps		(100 bps)
ROD % of Sales B/(W)			+250 bps		+320 bps
Adjusted Operating Expenses	\$5,718 ⁽¹⁾	\$5,567	+3%	\$5,115 ⁽¹⁾	+12%
% of Sales	34.3% ⁽¹⁾	40.3%	(600 bps)	31.2% ⁽¹⁾	+310 bps
Adjusted Operating Income (Loss)	\$910 ⁽¹⁾	(\$862)	n/a	\$1,041 ⁽¹⁾	(13%)
% of Sales	5.5% ⁽¹⁾	(6.2%)	+1170 bps	6.4% ⁽¹⁾	(90 bps)
Adjusted Net Income (Loss)	\$552 ⁽¹⁾	(\$665)	n/a	\$744 ⁽¹⁾	(26%)
Adjusted Diluted EPS	\$1.44 ⁽¹⁾	(\$1.78)	+\$3.22	\$1.97 ⁽¹⁾	(\$0.53)

(1) The description and reconciliation of these measures from GAAP is included in our March 3, 2022 earnings press release, which is available on investors.gapinc.com.

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

(3) Fiscal 2019 information provided due to unique comparisons to 2020 as a result of COVID-19.

FY 2021 Net Sales Growth

Gap Inc.

vs.
FY20

+21%

vs.
FY19

+2%

STORE CLOSURES/
DIVESTITURES
~7 points



+21%

+14%



+20%

(12%)

STORE CLOSURES:
~15 points



+35%

(18%)

STORE CLOSURES:
~10 points



+27%

+48%

vs. FY19
ESTIMATED
IMPACT
FROM:

Note: Consistent with prior quarters in fiscal 2021, comparisons to fiscal 2019 are also included.

FY 2021 Comparable Sales

Gap Inc.

vs.
FY20

+6%

vs.
FY19

+8%



0%

+12%



+8%

+2%



+24%

(9%)



+12%

+39%

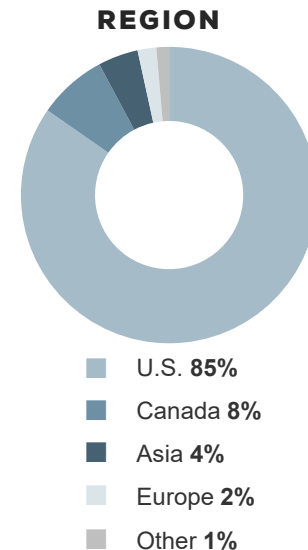
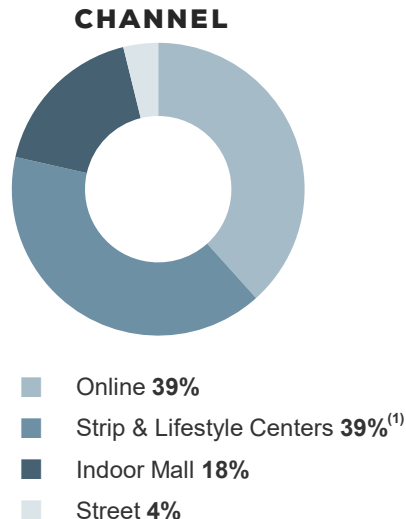
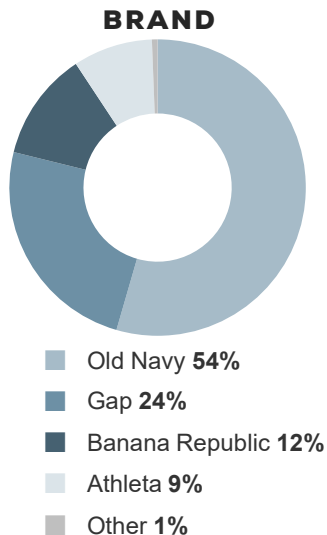
▼
NORTH AMERICA COMP
VS. FY19:
+12%

Note: Consistent with prior quarters in fiscal 2021, comparisons to fiscal 2019 are also included.

FY 2021

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



Note: All data based on fiscal year 2021 net sales.

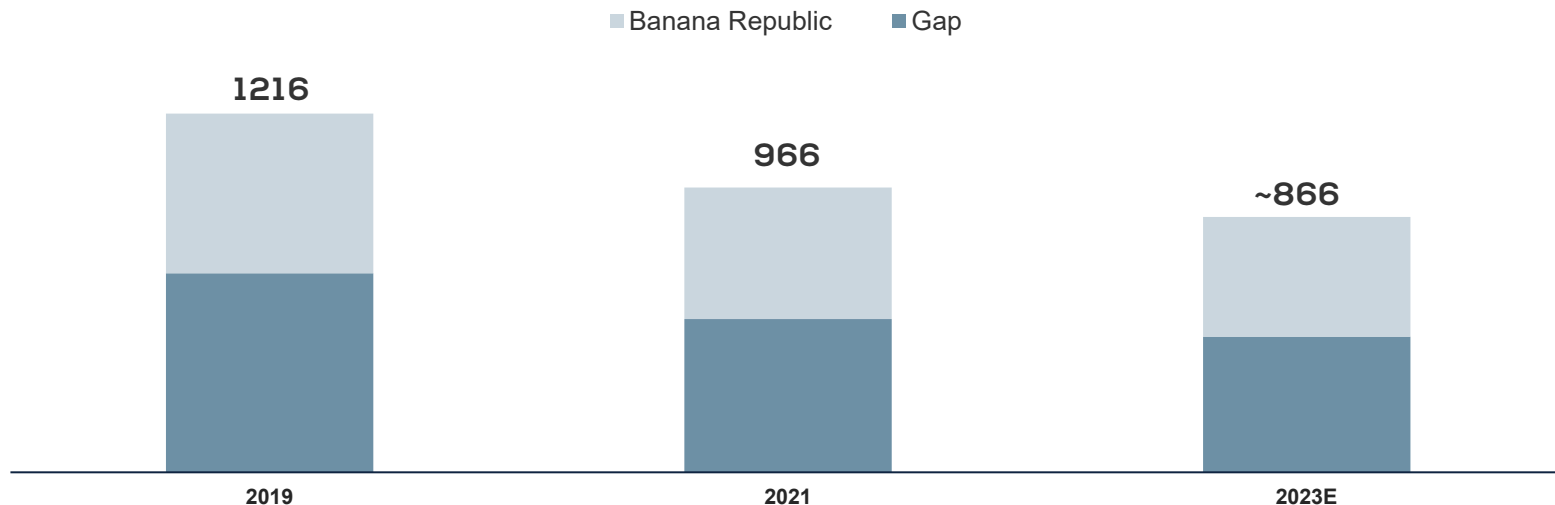
(1) Includes Open Air Malls and Outlet Centers.

FY 2021

Rationalizing our North America Fleet

- Completed over 70% of North America closures
- On-track to close ~350 N.A. Gap and Banana Republic stores by end of FY23

NORTH AMERICA STORE COUNT



Q4 2021

Improving Value by Turning Customers into Lifetime Loyalists

50+
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.

Q4 2021

Commitment to Environmental, Social & Governance Performance

ENVIRONMENT

1.5M

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



A-

grade from CDP for Climate and Water in 2021



79%

cotton sourced from more sustainable sources in 2021



SOCIAL

10K+

jobs provided to the next generation of leaders through This Way ONward; more than halfway to the goal of 20K jobs by 2025



New Opportunity Hiring Partners

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



1M

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



GOVERNANCE

5 of 12

Directors are women



Annual Global Sustainability Report

with SASB and GRI-aligned disclosures



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.

Q4 2021

Fiscal 2022 Outlook

	AS OF MARCH 3, 2022
Reported Diluted Earnings per Share	\$1.95 to \$2.15
Adjusted Diluted Earnings per Share ⁽¹⁾	\$1.85 to \$2.05
Net Sales Growth	Low single digits
Reported Operating Margin	6.3% to 6.8%
Adjusted Operating Margin ⁽¹⁾	6.0% to 6.5%
Net Interest Expense	About \$70 million
Effective Tax Rate	About 27%
Capital Expenditures	About \$700 million

(1) Excludes a net benefit expected from international initiatives.