

# GAP INC. BALANCED GROWTH

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EVP AND CFO

SEPTEMBER 6, 2017



BANANA REPUBLIC



ATHLETA

INTERMIX

Gap Inc.

# DISCLOSURE STATEMENT

## FORWARD-LOOKING STATEMENTS

This presentation 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 September 6, 2017 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. Information regarding factors that could cause results to differ can be found in our September 6, 2017 press release, our Annual Report on Form 10-K for the fiscal year ended January 28, 2017, and our subsequent filings with the U.S. Securities and Exchange Commission, all of which are available on [gapinc.com](http://gapinc.com).

These forward-looking statements are based on information as of September 6, 2017. 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.

# BALANCED GROWTH



**GROW  
VALUE + ACTIVE**

**ACCELERATE  
ONLINE + MOBILE**

**REDUCE SPECIALTY  
FOOTPRINT**

**DRIVE PRODUCTIVITY GAINS  
THROUGH SCALE**

# THE GAP INC. **ADVANTAGE**

- **PORTFOLIO OF ICONIC,  
PROFITABLE BRANDS**
- **MEET OUR CUSTOMERS  
WHERE THEY ARE:  
ONLINE, MOBILE, IN-STORE**
- **LEVERAGE PRODUCT  
CREATION CAPABILITIES  
TO LEAD IN LOYALTY-DRIVING  
CATEGORIES**
- **SCALE THAT DRIVES  
PROFITABILITY + GROWTH**



# STRATEGIC VIEW OF OUR BRANDS

HIGHER  
RETURN  
ON SALES



BANANA REPUBLIC  
FACTORY STORE



BANANA REPUBLIC



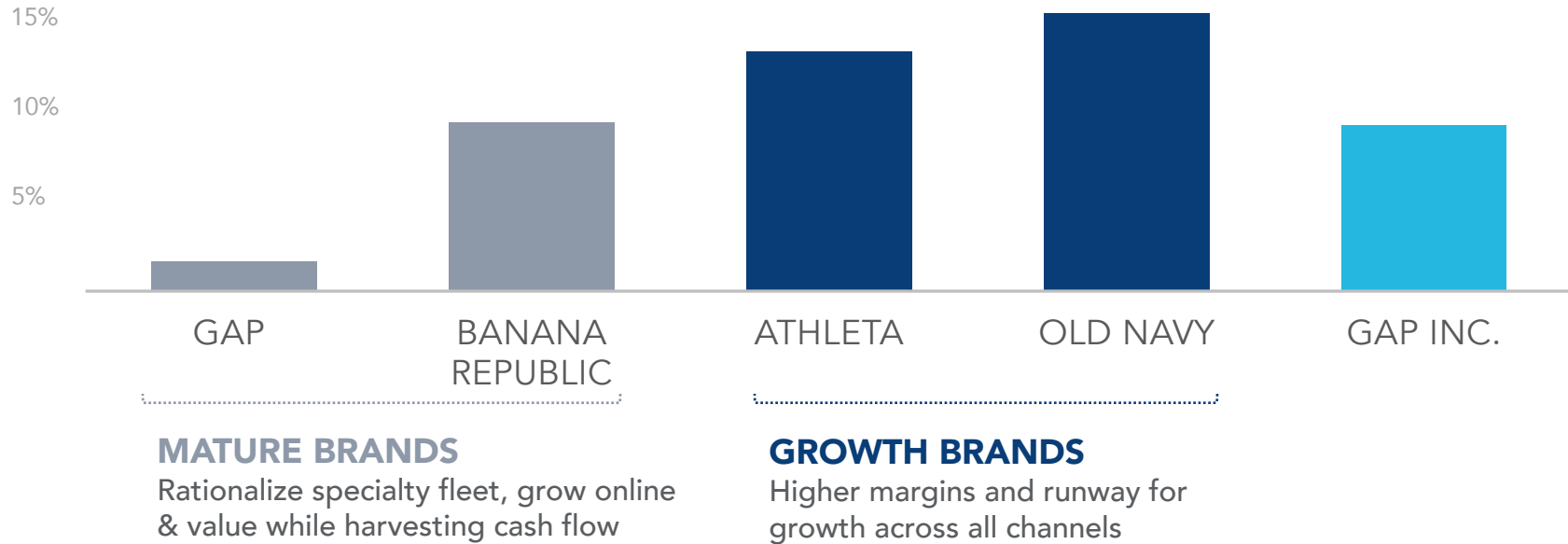
ONLINE + MOBILE

HIGHER GROWTH RATE



# PORTFOLIO OF PROFITABLE BRANDS

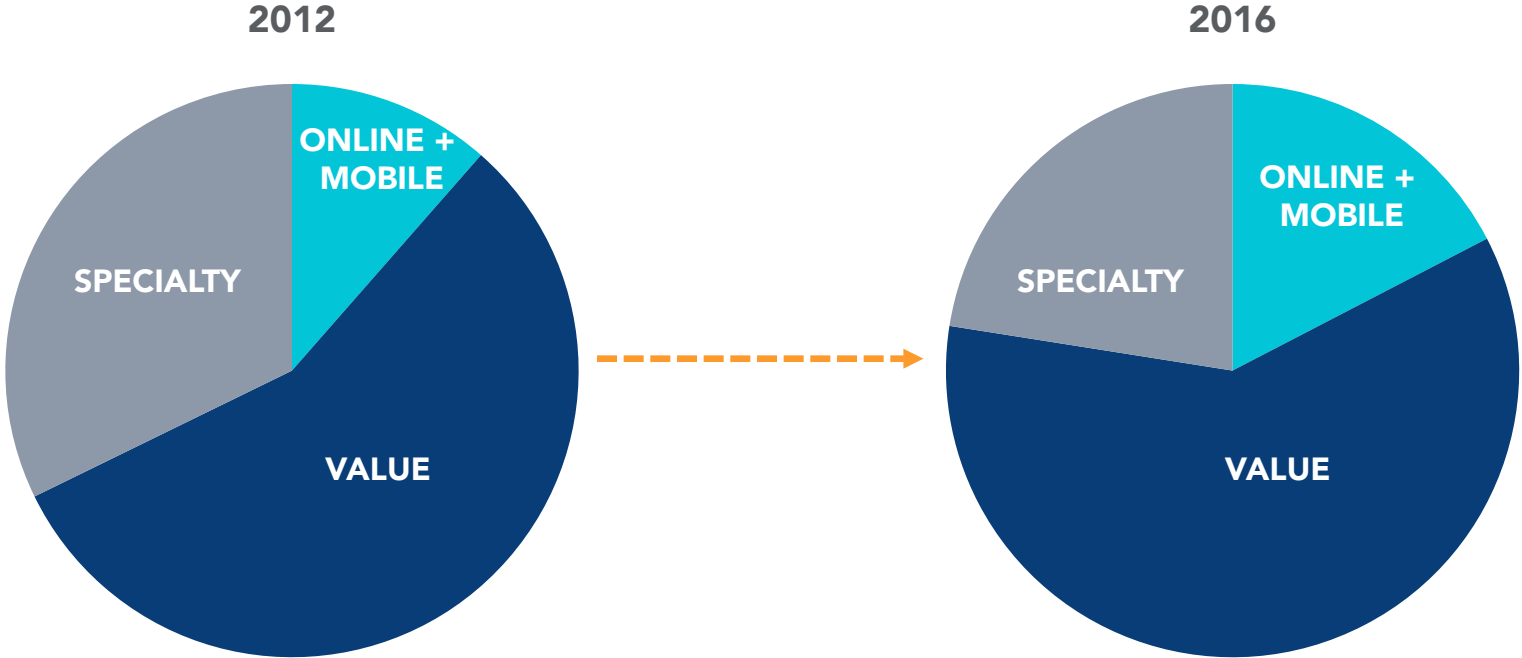
## FY 2016 ADJUSTED OPERATING MARGINS\*



\*FY 2016 Adjusted Operating Margins exclude the impact of restructuring charges and a gain from insurance proceeds related to the fire at our Fishkill distribution center.

OUR VALUE + ONLINE  
CHANNELS ARE  
**5 TIMES MORE**  
**PROFITABLE** THAN  
SPECIALTY...

# CUSTOMERS CONTINUE TO SHIFT TO ONLINE + VALUE

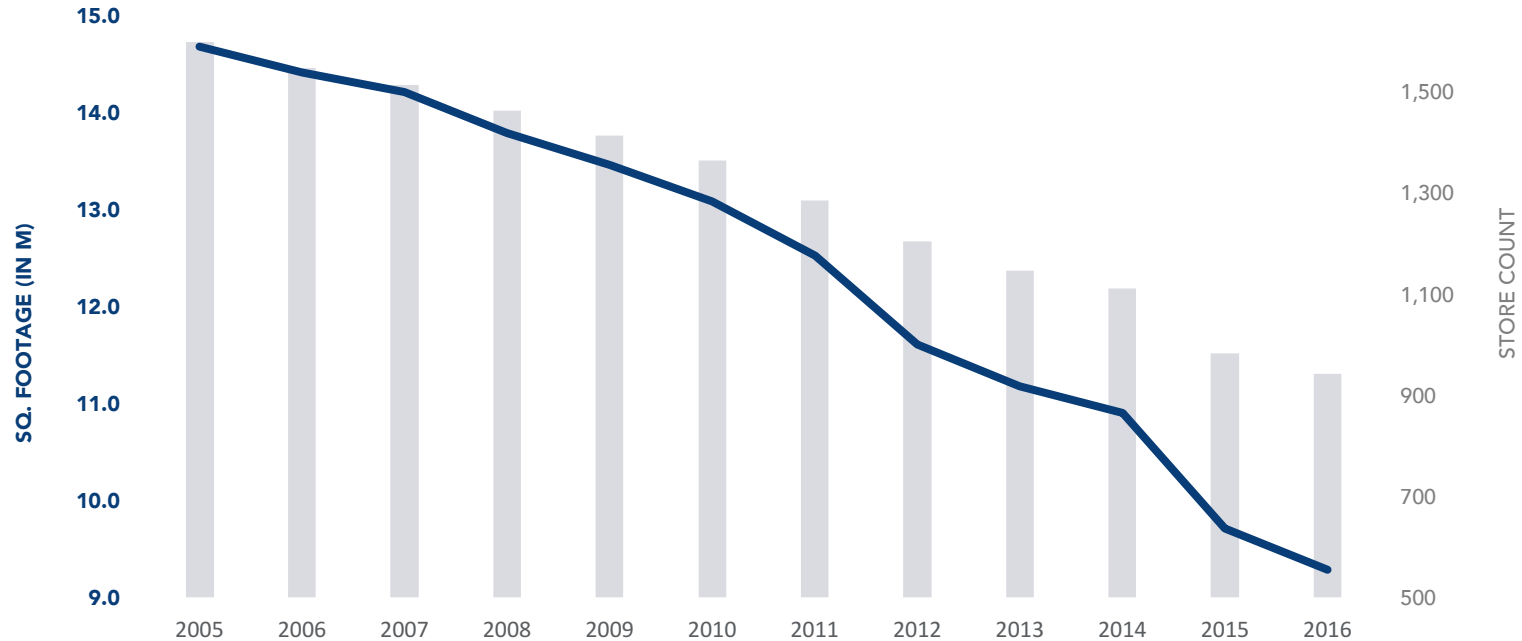


North America Net Sales Include Gap, Banana Republic and Old Navy



# RATIONALIZING OUR SPECIALTY FLEET

REDUCED NORTH AMERICA **SPECIALTY** STORE COUNT BY OVER **650 STORES** AND SQUARE FOOTAGE BY **5M+ SQ. FT.**



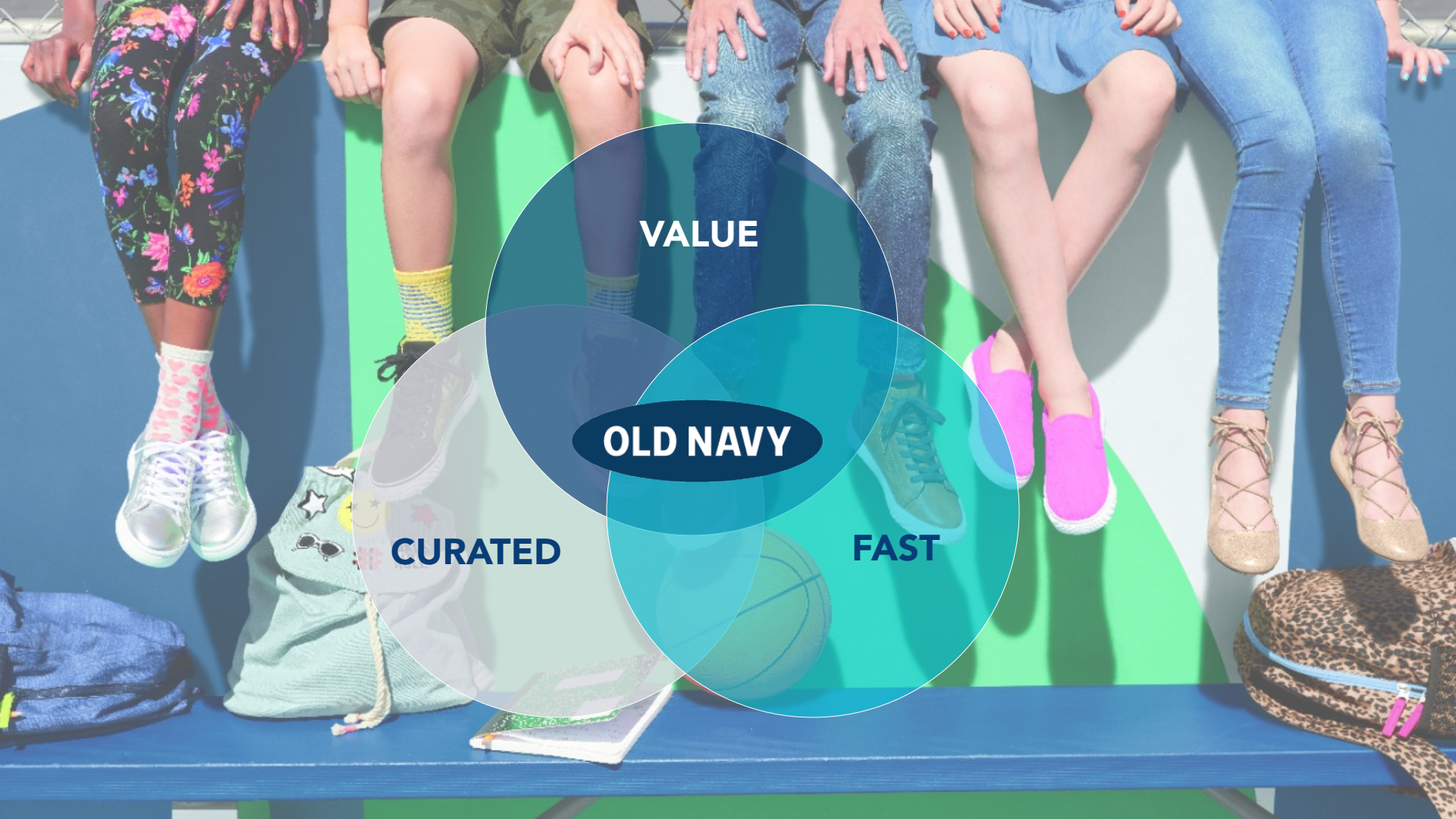
OVER THE NEXT 3 YEARS WE WILL CONTINUE TO REDUCE GAP AND BANANA REPUBLIC SPECIALTY FLEETS, WITH **ABOUT 200 CLOSURES**

# ATHLETA: FAST TRACK TO \$1 BILLION+

**ATHLETA HAS  
OUTPERFORMED  
THE ACTIVE MARKET  
AND CONTINUES TO HAVE  
SIGNIFICANT GROWTH  
POTENTIAL —  
25% COMPOUND ANNUAL  
GROWTH RATE SINCE 2012**

- BRAND AWARENESS & LOYALTY
- CUSTOMER ACQUISITION
- U.S. STORE EXPANSION
- MARKET SHARE GROWTH
- GIRLS CATEGORIES
- INTERNATIONAL OPPORTUNITY





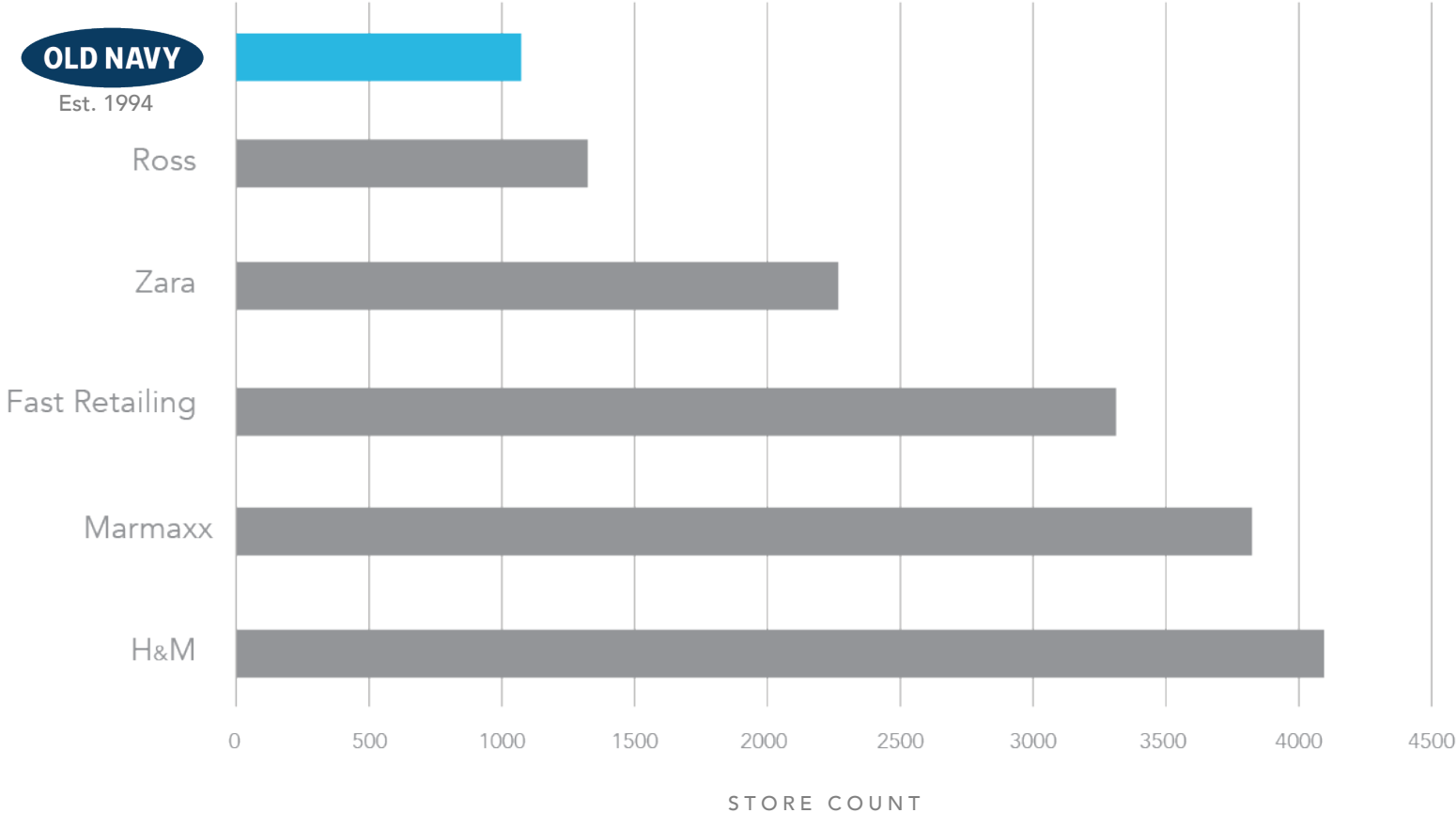
**VALUE**

**OLD NAVY**

**CURATED**

**FAST**

# OLD NAVY UNDERPENETRATED STORE FOOTPRINT VS. PEERS



# THE OLD NAVY STRUCTURAL ADVANTAGE

- DELIVERS QUALITY PRODUCT AT **ATTRACTIVE MARGINS** BY LEVERAGING VENDOR EXPERTISE
- MAINTAINS **FAVORABLE RENT AND OCCUPANCY** THROUGH LIMITED EXPOSURE TO TRADITIONAL MALLS
- UTILIZES SIZE AND SCALE TO **LEVERAGE SG&A** INVESTMENTS FOR HIGHER RETURNS
- LESS PENETRATED IN **HIGHER RETURN CHANNELS** (OUTLET AND ONLINE) COMPARED TO OUR MATURE SPECIALTY BRANDS

# OLD NAVY HAS A **LONG RUNWAY**



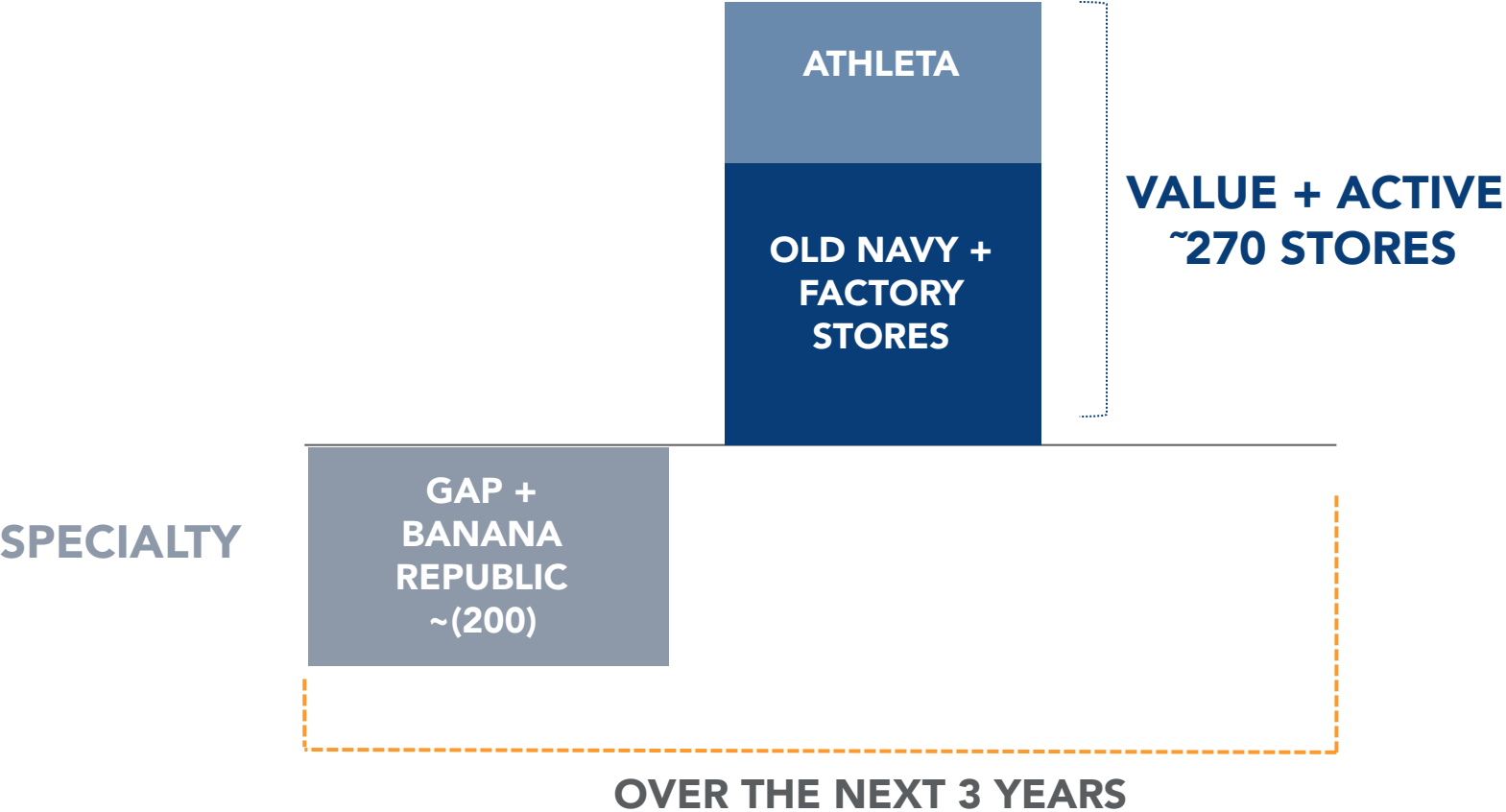
**OLD NAVY**

## **PATH TO \$10 BILLION**

- U.S. STORE EXPANSION
- MARKET SHARE GROWTH
- ONLINE + MOBILE
- LOYALTY CATEGORIES
- NEW CATEGORIES

**...AND INTERNATIONAL**

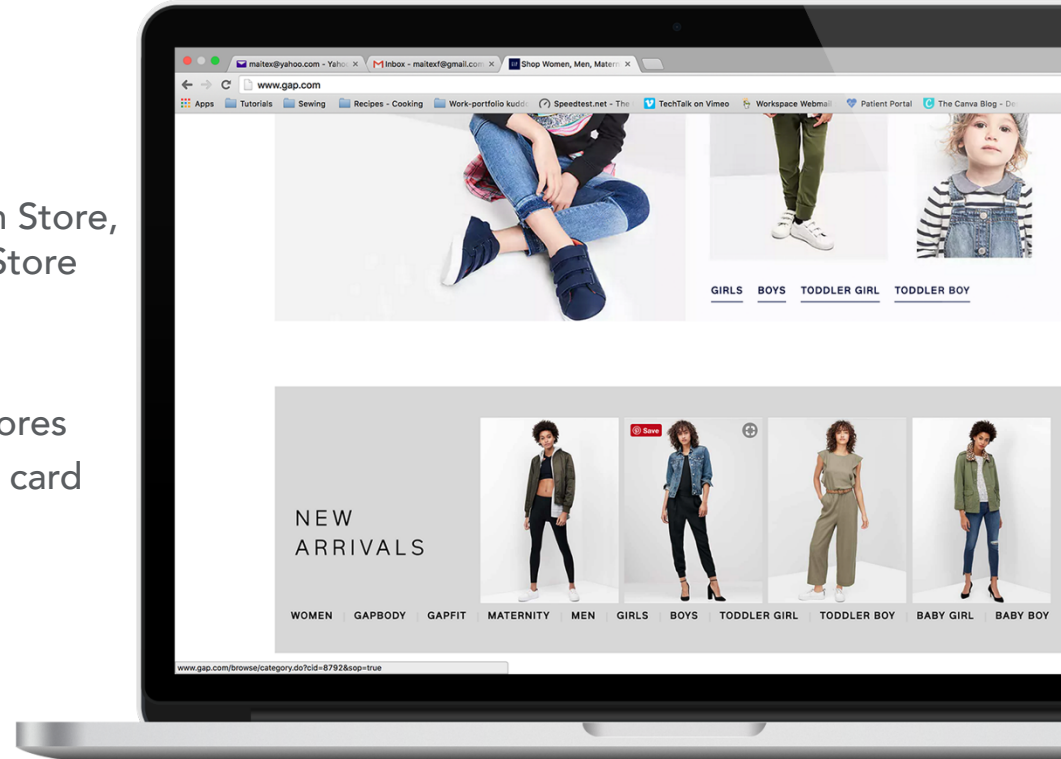
# FLEET OPTIMIZATION



# ONLINE + MOBILE **INDUSTRY LEADING PLATFORM**

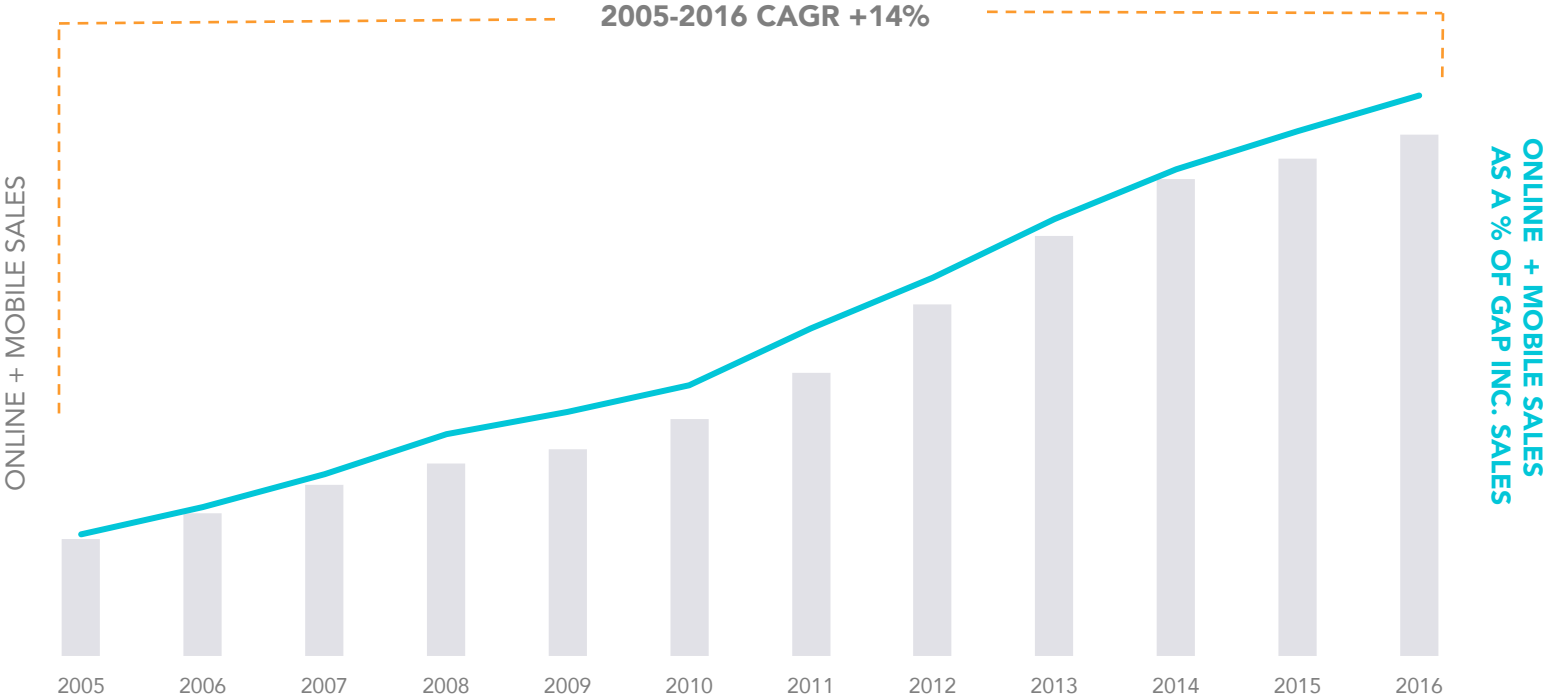
## TODAY:

- Proprietary scaled e-commerce platform
- Cross-brand shop, basket & check-out
- Find in Store, Reserve in Store, Ship from Store, Order in Store, Buy Online & Pick Up in Store
- New customer data & analytics tools
- Personalized product recommendations
- Mobile point of sale, price checkers in stores
- Enhanced native mobile apps with credit card management
- Apple Pay in mobile browser
- babyGap subscription model
- Credit card based loyalty program





# ONLINE + MOBILE GROWTH



# CUSTOMER CENTRIC APPROACH

## INVESTING FOR THE FUTURE:

- Multi-tender loyalty program in beta
- Contactless payments and self-checkout in stores
- Technology-enabled fitting rooms
- AI-assisted styling
- Cross-brand personalized recommendations
- Personalized in-store service via associate technology
- Guided selling experiences
- Geo-targeted offers through mobile



# TECHNOLOGY + SCALE: POWERFUL CUSTOMER VALUE ECONOMICS

## 1 CASUAL CUSTOMER

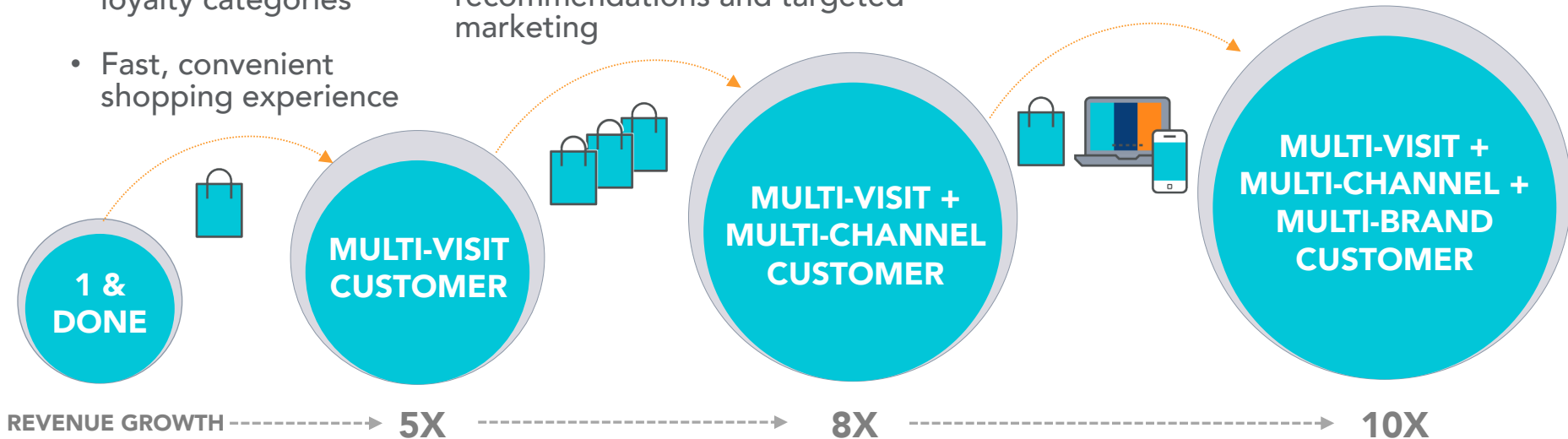
- Great product in loyalty categories
- Fast, convenient shopping experience

## 2 ENGAGED CUSTOMER

- Find in Store, Reserve in Store, Ship from Store, Order in Store, Buy Online & Pick Up in Store
- Personalized product recommendations and targeted marketing

## 3 LOYAL CUSTOMER

- Cross-brand browse, shop, basket & check-out
- Loyalty and Cardholder program
- Cross-brand personalized recommendations



INCREASED REVENUE + ENGAGEMENT

# BALANCED GROWTH

GROW  
VALUE + ACTIVE

ACCELERATE  
ONLINE + MOBILE

REDUCE  
SPECIALTY  
FOOTPRINT

**DRIVE PRODUCTIVITY GAINS  
THROUGH SCALE**

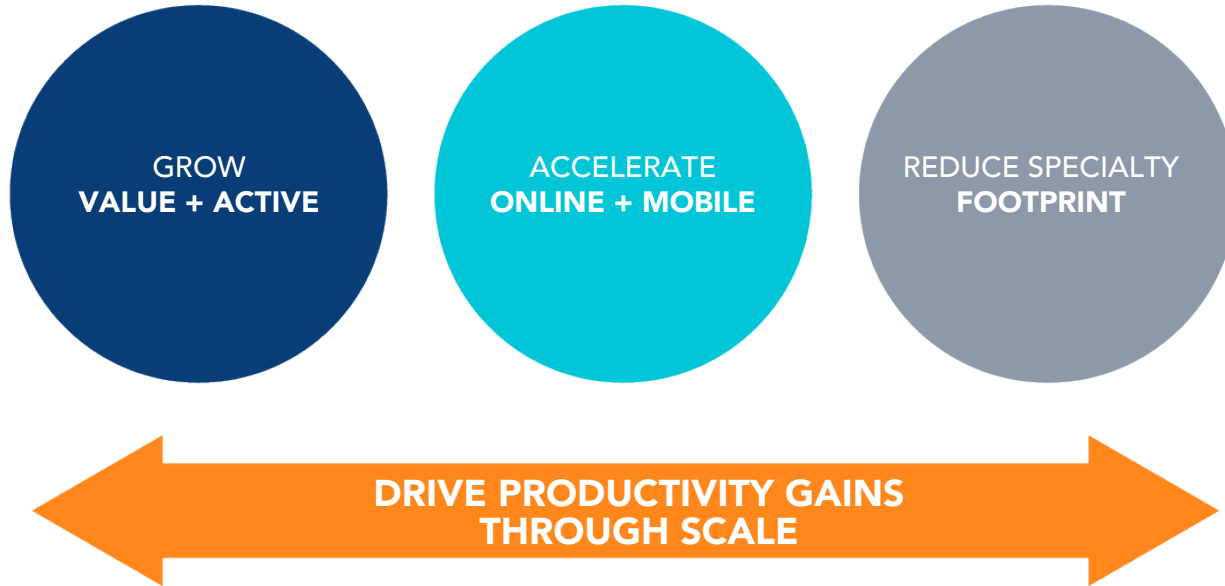
# PRODUCTIVITY **OPPORTUNITY**

- **REDUCE** LEGACY SYSTEMS
- **STANDARDIZE** PROCESS
- **STREAMLINE** WORKLOAD
- FULLY EXPLOIT **SCALE + LEVERAGE**



~ **\$500M**  
OVER 3 YEARS

# BALANCED **GROWTH**



**TOP LINE GROWTH + MARGIN EXPANSION + PRODUCTIVITY**

THANK YOU



BANANA REPUBLIC



 ATHLETA

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