



GAP INC. FISCAL 2018

FOURTH QUARTER EARNINGS RESULTS

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DISCLOSURE STATEMENT

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 February 28, 2019 press releases.

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 February 28, 2019 earnings press release, our Annual Report on Form 10-K for the fiscal year ended February 3, 2018, and our subsequent filings with the U.S. Securities and Exchange Commission, all of which are available on gapinc.com.

These forward-looking statements are based on information as of February 28, 2019. 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 net income, adjusted earnings per share, expected adjusted earnings per share, adjusted operating income, adjusted operating income as a percent of net sales, adjusted operating expenses, adjusted operating expenses as a percent of net sales, and free cash flow. The descriptions and reconciliations of these measures from GAAP are included in our February 28, 2019 earnings press release, which is available on gapinc.com.

Q4 P&L SUMMARY IN MILLIONS

| | Q4 2018 | Q4 2018 Without Presentation Changes from ASC 606 | Q4 2017 Adjusted ⁽¹⁾ | Q4 2018 Without Presentation Changes from ASC 606 vs. Q4 2017 Adjusted ⁽²⁾ |
|-----------------------------|---------|---|---------------------------------|--|
| NET SALES | \$4,623 | \$4,453 | \$4,778 | (7%) |
| COMP | (1%) | (1%) | 5% | |
| <hr/> | | | | |
| GROSS PROFIT | \$1,645 | \$1,522 | \$1,759 | (13%) |
| % | 35.6% | 34.2% | 36.8% | (260bps) |
| MERCHANDISE MARGIN B/(W) LY | (60bps) | (150bps) | +180bps | |
| ROD % OF SALES B/(W) LY | (60bps) | (110bps) | +130bps | |
| <hr/> | | | | |
| OPERATING EXPENSES | \$1,273 | \$1,150 | \$1,363 | (16%) |
| % | 27.5% | 25.8% | 28.5% | +270bps |
| <hr/> | | | | |
| OPERATING INCOME | \$372 | \$372 | \$396 | (6%) |
| % | 8.0% | 8.4% | 8.3% | +10bps |
| <hr/> | | | | |
| NET INCOME | \$276 | \$276 | \$239 | +15% |
| DILUTED EPS | \$0.72 | \$0.72 | \$0.61 | +18% |

(1) The description and reconciliation of these measures from GAAP is included in our February 28, 2019 earnings press release, which is available on gapinc.com

(2) Percentages and changes of percentages computed individually for each line item; therefore, the sum may not equal the total.

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FY 2018 P&L SUMMARY IN MILLIONS

| | FY 2018 | FY 2018 Without Presentation Changes from ASC 606 | FY 2017 Adjusted ⁽¹⁾ | FY 2018 Without Presentation Changes from ASC 606 vs. Q4 2017 Adjusted ⁽²⁾ |
|-----------------------------|----------|---|---------------------------------|--|
| NET SALES | \$16,580 | \$15,961 | \$15,855 | 1% |
| COMP | 0% | 0% | 3% | |
| <hr/> | | | | |
| GROSS PROFIT | \$6,322 | \$5,879 | \$6,066 | (3%) |
| % | 38.1% | 36.8% | 38.3% | (150bps) |
| MERCHANDISE MARGIN B/(W) LY | (70bps) | (140bps) | +120bps | |
| ROD % OF SALES B/(W) LY | 50bps | (10bps) | +80bps | |
| <hr/> | | | | |
| OPERATING EXPENSES | \$4,960 | \$4,517 | \$4,651 | (3%) |
| % | 29.9% | 28.3% | 29.3% | +100bps |
| <hr/> | | | | |
| OPERATING INCOME | \$1,362 | \$1,362 | \$1,415 | (4%) |
| % | 8.2% | 8.5% | 8.9% | (40bps) |
| <hr/> | | | | |
| NET INCOME | \$1,003 | \$1,003 | \$842 | +19% |
| DILUTED EPS | \$2.59 | \$2.59 | \$2.13 | +22% |

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(2) Percentages and changes of percentages computed individually for each line item; therefore, the sum may not equal the total.

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Q4 2018: PRESENTATION CHANGES FROM ASC 606 IN MILLIONS

13 WEEKS ENDED FEBRUARY 2, 2019

| | AS REPORTED | RECLASSIFICATIONS ⁽¹⁾ | BALANCES WITHOUT PRESENTATION CHANGES from ASC 606 ⁽²⁾ |
|---|-------------|----------------------------------|---|
| NET SALES | \$4,623 | \$(170) | \$4,453 |
| COST OF GOODS SOLD AND OCCUPANCY EXPENSES | 2,978 | (47) | 2,931 |
| GROSS PROFIT | 1,645 | (123) | 1,522 |
| OPERATING EXPENSES | 1,273 | (123) | 1,150 |
| OPERATING INCOME | 372 | - | 372 |
| INTEREST, NET | 7 | - | 7 |
| INCOME BEFORE INCOME TAXES | 365 | - | 365 |
| INCOME TAXES | 89 | - | 89 |
| NET INCOME | \$276 | - | \$276 |

(1) \$170 million increase in net sales includes reclassification for reimbursements of loyalty program discounts associated with our credit card programs, which were previously recorded as a reduction to cost of goods sold and occupancy expenses, and reclassification for revenue sharing associated with our credit card programs and breakage income for gift cards, which were previously recorded as a reduction to operating expenses.

(2) Other changes resulting from the adoption of ASC 606 did not have a material impact.

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FY 2018: PRESENTATION CHANGES FROM ASC 606 IN MILLIONS

52 WEEKS ENDED FEBRUARY 2, 2019

| | AS REPORTED | RECLASSIFICATIONS ⁽¹⁾ | BALANCES WITHOUT PRESENTATION CHANGES from ASC 606 ⁽²⁾ |
|---|-------------|----------------------------------|---|
| NET SALES | \$16,580 | \$(619) | \$15,961 |
| COST OF GOODS SOLD AND OCCUPANCY EXPENSES | 10,258 | (176) | 10,082 |
| GROSS PROFIT | 6,322 | (443) | 5,879 |
| OPERATING EXPENSES | 4,960 | (443) | 4,517 |
| OPERATING INCOME | 1,362 | - | 1,362 |
| INTEREST, NET | 40 | - | 40 |
| INCOME BEFORE INCOME TAXES | 1,322 | - | 1,322 |
| INCOME TAXES | 319 | - | 319 |
| NET INCOME | \$1,003 | - | \$1,003 |

(1) \$619 million increase in net sales includes reclassification for reimbursements of loyalty program discounts associated with our credit card programs, which were previously recorded as a reduction to cost of goods sold and occupancy expenses, and reclassification for revenue sharing associated with our credit card programs and breakage income for gift cards, which were previously recorded as a reduction to operating expenses.

(2) Other changes resulting from the adoption of ASC 606 did not have a material impact.

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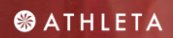
FISCAL 2019 OUTLOOK AS OF FEBRUARY 28, 2019

| | |
|-------------------------------------|------------------------------------|
| Reported Diluted Earnings per Share | \$2.11 - \$2.26 |
| Adjusted Diluted Earnings per Share | \$2.40 - \$2.55 |
| Comp Sales | Flat to up slightly |
| Net Company-Operated Store Closures | About 50 |
| Capital Expenditures | About \$750 million ⁽¹⁾ |
| Effective Tax Rate | About 26% |
| Share Repurchases | About \$200 million |

(1) Includes about \$100 million of expansion costs related to a headquarters building and a buildout of the company's Ohio distribution center.



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