Gap Inc. to Separate into Two Independent Companies to Maximize Long-Term Value Creation

February 28, 2019
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 press releases, 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.
Unique Strengths – Different Paths

Creates Two Independent Companies with Unique Strategies and Opportunities

**NewCo**  
(Yet to be named)

- Scaled and enviable portfolio of iconic brands
- Large, loyal and complementary customer base
- Data-driven, omni-channel operating platform
- Leverage scale and digital capability to drive profitable growth
- Led by Art Peck, current President and CEO of Gap Inc.

**Old Navy**

- One of the fastest-growing apparel brands in the U.S. and category leader in family apparel
- Scale, broad customer awareness and unique positioning
- Significant opportunity to increase market share through new store growth, expansion of online reach and category leadership
- Led by Sonia Syngal, current President and CEO of Old Navy

FY2018 Revenue $16.6Bn

- $8.7Bn (53%)
- $7.9Bn (47%)
Compelling Strategic Rationale for Separation

- Separation creates two independent companies with sharpened strategic focus and operating structure

- Enables each company to capitalize on unique business models, growth plans and customer bases

- Compelling and distinct financial profiles, tailored operating priorities and unique capital allocation strategies

- Better positions the two new companies to create significant value for our customers and shareholders and opportunities for our employees
Spin-Off is Gap Inc.’s Transformational Next Step

Evolving Retail Market

- Consumer Focus on Value, Speed and Convenience
- Declining Mall Traffic
- Digitally-Led Omni-Channel Customer
- Old Navy’s Business Model and Customers have Increasingly Diverged from Traditional Specialty Model

Significant Progress

- Continued Investment in Supply Chain and Digital Capabilities
- Focused on Productivity and Operational Discipline
- Ongoing Fleet Optimization
- Integrating Sustainability Across Our Value Chain

Most Compelling Path Forward

Two Distinct Entities:

- Maximize Focus and Flexibility
- Align Investments and Incentives to Better Serve Differentiated Customer Bases
- Optimize Cost Structures
- Act Decisively in Evolving Retail Environment

Comprehensive Review by Board:

- Plan to separate unanimously approved
NewCo: Unique and Differentiated Brand Portfolio

Strategic Brand Perspective

- Consumer-relevant brands with large, complementary and loyal customer bases
- Strong omni-channel platform – Online, Mobile, In-Store – across multiple brands
- Advantaged capabilities to efficiently deliver quality products and experiences
- Scale that drives profitability and growth
- Leading the way in sustainability and social responsibility

2018 Revenue Breakdown

- $8.7Bn Revenue
- $2.1Bn / 24% Online Revenue

By Brand

- Gap 59%
- Banana Republic 28%
- Athleta / Intermix 13%

By Geography

- US 71%
- Asia 13%
- Europe 7%
- Canada 7%
- Other 2%

2018 Revenue Breakdown

- Athleta / Intermix 13%
- Banana Republic 28%
- Gap 59%
Significant Opportunities at NewCo

Mature Brands

- Improve Profitability
- REFINE GAP BRAND STORE FLEET
- INVESTMENT IN DIGITAL, OMNI-CHANNEL AND DATA ANALYTICS
- SUPPLY CHAIN AND INVENTORY OPTIMIZATION
- EXPLORE ADDITIONAL FRANCHISING AND OUTLET OPPORTUNITIES
- EVOLVE LEADERSHIP IN SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Growth Brands

- Further Drive Growth Momentum

Gap Inc.
Old Navy – One of the Fastest-Growing Apparel Brands in the U.S.

Well-Positioned at the Intersection of Value, Speed and Curation

Strong foundation with robust and repeatable product-to-market process

Key Investment Highlights

- Delivers quality product at **attractive margins** by leveraging vendor expertise
- Opportunity to **increase access** with new stores
- Maintains **favorable rent and occupancy** through limited exposure to traditional malls
- Utilizes **size and scale** to leverage investments in customer initiatives that deliver higher returns

Runway to Grow Internationally and Online

$7.9Bn Revenue

$1.6Bn / 20% Online Revenue

2018 Revenue by Geography

- Canada 7%
- Other 2%
- US. 91%

Gap Inc.
Old Navy Has a Long Runway for Growth

Path to $10Bn in Net Sales

Key Benefits of Standalone Old Navy

- Capitalize on scale, broad customer awareness and unique positioning to extend category leadership and deliver profitable growth
- Flexibility and control to increase customer access by further applying strategic real estate strategy, evolving omni-channel model and expanding product categories
- Invest in capabilities and initiatives that will continue to grow its market share
## Transaction Details

| Transaction Structure | • Separation to be effected through a spin-off intended to generally be tax-free to Gap Inc. shareholders for U.S. federal income tax purposes  
| | • Upon separation, Gap Inc. shareholders are expected to receive a pro-rata stock distribution and as a result own shares in both NewCo and Old Navy in equal proportion |
| Capital Structure Plans | • Both companies expected to be appropriately capitalized with sufficient cash to support planned operating and investment plans |
| Governance / Other | • Old Navy to be led by Sonia Syngal, current President and CEO of Old Navy  
| | • NewCo to be Led by Art Peck, current President and CEO of Gap Inc.  
| | • Both Old Navy and NewCo headquarters to remain in San Francisco |
| Timing and Conditions | • Transaction is subject to certain conditions, including final approval by Inc.’s Board of Directors, receipt of a tax opinion from counsel, and the filing and effectiveness of a registration statement with the U.S. Securities and Exchange Commission  
| | • Transaction currently targeted to be completed in 2020 |
Gap Inc.