



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

February 28, 2019

Gap Inc.

GAP

BANANA REPUBLIC

OLD NAVY

ATHLETA

INTERMIX

HILL CITY

# 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](http://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)



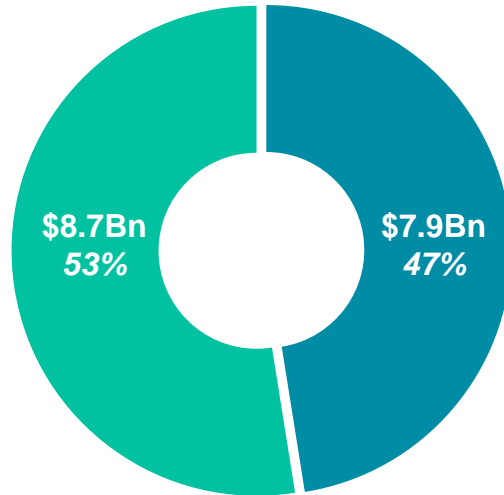
BANANA REPUBLIC



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- 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.

FY2018 Revenue \$16.6Bn



## Old Navy

**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

Gap Inc.

# 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

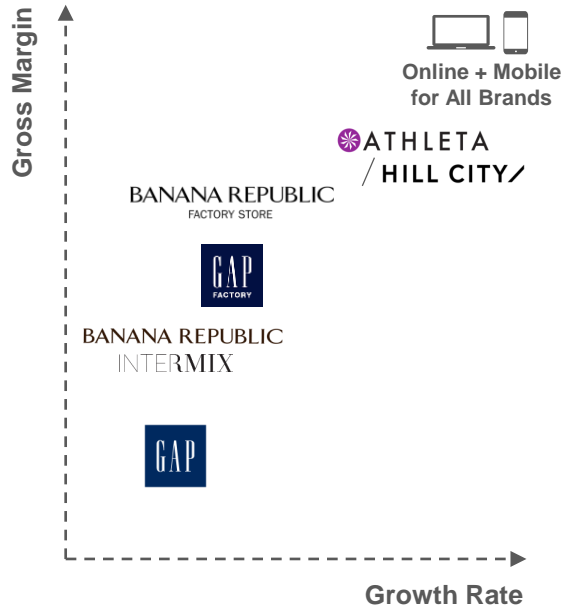


### Comprehensive Review by Board:

- Plan to separate unanimously approved

# NewCo: Unique and Differentiated Brand Portfolio

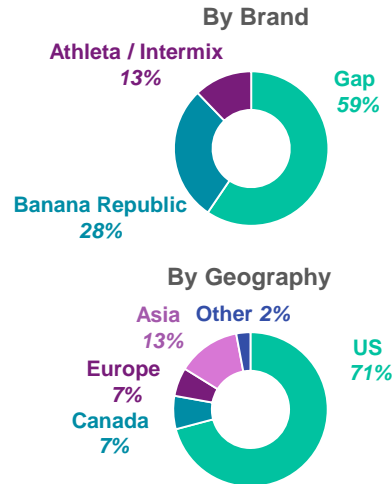
## Strategic Brand Perspective



## 2018 Revenue Breakdown

\$8.7Bn Revenue

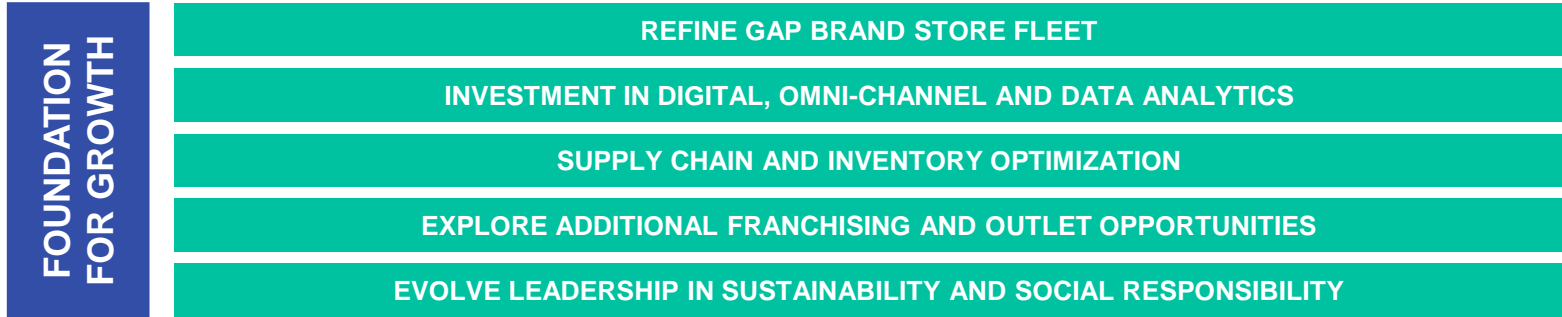
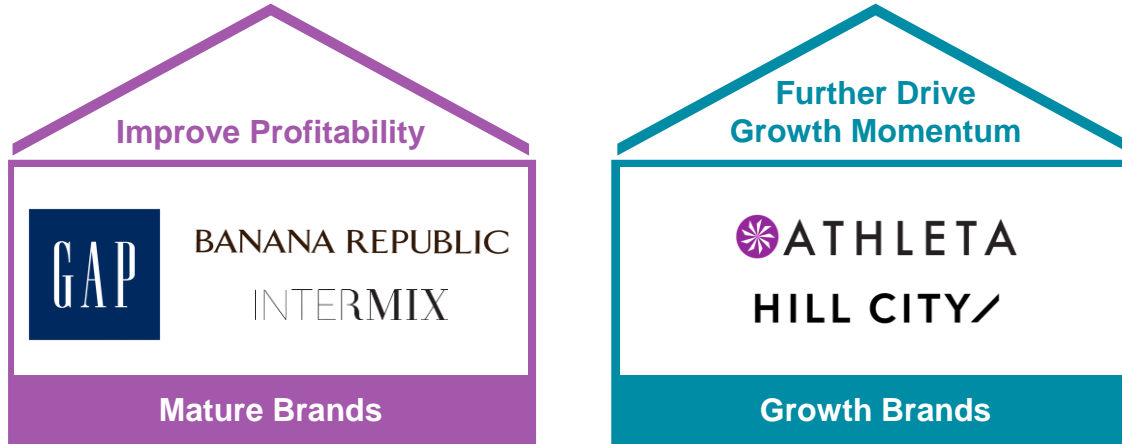
\$2.1Bn / 24% Online Revenue



## Key Investment Highlights

- 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**

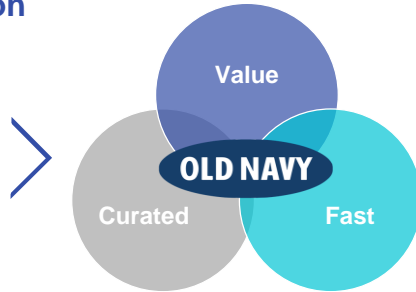
# Significant Opportunities at NewCo



# 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

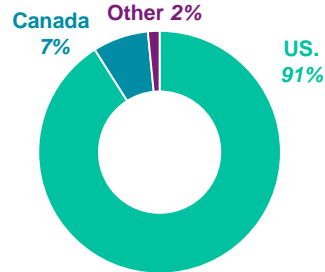


## Runway to Grow Internationally and Online

\$7.9Bn  
Revenue

\$1.6Bn / 20%  
Online Revenue

2018 Revenue by Geography



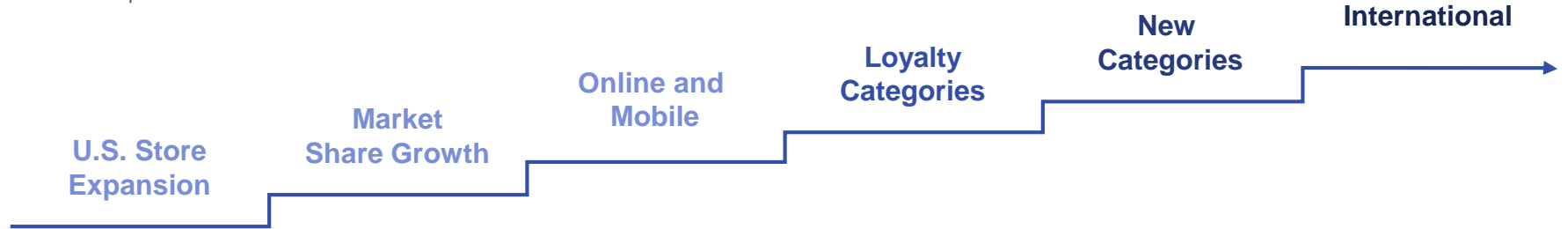
## Key Investment Highlights

- 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



# 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

<b>Transaction Structure</b>	<ul style="list-style-type: none"><li>• 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</li><li>• 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</li></ul>
<b>Capital Structure Plans</b>	<ul style="list-style-type: none"><li>• Both companies expected to be appropriately capitalized with sufficient cash to support planned operating and investment plans</li></ul>
<b>Governance / Other</b>	<ul style="list-style-type: none"><li>• Old Navy to be led by Sonia Syngal, current President and CEO of Old Navy</li><li>• NewCo to be Led by Art Peck, current President and CEO of Gap Inc.</li><li>• Both Old Navy and NewCo headquarters to remain in San Francisco</li></ul>
<b>Timing and Conditions</b>	<ul style="list-style-type: none"><li>• 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</li><li>• Transaction currently targeted to be completed in 2020</li></ul>



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