VGR

// Q3 FY2026

GAP INC.

OLD NAVY GAP BANANA REPUBLIC ATHLETA

VGR MARKET INTELLIGENCE

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CONTENTS

01 Executive Summary....3
02 The period in figures....5
03 The sales bridge....6
04 Growth composition....7
05 The estate....8
06 Margin architecture....8
07 Inventory....9
08 Cash and balance sheet....10
09 Capital allocation and returns....10
10 Earnings quality....11
11 Guidance and the implied requirement....12
12 Disclosure delta and metrics not reported....13
13 The company's account, tested....13
14 Method, sources and precision....14

01

Executive Summary

Primary source: The Gap, Inc., "Gap Inc. Reports Third Quarter Fiscal 2026 Results", press release (Form 8-K, Exhibit 99.1), 19 November 2026. https://www.sec.gov/Archives/edgar/data/39911/000162828026075088/q32026eprexhibit991.htm

Net sales rose 1.8% to $4,011m; comparable sales were flat

Gap Inc.'s third-quarter net sales were $4,011m against $3,942m. Gap brand grew 11.4% and added $108m, more than the group's $69m increase; Old Navy added $21m and Banana Republic, Athleta and the Other line lost $60m between them. Comparable sales were flat against +5% a year earlier. Old Navy was flat after -4% in the second quarter, Banana Republic fell 3% and Athleta fell 15%.

Adjusted operating margin rose 133bp to 9.8%, of which 125bp came from operating expenses

Operating expenses fell $27m, 2.0%, to 32.6% of sales from 33.9%. Adjusted gross margin was 42.4%, up 7bp on unrounded figures and flat as the company prints it: merchandise margin rose 40bp, with lower tariff rates offset by lower prices and higher promotions at Old Navy, and rent, occupancy and depreciation cost 40bp. Adjusted operating income was $393m against $334m, up 17.7%.

Adjusted EPS rose 32.3% on 18.4% more pre-tax profit

Adjusted diluted EPS was $0.82 against $0.62. Adjusted pre-tax income rose 18.4%; the remainder came from an effective tax rate of 25.8% against 30.0% and 5.3% fewer diluted shares. Reported EPS of $0.86 includes $0.04 from tariff refunds, almost all of it $16m of interest income.

The full-year guide was cut on sales, margin and EPS

The company now expects fiscal 2026 net sales roughly flat, against +1% to +1.5%, an adjusted operating margin of about 7.2%, against 7.4% to 7.6%, and adjusted EPS of $2.29 to $2.34, against $2.35 to $2.45. The new margin includes about 30bp of fresh tariff relief, so the reduction before it is about 60bp. The fourth-quarter lines imply an operating margin of 6.3% to 6.6%, against 5.4%, on sales flat to down 1%.

Free cash flow of $815m includes $799m of one-off inflows

Nine-month operating cash flow was $1,298m and free cash flow $815m. Tariff refunds and interest of $536m and a net legal settlement of $263m account for $799m of that, before tax. Capital expenditure rose 47.7% to $483m. The company bought back no shares in the third quarter; returns were the $62m dividend. Inventory fell 6.3% to $2,305m and cash and short-term investments were $2,972m.

WHAT TO WATCH

Q4 FY2026 results: Old Navy comparable sales against flat in Q3.
Q4 FY2026 results: the operating margin against the implied 6.3% to 6.6%.
Q4 FY2026 results: share repurchases against the $399m authorisation left unused in Q3.

VGR will publish the next Gap Inc. analysis when the figures are released.

The period in figures

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THE GAP, INC. · NYSE: GAP · Q3 FY2026 · USD

FINANCIAL YEAR ENDS 30 JANUARY 2027 · PERIOD ENDED 31 OCTOBER 2026 · REPORTED 19 NOVEMBER 2026 · ANALYSIS 20 NOVEMBER 2026

NET SALES	GROSS PROFIT	OPERATING PROFIT	NET PROFIT
+1.8%	**+2.1%**	**+18.6%**	**+31.8%**
4,011 vs 3,942	1,705 vs 1,670	396 vs 334	311 vs 236
	GROSS MARGIN	**OPERATING MARGIN**	**RoS**
	42.5%	**9.9%**	**7.8%**
	from 42.4%	from 8.5%	from 6.0%
COMPARABLE SALES	**GAP BRAND NET SALES**	**INVENTORY**	**FY ADJUSTED MARGIN GUIDE**
Flat	**+11.4%**	**−6.3%**	**7.2%**
from +5%	26.4% of sales	sales +1.8%	from 7.4% to 7.6%

$m, 13 weeks to 31 October; GAAP figures as reported (adjusted operating income $393m, adjusted net income $296m)

03 · THE SALES BRIDGE

Gap brand supplied more than the whole increase

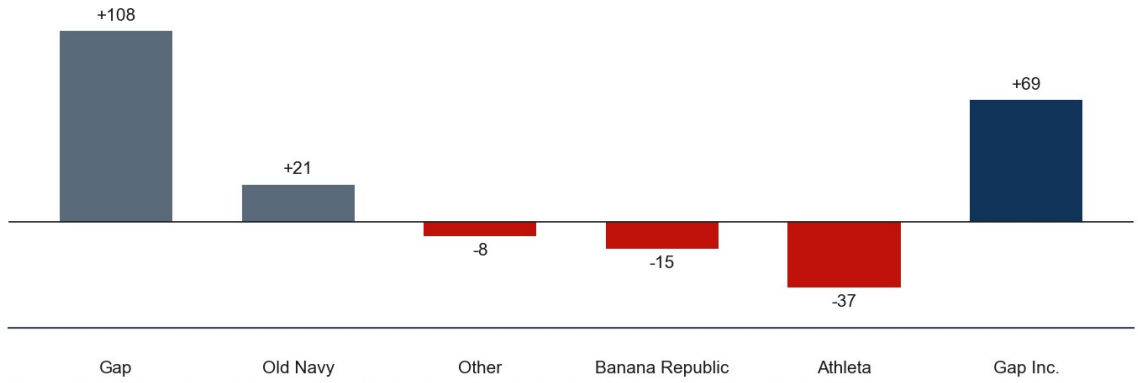
Net sales rose $69m. Gap brand added $108m, 157% of that, and Old Navy $21m. Athleta lost $37m, Banana Republic $15m and the Other line $8m. Gap brand is 26.4% of group sales and Old Navy 56.7%, so the group's growth rate depends on a brand that is a quarter of its sales.

NET SALES, $M	Q3 FY26	Q3 FY25	CHANGE	POINTS OF GROWTH
Old Navy	2,274	2,253	**+0.9%**	+0.53
Gap	1,059	951	**+11.4%**	+2.74
Banana Republic	449	464	**(3.2)%**	(0.38)
Athleta	220	257	**(14.4)%**	(0.94)
Other	9	17	**(47.1)%**	(0.20)
Gap Inc.	4,011	3,942	**+1.8%**	+1.75

Source: The Gap, Inc., Third Quarter Fiscal 2026 press release (Form 8-K), 19 November 2026. Changes, shares and contributions are VGR arithmetic on the disclosed figures.

Gap brand added $108m; the other four lines lost $39m between them

Change in net sales by brand, Q3 FY2026 against Q3 FY2025 · $m



Source: The Gap, Inc., Third Quarter Fiscal 2026 press release, 19 November 2026. Changes: VGR arithmetic.

04 · GROWTH COMPOSITION

Sales rose 1.8% on flat comparable sales

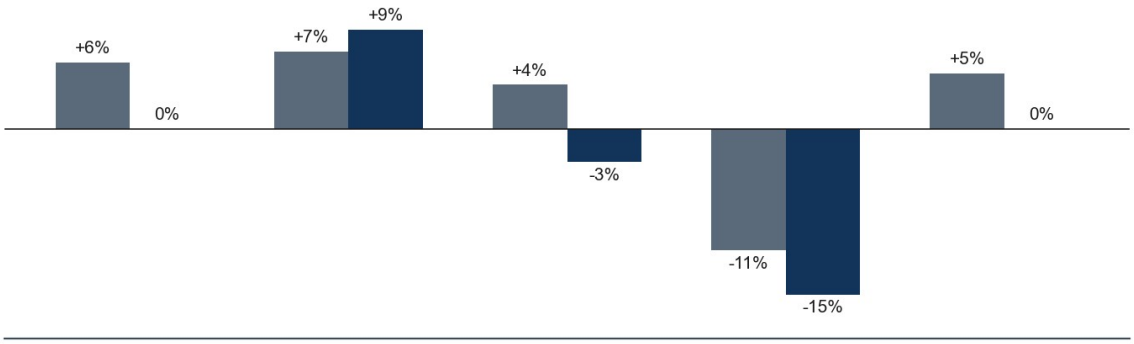
Comparable sales were flat for the group against +5% a year earlier. The release does not reconcile the 1.8% rise in net sales to the flat comparable figure. Old Navy was flat against +6%, an improvement of four points on the second quarter's -4%. Gap brand rose 9% on top of 7%, its twelfth consecutive positive quarter. Banana Republic fell 3% after +3% in the second quarter. Athleta fell 15% on top of an 11% fall a year earlier.

COMPARABLE SALES	Q3 FY26	Q3 FY25	TWO-YEAR STACK	Q2 FY26
Old Navy	**0%**	+6%	+6	(4)%
Gap	**+9%**	+7%	+16	n/t
Banana Republic	**(3)%**	+4%	+1	+3%
Athleta	**(15)%**	(11)%	(26)	(12)%
Gap Inc.	**0%**	+5%	+5	(1)%

Source: The Gap, Inc., Third Quarter Fiscal 2026 press release (Form 8-K), 19 November 2026. Company figures; the stack is the sum of the two years. Red marks a lower rate than a year earlier. n/t: not transcribed. First-half figures: Second Quarter Fiscal 2026 press release, 27 August 2026.

Only Gap brand grew comparable sales faster than a year earlier

Comparable sales by brand, Q3 FY2025 (light) against Q3 FY2026 (dark) · %



Source: The Gap, Inc., Third Quarter Fiscal 2026 press release, 19 November 2026. Company figures.

By region, the United States grew 1.1% and added $37m, Canada was level and other regions grew 20.1% and added $31m, of which Gap brand supplied $23m. Store sales rose 1% and online sales 3%; online was 40% of net sales. The company gives no constant-currency growth rate.

REGION, $M	Q3 FY26	Q3 FY25	CHANGE
United States	3,488	3,451	**+1.1%**
Canada	338	337	**+0.3%**

REGION, $M	Q3 FY26	Q3 FY25	CHANGE
Other regions	185	154	+20.1%

Source: The Gap, Inc., Third Quarter Fiscal 2026 press release (Form 8-K), 19 November 2026. Changes, shares and contributions are VGR arithmetic on the disclosed figures.

05 · THE ESTATE

Eight more stores in nine months, 13 of them at Gap in North America

The group had 2,482 Company-operated stores at 31 October against 2,474 at the start of the year, and about 1,000 franchise stores. Gap North America added a net 13 and Gap Asia four. Banana Republic North America closed a net nine and Athleta four. Old Navy holds 19.6m of the 29.6m square feet. Sales per store and per square foot are not disclosed.

COMPANY-OPERATED STORES	31 JAN 2026	NET CHANGE	31 OCT 2026	SQ FT, M
Old Navy North America	1,242	+2	1,244	19.6
Gap North America	459	+13	472	5.0
Gap Asia	123	+4	127	1.1
Banana Republic North America	358	(9)	349	2.8
Banana Republic Asia	40	+2	42	0.1
Athleta North America	252	(4)	248	1.0
Total	2,474	+8	2,482	29.6

Source: The Gap, Inc., Third Quarter Fiscal 2026 press release (Form 8-K), 19 November 2026.

06 · MARGIN ARCHITECTURE

Operating expenses supplied 125bp of the 133bp margin gain

The adjusted operating margin was 9.8% against 8.5%. On unrounded figures the gain is 133bp: 7bp from gross margin and 125bp from operating expenses, which fell $27m while sales rose $69m. Within gross margin the company reports merchandise margin up 40bp on an adjusted basis and rent, occupancy and depreciation 40bp worse. It attributes the merchandise gain to lower tariff rates, partly offset by higher fuel costs, lower average unit retail from planned price changes at Old Navy and higher promotions at Old Navy and Athleta.

SHARE OF NET SALES	Q3 FY26	Q3 FY25	CHANGE
Gross margin	42.5%	42.4%	+14bp
Adjusted gross margin	42.4%	42.4%	+7bp
Operating expenses	32.6%	33.9%	(125)bp

SHARE OF NET SALES	Q3 FY26	Q3 FY25	CHANGE
Operating margin	9.9%	8.5%	**+140bp**
Adjusted operating margin	9.8%	8.5%	**+133bp**

Source: The Gap, Inc., Third Quarter Fiscal 2026 press release (Form 8-K), 19 November 2026. Margins as printed; changes are VGR arithmetic on unrounded ratios. The company prints +10bp and flat for the two gross margin lines. No adjusted measures existed in fiscal 2025.

Over nine months the picture differs. Without the $420m net tariff recovery, gross margin was 41.5% against 41.8%, down 31bp. Without that recovery, the $313m legal gain and the $50m charitable contribution, operating income was $834m against $886m, down 5.9%, and the margin 7.5% against 8.0%.

39 WEEKS, $M	FY26	FY25	CHANGE
Net sales	11,159	11,130	**+0.3%**
Gross profit	5,051	4,654	**+8.5%**
Gross profit less net tariff recovery	4,631	4,654	**(0.5)%**
Operating income	1,517	886	**+71.2%**
Operating income less one-off items	834	886	**(5.9)%**

Source: The Gap, Inc., Third Quarter Fiscal 2026 press release (Form 8-K), 19 November 2026. One-off items: $420m net tariff recovery, $313m legal gain, $50m charitable contribution, as named by the company; the subtraction is VGR arithmetic.

07 · INVENTORY

Inventory fell 6.3% while sales rose 1.8%

Merchandise inventory was $2,305m against $2,459m, $154m lower. Measured against the quarter's cost of goods sold and occupancy it stood at 91 days against 98. Accounts payable fell 1.2%. The release gives no inventory by brand, in units or by age, and the company describes October and early November demand as softer without giving a figure.

$M	31 OCT 2026	1 NOV 2025	CHANGE
Merchandise inventory	2,305	2,459	**(6.3)%**
Accounts payable	1,526	1,545	(1.2)%
Inventory days on Q3 cost of sales	91	98	**(7) days**

Source: The Gap, Inc., Third Quarter Fiscal 2026 press release (Form 8-K), 19 November 2026. Changes, shares and contributions are VGR arithmetic on the disclosed figures. Days = inventory / cost of goods sold and occupancy x 91; occupancy is included, so both years are overstated alike.

08 · CASH AND BALANCE SHEET

Without $799m of one-off inflows, nine-month free cash flow was $16m

Operating cash flow for the 39 weeks was $1,298m against $607m, and free cash flow $815m against $280m. The company states that operating cash flow includes about $536m of tariff refunds and interest, a $313m litigation gain and a $50m charitable contribution, all before tax. Without those, operating cash flow was $499m, 17.8% lower than a year earlier, and free cash flow $16m. The tax paid on the items is not disclosed, so the true figure is somewhat higher. Capital expenditure rose to $483m from $327m, 1.22 times depreciation against 0.89 times.

39 WEEKS, $M	FY26	FY25	CHANGE
Operating cash flow	1,298	607	**+691**
One-off inflows, before tax	799	nil	
Operating cash flow less one-off inflows	499	607	**(108)**
Capital expenditure	483	327	+156
Free cash flow	815	280	**+535**
Free cash flow less one-off inflows	16	280	**(264)**

Source: The Gap, Inc., Third Quarter Fiscal 2026 press release (Form 8-K), 19 November 2026. Changes, shares and contributions are VGR arithmetic on the disclosed figures.

Cash and short-term investments were $2,972m against $2,517m a year earlier, up 18.1%. Long-term debt was $1,493m, so net cash before lease liabilities was $1,479m against $1,026m. The $453m increase is smaller than the $799m of one-off inflows.

$M	31 OCT 2026	1 NOV 2025	CHANGE
Cash and cash equivalents	2,578	2,262	**+316**
Short-term investments	394	255	**+139**
Long-term debt	1,493	1,491	+2
Net cash before leases	1,479	1,026	**+453**
Operating lease liabilities	4,280	4,025	+255
Stockholders' equity	4,227	3,647	**+580**

Source: The Gap, Inc., Third Quarter Fiscal 2026 press release (Form 8-K), 19 November 2026. Changes, shares and contributions are VGR arithmetic on the disclosed figures. Lease liabilities are current plus long-term.

09 · CAPITAL ALLOCATION AND RETURNS

No shares were repurchased in the third quarter

The company returned $788m in nine months: $601m of repurchases and $187m of dividends. Both the $601m and the $399m left under the authorisation are the figures it reported at the half

year, so third-quarter repurchases were nil and the quarter's return was the $62m dividend. Third-quarter free cash flow, by difference, was $554m. The release does not comment on the pause. Capital expenditure of about $650m for the year leaves about $167m for the fourth quarter.

$M	FIRST HALF	THIRD QUARTER	39 WEEKS
Operating cash flow	550	748	1,298
Capital expenditure	289	194	483
Free cash flow	261	554	815
Share repurchases	601	nil	601
Dividends	125	62	187
Total returned	726	62	788

Source: The Gap, Inc., Third Quarter Fiscal 2026 press release (Form 8-K), 19 November 2026. First-half figures: Second Quarter Fiscal 2026 press release, 27 August 2026. Third quarter = 39 weeks less first half, VGR arithmetic.

10 · EARNINGS QUALITY

Tax and share count supplied 14 points of the 32% rise in adjusted EPS

Adjusted pre-tax income was $399m against $337m, up 18.4%. Adjusted net income rose 25.4% because the effective tax rate fell to 25.8% from 30.0%, and adjusted EPS rose 32.3% because diluted shares fell 5.3% to 360m. Adjusting items were small in the quarter: $3m of tariff refunds in cost of sales and $16m of related interest income, together $0.04 a share. Net interest income before that interest was $6m against $3m.

$M	Q3 FY26	Q3 FY25	CHANGE
Operating income	396	334	**+18.6%**
Adjusted operating income	393	334	**+17.7%**
Adjusted pre-tax income	399	337	**+18.4%**
Net income	311	236	**+31.8%**
Adjusted net income	296	236	**+25.4%**
Diluted shares, m	360	380	(5.3)%
Diluted EPS / adjusted	$0.86 / $0.82	$0.62 / $0.62	**+38.7% / +32.3%**

Source: The Gap, Inc., Third Quarter Fiscal 2026 press release (Form 8-K), 19 November 2026. Changes, shares and contributions are VGR arithmetic on the disclosed figures. Adjusted pre-tax income = adjusted operating income plus adjusted net interest income of $6m.

11 · GUIDANCE AND THE IMPLIED REQUIREMENT

The guide needs a fourth-quarter margin about one point above last year's

FY2026 OUTLOOK	CURRENT	PRIOR, 27 AUGUST	FY2025
Net sales	**Roughly flat**	+1% to +1.5%	$15.4bn
Adjusted gross margin	**Down slightly**	Up slightly	40.8%
Adjusted operating expenses	**Slight leverage**	About flat	33.5% of sales
Adjusted operating margin	**About 7.2%**	7.4% to 7.6%	7.3%
Adjusted diluted EPS	**$2.29 to $2.34**	$2.35 to $2.45	$2.13
Adjusted tax rate	About 25%	25% to 26%	27.9%
Capital expenditure	About $650m	About $650m	$470m

Source: The Gap, Inc., Third Quarter Fiscal 2026 press release (Form 8-K), 19 November 2026. Red marks a reduction against the prior outlook.

Third-quarter sales of +1.8% were inside the guided +1.5% to +2.5% and below its midpoint. The full-year margin moves to about 7.2% from a midpoint of 7.5%. The company also says the outlook now carries about $46m of extra tariff relief, worth about 30bp, because the lower incremental rate of about 10% lasted longer than it had assumed. Before that relief the reduction is about 60bp. The outlook reflects what the company calls a slower than expected start to the fourth quarter, followed by recent improvement.

FOURTH QUARTER	COMPANY GUIDE	A YEAR EARLIER	VGR ARITHMETIC
Net sales	Flat to down 1%	$4.2bn	About $4,158m to $4,200m
Gross margin	38.0% to 38.3%	38.1%	(10)bp to +20bp
Operating expenses	About 100bp leverage	32.7% of sales	About 31.7%
Operating margin	Not given	5.4%	About 6.3% to 6.6%
Operating income	Not given	Not in release	About $262m to $277m
Diluted EPS	Not given	About $0.44	About $0.58 to $0.63

Source: The Gap, Inc., Third Quarter Fiscal 2026 press release (Form 8-K), 19 November 2026. Changes, shares and contributions are VGR arithmetic on the disclosed figures. Margin = guided gross margin less guided operating expenses. EPS = full-year reported guide of $3.71 to $3.76 less nine-month $3.13; share counts differ by period. An illustration, not a forecast.

Nine-month operating income without the one-off items was $834m. Adding $262m to $277m gives $1,096m to $1,111m on sales of about $15.3bn, a margin of 7.2%, which matches the guide. The fourth quarter therefore has to deliver 90bp to 120bp more margin than a year earlier on lower sales, almost all of it from operating expenses.

12 · DISCLOSURE DELTA AND METRICS NOT REPORTED

Ten measures are not reported in the release

METRIC	STATUS	WHAT IT WOULD SETTLE
Bridge from +2% net sales to flat comparable sales	not disclosed	Where the non-comparable growth came from
Constant-currency sales growth	not disclosed	Currency effect on the 20.1% rise outside North America
Operating income by brand	not disclosed	The cost of Athleta's 15% comparable decline
Average unit retail, units and traffic	not disclosed	The size of Old Navy's price reductions
Online sales in dollars	not disclosed	Channel growth beyond whole percentages
Inventory by brand, units or age	not disclosed	Whether the 6.3% fall is evenly spread
Tax paid on tariff refunds and legal gain	not disclosed	Free cash flow without one-off items, after tax
October and November sales trend	not disclosed	The slower start to the fourth quarter
Third-quarter share repurchases	Nil by difference	Why buybacks stopped with $399m authorised
Reason for the $27m fall in operating expenses	Not in the figures read	Whether the saving recurs

Source: The Gap, Inc., Third Quarter Fiscal 2026 press release (Form 8-K), 19 November 2026.

13 · THE COMPANY'S ACCOUNT, TESTED

Three of six claims are supported by the disclosed figures

CLAIM	TEST	DISPOSITION
"Net sales up 2% versus last year"	$4,011m against $3,942m is +1.75%	Supported, after rounding.
"Exceeded operating margin expectations"	The earlier margin expectation is not in this release	Not verifiable from the disclosure.
"Earnings per share up over 30%"	Reported +38.7%, adjusted +32.3%; adjusted pre-tax income +18.4%	Supported; 14 points come from tax and share count.
"gained market share"	Third-party Circana data, 12 months to October 2026	Not verifiable from the disclosure.

CLAIM	TEST	DISPOSITION
"meaningful sequential improvement at Old Navy"	Comparable sales flat against (4)% in Q2, and against +6% a year earlier	Supported, with lower prices and higher promotions.
"Provides updated outlook for full year"	Sales, adjusted margin and adjusted EPS guides are all lower	Partially supported; the update is a reduction.

Source: The Gap, Inc., Third Quarter Fiscal 2026 press release (Form 8-K), 19 November 2026.

14 · METHOD, SOURCES AND PRECISION

Method, sources and precision

All third-quarter figures come from the press release named in the Executive Summary, furnished to the SEC as Exhibit 99.1 to Form 8-K and read in full. First-half figures used to isolate the third quarter come from the company's second-quarter release of 27 August 2026. The figures are unaudited. Growth and margins are calculated from figures in whole $m; where the company prints a rate, its rate is stated and any difference from VGR arithmetic is shown. Adjusted measures are the company's non-GAAP measures as reconciled in the release; there were none in fiscal 2025.

ITEM	PRECISION	NOTE
Sales, profit and margin changes	Exact	Calculated from disclosed $m
Nine-month figures less one-off items	Exact, pre-tax	Tax on the items is not disclosed
Third-quarter cash flow and returns	Exact	39 weeks less 26 weeks
Fourth-quarter margin and income	Illustration	From the company's guide lines
Fourth-quarter EPS	Approximate	Share counts differ by period

VGR precision register.

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Analysis by Pau Almar, VGR.

METHODOLOGY

VGR Standardised Financial Analysis Methodology v5. Arithmetic before language; every finding names the disclosure that would settle it.

PRIMARY SOURCE

The Gap, Inc. (NYSE: GAP), "Gap Inc. Reports Third Quarter Fiscal 2026 Results", press release (Form 8-K, Exhibit 99.1), 19 November 2026.
https://www.sec.gov/Archives/edgar/data/39911/000162828026075088/q32026eprexhibit991.htm

WORKING RECORD

GAP_Q3 FY2026_Source_Figures.md, with company-disclosed figures, VGR arithmetic and metrics not reported in separate parts, alongside the saved source text.

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