UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 30, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission File Number 1-7562

THE GAP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-1697231**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Two Folsom Street
San Francisco, California 94105
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: **(415) 427-0100**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.05 par value	**GPS**	**The New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐
			Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The number of shares of the registrant's common stock outstanding as of November 17, 2021 was 373,403,244.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains 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. Words such as "expect," "anticipate," "believe," "estimate," "intend," "plan," "project," and similar expressions also identify forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding the following:

- the potential impact of supply chain disruptions and COVID-19 on the assumptions and estimates used when preparing the quarterly financial statements, and on our results of operations, financial position, and liquidity;
- the impact of recent accounting pronouncements;
- the timing of revenue recognition of revenue deferrals;
- our new credit card program with Barclays and Mastercard, as well as our program with Synchrony Financial;
- compliance with our and our subsidiaries' obligations under the Senior Notes and the ABL Facility (each as defined below);
- unrealized gains and losses from designated cash flow hedges;
- the impact of losses due to indemnification obligations;
- the outcome of proceedings, lawsuits, disputes, and claims, including the impact of such actions on our financial results;
- our Power Plan 2023 strategy and our ability to execute against it;
- our omni-channel capabilities;
- our Gap Home venture with Walmart.com and other existing and potential future partnerships;
- our integrated loyalty program across the U.S. and Puerto Rico;
- the expected timing, cost, and scope of the strategic review of our operating model in Europe;
- our arrangements with franchise partners to operate stores in Europe;
- the launch of the Athleta brand in Canada;
- the impact of the divestitures of our Janie and Jack and Intermix brands;
- the impact of our expected lease buyout amounts;
- our ability to reach agreements with our landlords regarding suspended rent payments for our temporarily closed stores;
- the impact of COVID-related store closures and supply chain challenges;
- the impact of increased port congestion and COVID-related factory closures;
- our plans to rationalize the Gap and Banana Republic brands in North America, including the targeted closures of North American Gap and Banana Republic stores together with the number and timing thereof and costs associated therewith;
- our plans to invest in store growth for Old Navy and Athleta;
- creating product that offers value to our customers through a combination of fit, quality, brand and price;
- investing in our four purpose-led lifestyle brands to drive relevance and gain market share;
- growing our online business;
- attracting and retaining strong talent in our businesses and functions;
- reducing our fixed cost structure to fuel demand generation investments;
- leveraging our scale to navigate constraints in supply chain;
- managing inventory to support a healthy merchandise margin;
- prioritizing asset-light growth through licensing, online, and franchise partnerships globally;
- continuing to integrate social and environmental sustainability and inclusivity into business practices;
- our investments in demand generation and the benefits associated therewith;
- our ability to supplement near-term liquidity, if necessary, with the ABL Facility or other available market instruments;
- the ability of our cash flows from our operations, current cash balances, the Senior Notes and the ABL Facility to support our business operations;
- the impact of seasonality and COVID-19 recovery on our operations;
- the importance of our sustained ability to generate free cash flow, which is a non-GAAP financial measure and is defined and discussed in more detail in Item 1 of Part 1 of this Form 10-Q below;
- our dividend policy, including the potential timing and amounts of future dividends; and

- the impact of changes in internal control over financial reporting.

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. These factors include, without limitation, the following:

- the overall global economic environment and risks associated with the COVID-19 pandemic;
- the risk that economic conditions worsen beyond what is currently estimated by management;
- the risk that our inability to mitigate the impact of global supply chain disruptions on our business and operations and maintain inventory commensurate with customer demand may adversely affect our results of operations;
- the risk that we or our franchisees will be unsuccessful in gauging apparel trends and changing consumer preferences;
- the risk that failure to maintain, enhance and protect our brand image could have an adverse effect on our results of operations;
- the highly competitive nature of our business in the United States and internationally;
- engaging in or seeking to engage in strategic transactions that are subject to various risks and uncertainties;
- the risk that our investments in customer, digital, loyalty, supply chain and omni-channel shopping initiatives may not deliver the results we anticipate;
- the risk that the failure to manage key executive succession and retention and to continue to attract qualified personnel could have an adverse impact on our results of operations;
- the risk that if we are unable to manage our inventory effectively, our gross margins will be adversely affected;
- the risks to our business, including our costs and supply chain, associated with global sourcing and manufacturing;
- the risks to our reputation or operations associated with importing merchandise from foreign countries, including failure of our vendors to adhere to our Code of Vendor Conduct;
- the risk that we are subject to data or other security breaches that may result in increased costs, violations of law, significant legal and financial exposure, and a loss of confidence in our security measures, which could have an adverse effect on our results of operations and our reputation;
- the risk that a failure of, or updates or changes to, our information technology systems may disrupt our operations;
- the risks to our efforts to expand internationally, including our ability to operate in regions where we have less experience;
- the risk that our arrangements with franchise partners to operate stores in Europe will not be successful in growing our brands and amplifying our reach;
- the risk that we or our franchisees will be unsuccessful in identifying, negotiating, and securing new store locations and renewing, modifying, or terminating leases for existing store locations effectively;
- the risk that our franchisees' operation of franchise stores is not directly within our control and could impair the value of our brands;
- the risk that trade matters could increase the cost or reduce the supply of apparel available to us and adversely affect our business, financial condition, and results of operations;
- the risk that foreign currency exchange rate fluctuations could adversely impact our financial results;
- the risk that comparable sales and margins will experience fluctuations;
- the risk that natural disasters, public health crises (similar to and including the ongoing COVID-19 pandemic), political crises, negative global climate patterns, or other catastrophic events could adversely affect our operations and financial results, or those of our franchisees or vendors;
- the risk that changes in global economic conditions or consumer spending patterns could adversely impact our results of operations;
- the risk that we will not be successful in defending various proceedings, lawsuits, disputes, and claims;
- the risk that changes in the regulatory or administrative landscape could adversely affect our financial condition and results of operations;
- the risk that reductions in income and cash flow from our credit card arrangement related to our private label and co-branded credit cards could adversely affect our operating results and cash flows;
- the risk that changes in our credit profile or deterioration in market conditions may limit our access to the capital markets and adversely impact our financial position or our business initiatives;
- the risk that we and our subsidiaries may be unable to meet our obligations under the Senior Notes and ABL Facility;

- the risk that the adoption of new accounting pronouncements will impact future results; and
- the risk that we do not repurchase some or all of the shares we anticipate purchasing pursuant to our repurchase program.

Additional information regarding factors that could cause results to differ can be found in our Annual Report on Form 10-K for the fiscal year ended January 30, 2021 and our other filings with the U.S. Securities and Exchange Commission.

Future economic and industry trends that could potentially impact net sales and profitability are difficult to predict. These forward-looking statements are based on information as of November 24, 2021. 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.

We suggest that this document be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

THE GAP, INC.
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

THE GAP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

($ and shares in millions except par value)	October 30, 2021	January 30, 2021	October 31, 2020
ASSETS			
Current assets:			
Cash and cash equivalents	$ 801	$ 1,988	$ 2,471
Short-term investments	275	410	178
Merchandise inventory	2,721	2,451	2,747
Other current assets	1,410	1,159	966
Total current assets	5,207	6,008	6,362
Property and equipment, net of accumulated depreciation of $5,486, $5,608 and $5,891	2,924	2,841	2,846
Operating lease assets	3,788	4,217	4,460
Other long-term assets	861	703	705
Total assets	$ 12,780	$ 13,769	$ 14,373
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 1,630	$ 1,743	$ 2,284
Accrued expenses and other current liabilities	1,414	1,276	1,283
Current portion of operating lease liabilities	746	831	823
Income taxes payable	33	34	41
Total current liabilities	3,823	3,884	4,431
Long-term liabilities:			
Long-term debt	1,484	2,216	2,214
Long-term operating lease liabilities	4,163	4,617	4,899
Other long-term liabilities	523	438	458
Total long-term liabilities	6,170	7,271	7,571
Commitments and contingencies (see Note 9)			
Stockholders' equity:			
Common stock $0.05 par value			
Authorized 2,300 shares for all periods presented; Issued and Outstanding 374 shares for all periods presented	19	19	19
Additional paid-in capital	71	85	60
Retained earnings	2,681	2,501	2,268
Accumulated other comprehensive income	16	9	24
Total stockholders' equity	2,787	2,614	2,371
Total liabilities and stockholders' equity	$ 12,780	$ 13,769	$ 14,373

See Accompanying Notes to Condensed Consolidated Financial Statements

THE GAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	13 Weeks Ended				39 Weeks Ended			
($ and shares in millions except per share amounts)		**October 30, 2021**		**October 31, 2020**		**October 30, 2021**		**October 31, 2020**
Net sales	$	3,943	$	3,994	$	12,145	$	9,376
Cost of goods sold and occupancy expenses		2,282		2,374		7,031		6,339
Gross profit		1,661		1,620		5,114		3,037
Operating expenses		1,508		1,445		4,312		4,033
Operating income (loss)		153		175		802		(996)
Loss on extinguishment of debt		325		—		325		58
Interest expense		44		55		149		132
Interest income		(1)		(1)		(3)		(7)
Income (loss) before income taxes		(215)		121		331		(1,179)
Income taxes		(63)		26		59		(280)
Net income (loss)	$	(152)	$	95	$	272	$	(899)
Weighted-average number of shares - basic		376		374		377		373
Weighted-average number of shares - diluted		376		380		385		373
Earnings (loss) per share - basic	$	(0.40)	$	0.25	$	0.72	$	(2.41)
Earnings (loss) per share - diluted	$	(0.40)	$	0.25	$	0.71	$	(2.41)

See Accompanying Notes to Condensed Consolidated Financial Statements

THE GAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	13 Weeks Ended		39 Weeks Ended	
($ in millions)	**October 30, 2021**	**October 31, 2020**	**October 30, 2021**	**October 31, 2020**
Net income (loss)	$ (152)	$ 95	$ 272	$ (899)
Other comprehensive income (loss), net of tax				
Foreign currency translation	4	5	2	(14)
Change in fair value of derivative financial instruments, net of tax of $—, $—, $—, and $1	1	(2)	(6)	9
Reclassification adjustment for losses (gains) on derivative financial instruments, net of (tax) tax benefit of $2, $(1), $3, and $(2)	3	(1)	11	(11)
Other comprehensive income (loss), net of tax	8	2	7	(16)
Comprehensive income (loss)	$ (144)	$ 97	$ 279	$ (915)

See Accompanying Notes to Condensed Consolidated Financial Statements

THE GAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

($ and shares in millions except per share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance as of July 31, 2021	376	$ 19	$ 114	$ 2,879	$ 8	$ 3,020
Net loss for the thirteen weeks ended October 30, 2021				(152)		(152)
Other comprehensive income, net of tax						
Foreign currency translation					4	4
Change in fair value of derivative financial instruments					1	1
Amounts reclassified from accumulated other comprehensive income					3	3
Repurchases and retirement of common stock	(3)	—	(73)			(73)
Issuance of common stock related to stock options and employee stock purchase plans	1	—	7			7
Issuance of common stock and withholding tax payments related to vesting of stock units	—	—	(2)			(2)
Share-based compensation, net of forfeitures			25			25
Common stock dividends declared and paid ($0.12 per share)				(46)		(46)
Balance as of October 30, 2021	374	$ 19	$ 71	$ 2,681	$ 16	$ 2,787
Balance as of August 1, 2020	374	$ 19	$ 39	$ 2,173	$ 22	$ 2,253
Net income for the thirteen weeks ended October 31, 2020				95		95
Other comprehensive income (loss), net of tax						
Foreign currency translation					5	5
Change in fair value of derivative financial instruments					(2)	(2)
Amounts reclassified from accumulated other comprehensive income					(1)	(1)
Issuance of common stock related to stock options and employee stock purchase plans	—	—	4			4
Issuance of common stock and withholding tax payments related to vesting of stock units	—	—	—			—
Share-based compensation, net of forfeitures			17			17
Balance as of October 31, 2020	374	$ 19	$ 60	$ 2,268	$ 24	$ 2,371

See Accompanying Notes to Condensed Consolidated Financial Statements

THE GAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

($ and shares in millions except per share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance as of January 30, 2021	374	$ 19	$ 85	$ 2,501	$ 9	$ 2,614
Net income for the thirty-nine weeks ended October 30, 2021				272		272
Other comprehensive income (loss), net of tax						
Foreign currency translation					2	2
Change in fair value of derivative financial instruments					(6)	(6)
Amounts reclassified from accumulated other comprehensive income					11	11
Repurchases and retirement of common stock	(5)	—	(128)			(128)
Issuance of common stock related to stock options and employee stock purchase plans	3	—	48			48
Issuance of common stock and withholding tax payments related to vesting of stock units	2	—	(34)			(34)
Share-based compensation, net of forfeitures			100			100
Common stock dividends declared and paid ($0.24 per share)				(92)		(92)
Balance as of October 30, 2021	374	$ 19	$ 71	$ 2,681	$ 16	$ 2,787
Balance as of February 1, 2020	371	$ 19	$ —	$ 3,257	$ 40	$ 3,316
Net loss for the thirty-nine weeks ended October 31, 2020				(899)		(899)
Other comprehensive income (loss), net of tax						
Foreign currency translation					(14)	(14)
Change in fair value of derivative financial instruments					9	9
Amounts reclassified from accumulated other comprehensive income					(11)	(11)
Issuance of common stock related to stock options and employee stock purchase plans	1	—	16			16
Issuance of common stock and withholding tax payments related to vesting of stock units	2	—	(8)			(8)
Share-based compensation, net of forfeitures			52			52
Common stock dividends ($0.2425 per share) (1)				(90)		(90)
Balance as of October 31, 2020	374	$ 19	$ 60	$ 2,268	$ 24	$ 2,371

(1) On March 4, 2020, the Company declared a first quarter fiscal year 2020 dividend of $0.2425 per share. The dividend payable amount was estimated based upon the shareholders of record as of October 31, 2020. The dividend was paid on April 28, 2021 to shareholders of record at the close of business on April 7, 2021.

See Accompanying Notes to Condensed Consolidated Financial Statements

THE GAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

($ in millions)	39 Weeks Ended October 30, 2021	39 Weeks Ended October 31, 2020
Cash flows from operating activities:		
Net income (loss)	$ 272	$ (899)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	372	381
Share-based compensation	97	55
Impairment of operating lease assets	6	361
Impairment of store assets	1	127
Loss on extinguishment of debt	325	58
Amortization of debt issuance costs	11	8
Non-cash and other items	21	—
Loss on divestiture activity	59	—
Deferred income taxes	(28)	(74)
Changes in operating assets and liabilities:		
Merchandise inventory	(288)	(590)
Other current assets and other long-term assets	(168)	37
Accounts payable	(119)	1,120
Accrued expenses and other current liabilities	239	98
Income taxes payable, net of receivables and other tax-related items	(94)	(206)
Other long-term liabilities	49	54
Operating lease assets and liabilities, net	(73)	(131)
Net cash provided by operating activities	682	399
Cash flows from investing activities:		
Purchases of property and equipment	(486)	(288)
Purchases of short-term investments	(634)	(237)
Proceeds from sales and maturities of short-term investments	768	348
Payments for acquisition activity, net of cash acquired	(135)	—
Net cash paid for divestiture activity	(21)	—
Other	—	2
Net cash used for investing activities	(508)	(175)
Cash flows from financing activities:		
Proceeds from revolving credit facility	—	500
Payments for revolving credit facility	—	(500)
Proceeds from issuance of long-term debt	1,500	2,250
Payments to extinguish debt	(2,546)	(1,307)
Payments for debt issuance costs	(16)	(61)
Proceeds from issuances under share-based compensation plans	48	16
Withholding tax payments related to vesting of stock units	(34)	(8)
Repurchases of common stock	(128)	—
Cash dividends paid	(182)	—
Net cash provided by (used for) financing activities	(1,358)	890
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	(3)	4
Net increase (decrease) in cash, cash equivalents, and restricted cash	(1,187)	1,118
Cash, cash equivalents, and restricted cash at beginning of period	2,016	1,381
Cash, cash equivalents, and restricted cash at end of period	$ 829	$ 2,499
Supplemental disclosure of cash flow information:		
Cash paid for interest during the period	$ 178	$ 41
Cash paid for income taxes during the period, net of refunds	$ 181	$ 8

See Accompanying Notes to Condensed Consolidated Financial Statements

THE GAP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Accounting Policies

Basis of Presentation

In the opinion of The Gap, Inc. (the “Company,” “we,” and “our”) management, the accompanying unaudited Condensed Consolidated Financial Statements contain all normal and recurring adjustments (except as otherwise disclosed) considered necessary to present fairly our financial position, results of operations, comprehensive income (loss), stockholders' equity, and cash flows as of October 30, 2021 and October 31, 2020 and for all periods presented. The Condensed Consolidated Balance Sheet as of January 30, 2021 has been derived from our audited financial statements.

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and disclosures normally included in the notes to the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been omitted from these interim financial statements, although the Company believes that the disclosures made are adequate to make the information not misleading. We suggest that you read these Condensed Consolidated Financial Statements in conjunction with the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

The results of operations for the thirteen and thirty-nine weeks ended October 30, 2021 are not necessarily indicative of the operating results that may be expected for the 52-week period ending January 29, 2022.

COVID-19

In March 2020, the World Health Organization declared the coronavirus disease ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. Fiscal 2020 results were significantly impacted as we temporarily closed a large number of our stores globally.

During the third quarter of fiscal 2021, global supply chain disruption caused significant product delays resulting in brands being unable to fully meet customer demand. Increased port congestion and COVID-related factory closures, most notably in Vietnam where we source a significant amount of product, impacted our results of operations for the thirteen and thirty-nine weeks ended October 30, 2021. We will continue to consider the impact of the supply chain disruptions and COVID-19 on the assumptions and estimates used when preparing these quarterly financial statements. If the economic conditions worsen beyond what is currently estimated by management, such future changes may have an adverse impact on the Company's results of operations and financial position.

Restricted Cash

As of October 30, 2021, restricted cash primarily included consideration that serves as collateral for certain obligations occurring in the normal course of business and our insurance obligations. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within our Condensed Consolidated Balance Sheets to the total shown on our Condensed Consolidated Statements of Cash Flows:

($ in millions)	October 30, 2021	January 30, 2021	October 31, 2020
Cash and cash equivalents, per Condensed Consolidated Balance Sheets	$ 801	$ 1,988	$ 2,471
Restricted cash included in other current assets	3	4	4
Restricted cash included in other long-term assets	25	24	24
Total cash, cash equivalents, and restricted cash, per Condensed Consolidated Statements of Cash Flows	$ 829	$ 2,016	$ 2,499

Accounting Pronouncements Recently Adopted

In April 2020, the Financial Accounting Standards Board ("FASB") provided guidance on accounting for rent concessions resulting from the COVID-19 pandemic. We considered the FASB's guidance regarding lease modifications as a result of the effects of COVID-19 and elected to apply the temporary practical expedient to account for lease changes as variable rent unless an amendment results in a substantial change in the Company's lease obligations. The impact of applying the temporary practical expedient was not material to our Condensed Consolidated Financial Statements for the thirteen and thirty-nine weeks ended October 30, 2021 or October 31, 2020.

ASU No. 2019-12, Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued accounting standards update ("ASU") No. 2019-12, Simplifying the Accounting for Income Taxes. The ASU is intended to enhance and simplify aspects of the income tax accounting guidance in Accounting Standards Codification Topic 740 as part of the FASB's simplification initiative. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2020 with early adoption permitted. The Company adopted this ASU on January 31, 2021 on a prospective basis and the adoption of this standard did not have a material impact on our Condensed Consolidated Financial Statements.

Accounting Pronouncements Not Yet Adopted

The Company has considered all recent accounting pronouncements and concluded that there are no recent accounting pronouncements that may have a material impact on our Condensed Consolidated Financial Statements and disclosures, based on current information.

Note 2. Revenue

Disaggregation of Net Sales

We disaggregate our net sales between stores and online and also by brand and region. Net sales by region are allocated based on the location of the store where the customer paid for and received the merchandise or the distribution center or store from which the products were shipped.

Net sales disaggregated for stores and online sales are as follows:

	13 Weeks Ended		39 Weeks Ended	
($ in millions)	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Store sales (1)	$ 2,456	$ 2,379	$ 7,668	$ 5,129

Online sales (2)	1,487	1,615	4,477	4,247
Total net sales	$ 3,943	$ 3,994	$ 12,145	$ 9,376

(1) Store sales primarily include sales made at our Company-operated stores and franchise sales.
(2) Online sales primarily include sales originating from our online channel including those that are picked up or shipped from stores.

Net sales disaggregated by brand and region are as follows:

($ in millions) 13 Weeks Ended October 30, 2021	Old Navy Global	Gap Global	Banana Republic Global	Athleta (2)	Other	Total
U.S. (1)	$ 1,899	$ 676	$ 410	$ 317	$ —	$ 3,302
Canada	185	102	47	3	—	337
Europe	1	89	2	—	—	92
Asia	—	141	14	—	—	155
Other regions	20	31	6	—	—	57
Total	$ 2,105	$ 1,039	$ 479	$ 320	$ —	$ 3,943

($ in millions) 13 Weeks Ended October 31, 2020	Old Navy Global	Gap Global	Banana Republic Global	Athleta (2)	Other (3)	Total
U.S. (1)	$ 2,034	$ 611	$ 323	$ 292	$ 78	$ 3,338
Canada	193	86	39	—	3	321
Europe	—	115	3	—	—	118
Asia	1	169	18	—	—	188
Other regions	14	12	3	—	—	29
Total	$ 2,242	$ 993	$ 386	$ 292	$ 81	$ 3,994

($ in millions) 39 Weeks Ended October 30, 2021	Old Navy Global	Gap Global	Banana Republic Global	Athleta (2)	Other (3)	Total
U.S. (1)	$ 6,175	$ 1,847	$ 1,171	$ 1,004	$ 100	$ 10,297
Canada	535	249	124	3	—	911
Europe	1	274	6	1	—	282
Asia	1	439	49	—	—	489
Other regions	63	90	13	—	—	166
Total	$ 6,775	$ 2,899	$ 1,363	$ 1,008	$ 100	$ 12,145

($ in millions) 39 Weeks Ended October 31, 2020	Old Navy Global	Gap Global	Banana Republic Global	Athleta (2)	Other (3)	Total
U.S. (1)	$ 4,709	$ 1,395	$ 804	$ 764	$ 190	$ 7,862
Canada	415	183	90	—	3	691
Europe	—	239	8	—	—	247
Asia	4	435	44	—	—	483
Other regions	33	48	12	—	—	93
Total	$ 5,161	$ 2,300	$ 958	$ 764	$ 193	$ 9,376

(1) U.S. includes the United States, Puerto Rico, and Guam.

(2) Previously, net sales for the Athleta brand were grouped within the "Other" column. Beginning in fiscal 2021, we have made a change for all periods presented to break out Athleta net sales into its own column.

(3) The "Other" column primarily consists of net sales for the Intermix and Janie and Jack brands, as well as sales from the business-to-business program. The divestiture of Janie and Jack was completed on April 8, 2021. The divestiture of Intermix was completed on May 21, 2021. Net sales for the thirteen and thirty-nine weeks ended October 31, 2020 also included net sales for the Hill City brand, which was closed in January 2021.

Deferred Revenue

We defer revenue when cash payments are received in advance of performance for unsatisfied obligations related to our gift cards, credit vouchers, licensing agreements, outstanding loyalty points, and reimbursements of loyalty program discounts associated with our credit card agreement. For the thirteen weeks ended October 30, 2021, the opening balance of deferred revenue for these obligations was $239 million, of which $98 million was recognized as revenue during the period. For the thirty-nine weeks ended October 30, 2021, the opening balance of deferred revenue for these obligations was $231 million, of which $145 million was recognized as revenue during the period. The closing balance of deferred revenue for these obligations was $270 million as of October 30, 2021. The increase in the deferred revenue balance as of October 30, 2021 and the revenue recognition during the thirteen weeks ended October 30, 2021 is primarily due to the issuance of additional loyalty points with the launch of our new integrated loyalty program across the U.S. and Puerto Rico.

We expect that the majority of our revenue deferrals as of the quarter ended October 30, 2021, will be recognized as revenue in the next twelve months as our performance obligations are satisfied.

For the thirteen weeks ended October 31, 2020, the opening balance of deferred revenue for these obligations was $189 million, of which $68 million was recognized as revenue during the period. For the thirty-nine weeks ended October 31, 2020, the opening balance of deferred revenue for these obligations was $226 million, of which $140 million was recognized as revenue during the period. The closing balance of deferred revenue for these obligations was $191 million as of October 31, 2020.

During the thirty-nine weeks ended October 30, 2021, the Company entered into agreements with Barclays and Mastercard relating to a new long-term credit card program that is expected to begin in the second quarter of fiscal 2022. Accordingly, our private label credit card program with Synchrony Financial will be discontinued upon the launch of the new long-term credit card program. During the thirty-nine weeks ended October 30, 2021, the Company received $50 million relating to the new agreements, which was primarily recorded in other long-term liabilities on our Condensed Consolidated Balance Sheet as of October 30, 2021.

Note 3. Debt and Credit Facilities

On September 27, 2021, we completed the issuance of $1.5 billion aggregate principal amount of 3.625 percent senior notes due 2029 (“2029 Notes”) and 3.875 percent senior notes due 2031 (“2031 Notes”) (the 2029 Notes and the 2031 Notes, collectively, the “Senior Notes”) at par in a private placement to qualified institutional buyers. The Senior Notes are guaranteed on a senior unsecured basis, jointly and severally, by each of the Company’s existing wholly owned domestic subsidiaries that is a borrower or guarantor under the Company’s senior secured asset-based revolving credit agreement. We recorded $16 million of debt issuance costs related to the issuance of the Senior Notes within long-term debt on the Condensed Consolidated Balance Sheet, which will be amortized through interest expense over the life of the instrument. The Company used the net proceeds from the offering of the Senior Notes, together with cash on hand, to complete tender offers and purchase an aggregate principal amount of $1.9 billion of the Company’s senior secured notes due 2023 (“2023 Notes"), 2025 (“2025 Notes"), and 2027 (“2027 Notes") (the 2023 Notes, the 2025 Notes, and the 2027 Notes collectively, the “Secured Notes”). On October 27, 2021, the Company redeemed the remaining outstanding Secured Notes that were not tendered in the tender offers and paid the related make-whole premiums. Our obligations under the Secured Notes were discharged following their redemption.

In conjunction with these transactions, we incurred a loss on extinguishment of debt of $325 million, which was recorded in the Condensed Consolidated Statement of Operations and primarily consisted of tender premiums of $253 million, make-whole premiums of $40 million, and unamortized debt issuance costs relating to the Secured Notes of $28 million.

Long-term debt recorded on the Condensed Consolidated Balance Sheets consists of the following:

($ in millions)	October 30, 2021	January 30, 2021	October 31, 2020
2023 Notes	$ —	$ 500	$ 500
2025 Notes	—	750	750
2027 Notes	—	1,000	1,000
2029 Notes	750	—	—
2031 Notes	750	—	—
Less: Unamortized debt issuance costs	(16)	(34)	(36)
Total long-term debt	$ 1,484	$ 2,216	$ 2,214

The scheduled maturity of the Senior Notes is as follows:

Scheduled Maturity ($ in millions)	Principal	Interest Rate	Interest Payments
Senior Notes			
October 1, 2029 (1)	$ 750	3.625 %	Semi-Annual
October 1, 2031 (2)	750	3.875 %	Semi-Annual
Total issuance	$ 1,500		

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(1) Includes an option to redeem the 2029 Notes, in whole or in part at any time, subject to a make-whole premium, prior to October 1, 2024. On or after October 1, 2024, includes an option to redeem the 2029 Notes, in whole or in part at any time, at stated redemption prices.
(2) Includes an option to redeem the 2031 Notes, in whole or in part at any time, subject to a make-whole premium, prior to October 1, 2026. On or after October 1, 2026, includes an option to redeem the 2031 Notes, in whole or in part at any time, at stated redemption prices.

As of October 30, 2021, the aggregate estimated fair value of the Senior Notes was $1.47 billion and was based on the quoted market prices for each of the Senior Notes (level 1 inputs) as of the last business day of the fiscal quarter. The aggregate principal amount of the Senior Notes is recorded in long-term debt on the Condensed Consolidated Balance Sheet, net of the unamortized debt issuance cost.

In May 2020, we entered into the senior secured asset-based revolving credit agreement (the "ABL Facility"), which has a $1.8675 billion borrowing capacity and bears interest at a base rate (typically LIBOR) plus a margin depending on borrowing base availability. The ABL Facility is scheduled to expire in May 2023. We also have the ability to issue letters of credit on our ABL Facility. As of October 30, 2021, we had $52 million in standby letters of credit issued under the ABL Facility. There were no borrowings under the ABL Facility as of October 30, 2021.

We also maintain multiple agreements with third parties that make unsecured revolving credit facilities available for our operations in foreign locations (the “Foreign Facilities”). The Foreign Facilities are uncommitted and had a total capacity of $50 million as of October 30, 2021. As of October 30, 2021, there were no borrowings under the Foreign Facilities. There were $10 million in bank guarantees issued and outstanding primarily related to store leases under the Foreign Facilities as of October 30, 2021.

We have bilateral unsecured standby letter of credit agreements that are uncommitted and do not have expiration dates. There were no material standby letters of credit issued under these agreements as of October 30, 2021.

On June 6, 2020, we redeemed our $1.25 billion aggregate principal amount of 5.95 percent notes due April 2021 ("2021 Notes"). We incurred a loss on extinguishment of debt of $58 million, primarily related to the make-whole premium, which was recorded on the Condensed Consolidated Statement of Operations. Following the redemption, our obligations under the 2021 Notes were discharged.

Note 4. Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including derivatives and available-for-sale debt securities. The Company categorizes financial assets and liabilities recorded at fair value based upon a three-level hierarchy that considers the related valuation techniques.

There were no material purchases, sales, issuances, or settlements related to recurring level 3 measurements during the thirteen and thirty-nine weeks ended October 30, 2021 or October 31, 2020. There were no transfers of financial assets or liabilities into or out of level 1, level 2, and level 3 during the thirteen and thirty-nine weeks ended October 30, 2021 or October 31, 2020.

Financial Assets and Liabilities

Financial assets and liabilities measured at fair value on a recurring basis and cash equivalents are as follows:

		Fair Value Measurements at Reporting Date Using		
($ in millions)	October 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 146	$ —	$ 146	$ —
Short-term investments	275	216	59	—
Derivative financial instruments	10	—	10	—
Deferred compensation plan assets	49	49	—	—
Other assets	4	—	—	4
Total	$ 484	$ 265	$ 215	$ 4
Liabilities:				
Derivative financial instruments	$ 13	$ —	$ 13	$ —

		Fair Value Measurements at Reporting Date Using		
($ in millions)	January 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 375	$ 25	$ 350	$ —
Short-term investments	410	342	68	—
Derivative financial instruments	5	—	5	—
Deferred compensation plan assets	43	43	—	—
Other assets	2	—	—	2
Total	$ 835	$ 410	$ 423	$ 2
Liabilities:				
Derivative financial instruments	$ 21	$ —	$ 21	$ —

		Fair Value Measurements at Reporting Date Using		
($ in millions)	October 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 678	$ 178	$ 500	$ —
Short-term investments	178	119	59	—
Derivative financial instruments	6	—	6	—
Deferred compensation plan assets	44	44	—	—
Other assets	2	—	—	2
Total	$ 908	$ 341	$ 565	$ 2
Liabilities:				
Derivative financial instruments	$ 7	$ —	$ 7	$ —

We have highly liquid fixed and variable income investments classified as cash equivalents. With the exception of our available-for-sale investments noted below, we value these investments at their original purchase prices plus interest that has accrued at the stated rate. Our investments in cash equivalents are placed primarily in time deposits, money market funds, and debt securities.

Our available-for-sale securities are comprised of investments in debt securities and are recorded in both short-term investments and cash and cash equivalents on the Condensed Consolidated Balance Sheets. These securities are recorded at fair value using market prices. As of October 30, 2021, January 30, 2021, and October 31, 2020, the Company held $275 million, $410 million, and $178 million, respectively, of available-for-sale debt securities with maturity dates greater than three months and less than two years within short-term investments on the Condensed Consolidated Balance Sheets. In addition, as of October 30, 2021, January 30, 2021, and October 31, 2020, the Company held $125 million, $90 million, and $222 million respectively, of available-for-sale debt securities with maturities of three months or less at the time of purchase within cash and cash equivalents on the Condensed Consolidated Balance Sheet. Unrealized gains and losses on available-for-sale debt securities included within accumulated other comprehensive income were not material as of October 30, 2021 and October 31, 2020.

The Company regularly reviews its available-for-sale debt securities for other-than-temporary impairment. For the thirteen and thirty-nine weeks ended October 30, 2021 or October 31, 2020, the Company did not consider any of its securities to be other-than-temporarily impaired and, accordingly, did not recognize any impairment loss.

Derivative financial instruments primarily include foreign exchange forward contracts. The fair value of the Company's derivative financial instruments is determined using pricing models based on current market rates. See Note 6 of Notes to Condensed Consolidated Financial Statements for information regarding currencies hedged against the U.S. dollar.

We maintain the Gap, Inc. Deferred Compensation Plan ("DCP"), which allows eligible employees to defer base compensation and bonus up to a maximum percentage, and non-employee directors to defer receipt of a portion of their Board fees. Plan investments are directed by participants and are recorded at market value and designated for the DCP. The fair value of the Company's DCP assets is determined based on quoted market prices, and the assets are recorded in other long-term assets on the Condensed Consolidated Balance Sheets.

Nonfinancial Assets

We review the carrying amount of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The fair value of the long-lived assets is determined using level 3 inputs and based on discounted future cash flows of the asset or asset group using a discount rate commensurate with the risk. The asset group is defined as the lowest level for which identifiable cash flows are available and largely independent of the cash flows of other groups of assets, which for our retail stores is at the store level.

There were no material impairment charges recorded for long-lived assets during the thirteen weeks ended October 30, 2021 or October 31, 2020.

During the thirty-nine weeks ended October 30, 2021, the Company recorded impairment of operating lease assets of $6 million. The impairment of the operating lease assets reduced the carrying amount of the applicable long-lived assets of $16 million to their estimated fair value of $10 million. The impairment charges were recorded in operating expenses on the Condensed Consolidated Statement of Operations. There were no material impairment charges recorded for store assets during the thirty-nine weeks ended October 30, 2021.

During fiscal 2020, the impact of COVID-19 resulted in a qualitative indication of impairment related to our store long-lived assets. For store locations, we analyzed our store asset recoverability. During the thirty-nine weeks ended October 31, 2020, the Company recorded impairment of store assets of $127 million and impairment of operating lease assets of $361 million. The impairment of the store assets reduced the carrying amount of the applicable long-lived assets of $131 million to their estimated fair value of $4 million. The impairment of the operating lease assets reduced the carrying amount of the applicable long-lived assets of $1,369 million to their estimated fair value of $1,008 million. The impairment charges were recorded in operating expenses on the Condensed Consolidated Statement of Operations.

We review the carrying amount of goodwill and other indefinite-lived intangible assets for impairment annually and whenever events or changes in circumstances indicate that it is more likely than not that the carrying amount may not be recoverable.

There were no impairment charges recorded for goodwill or other indefinite-lived intangible assets for the thirteen and thirty-nine weeks ended October 30, 2021 or October 31, 2020.

Note 5. Income Taxes

The effective income tax rate was 29.3 percent for the thirteen weeks ended October 30, 2021, compared with 21.5 percent for the thirteen weeks ended October 31, 2020. The increase in the effective tax rate is primarily due to the finalization of the net operating loss carryback prescribed in the 2020 Coronavirus Aid, Relief, and Economic Security ("CARES") Act as well as changes in the geographical mix of pretax earnings.

The effective income tax rate was 17.8 percent for the thirty-nine weeks ended October 30, 2021, compared with 23.7 percent for the thirty-nine weeks ended October 31, 2020. The decrease in the effective tax rate for the first three quarters of fiscal 2021 compared with the first three quarters of fiscal 2020 is primarily due to the tax benefit resulting from divestiture activity during fiscal 2021 as well as the finalization of the net operating loss carryback prescribed in the 2020 CARES Act, partially offset by changes in the geographical mix of pretax earnings.

Note 6. Derivative Financial Instruments

We operate in foreign countries, which exposes us to market risk associated with foreign currency exchange rate fluctuations. We use derivative financial instruments to manage our exposure to foreign currency exchange rate risk and do not enter into derivative financial contracts for trading purposes. Consistent with our risk management guidelines, we hedge a portion of our transactions related to merchandise purchases for foreign operations and certain intercompany transactions using foreign exchange forward contracts. These contracts are entered into with large, reputable, financial institutions that are monitored for counterparty risk. The currencies hedged against changes in the U.S. dollar are Canadian dollar, Japanese yen, British pound, Euro, Mexican peso, Taiwan dollar, and Chinese yuan. Cash flows from derivative financial instruments are classified as cash flows from operating activities on the Condensed Consolidated Statements of Cash Flows.

Cash Flow Hedges

We designate the following foreign exchange forward contracts as cash flow hedges: forward contracts used to hedge forecasted merchandise purchases and related costs denominated in U.S. dollars made by our international subsidiaries whose functional currencies are their local currencies. The foreign exchange forward contracts entered into to hedge forecasted merchandise purchases and related costs generally have terms of up to 24 months. The effective portion of the gain or loss on the derivative financial instruments is reported as a component of other comprehensive income and is recognized into net income (loss) during the period in which the underlying transaction impacts the Condensed Consolidated Statements of Operations.

Other Derivatives Not Designated as Hedging Instruments

We use foreign exchange forward contracts to hedge our market risk exposure associated with foreign currency exchange rate fluctuations for certain intercompany balances denominated in currencies other than the functional currency of the entity with the intercompany balance. The gain or loss on the derivative financial instruments that represent economic hedges, as well as the remeasurement impact of the underlying intercompany balances, is recorded in operating expenses on the Condensed Consolidated Statements of Operations in the same period and generally offset each other.

Outstanding Notional Amounts

We had foreign exchange forward contracts outstanding in the following notional amounts:

($ in millions)	October 30, 2021	January 30, 2021	October 31, 2020
Derivatives designated as cash flow hedges	$ 532	$ 508	$ 474
Derivatives not designated as hedging instruments	717	811	539
Total	$ 1,249	$ 1,319	$ 1,013

Quantitative Disclosures about Derivative Financial Instruments

The fair values of foreign exchange forward contracts are as follows:

($ in millions)	October 30, 2021	January 30, 2021	October 31, 2020
Derivatives designated as cash flow hedges:			
Other current assets	$ 3	$ —	$ 2
Other long-term assets	1	—	—
Accrued expenses and other current liabilities	6	12	1
Other long-term liabilities	1	—	—
Derivatives not designated as hedging instruments:			
Other current assets	6	5	4
Accrued expenses and other current liabilities	6	9	6
Total derivatives in an asset position	$ 10	$ 5	$ 6
Total derivatives in a liability position	$ 13	$ 21	$ 7

The majority of the unrealized gains and losses from designated cash flow hedges as of October 30, 2021 will be recognized into net income within the next twelve months at the then-current values, which may differ from the fair values as of October 30, 2021 shown above.

Our foreign exchange forward contracts are subject to master netting arrangements with each of our counterparties and such arrangements are enforceable in the event of default or early termination of the contract. We do not elect to offset the fair values of our derivative financial instruments on the Condensed Consolidated Balance Sheets, and as such, the fair values shown above represent gross amounts. The amounts subject to enforceable master netting arrangements were not material for all periods presented.

See Note 4 of Notes to Condensed Consolidated Financial Statements for disclosures on the fair value measurements of our derivative financial instruments.

The pre-tax amounts recognized in net income (loss) related to derivative instruments are as follows:

	Location and Amount of (Gain) Loss Recognized in Net Income (Loss)			
	13 Weeks Ended October 30, 2021		13 Weeks Ended October 31, 2020	
($ in millions)	Cost of goods sold and occupancy expenses	Operating expenses	Cost of goods sold and occupancy expenses	Operating expenses
Total amount of expense line items presented in the Condensed Consolidated Statements of Operations in which the effects of derivatives are recorded	$ 2,282	$ 1,508	$ 2,374	$ 1,445
(Gain) loss recognized in net income (loss)				
Derivatives designated as cash flow hedges	5	—	(2)	—
Derivatives not designated as hedging instruments	—	(7)	—	4
Total (gain) loss recognized in net income (loss)	$ 5	$ (7)	$ (2)	$ 4

($ in millions)	Location and Amount of (Gain) Loss Recognized in Net Income (Loss) 39 Weeks Ended October 30, 2021 Cost of goods sold and occupancy expenses	39 Weeks Ended October 30, 2021 Operating expenses	39 Weeks Ended October 31, 2020 Cost of goods sold and occupancy expenses	39 Weeks Ended October 31, 2020 Operating expenses
Total amount of expense line items presented in the Condensed Consolidated Statements of Operations in which the effects of derivatives are recorded	$ 7,031	$ 4,312	$ 6,339	$ 4,033
(Gain) loss recognized in net income (loss)				
Derivatives designated as cash flow hedges	14	—	(13)	—
Derivatives not designated as hedging instruments	—	(2)	—	(7)
Total (gain) loss recognized in net income (loss)	$ 14	$ (2)	$ (13)	$ (7)

Note 7. Share Repurchases

Share repurchase activity is as follows:

($ and shares in millions except average per share cost)	13 Weeks Ended October 30, 2021	13 Weeks Ended October 31, 2020	39 Weeks Ended October 30, 2021	39 Weeks Ended October 31, 2020
Number of shares repurchased (1)	2.9	—	4.7	—
Total cost	$ 73	$ —	$ 128	$ —
Average per share cost including commissions	$ 24.73	$ —	$ 27.28	$ —

(1) Excludes shares withheld to settle employee statutory tax withholding related to the vesting of stock units.

In February 2019, the Board of Directors approved a $1.0 billion share repurchase authorization (the "February 2019 repurchase program"). The February 2019 repurchase program had $672 million remaining as of October 30, 2021.

All of the share repurchases were paid for as of October 30, 2021. All common stock repurchased is immediately retired.

Note 8. Earnings (Loss) Per Share

Weighted-average number of shares used for earnings (loss) per share is as follows:

(shares in millions)	13 Weeks Ended October 30, 2021	13 Weeks Ended October 31, 2020	39 Weeks Ended October 30, 2021	39 Weeks Ended October 31, 2020
Weighted-average number of shares - basic	376	374	377	373
Common stock equivalents (1)	—	6	8	—
Weighted-average number of shares - diluted	376	380	385	373

(1) For the thirteen weeks ended October 30, 2021 and thirty-nine weeks ended October 31, 2020, the dilutive impact of outstanding options and awards was excluded from dilutive shares as a result of the Company's net loss for the respective periods.

The anti-dilutive shares related to stock options and other stock awards excluded from the computation of weighted-average number of shares – diluted were 8 million and 12 million for the thirteen weeks ended October 30, 2021 and October 31, 2020, respectively, and 6 million and 16 million for the thirty-nine weeks ended October 30, 2021 and October 31, 2020, respectively, as their inclusion would have an anti-dilutive effect on earnings (loss) per share.

Note 9. Commitments and Contingencies

We are a party to a variety of contractual agreements under which we may be obligated to indemnify the other party for certain matters. These contracts primarily relate to our commercial contracts, operating leases, trademarks, intellectual property, financial agreements, and various other agreements. Under these contracts, we may provide certain routine indemnifications relating to representations and warranties (e.g., ownership of assets, environmental or tax indemnifications), or personal injury matters. The terms of these indemnifications range in duration and may not be explicitly defined. Generally, the maximum obligation under such indemnifications is not explicitly stated, and as a result, the overall amount of these obligations cannot be reasonably estimated. Historically, we have not made significant payments for these indemnifications. We believe that if we were to incur a loss in any of these matters, the loss would not have a material effect on our Condensed Consolidated Financial Statements taken as a whole.

As a multinational company, we are subject to various proceedings, lawsuits, disputes, and claims ("Actions") arising in the ordinary course of our business. Many of these Actions raise complex factual and legal issues and are subject to uncertainties. As of October 30, 2021, Actions filed against us included commercial, intellectual property, customer, employment, and data privacy claims, including class action lawsuits. The plaintiffs in some Actions seek unspecified damages or injunctive relief, or both. Actions are in various procedural stages and some are covered in part by insurance. As of October 30, 2021, January 30, 2021, and October 31, 2020, we recorded a liability for an estimated loss if the outcome of an Action is expected to result in a loss that is considered probable and reasonably estimable. The liability recorded was not material for any individual Action or in total for all periods presented. Subsequent to October 30, 2021, and through the filing date of this Quarterly Report on Form 10-Q, no information has become available that indicates a change is required that would be material to our Condensed Consolidated Financial Statements taken as a whole.

We cannot predict with assurance the outcome of Actions brought against us. However, we do not believe that the outcome of any current Action would have a material effect on our Condensed Consolidated Financial Statements taken as a whole.

Note 10. Segment Information

We identify our operating segments according to how our business activities are managed and evaluated. As of October 30, 2021, our operating segments included: Old Navy Global, Gap Global, Banana Republic Global, and Athleta. Each operating segment has a brand president who is responsible for various geographies and channels. Each of our brands serves customer demand through stores and online channels, leveraging our omni-channel capabilities that allow customers to shop seamlessly across all of our brands. We have determined that each of our operating segments share similar economic and other qualitative characteristics, and therefore the results of our operating segments are aggregated into one reportable segment as of October 30, 2021. We continually monitor and review our segment reporting structure in accordance with authoritative guidance to determine whether any changes have occurred that would impact our reportable segments.

See Note 2 of Notes to Condensed Consolidated Financial Statements for disaggregation of revenue for stores and online and by brand and region.

Note 11. Divestitures

The Company completed the divestitures of its Janie and Jack and Intermix brands during the thirty-nine weeks ended October 30, 2021. The divestiture of Janie and Jack was completed on April 8, 2021 and the divestiture of Intermix was completed on May 21, 2021. As a result of these transactions, the Company recognized a pre-tax loss of $59 million within operating expenses on the Condensed Consolidated Statements of Operations for the thirty-nine weeks ended October 30, 2021.

As part of the Company's strategic review of its operating model in Europe, the Company reclassified certain assets as held for sale assets that are expected to be sold in the next twelve months. The aggregate carrying amount of the assets held for sale, primarily consisting of fixed assets, was $49 million and was recorded within other current assets on the Condensed Consolidated Balance Sheet as of October 30, 2021. On October 1, 2021, we also completed the transition of our Gap France operations to a third party, Hermione People & Brands, to operate Gap France stores as a franchise partner. The impact from the transaction was not material to our Condensed Consolidated Financial Statements for the thirteen and thirty-nine weeks ended October 30, 2021.

Note 12. Acquisitions

On August 26, 2021, the Company acquired Drapr Inc. ("Drapr"), a startup that powers 3D-fit technology and virtual fitting rooms. In addition, on October 1, 2021, the Company acquired Context-based 4 Casting (CB-4) Ltd ("CB4"), an artificial intelligence and machine learning company.

The aggregate purchase price for the net assets was $147 million. The preliminary purchase price allocation included goodwill of $108 million and intangible assets of $39 million. The total purchase price was allocated to the net tangible and intangible assets acquired based on their estimated fair values. Such estimated fair values require management to make estimates and judgments, especially with respect to intangible assets. The purchase price allocation is subject to adjustments as the fair values are finalized.

The intangible assets acquired primarily include technology and developed software and their estimated fair value will be amortized over the related useful lives.

The impact of the acquisitions on the Company's results of operations is not significant. The results of operations for Drapr and CB4 since the date of acquisitions were not material to the Condensed Consolidated Statement of Income.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OUR BUSINESS

We are a collection of purpose-led, lifestyle brands offering apparel, accessories, and personal care products for men, women, and children under the Old Navy, Gap, Banana Republic, and Athleta brands. We have Company-operated stores in the United States, Canada, Japan, Italy, China, Taiwan, and Mexico. Our products are available to customers online through Company-owned websites and through the use of third parties that provide logistics and fulfillment services. We also have franchise agreements with unaffiliated franchisees to operate Gap, Banana Republic, Old Navy, and Athleta throughout Asia, Europe, Latin America, the Middle East, and Africa. Under these agreements, third parties operate, or will operate, stores and websites that sell apparel and related products under our brand names. In addition to operating in the specialty, outlet, online, and franchise channels, we use our omni-channel capabilities to bridge the digital world and physical stores to further enhance our shopping experience for our customers. Our omni-channel services, including curbside pick-up, buy online pick-up in store, order-in-store, find-in-store, and ship-from-store, as well as enhanced mobile-enabled experiences, are tailored uniquely across our collection of brands. Most of the products sold under our brand names are designed by us and manufactured by independent sources.

OVERVIEW

We unveiled our Power Plan 2023 strategy during fiscal 2020, which reflects long-term plans to strengthen the Company and pave the foundation for sustainable growth. Since then, we have focused on our key initiatives, including growing Old Navy and Athleta, repositioning and transforming Gap and Banana Republic, and scaling strategic partnerships to amplify our brands across product categories, markets, and channels. Each of our purpose-led, lifestyle brands are finding new and relevant ways to expand customer reach. Since the beginning of fiscal 2021, we have executed on this strategy in various ways such as launching GapHome at Walmart.com, and BODEQUALITY at Old Navy. In addition, during the third quarter of fiscal 2021, we launched the Athleta website in Canada and opened the first Athleta store in the Canadian market.

During the third quarter of fiscal 2021, global supply chain disruption, including COVID-19 related factory closures and continued port congestion caused significant product delays resulting in brands being unable to fully meet customer demand. The Company is working with its suppliers to minimize disruption and is employing increased air freight and port diversification to keep up with customer demand.

On September 27, 2021, the Company completed the issuance of the Senior Notes in an aggregate principal amount of $1.5 billion. The Company used the net proceeds from the offering of the Senior Notes, together with cash on hand, to complete tender offers and purchase an aggregate principal amount of $1.9 billion of the Secured Notes. On October 27, 2021, the Company redeemed the remaining outstanding Secured Notes that were not tendered in the tender offers and paid the related make-whole premiums. In conjunction with these transactions, we incurred a loss on extinguishment of debt of $325 million, which was recorded on the Condensed Consolidated Statement of Operations and primarily consisted of tender premiums, make-whole premiums, and unamortized debt issuance costs relating to the Secured Notes.

During the third quarter of fiscal 2021, we shared that in the United Kingdom and Ireland we will continue serving our customers online beyond fiscal 2021 through a franchise agreement with Next Plc. Additionally, on October 1, 2021, we completed the transition of our Gap France operations to Hermione People & Brands to operate Gap France stores as a franchise partner and most recently shared in November 2021 that we signed an agreement with OVS to operate Gap Italy stores as a franchise partner beginning in fiscal year 2022. We believe these transformations of our European business model will streamline our operations by using strong local partnerships to grow our brands and amplify our reach. As a result of these strategic changes, we incurred net pre-tax net costs of $17 million and $33 million during the thirteen and thirty-nine weeks ended October 30, 2021, respectively, primarily consisting of employee and lease related costs related to the closure of the company-operated stores in the United Kingdom and Ireland. These costs were recorded within cost of goods sold and occupancy expenses and operating expenses on the Condensed Consolidated Statement of Operations.

We continued strengthening the power of our platform through strategic investments in our digital, loyalty, and supply chain capabilities. During the third quarter of fiscal 2021, we acquired two technology companies, CB4 and Drapr, that we believe will add data and science to the way we work and enhance the customer shopping experience while also streamlining operations. We believe that CB4, with its machine learning and artificial intelligence tools, has broad potential across sales, inventory, and consumer insights and Drapr has potential to power new e-commerce tools with 3D fit technology. Additionally, in July 2021, we launched a new integrated loyalty program across the U.S. and Puerto Rico to attract new customers and create enduring relationships by turning customers into lifelong loyalists. See Note 12 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q for further details about the Company’s acquisitions.

As part of a strategic review of the Company's brands and businesses, we made the decision to divest the Janie and Jack and Intermix brands. The divestiture of Janie and Jack was completed on April 8, 2021. The divestiture of Intermix was completed on May 21, 2021. We believe these divestitures will allow the Company to prioritize its strategic focus and resources on growing our four purpose-led, lifestyle brands. We recognized a pre-tax loss of $59 million within operating expenses on the Condensed Consolidated Statement of Operations during the first three quarters of fiscal 2021 in conjunction with these transactions.

The Company remains focused on our plans to reduce the number of Gap and Banana Republic stores in North America by approximately 350 stores from the beginning of fiscal 2020 to the end of fiscal 2023. The majority of the select stores being considered have leases that expired in fiscal 2020 or will expire in fiscal 2021, which allows us to exit underperforming stores with a minimal net impact to our Consolidated Statement of Operations. As of October 30, 2021, we have closed, net of openings, 217 Gap and Banana Republic stores in North America since the beginning of fiscal 2020.

Our business priorities for fiscal 2021 are as follows:

- creating product that offers value to our customers through a combination of fit, quality, brand and price;
- investing in our four purpose-led lifestyle brands to drive relevance and gain market share;
- growing our online business;
- reducing our fixed cost structure to fuel demand generation investments;
- leveraging our scale to navigate constraints in supply chain;
- managing inventory to support a healthy merchandise margin;
- rationalizing the Gap and Banana Republic store fleet;
- prioritizing asset-light growth through licensing, online, and franchise partnerships globally;
- attracting and retaining strong talent in our businesses and functions; and
- continuing to integrate social and environmental sustainability into business practices to support long-term growth.

We believe focusing on these priorities in the near term will propel the Company to execute against its Power Plan 2023 strategy, including leveraging:

- The Power of its Brands, reflected by the Company’s four purpose-led, lifestyle brands: Old Navy, Gap, Banana Republic and Athleta;
- The Power of its Portfolio, which enables growth synergies across key customer categories; and
- The Power of its Platform, which leverages the Company’s powerful platform to both enable growth, such as through competitive omni-channel capabilities, as well as cost synergies, fueled by its scaled operations.

Financial results for the third quarter of fiscal 2021 are as follows:

- Net sales for the third quarter of fiscal 2021 decreased 1 percent compared with the third quarter of fiscal 2020.
- Online sales for the third quarter of fiscal 2021 decreased 8 percent compared with the third quarter of fiscal 2020 and store sales for the third quarter of fiscal 2021 increased 3 percent compared with the third quarter of fiscal 2020.
- Gross profit for the third quarter of fiscal 2021 was $1.66 billion compared with $1.62 billion for the third quarter of fiscal 2020. Gross margin for the third quarter of fiscal 2021 was 42.1 percent compared with 40.6 percent for the third quarter of fiscal 2020.
- Operating income for the third quarter of fiscal 2021 was $153 million compared with $175 million for the third quarter of fiscal 2020.
- We incurred a loss on extinguishment of debt of $325 million during the third quarter of fiscal 2021, primarily related to the tender premiums, make-whole premiums, and unamortized debt issuance costs of the Secured Notes.
- The effective income tax rate for the third quarter of fiscal 2021 was 29.3 percent compared with 21.5 percent for the third quarter of fiscal 2020.
- Net loss for the third quarter of fiscal 2021 was $(152) million compared with net income of $95 million for the third quarter of fiscal 2020.
- Diluted loss per share was $(0.40) for the third quarter of fiscal 2021 compared with diluted earnings per share of $0.25 for the third quarter of fiscal 2020.

RESULTS OF OPERATIONS

Net Sales

See Note 2 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q, for net sales disaggregation.

Comparable Sales ("Comp Sales")

Comp Sales include the results of Company-operated stores and sales through online channels. The calculation of Gap Inc. Comp Sales excludes the results of our franchise business.

A store is included in the Comp Sales calculations when it has been open and operated by the Company for at least one year and the selling square footage has not changed by 15 percent or more within the past year. A store is included in the Comp Sales calculations on the first day it has comparable prior year sales. Stores in which the selling square footage has changed by 15 percent or more as a result of a remodel, expansion, or reduction are excluded from the Comp Sales calculations until the first day they have comparable prior year sales.

A store is considered non-comparable ("Non-comp") when it has been open and operated by the Company for less than one year or has changed its selling square footage by 15 percent or more within the past year.

A store is considered "Closed" if it is temporarily closed for three or more full consecutive days or it is permanently closed. When a temporarily closed store reopens, the store will be placed in the Comp/Non-comp status it was in prior to its closure. If a store was in Closed status for three or more days in the prior year, the store will be in Non-comp status for the same days the following year.

Current year foreign exchange rates are applied to both current year and prior year Comp Sales to achieve a consistent basis for comparison.

For the thirteen weeks ended October 30, 2021 and October 31, 2020, any stores temporarily closed for more than three days as a result of COVID-19 were excluded from the Comp Sales calculations. After stores reopened, subsequent sales were included in the Comp/Non-comp status they were in prior to temporary closure. Online sales continued to be included in the Comp Sales calculation for each period.

The percentage change in Comp Sales by global brand and for The Gap, Inc. is as follows:

	13 Weeks Ended October 30, 2021
Old Navy Global	(9) %
Gap Global	7 %
Banana Republic Global	28 %
Athleta	2 %
The Gap, Inc.	(1) %

	13 Weeks Ended October 31, 2020
Old Navy Global	17 %
Gap Global	(5) %
Banana Republic Global	(30) %
Athleta	37 %
The Gap, Inc.	5 %

Store count, openings, closings, and square footage for our stores are as follows:

	January 30, 2021	39 Weeks Ended October 30, 2021		October 30, 2021	
	Number of Store Locations	Number of Stores Opened	Number of Stores Closed	Number of Store Locations	Square Footage (in millions)
Old Navy North America	1,220	42	5	1,257	20.1
Gap North America	556	1	19	538	5.7
Gap Asia	340	11	16	335	2.8
Gap Europe (2)	117	1	86	11	0.1
Banana Republic North America	471	2	12	461	3.9
Banana Republic Asia	47	6	2	51	0.2
Athleta North America	199	22	1	220	0.9
Intermix North America (1)	31	—	—	—	—
Janie and Jack North America (1)	119	—	—	—	—
Company-operated stores total	3,100	85	141	2,873	33.7
Franchise (2)	615	58	108	586	N/A
Total	3,715	143	249	3,459	33.7
Decrease over prior year				(8.6) %	(5.1) %

	February 1, 2020	39 Weeks Ended October 31, 2020		October 31, 2020	
	Number of Store Locations	Number of Stores Opened	Number of Stores Closed	Number of Store Locations	Square Footage (in millions)
Old Navy North America	1,207	30	12	1,225	19.7
Old Navy Asia	17	—	17	—	—
Gap North America	675	1	92	584	6.2
Gap Asia	358	11	19	350	3.1
Gap Europe	137	4	19	122	1.0
Banana Republic North America	541	3	55	489	4.1
Banana Republic Asia	48	5	5	48	0.2
Athleta North America	190	10	2	198	0.8
Intermix North America	33	—	1	32	0.1
Janie and Jack North America	139	—	9	130	0.3
Company-operated stores total	3,345	64	231	3,178	35.5
Franchise	574	50	17	607	N/A
Total	3,919	114	248	3,785	35.5
Decrease over prior year				(3.9) %	(5.3) %

(1) On April 8, 2021, the Company completed the divestiture of the Janie and Jack brand. The 119 stores divested are not included as store closures or in the ending balance for fiscal 2021. On May 21, 2021, the Company completed the divestiture of the Intermix brand. The 31 stores divested are not included as store closures or in the ending balance for fiscal 2021.

(2) The 21 Gap France stores that were transitioned to Hermione People & Brands during the period are not included as store closures or openings for Company-operated and Franchise store activity. The ending balance for Gap Europe excludes these stores and the ending balance for Franchise includes these stores.

Outlet and factory stores are reflected in each of the respective brands.

Net Sales

Our net sales for the third quarter of fiscal 2021 decreased $51 million, or 1 percent, compared with the third quarter of fiscal 2020 driven primarily by a decrease in net sales as a result of supply chain disruption and the impact of the divestitures of the Janie and Jack and Intermix brands earlier in the year, partially offset by a favorable impact of foreign exchange of $24 million. The foreign exchange impact is the translation impact if net sales for the third quarter of fiscal 2020 were translated at exchange rates applicable during the third quarter of fiscal 2021.

Our net sales for the first three quarters of fiscal 2021 increased $2.77 billion, or 30 percent, compared with the first three quarters of fiscal 2020 driven primarily by temporary closures across our fleet during fiscal 2020 due to the COVID-19 pandemic, as well as a favorable impact of foreign exchange of $87 million. The foreign exchange impact is the translation impact if net sales for the first three quarters of fiscal 2020 were translated at exchange rates applicable during the first three quarters of fiscal 2021.

Cost of Goods Sold and Occupancy Expenses

	13 Weeks Ended		39 Weeks Ended	
($ in millions)	**October 30, 2021**	**October 31, 2020**	**October 30, 2021**	**October 31, 2020**
Cost of goods sold and occupancy expenses	$ 2,282	$ 2,374	$ 7,031	$ 6,339
Gross profit	$ 1,661	$ 1,620	$ 5,114	$ 3,037
Cost of goods sold and occupancy expenses as a percentage of net sales	57.9 %	59.4 %	57.9 %	67.6 %
Gross margin	42.1 %	40.6 %	42.1 %	32.4 %

Cost of goods sold and occupancy expenses decreased 1.5 percentage points as a percentage of net sales in the third quarter of fiscal 2021 compared with the third quarter of fiscal 2020.

- Cost of goods sold decreased 1.8 percentage points as a percentage of net sales in the third quarter of fiscal 2021 compared with the third quarter of fiscal 2020, driven by a decrease in online shipping costs due to lower ship-from-store fulfillment as well as lower promotional activity.
- Occupancy expenses increased 0.3 percentage points as a percentage of net sales in the third quarter of fiscal 2021 compared with the third quarter of fiscal 2020, primarily driven by a decrease in net sales related to permanent store closures and a decrease in online sales.

Cost of goods sold and occupancy expenses decreased 9.7 percentage points as a percentage of net sales in the first three quarters of fiscal 2021 compared with the first three quarters of fiscal 2020.

- Cost of goods sold decreased 5.1 percentage points as a percentage of net sales in the first three quarters of fiscal 2021 compared with the first three quarters of fiscal 2020, primarily due to lower promotional activity across all brands, lower online shipping costs as a result of lower ship-from-store fulfillment as retail traffic increased, and higher inventory impairment recognized during the first three quarters of fiscal 2020 due to temporary store closures as a result of COVID-19.
- Occupancy expenses decreased 4.6 percentage points as a percentage of net sales in the first three quarters of fiscal 2021 compared with the first three quarters of fiscal 2020, primarily driven by an increase in net sales largely due to temporary store closures as a result of COVID-19 during fiscal 2020 as well as online sales growth during fiscal 2021 which has minimal impact on fixed occupancy expenses.

Operating Expenses

	13 Weeks Ended		39 Weeks Ended	
($ in millions)	**October 30, 2021**	**October 31, 2020**	**October 30, 2021**	**October 31, 2020**
Operating expenses	$ 1,508	$ 1,445	$ 4,312	$ 4,033
Operating expenses as a percentage of net sales	38.2 %	36.2 %	35.5 %	43.0 %
Operating margin	3.9 %	4.4 %	6.6 %	(10.6)%

Operating expenses increased $63 million or 2.0 percentage points as a percentage of net sales in the third quarter of fiscal 2021 compared with the third quarter of fiscal 2020 primarily due to an increase in advertising expense to support new initiatives, an increase in digital innovation costs to fuel the growth priorities of the business, and an increase in performance-based compensation, partially offset by a decrease in store expenses.

Operating expenses increased $279 million but decreased 7.5 percentage points as a percentage of net sales in the first three quarters of fiscal 2021 compared with the first three quarters of fiscal 2020 primarily due to the following:

- an increase in advertising expense to generate demand across all purpose-led lifestyle brands;
- an increase in performance-based compensation;
- an increase in store payroll and benefits and other store operating expenses due to COVID-19 temporary store closures during the first three quarters of fiscal 2020;
- an increase related to digital innovation costs to fuel the growth priorities of the business; and
- a loss on divestiture activity related to the Janie and Jack and Intermix brands; partially offset by
- a decrease of $481 million due to impairment charges related to store assets and operating lease assets during the first three quarters of fiscal 2020 primarily due to the impact of COVID-19.

Loss on Extinguishment of Debt

On September 27, 2021, the Company completed the issuance of the Senior Notes in an aggregate principal amount of $1.5 billion and used the net proceeds from the offering, together with cash on hand, to complete tender offers and purchase an aggregate principal amount of $1.9 billion of the Company's Secured Notes. On October 27, 2021, the Company redeemed the remaining outstanding Secured Notes that were not tendered in the tender offers and paid the related make-whole premiums. We incurred a loss on extinguishment of debt of $325 million, which was recorded on the Condensed Consolidated Statement of Operations during the third quarter of fiscal 2021, primarily related to the tender premiums, make-whole premiums, and unamortized debt issuance costs of the Secured Notes.

On May 7, 2020, the Company completed the issuance of the Secured Notes for $2.25 billion and used the proceeds to redeem the 2021 Notes. We incurred a loss on extinguishment of debt of $58 million, primarily related to the make-whole premium, which was recorded on the Condensed Consolidated Statement of Operations during the second quarter of fiscal 2020.

Interest Expense

	13 Weeks Ended		39 Weeks Ended	
($ in millions)	**October 30, 2021**	**October 31, 2020**	**October 30, 2021**	**October 31, 2020**
Interest expense	$ 44	$ 55	$ 149	$ 132

Interest expense decreased $11 million or 20 percent during the third quarter of fiscal 2021 compared with the third quarter of fiscal 2020 primarily due to the lower interest rates and principal as a result of the September 2021 issuance of the Senior Notes.

Interest expense increased $17 million or 13 percent during the first three quarters of fiscal 2021 compared with the first three quarters of fiscal 2020 primarily due to the higher mix of interest rates and principal from our borrowings during the first three quarters of fiscal 2021 compared with the first three quarters of fiscal 2020.

Income Taxes

	13 Weeks Ended		39 Weeks Ended	
($ in millions)	**October 30, 2021**	**October 31, 2020**	**October 30, 2021**	**October 31, 2020**
Income taxes	$ (63)	$ 26	$ 59	$ (280)
Effective tax rate	29.3 %	21.5 %	17.8 %	23.7 %

The increase in the effective tax rate for the third quarter of fiscal 2021 compared with the third quarter of fiscal 2020 is primarily due to the finalization of the net operating loss carryback prescribed in the CARES Act as well as changes in the geographical mix of pretax earnings. The decrease in the effective tax rate for the first three quarters of fiscal 2021 compared with the first three quarters of fiscal 2020 is primarily due to the tax benefit resulting from divestiture activity during fiscal 2021 as well as the finalization of the net operating loss carryback prescribed in the CARES Act, partially offset by changes in the geographical mix of pretax earnings.

LIQUIDITY AND CAPITAL RESOURCES

On September 27, 2021, we completed the issuance of the Senior Notes in an aggregate principal amount of $1.5 billion. The Company used the net proceeds from the Senior Notes offering, together with cash on hand, to complete tender offers and purchase an aggregate principal amount of $1.9 billion of the Secured Notes. On October 27, 2021, the Company redeemed the remaining outstanding Secured Notes that were not tendered in the tender offers and paid the related make-whole premiums. Our obligations under the Secured Notes were discharged following their redemption. There were no borrowings under the ABL Facility as of October 30, 2021. See Note 3 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q for further details about the Company's debt and credit facilities.

As of October 30, 2021, we consider the following to be our primary measures of liquidity and capital resources:

($ in millions)	Source of Liquidity	Outstanding Indebtedness	Total Available Liquidity
Cash and cash equivalents	$ 801	$ —	$ 801
Short-term investments	275	—	275
Debt			
3.625 percent 2029 Notes	750	750	—
3.875 percent 2031 Notes	750	750	—
Total	$ 2,576	$ 1,500	$ 1,076

We are also able to supplement near-term liquidity, if necessary, with our ABL Facility or other available market instruments.

Our largest source of operating cash flows is cash collections from the sale of our merchandise. Our primary uses of cash include merchandise inventory purchases, lease and occupancy costs, personnel-related expenses, purchases of property and equipment, and payment of taxes.

We believe our existing balances of cash, cash equivalents, and short-term investments, along with our cash flows from operations, and instruments mentioned above, provide sufficient funds for our business operations as well as capital expenditures, dividends, share repurchases, and other liquidity requirements associated with our business operations over the next twelve months.

Cash Flows from Operating Activities

Net cash provided by operating activities increased by $283 million during the first three quarters of fiscal 2021 compared with the first three quarters of fiscal 2020, primarily due to the following:

Net Income (Loss)

- Net income compared with net loss in prior comparable period;

Non-cash items

- a decrease of $481 million due to lower non-cash impairment charges for operating lease assets and store assets during the first three quarters of fiscal 2021 compared with the first three quarters of fiscal 2020; and
- an increase of $267 million due to higher loss on extinguishment of debt during the first three quarters of fiscal 2021 compared with the first three quarters of fiscal 2020;

Changes in operating assets and liabilities

- an increase of $302 million related to merchandise inventory in part due to the utilization of seasonal inventory that was stored at our distribution center in fiscal 2020 as a result of the COVID-19 pandemic, as well as late arriving inventory due to supply chain delays, and impacts from divestiture activities during the first three quarters of fiscal 2021;
- an increase of $141 million related to accrued expense and other current liabilities primarily due to an increase in performance-based compensation and an increase in deferred revenue due to the new integrated loyalty program during the first three quarters of fiscal 2021 compared with the first three quarters of fiscal 2020; and
- an increase of $112 million related to income taxes payable, net of receivables and other tax-related items, resulting from the net operating loss carrybacks attributable to the first three quarters of fiscal 2020 as well as the timing of tax-related payments; partially offset by
- a decrease of $1,239 million related to accounts payable primarily due to the suspension of rent for stores closed temporarily as well as a change in payment terms during the first three quarters of fiscal 2020 as a result of COVID-19.

We fund inventory expenditures during normal and peak periods through cash flows from operating activities and available cash. Our business typically follows a seasonal pattern, with sales peaking during the end-of-year holiday period. The seasonality of our operations, in addition to the impact of COVID-19, global supply chain disruption, and strategic initiatives, may lead to significant fluctuations in certain asset and liability accounts between fiscal year-end and subsequent interim periods.

Cash Flows from Investing Activities

Net cash used for investing activities during the first three quarters of fiscal 2021 increased $333 million compared with the first three quarters of fiscal 2020, primarily due to the following:

- $198 million more purchases of property and equipment during the first three quarters of fiscal 2021 compared with the first three quarters of fiscal 2020, which will primarily support growth investments including digital, loyalty, and supply chain capacity projects, along with investment in store growth for Old Navy and Athleta; and
- $135 million in cash payments for acquisitions of technology companies Drapr and CB4, net of cash acquired, in the third quarter of fiscal 2021.

Cash Flows from Financing Activities

Net cash used for financing activities was $1,358 million during the first three quarters of fiscal 2021 compared with $890 million of cash provided by financing activities during the first three quarters of fiscal 2020, primarily due to the following:

- an increase of $1,239 million for payments related to the extinguishment of long-term debt during the first three quarters of fiscal 2021 compared to the first three quarters of fiscal 2020;
- a decrease of $750 million in proceeds received for the issuance of long-term debt during the first three quarters of fiscal 2021 compared to the first three quarters of fiscal 2020;
- $182 million in payments of dividends during the first three quarters of fiscal 2021 compared with no dividends paid during the first three quarters of fiscal 2020 as a result of the COVID-19 pandemic; and
- $128 million in repurchases of common stock during the first three quarters of fiscal 2021 compared with no repurchases during the first three quarters of fiscal 2020 as a result of the COVID-19 pandemic.

Free Cash Flow

Free cash flow is a non-GAAP financial measure. We believe free cash flow is an important metric because it represents a measure of how much cash a company has available for discretionary and non-discretionary items after the deduction of capital expenditures. We require regular capital expenditures including technology improvements to automate processes, engage with customers, and optimize our supply chain in addition to building and maintaining stores. We use this metric internally, as we believe our sustained ability to generate free cash flow is an important driver of value creation. However, this non-GAAP financial measure is not intended to supersede or replace our GAAP results.

The following table reconciles free cash flow, a non-GAAP financial measure, from a GAAP financial measure.

	39 Weeks Ended	
($ in millions)	**October 30, 2021**	**October 31, 2020**
Net cash provided by operating activities	$ 682	$ 399
Less: Purchases of property and equipment	(486)	(288)
Free cash flow	$ 196	$ 111

Dividend Policy

In determining whether and at what level to declare a dividend, we consider a number of factors including sustainability, operating performance, liquidity, and market conditions.

We paid a dividend of $0.12 per share during the third quarter of fiscal 2021. In November 2021, our board of directors authorized a dividend of $0.12 per share for the fourth quarter of fiscal 2021.

Share Repurchases

Certain financial information about the Company's share repurchases is set forth in Note 7 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

Summary Disclosures about Contractual Cash Obligations and Commercial Commitments

Other than the debt financing discussed in Note 3 of Notes to Condensed Consolidated Financial Statements included in Part I, Item I of this Form 10-Q, there have been no material changes to our contractual obligations and commercial commitments as disclosed in our Annual Report on Form 10-K as of January 30, 2021, other than those which occur in the normal course of business. See Note 9 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q, for disclosures on commitments and contingencies.

Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies and estimates as discussed in our Annual Report on Form 10-K for the fiscal year ended January 30, 2021. See Note 1 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q, for disclosures on accounting policies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our market risk profile as of January 30, 2021, is disclosed in our Annual Report on Form 10-K and has not significantly changed. See Notes 3, 4, and 6 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1, of this Form 10-Q for disclosures on our debt and credit facilities, investments, and derivative financial instruments.

On September 27, 2021, the Company completed the issuance of the Senior Notes in an aggregate principal amount of $1.5 billion and used the net proceeds from the offering, together with cash on hand, to complete tender offers and purchase an aggregate principal amount of $1.9 billion of the Company's Secured Notes. On October 27, 2021, the Company redeemed the remaining outstanding Secured Notes that were not tendered in the tender offers and paid the related make-whole premiums. The Senior Notes have a fixed interest rate and are exposed to interest rate risk that is limited to changes in fair value. Changes in interest rates do not impact our cash flows. See Note 3 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q for further details about the Company's debt.

On September 1, 2021, Standard & Poor's upgraded our corporate credit rating from BB- with a positive outlook to BB with a positive outlook. In addition, in conjunction with our financings, Standard & Poor's assigned a BB rating and Moody's assigned a Ba3 rating to our long-term senior unsecured notes.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

During the third quarter of fiscal 2021, we completed the implementation of a new human resources management and payroll accounting system. As a result, we updated certain business processes and related internal controls.

There were no changes in the Company's internal control over financial reporting that occurred during the Company's third quarter of fiscal 2021 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

As a multinational company, we are subject to various proceedings, lawsuits, disputes, and claims ("Actions") arising in the ordinary course of our business. Many of these Actions raise complex factual and legal issues and are subject to uncertainties. Actions filed against us from time to time include commercial, intellectual property, customer, employment, and data privacy claims, including class action lawsuits. The plaintiffs in some Actions seek unspecified damages or injunctive relief, or both. Actions are in various procedural stages, and some are covered in part by insurance.

We cannot predict with assurance the outcome of Actions brought against us. Accordingly, developments, settlements, or resolutions may occur and impact operations in the quarter of such development, settlement, or resolution. However, we do not believe that the outcome of any current Action would have a material effect on our financial results.

Item 1A. Risk Factors.

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table presents information with respect to purchases of common stock of the Company made during the thirteen weeks ended October 30, 2021 by the Company or any affiliated purchaser, as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended:

	Total Number of Shares Purchased (1)	Average Price Paid Per Share Including Commissions	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or approximate dollar amount) of Shares that May Yet be Purchased Under the Plans or Programs (2)
Month #1 (August 1 - August 28)	678,346	$ 28.55	678,346	$ 725 million
Month #2 (August 29 - October 2)	1,191,631	$ 24.14	1,191,631	$ 697 million
Month #3 (October 3 - October 30)	1,059,213	$ 22.95	1,059,213	$ 672 million
Total	2,929,190	$ 24.73	2,929,190	

(1) Excludes shares withheld to settle employee statutory tax withholding related to the vesting of stock units.

(2) In February 2019, we announced that the Board of Directors approved a $1 billion share repurchase authorization, which has no expiration date.

Item 6. Exhibits.

Exhibit No.	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
3.1	Amended and Restated Certificate of Incorporation (P)	10-K	1-7562	3.1	April 26, 1993	
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation	10-K	1-7562	3.2	April 4, 2000	
3.3	Amended and Restated Bylaws (effective March 23, 2020)	8-K	1-7562	3.1	March 5, 2020	
4.1	Indenture, dated as of September 27, 2021, among the Registrant, the Guarantors party thereto and U.S. Bank National Association	8-K	1-7562	4.1	September 28, 2021	
4.2	Form of 3.625% Senior Note due 2029 (included in Exhibit 4.1 as Exhibit A-1 to the Indenture)	8-K	1-7562	4.2	September 28, 2021	
4.3	Form of 3.875% Senior Note due 2031 (included in Exhibit 4.1 as Exhibit A-2 to the Indenture)	8-K	1-7562	4.3	September 28, 2021	
4.4	First Supplemental Indenture, dated as of September 27, 2021, between the Registrant and U.S. Bank National Association	8-K	1-7562	4.4	September 28, 2021	
10.1*	Seventh Amendment to Amended and Restated Consumer Credit Card Program Agreement by and among the Registrant, Gap (Puerto Rico), Inc., GPS Consumer Direct, Inc., Gap (Apparel), LLC, Gap (ITM) Inc., Synchrony Bank (f/k/a GE Capital Retail Bank) and Synchrony Financial, dated as of August 26, 2021					X
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer of The Gap, Inc. (Section 302 of the Sarbanes-Oxley Act of 2002)					X
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer of The Gap, Inc. (Section 302 of the Sarbanes-Oxley Act of 2002)					X
32.1	Certification of the Chief Executive Officer of The Gap, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of the Chief Financial Officer of The Gap, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101	The following materials from The Gap, Inc.'s Quarterly Report on Form 10-Q for the quarter ended October 30, 2021, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) the Condensed Consolidated Statements of Stockholders' Equity; (v) the Condensed Consolidated Statements of Cash Flows; and (vi) Notes to Condensed Consolidated Financial Statements					X
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)					X

(P) This Exhibit was originally filed in paper format. Accordingly, a hyperlink has not been provided.

* Certain portions of this Exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE GAP, INC.

Date:	November 24, 2021	By /s/ Sonia Syngal Sonia Syngal Chief Executive Officer (Principal Executive Officer)
Date:	November 24, 2021	By /s/ Katrina O'Connell Katrina O'Connell Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 10.1

EXPLANATORY NOTE

ON AUGUST 26, 2021, SYNCHRONY BANK (F/K/A GE CAPITAL RETAIL BANK) AND SYNCHRONY FINANCIAL (“SYNCHRONY ENTITIES”) ENTERED INTO THE SEVENTH AMENDMENT TO THE AMENDED AND RESTATED CONSUMER CREDIT CARD PROGRAM AGREEMENT BY AND AMONG THE GAP, INC. (THE “COMPANY”), GAP (PUERTO RICO), INC., GPS CONSUMER DIRECT, INC., GAP (APPAREL), LLC, GAP (ITM) INC. AND THE SYNCHRONY ENTITIES, WHICH IS ATTACHED HERETO. THE SYNCHRONY ENTITIES ALSO ENTERED INTO THREE OTHER AGREEMENTS WITH CERTAIN OF THE COMPANY’S WHOLLY-OWNED SUBSIDIARIES ON THE SAME DAY:

1. THE SEVENTH AMENDMENT TO THE AMENDED AND RESTATED CONSUMER CREDIT CARD PROGRAM AGREEMENT BY AND AMONG THE GAP, INC., OLD NAVY, LLC, GAP (PUERTO RICO), INC., GPS CONSUMER DIRECT, INC., OLD NAVY (APPAREL), LLC, OLD NAVY (ITM) INC. AND THE SYNCHRONY ENTITIES (THE “OLD NAVY CONTRACT”);

2. THE SEVENTH AMENDMENT TO THE AMENDED AND RESTATED CONSUMER CREDIT CARD PROGRAM AGREEMENT BY AND AMONG THE GAP, INC., BANANA REPUBLIC, LLC, GAP (PUERTO RICO), INC., GPS CONSUMER DIRECT, INC., BANANA REPUBLIC (APPAREL), LLC, BANANA REPUBLIC (ITM) INC. AND THE SYNCHRONY ENTITIES (THE “BANANA REPUBLIC CONTRACT”); AND
3. THE FIFTH AMENDMENT TO THE AMENDED AND RESTATED CONSUMER CREDIT CARD PROGRAM AGREEMENT BY AND AMONG THE GAP, INC., ATHLETA INC., ATHLETA LLC, GPS CONSUMER DIRECT, INC., ATHLETA (ITM) INC. AND THE SYNCHRONY ENTITIES (THE “ATHLETA CONTRACT”).

IN ACCORDANCE WITH INSTRUCTION 2 TO ITEM 601 OF REGULATION S-K, ONLY THE SEVENTH AMENDMENT TO THE AMENDED AND RESTATED CONSUMER CREDIT CARD PROGRAM AGREEMENT BY AND BETWEEN THE COMPANY AND THE SYNCHRONY ENTITIES IS BEING FILED. THE ONLY MATERIAL DIFFERENCE BETWEEN THE ATTACHED AGREEMENT, THE OLD NAVY CONTRACT, THE BANANA REPUBLIC CONTRACT AND THE ATHLETA CONTRACT IS THE PARTIES THERETO.

**SEVENTH AMENDMENT TO
AMENDED AND RESTATED CONSUMER CREDIT CARD
PROGRAM AGREEMENT**

This Seventh Amendment to the Amended and Restated Consumer Credit Card Program Agreement, dated as of August 26, 2021 (the "Amendment") amends that certain Amended and Restated Consumer Credit Card Program Agreement dated as of February 28, 2014 (as amended, modified and supplemented from time to time, the "Agreement") by and among Synchrony Bank, a federal savings bank ("Bank"), Synchrony Financial, a Delaware corporation ("Bank Parent"), The Gap, Inc., a Delaware corporation ("The Gap, Inc."), Gap (Puerto Rico), Inc., a Puerto Rico corporation, GPS Consumer Direct, Inc., a California corporation, Gap (Apparel), LLC, a California limited liability company, and Gap (ITM) Inc., a California corporation (jointly and severally, the "Retailers"). Capitalized terms used herein and not otherwise defined have the meaning given in the Agreement.

WHEREAS, Bank and Retailers are parties to the Agreement, pursuant to which Bank provides consumer credit to qualified customers of Retailers for the purchase of goods and services from Retailers through the use of a private label credit card and from Retailers and other retailers through the use of a co-branded bankcard;

WHEREAS, the parties hereto desire to amend the Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and subject to the terms and conditions hereinafter set forth, the parties hereby agree as follows:

I. AMENDMENTS TO THE AGREEMENT

I.1 The Parties acknowledge that the Program will terminate at the end of the Initial Term and Retailers will enter into a new credit card program with Barclays Bank Delaware ("Barclays"). In connection therewith, notwithstanding anything to the contrary in the Agreement, the Parties agree that, [***], Retailers will stop permitting customers to apply for Credit Cards in all Retailer Locations, and Bank will stop processing all (non-pending) Credit Card Applications.

I.2 Amendment to Section 3.12. Unless otherwise agreed by the parties, [***], Bank will terminate the Debt Protection Product currently offered to Cardholders. Bank will promptly send out notices of cancellation to all enrolled Cardholders and continue to service the Debt Protection Product according to its terms until such product is fully terminated.

I.3 Waiver of Exclusivity. Bank agrees that, notwithstanding anything to the contrary in the Agreement, including Section 8.05, [***].

***** Certain identified information has been excluded from this exhibit because it is both not material and is the type that the Company treats as private or confidential.**

I.4 Amendment to Section 11.01. The Parties agree that the first sentence of Section 11.01 is deleted in its entirety and replaced with the following:

“The Operation Period shall commence on the Effective Date and shall continue through [***] (the “Initial Term”).

II. GENERAL

2.1 Authority for Amendment. The execution, delivery and performance of this Amendment has been duly authorized by all requisite corporate action on the part of Retailers and Bank and upon execution by all parties, will constitute a legal, binding obligation thereof.

2.2 Effect of Amendment. Except as specifically amended hereby, the Agreement, and all terms contained therein, remains in full force and effect. The Agreement, as amended by this Amendment, constitutes the entire understanding of the parties with respect to the subject matter hereof.

2.3 Binding Effect; Severability. Each reference herein to a party hereto will be deemed to include its successors and assigns, all of whom will be bound by this Amendment and in whose favor the provisions of this Amendment will inure. In case any one or more of the provisions contained in this Amendment will be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

2.4 Further Assurances. The parties hereto agree to execute such other documents and instruments and to do such other and further things as may be necessary or desirable for the execution and implementation of this Amendment and the consummation of the transactions contemplated hereby and thereby.

2.5 Governing Law. This Amendment will be governed by and construed in accordance with the laws of the State of Utah.

2.6 Counterparts. This Amendment may be executed in counterparts, each of which will constitute an original, but all of which, when taken together, will constitute but one agreement.

[The remainder of page intentionally left blank]

IN WITNESS WHEREOF, Bank, Bank Parent and Retailers have caused this Amendment to be executed by their respective officers thereunto duly authorized as the date first above written.

BANK:
SYNCHRONY BANK

By: /s/ Tom Quindlen
Name: Tom Quindlen
Title: Executive Vice President

BANK PARENT:

SYNCHRONY FINANCIAL

By: /s/ Tom Quindlen
Name: Tom Quindlen
Title: Executive Vice President

RETAILERS:
THE GAP, INC.

By: /s/ Katrina O'Connell
Name: Katrina O'Connell
Title: CFO

GAP (PUERTO RICO), INC.

By: /s/ Katrina O'Connell
Name: Katrina O'Connell
Title: CFO

GPS CONSUMER DIRECT, INC.

By: /s/ Katrina O'Connell
Name: Katrina O'Connell
Title: CFO

GAP (APPAREL), LLC

By: /s/ Katrina O'Connell
Name: Katrina O'Connell
Title: CFO

GAP (ITM) INC.

By: /s/ Katrina O'Connell
Name: Katrina O'Connell
Title: CFO

Exhibit 31.1

CERTIFICATIONS

I, Sonia Syngal, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Gap, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 24, 2021

/s/ Sonia Syngal

Sonia Syngal
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Katrina O'Connell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Gap, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 24, 2021

/s/ Katrina O'Connell

Katrina O'Connell
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of The Gap, Inc. (the “Company”) on Form 10-Q for the period ended October 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sonia Syngal, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 24, 2021

/s/ Sonia Syngal
Sonia Syngal
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of The Gap, Inc. (the "Company") on Form 10-Q for the period ended October 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Katrina O'Connell, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 24, 2021

/s/ Katrina O'Connell
Katrina O'Connell
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)