Old Navy, Banana Republic weigh on Gap as sales slip yet again

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Gap Inc reported a decline in sales for the fifth straight quarter due to weak demand for its Banana Republic and Old Navy brands as the retailer struggles to woo back shoppers it has lost to fast-fashion retailers.

Gap's shares fell about 12 percent in extended trading on Monday as the company also estimated first-quarter profit below estimates.

Gap has struggled in the past few quarters as a series of fashion misses turned off shoppers amid increasing competition from retailers such as H&M (HMb.ST), Forever 21 and Inditex's Zara.

"This has been a disastrous quarter for Gap and one during which all of its main engines stalled and went into reverse," said Neil Saunders, chief executive of research firm Conlumino.

While sales have been falling at the company's Banana Republic and Gap brands, recent declines at Old Navy pose a bigger challenge for the 47-year old retailer.

"While the (Old Navy) brand has been the star of the show for many quarters, the past few collections have been dull and uninspiring," Saunders said.

The company has focused on turning around its Gap and Banana Republic brands in the past year by changing its assortment and offering trendier clothes.

"Our industry is evolving and we must transform at a faster pace," Chief Executive Art Peck said in a statement.

The company said on Monday it was evaluating its Banana Republic and Old Navy stores, primarily outside North America and China.

Gap estimated a profit of 31-32 cents per share for the first-quarter, while analysts on average had expected 44 cents, according to Thomson Reuters I/B/E/S.

Comparable sales at Banana Republic stores fell 11 percent, while those at Old Navy fell 6 percent. Sales at the namesake Gap brand fell 3 percent.

Overall sales at established stores fell 5 percent in the quarter ended April 30. Analysts on average had expected a decline of 2.6 percent, according to research firm Consensus Metrix.
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Net sales fell 6 percent to $3.44 billion (2.4 billion pounds), missing the average analyst estimate of $3.54 billion.

Up to Monday's close of $21.81, the stock had fallen nearly 12 percent this year.

The company will report first-quarter earnings after the market closes on May 19.