



11 Nov. 2020

Delta Galil Reports Third Quarter 2020 Results

Net Income Increased 39% to \$19.5 Million

Gross Margin Increased by 4%

Highest Third Quarter EBIT Margin in More Than a Decade

Online Sales Nearly Doubled

Diluted EPS Increased 40% to \$0.77

Third Consecutive Quarter with Significantly Stronger Cash Flow From Operations

November 11, 2020, Tel Aviv, Israel - Delta Galil Industries, Ltd. (DELT/Tel Aviv Stock Exchange, DELTY.PK), the global manufacturer and marketer of branded and private label apparel products for men, women and children, as well as leisurewear, activewear and denim, today reported its financial results for the third quarter ended September 30, 2020.

Third Quarter 2020 Highlights

- Sales were \$382.9 million, compared to \$446.1 million in the third quarter of 2019, a 14% decrease associated with Covid-19 impact.
- Net income was \$19.5 million, a 39% increase compared to \$14.0 million last year, and a sharp turnaround from a loss of \$53.3 million in the 2020-second quarter.
- Diluted earnings per share increased 40% to \$0.77, from \$0.55 last year.
- Operating cash flow improved \$32.9 million to \$44.1 million in Q3 2020, from \$11.2 million in the third quarter last year.

- Gross margin increased 400 basis points to 38.1% versus 34.1% in Q3 last year.
- Strong balance sheet highlighted by \$215 million in cash, and \$436.4 million in equity as of September 30, 2020.
- E-commerce own websites sales nearly doubled, with a 97% increase.
- Announced acquisition of leading US online retailer Bare Necessities, which enhanced Delta's digital presence, while offering more than 160 brands and 6,400 styles in intimates, women's swimwear, shapewear, sexy lingerie, sleepwear, and hosiery, among others.
- Net debt reduced by \$131.4 million from September 2019.

Isaac Dabah, CEO of Delta Galil, stated: "As we continue to live and operate through this pandemic, we are very pleased with our strong third quarter performance. Our return to profitability exceeded our expectations and will continue in the fourth quarter. Our results this quarter were driven by a strong performance in Delta European Brands and Delta Israel, coupled with initial benefits reaped from our strategic restructuring plan announced last quarter, as well as additional cost savings initiatives. Looking ahead, we continue our ongoing focus on driving innovation and excellence to deliver sustained profitable growth and long-term shareholder value. And, with a strong balance sheet, we have the necessary financial resources to continue to innovate and grow."

COVID-19

Delta Galil noted that the disruption caused by COVID-19 and related business closures and public quarantine measures resulted in decreased sales volume, primarily with several major DGUSA and DGPB customers, and lower retail sales due to store closures, which were partially offset by higher web and e-commerce customer sales. The impact of COVID-19 reduced third quarter sales was approximately \$60 million, while the impact on EBIT was negligible. In an effort to reduce operational costs and strengthen financial flexibility, the Company quickly implemented a number of initiatives, which it continues to benefit from, including:

- A companywide hiring freeze, 10%-20% reduction in salaries of senior management until the end of the third quarter, furlough and reduced working hours.
- Elimination and/or reduction of marketing spend travel and consulting fees.
- Tightly managed working capital items.
- Negotiated reduction in rental costs.
- Suspension of quarterly cash dividend for remainder of 2020.
- Received government-supported loans of \$46 million during the second and the third quarters, under attractive terms.
- Increased Company's committed and uncommitted credit facilities to a total of \$249 million, of which \$30 million utilized as of September 30, 2020.

Sales

The Company reported sales of \$382.9 million for the third quarter of 2020, compared to \$446.1 million for the third quarter of 2019, a 14% decrease. The decrease in sales was primarily due to reduced volume in Delta Galil Premium Brands, Delta USA and Global Upper Market business segments following the outbreak of COVID-19. Sales for the first nine months of 2020 were \$986.5 million, compared to \$1,185.4 million for the same period last year, representing a 17% decrease.

Operating Profit

Operating profit for the third quarter was \$33.6 million, a 26% increase from \$26.7 million in the third quarter last year. Before one-time items, operating profit was \$33.6 million, compared to \$27.1 million in the third quarter of 2019. The increase in operating profit was due primarily to cost-saving initiatives and due to improved gross margin, as explained above.

For the first nine months of 2020, operating loss was \$50.5 million, compared to operating profit of \$51.5 million in the first nine months of 2019. Excluding non-recurring items, operating profit for the first nine months of 2020 was \$1.5 million, compared to operating profit of \$54.7 million for the comparable period last year.

Net Income

Net income for the third quarter of 2020 was \$19.5 million, a 39% increase from \$14.0 million in the third quarter last year. Excluding one-time items, net income was \$19.5

million for the third quarter of 2020, compared to \$14.5 million in the third quarter of 2019.

For the first nine months of 2020, net loss was \$64.3 million, compared to net income of \$22.1 million for the same period last year. Excluding one-time items, net loss was \$23.5 million for the first nine months of 2020, compared to net income of \$25.4 million for the same period last year.

Diluted Earnings (Per Share)

Diluted earnings per share increased 40% to \$0.77 for the third quarter of 2020, compared to \$0.55 in the third quarter of 2019. Excluding one-time items, diluted earnings per share were \$0.77 for the third quarter of 2020, a 35% compared to \$0.57 for the same quarter last year.

For the first nine months of 2020, diluted loss per share amounted to \$2.50, compared to earnings per share of \$0.87 for the first nine months of 2019. Excluding one-time items, diluted loss per share was \$0.90 for the first nine months of 2020, compared to earnings per share of \$0.99 for the comparable period last year.

EBITDA, Cash Flow, Net Debt, Equity and Dividend

EBITDA was \$57.7 million in the third quarter of 2020, a 12% increase compared to \$51.5 million in the third quarter of 2019. For the first nine months of 2020, EBITDA was \$71.9 million, compared to \$119.5 million in the same period last year, a 40% decrease.

Operating cash flow was \$44.1 million, improving \$32.9 million compared to \$11.2 million in the third quarter of 2019, – mainly due to uncompromising management of working capital. Excluding IFRS 16, operating cash flow improved \$32.3 million to \$27.8 million in the third quarter of 2020, compared to negative \$4.5 million in the comparable period last year.

Net financial debt as of September 30, 2020 was \$286.4 million, reduced from \$417.8 million as of September 30, 2019, and \$334.5 million as of December 31, 2019.

Short-term bank credit was reduced by approximately \$50 million, versus the end of last quarter.

Equity on September 30, 2020 was \$436.4 million, compared with \$469.1 million a year earlier.

The Company does not currently anticipate declaring a dividend for the remainder of the fiscal year.

2020 Financial Guidance

As previously stated, Delta Galil is not providing financial guidance for fiscal 2020, as a result of the global impact of COVID-19 and the continued uncertainty surrounding the pandemic. Nevertheless, the Company estimates that its operating results will maintain profitability in Q4 of this year.

IFRS 16

Starting January 1, 2019, the Company adopted the new lease accounting standards set forth in IFRS 16. This requires that certain leases, which were accounted for as operating leases be treated as capital leases going forward. Certain leases will be reclassified as assets and liabilities on the balance sheet, which will yield increased depreciation and interest expense, offset by a reduction in rental expense.

About Delta Galil Industries

Delta Galil Industries is a global manufacturer and marketer of branded and private label apparel products for men, women and children. Since its inception in 1975, the Company has continually strived to create products that follow a body-before-fabric philosophy, placing equal emphasis on comfort, aesthetics and quality. Delta Galil develops innovative seamless apparel including bras, shapewear and socks; intimate apparel for women; extensive lines of underwear for men and branded Men's underwear including the brands Schiesser, Eminence, Athena & Liabel; babywear, activewear, sleepwear such as the PJ Salvage brand, and leisurewear. Delta Galil also designs, develops markets and sells branded denim and apparel under the brand 7 For All Mankind®, and ladies apparel under the brands Splendid® and Ella Moss®, among others. In addition, it sells its products under brand names licensed to the company,

including Wilson, Spalding, Tommy Hilfiger and others. For more information, visit www.deltagalil.com.

Safe Harbor Statement

Matters discussed in this press release contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this press release, the words "anticipate," "believe," "estimate," "may" "intend," "expect" and similar expressions identify such forward-looking statements. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained herein, and while expected, there is no guarantee that we will attain the aforementioned anticipated developmental milestones. These forward-looking statements are based largely on the expectations of the Company and are subject to a number of risks and uncertainties. These include, but are not limited to, risks and uncertainties associated with: the impact of economic, competitive and other factors affecting the Company and its operations, markets, product, and distributor performance, the impact on the national and local economies resulting from terrorist actions, and U.S. actions subsequently; and other factors detailed in reports filed by the Company.

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