
DELTA GALIL
INDUSTRIES LTD
WELCOME TO
Q2-2022 RESULTS
August 2022

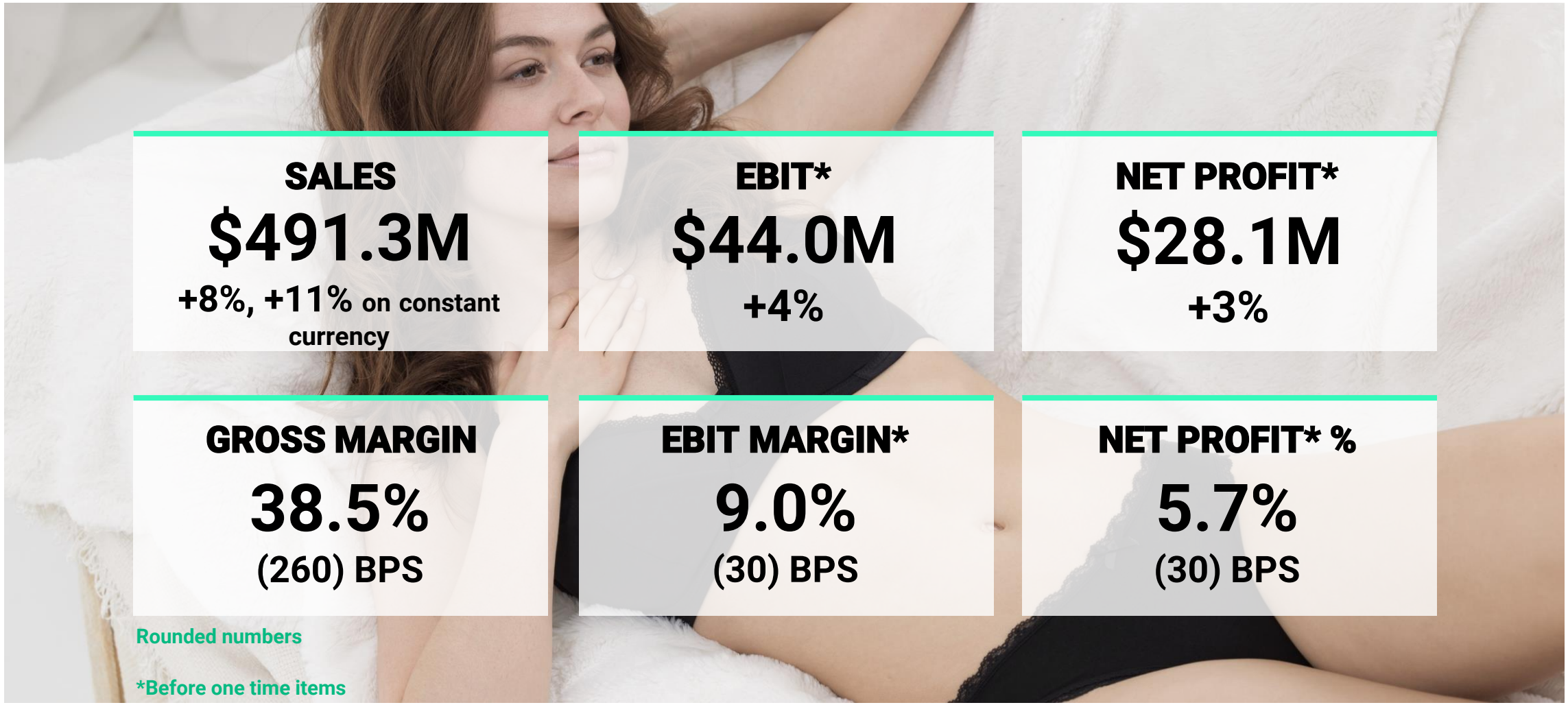
האמור במצגת בכל הקשור לניתוח פעילותיה של החברה הינו תמצית בלבד. המצגת עשויה לכלול מידע המוצג באופן שונה מהאופן שבו הוצג בדיווחי החברה לציבור עד כה, כך שבמצגת עשויים להיכלל נתונים המוצגים באופן ו/או אפיון ו/או בעריכה ו/או בפילוח שונים מאלה שהוצגו בדוחותיה, במצגות החברה או בדיווחיה בעבר, כאשר נתונים אלה נכונים למועד הצגתם בלבד. על מנת לקבל תמונה מלאה של פעילות החברה ושל הסיכונים עימם מתמודדת החברה, יש לעיין בדיווחיה השוטפים של החברה לרבות בדוח השנתי לתקופה שהסתיימה ביום 31 בדצמבר 2021 ובדוח הרבעוני לתקופה שהסתיימה ביום 30 ביוני 2022.

העובדות והנתונים ששימשו בסיס למידע המפורט במצגת זו מבוססים על מידע כפי שהוא ידוע לחברה במועד הכנת מצגת זו, ובכלל זה נתונים שפורסמו על ידי גופים חיצוניים לחברה, אשר תוכנם לא נבדק על ידי החברה באופן עצמאי ולפיכך החברה אינה אחראית לנכונותם. מצגת זו אינה מהווה תחליף לבחינת דיווחיה הציבוריים של החברה, לרבות הדוחות הכספיים שלה, לפני קבלת החלטה כלשהי באשר לניירות הערך של החברה.

האמור במצגת זו כולל גם מידע צופה פני עתיד, כהגדרתו בחוק ניירות ערך, כגון תחזיות, מטרות, הערכות, אומדנים ומידע אחר המתייחסים לאירועים ועניינים עתידיים, שהתממשותם אינה ודאית ואינה בשליטת החברה. מידע צופה פני עתיד אינו מהווה עובדה מוכחת והוא מבוסס אך ורק על הערכה סובייקטיבית של החברה במועד הכנת המצגת.
המידע הצופה פני עתיד הכלול במצגת עשוי שלא להתממש, כולו או חלקו, או להתממש באופן שונה מכפי שנצפה, לרבות עקב השפעת גורמים שאינם בשליטת החברה ואשר לא ניתן להעריכם מראש, ובכלל זאת שינוי באיזה מגורמי הסיכון הרלוונטיים לפעילות החברה, התפתחויות בסביבה הכלכלית ובגורמים החיצוניים המשפיעים על החברה, לרבות השלכות השפעת נגיף הקורונה, כך, למשל, המשך התפשטות הנגיף והשפעותיו, החלטות של מדינות ורשויות שלטוניות בארץ ובעולם על דרך טיפולן בנגיף, התנהגות לקוחות וצרכנים כתוצאה מהמצב ושינויים נוספים שינבעו מהאמור, עלולים אף הם להשפיע על החברה ועל תוצאותיה, באופן שונה מהותית ממה שהיא מעריכה במצגת. החברה אינה מחויבת בעדכון או שינוי כל תחזית או הערכה הכלולים במצגת זו כאמור על מנת שישקפו אירועים או נסיבות שיחולו לאחר מועד המצגת. לפיכך, קוראי מצגת זו מוזהרים, כי התוצאות וההישגים בפועל של החברה בעתיד עלולים להיות שונים באופן מהותי מאלה שהוצגו במצגת זו, ויש לקחת בחשבון כי נתוני עבר אינם מצביעים בהכרח על ביצועים בעתיד.

בהעדר אינדיקציה אחרת, הנתונים הכספיים הנכללים במצגת זו מתייחסים לרבעון שני המסתיים בחודש יוני 2022.

Strong Q2-2022 results with record sales and EBIT* for the quarter



SALES
$491.3M
+8%, +11% on constant currency

EBIT*
$44.0M
+4%

NET PROFIT*
$28.1M
+3%

GROSS MARGIN
38.5%
(260) BPS

EBIT MARGIN*
9.0%
(30) BPS

NET PROFIT* %
5.7%
(30) BPS

Rounded numbers

*Before one time items



Q2-2022 Highlights

Remarkable Success in Challenging Global Environment

- Record sales, EBIT* and net profit* for the quarter
- Sales growth of 8% (+11% on constant currency basis)
- Record Q2 EBIT*, driven by sales growth, higher production volume and SG&A leverage
- Winning Strategy Fueling Consistent Growth
    - Innovative Products
    - Growth with Iconic Brands
    - Growth with Digitally Native Brands
    - Flexible Global Supply Chain
    - Diversified, Global Customer Base
    - Consistent Focus on Seeding New Customers and New Growth Drivers

*Before one time items



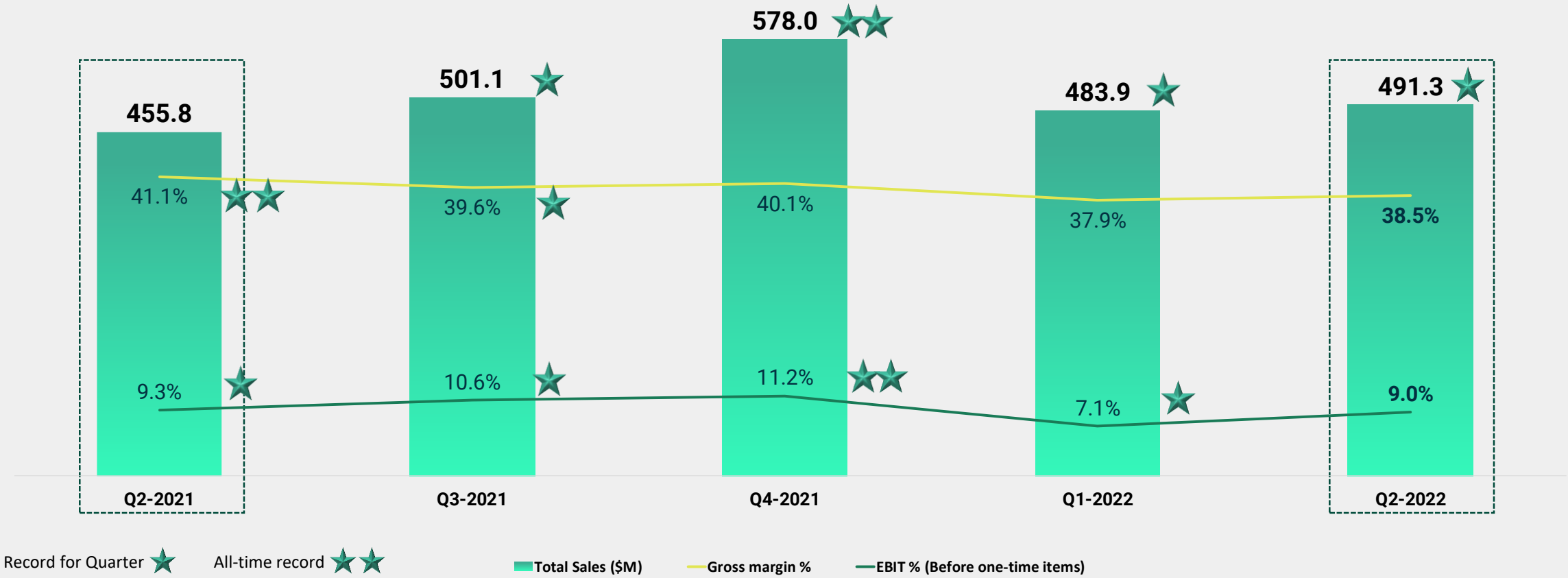
Q2-2022 Highlights

- Private label growth of 24%, at all time high sales & EBIT *
- Record Q2 sales for Brands & 7FMK
- Net income* up 3% from Q2-2021. Diluted EPS* went up 4% to $1.01
- $6M dividend declared for Q2
- We reaffirm our 2022 guidance on constant currency basis.
  We expect to achieve mid-to-low range of sales guidance in $ USD

*Before one time items

Quarterly Trend Analysis

- 6 consecutive quarters of record sales for the quarter
- GM down to 38.5% due to segments mix, freight & production costs increase and ex-rate impact
- EBIT % at high level of 9.0%, driven by record sales for the quarter and SG&A leverage

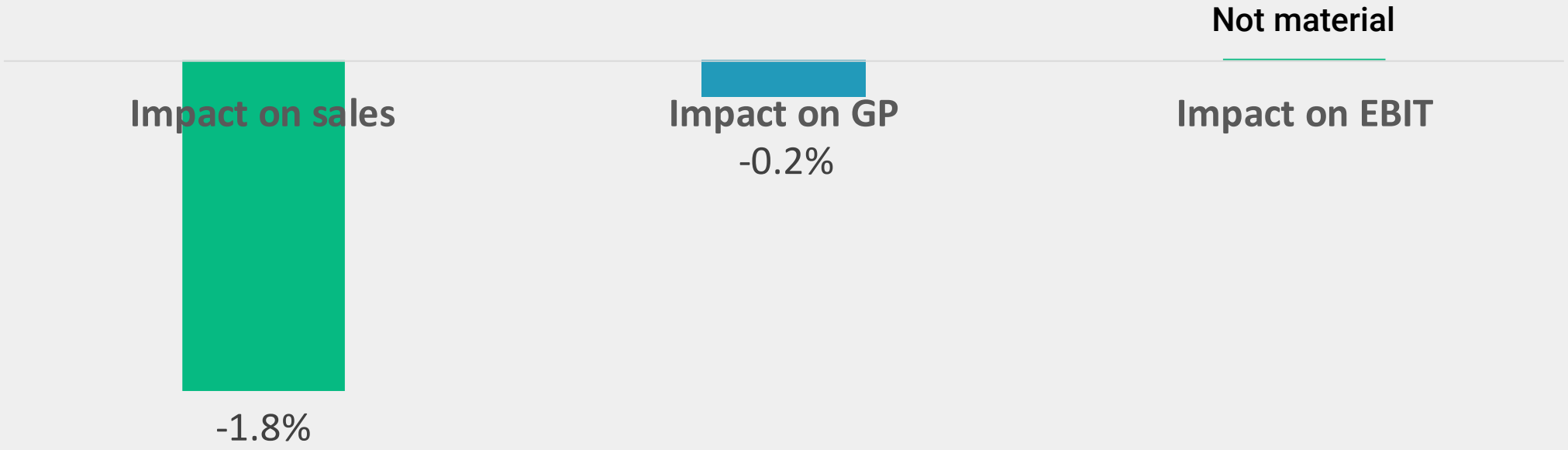


Record Q2-2022 EBIT(BOT) with strong margin despite decrease in gross margin

	Q2-2022	Q2-2021	Var
Gross margin %	**38.5%**	**41.1%**	**(2.6%)**
Segment mix (Private label increased by 6% as % of sales)		↓	
Freight cost		↓	
Ex. Rate impact		↓	
Higher factories profitability		↑	
Strong customers mix & price increases		↑	
		38.5%	
SG&A leverage*			↑
Other income**			↑
EBIT %	**9.0%**	**9.3%**	**(0.3%)**

*Including positive impact of strong $ USD
**Mostly hedging gains

H1-2022 FX impact- $ USD appreciation vs. all major currencies



- Impact on sales mainly due to EURO and NIS devaluation
- Gross margin impact moderated due to positive offset with factories' devalued currencies (TL, CNY, EGP, THB) reducing expenses
- EBIT positively impacted by SG&A denominated in local currency devaluation and hedge gain

2023 Gross Margin Expansion Opportunity by Cost Reduction



Cost Reduction

- $ USD strengthen up to 10% vs. major Asian currencies
- Commodity prices in cotton, polyester and lycra have significantly decreased
- Logistic costs significantly decreased
- 3rd Party Manufacturing facilities have free capacity

Lower FOB

Gross margin expansion opportunity

Q2-2022 Financial Highlights vs. Q2-2021

Total Sales ★

Q2-2021	Q2-2022
$455.8M	$491.3M

Gross Profit ★

Q2-2021	Q2-2022
$187.3M	$189.0M

EBIT (BOT) ★

Q2-2021	Q2-2022
$42.4M	$44.0M

Own Websites **

Vs. Q2-2021	(15%)
Vs. Q2-2019	343%

Gross Margin

Q2-2021	Q2-2022
41.1%	38.5%

EBIT Margin (BOT)

Q2-2021	Q2-2022
9.3%	9.0%

EBITDA* ★

Q2-2021	Q2-2022
$50.9M	$52.1M

Net Income (BOT) ★

Q2-2021	Q2-2022
$27.3M	$28.1M

Net Debt / EBITDA*

Q2-2021	Q2-2022
0.7	0.9

Operating CF* (BOT)

Q2-2021	Q2-2022
$36.9M	($15.7M)

Days Inventory Outstanding

Q2-2021	Q2-2022
120	155

CAPEX

Q2-2021	Q2-2022
$6.7M	$11.3M

★ Record for Q2 *Excluding IFRS16 ** Increase of 93% organically vs. Q2-2019

organicbasics

Acquisition Update

- 81% of Gen Z consumers in the US were willing to pay a premium of at least 10% for sustainable products, according to a recent survey[1]
- Organic Basics is a leading **sustainable digital-first apparel brand** selling women's and men's underwear, activewear and base layers
- Founded in 2015 in Copenhagen, the brand has built a strong reputation for its sustainable materials, responsible supply chain, and commitment to minimizing its impact on the planet

- **Opportunities:**
  - Offer more affordable price points
  - Globalize the brand
  - Broaden the product offering and extend to children and infants
  - Improve repeat rate and long-term value by leveraging social media influencers
  - Increase sales and margins



1-First Insight and Wharton's Baker Retailing Center

Q2-2022 UPDATE BY SEGMENT



Private Label

We are the partner of choice to iconic and digitally native global brands and retailers

Private label at all time record sales and EBIT (BOT)

($M)	Q2-2022	Q2-2021	Var vs. Q2-2021
SALES	221.3	178.4	24%
EBIT	22.5	15.6	44%
EBIT%	*10.1%*	*8.7%*	1.4%



Q2-2022 vs Q2-2021

Sales increased 24% to $221.3M, mainly driven by Nike, Lululemon, Spanx, Skims, Walmart & Target

EBIT increased from $15.6M to $22.5M, driven by:

- Increased production volume
- Strong customer & products mix
- Improvement in factories, partially offset by increase in freight, raw material, labor & energy costs

Fully vertical operating model from design to distribution

Private Label

Fully vertical from innovative design to distribution for leading brands & retailers

- Performance socks business continues its strong trend
- Significant growth with Walmart and Target with new product categories and collections
- Rich pipeline of new exciting customers such as: Aerie, Tom Brady, Nautica, Hanky-Panky, J.Crew, Fabletics & Alo Yoga
- Strategic production plan to increase capacity to support robust demand, align with major customers' focus, and shift towards lower cost countries:
    - Launch of new Bogart Vietnam facility in July with ~2,200 employees, following shutdown of Shenzhen factory in China during Q2 with restructuring cost of $5.5M
    - First shipment from Egypt to VS and Old Navy
    - New Nike socks factory in Egypt fully operational end of 2023
- **Strong backlog for the next 6 months**



Brands

Our Brands segment includes a comprehensive portfolio of top intimate apparel and activewear brands

Brands at record sales for the quarter, +7% on constant currency basis

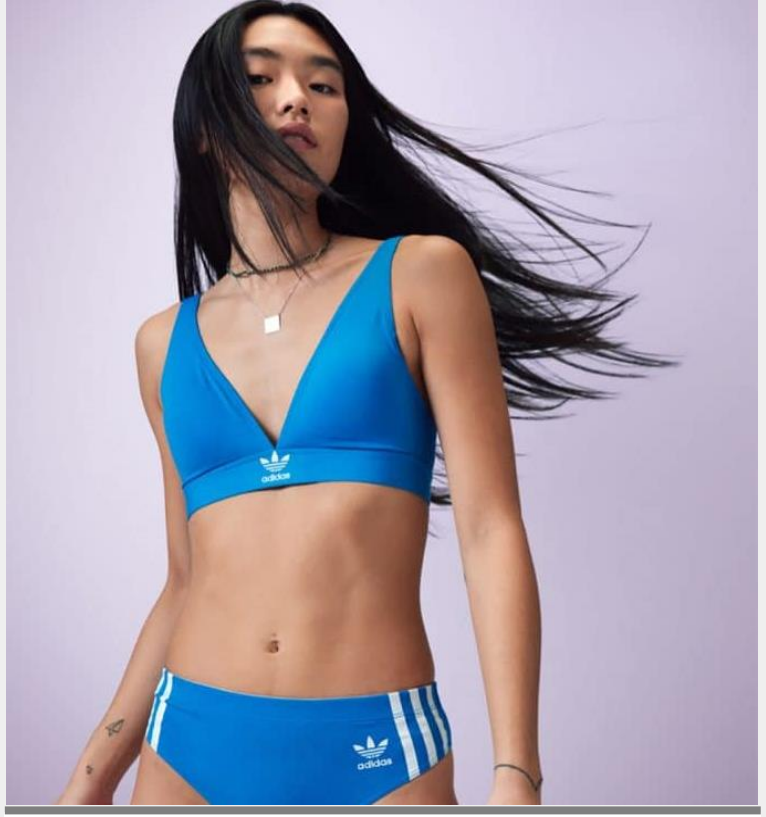
($M)	Q2-2022	Q2-2021	Var vs. Q2-2021
SALES	134.8	133.2	1%
EBIT	6.5	9.6	(33%)
EBIT%	*4.8%*	*7.2%*	(2.4%)

Q2-2022 vs Q2-2021

Sales increased 1%, driven by retail, partially offset by online

EBIT decreased from $9.6M to $6.5M, driven by:

- Higher freight (3% of sales), raw material & energy costs and 11% EURO devaluation
- Partially offset by price increase in Europe
- adidas and Wolford new licenses business more than doubled Q1 sales; profit contribution expected in H2



Owned:
Schiesser, Eminence, Splendid, P.J. Salvage

Licensed:
Columbia, Tommy Hilfiger, Calvin Klein Kids

adidas & Wolford 2022 launch
Polo Ralph Lauren 2023 launch



adidas global digital growth

Planned site launch Europe & USA

LAUNCH Q3-2022 — **adidasunderwear.com**

- Global exclusive underwear marketing rights
- adidas Badge of Sport & adidas Originals will be offered
- Global leaders in fulfillment DHL & Rakuten will service the site

LAUNCH Q4-2022 — **Tmall China**
adidas underwear flagship store

- Tmall is the biggest B2C e-commerce platform in China
- As of Feb-2022, Tmall had 710M monthly active shoppers
- adidas Badge of Sport & adidas Originals will be offered
- Partner with leading Chinese operators

7 For All Mankind

7 For All Mankind is the originator of American premium denim, born in LA in 2000. Benefiting from shift to casual

7FMK at record sales for the quarter (+10% on constant currency basis)
Running as global collection organization

($M)	Q2-2022	Q2-2021	Var vs. Q2-2021
SALES	53.9	50.9	6%
EBIT	6.4	6.5	(2%)
EBIT%	*11.9%*	*12.8%*	(0.9%)

Q2-2022 vs Q2-2021

Sales increased by 6%, mainly driven by higher retail with gradual recovery of tourism

On constant currency basis, EBIT % at same level

Growth initiatives:

- Growing ready to wear
- Increasing stores in Brazil, Mexico & China

Opportunity when travel & traffic return to pre-COVID levels



The founder of American premium denim

the brand that forever changed the way people think about denim

Marketed through DTC and wholesale channels globally

Delta Israel

Delta, our legacy brand is a leading intimate apparel brand in Israel with a unique proposition of selling to the entire family

Delta Israel presents strong Q2-2022 results with similar level of sales vs. LY (in NIS) and high profitability

($M)	Q2-2022	Q2-2021	Var vs. Q2-2021
SALES	59.0	60.9	(3%)
EBIT	11.4	13.0	(13%)
EBIT%	*19.3%*	*21.4%*	(2.2%)

Q2-2022 vs Q2-2021

Sales decreased 3% (or 2% in NIS), driven by 1.1% lower stores comp.
Compared to Q2-2019, stores comp up 17.8%
Online at the same level as Q2-2021 (in NIS), and 132% higher vs. Q2-2019

EBIT decreased from $13.0M to $11.4M, due to higher freight, FOB costs and Panta Rei startup costs

Growth initiatives:

- Panta Rei – Opened 3 stores & website during April. Plan to open 3 additional stores by year-end
- VS launch in Israel - E-commerce activity on Q4-2022 & Retail on 2023
- Growing baby, maternity, kids & men categories



The leading Israeli intimate apparel company for the entire family (Delta) and teenagers (fix)

207 retail stores, digital and wholesale channels

Online Retailer

Bare Necessities is a leading online multi-branded intimate apparel and swimwear retailer offering a sought-after assortment of products in the most extensive size range

($M)	Q2-2022	Q2-2021	Var vs. Q2-2021
SALES	30.4	35.6	(15%)
EBIT	(0.9)	(0.1)	
EBIT%	(2.8%)	(0.3%)	(2.5%)

Q2-2022 vs Q2-2021

Sales decreased 15% vs. Q2-2021 mainly due to lower traffic as well as overall increase in cost per click

EBIT decreased by $0.8M driven by lower revenue, site rebranding, the launch of Bare™ in Q3-2022 and sell off unproductive styles

Growth initiatives:

- Rebrand of the Bare Necessities website as the largest online destination
- Introduce Bare™ by Bare Necessities in Q3-2022
- Launch of 'Live Intimately' campaign, a 360^0 campaign to build brand awareness
- Expand younger consumer base

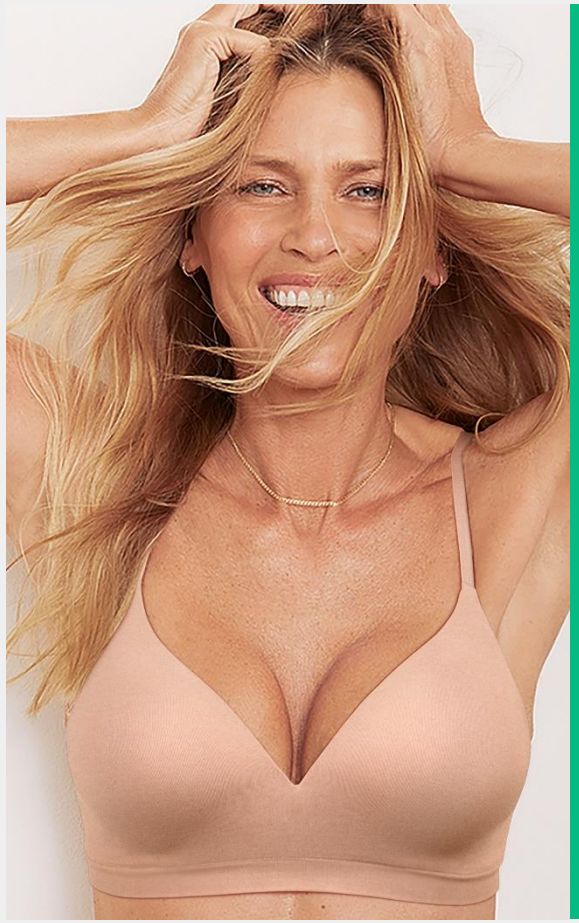


Independent digital platform

The largest US online intimate apparel retailer offering over 140 leading brands

Introducing Delta Galil's own brands

Target Audience



CURRENT CUSTOMER INSIGHTS

AGE
45-65



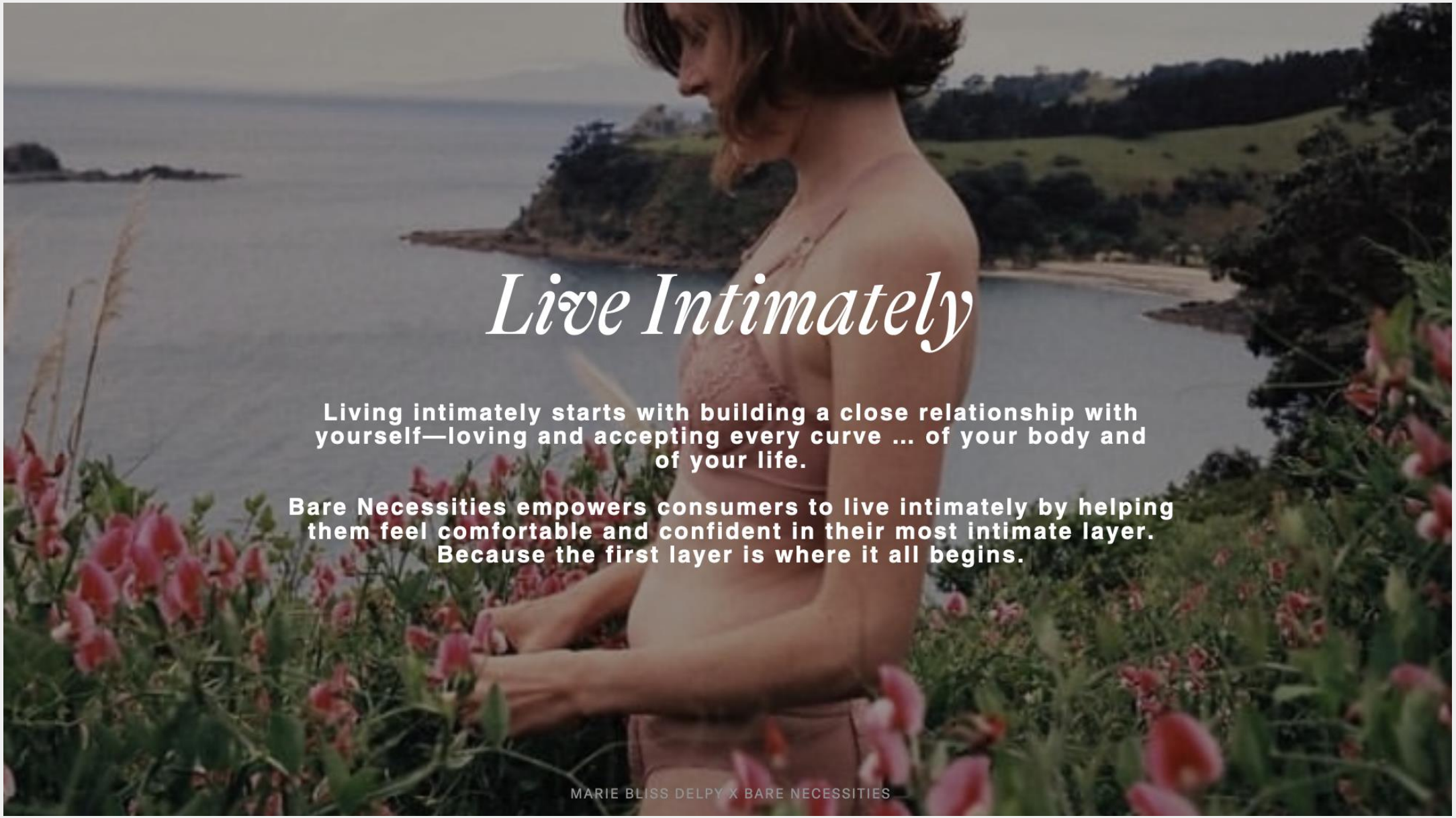
FUTURE CUSTOMER TARGET

AGE
25-44

43%
Of all Bra shoppers are in this age range

67%
Prefer online shopping

Millennials and **Gen-Z** want to be able to take their pick of brands from a one-stop retailer they feel connected to.
Generation X and **Boomers** are already here. They know what they want—and we stock it.


Live Intimately
Living intimately starts with building a close relationship with yourself—loving and accepting every curve ... of your body and of your life.
Bare Necessities empowers consumers to live intimately by helping them feel comfortable and confident in their most intimate layer. Because the first layer is where it all begins.
MARIE BLISS DELPY X BARE NECESSITIES

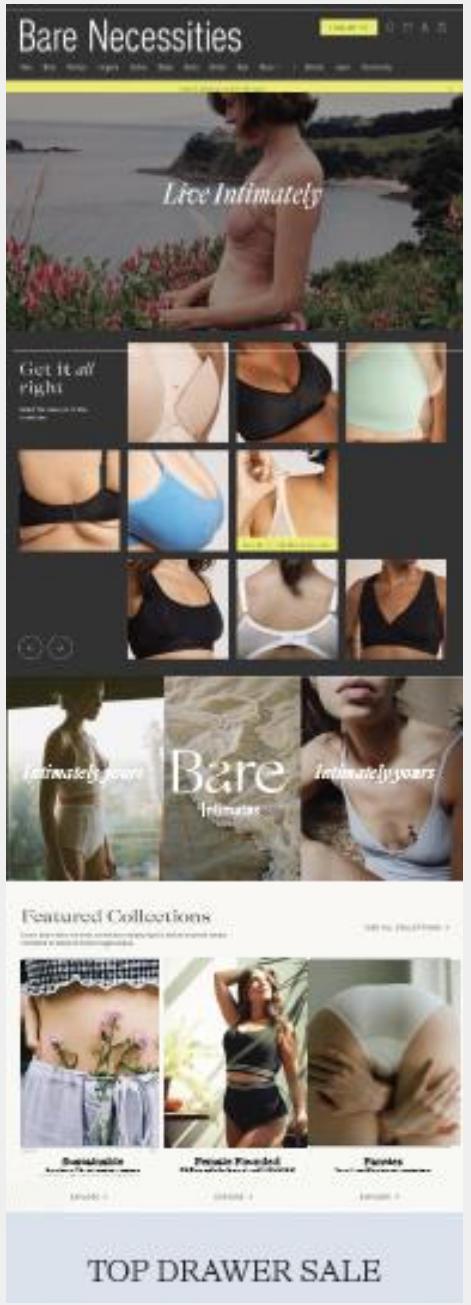
Elevated product Photography

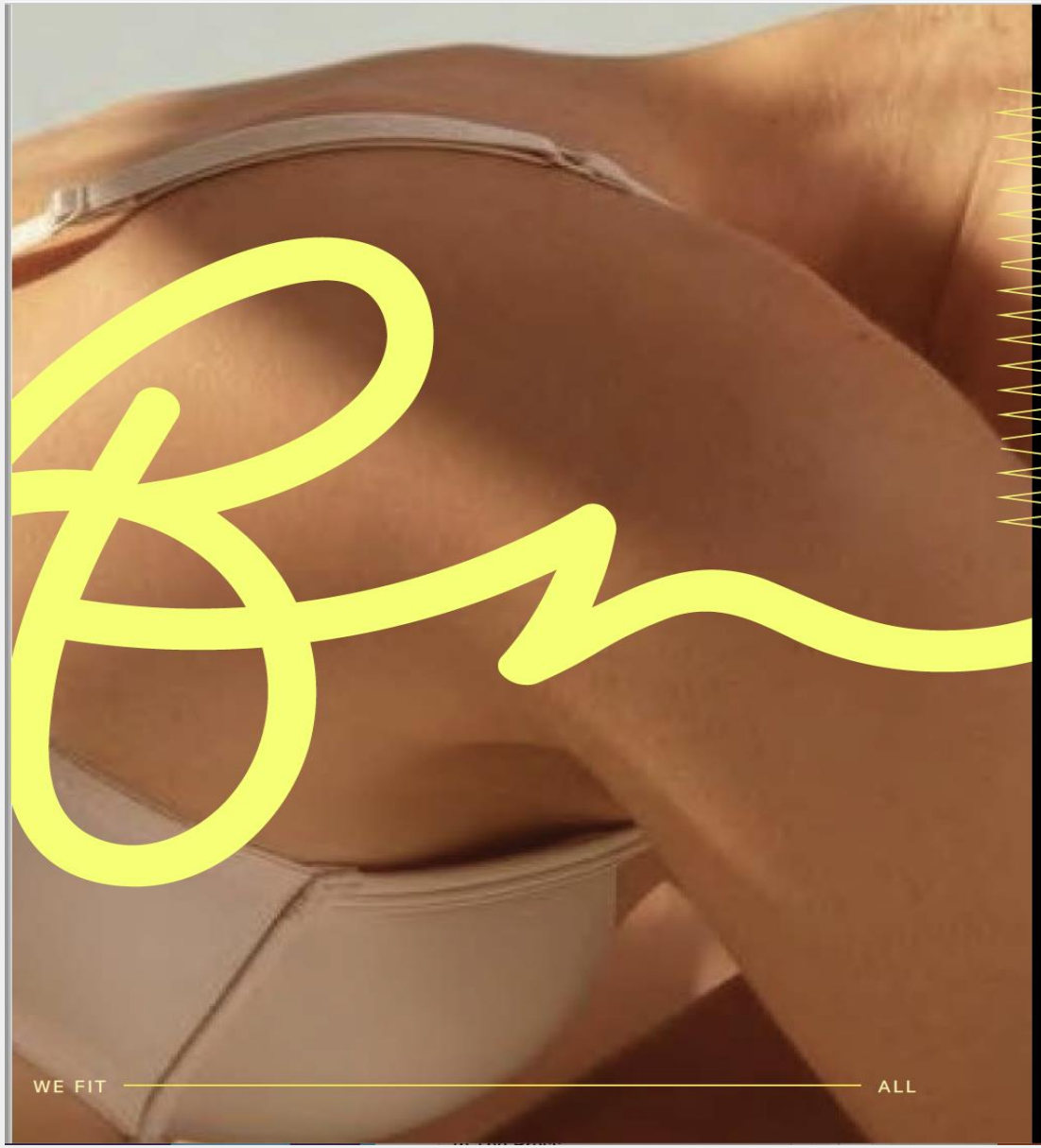








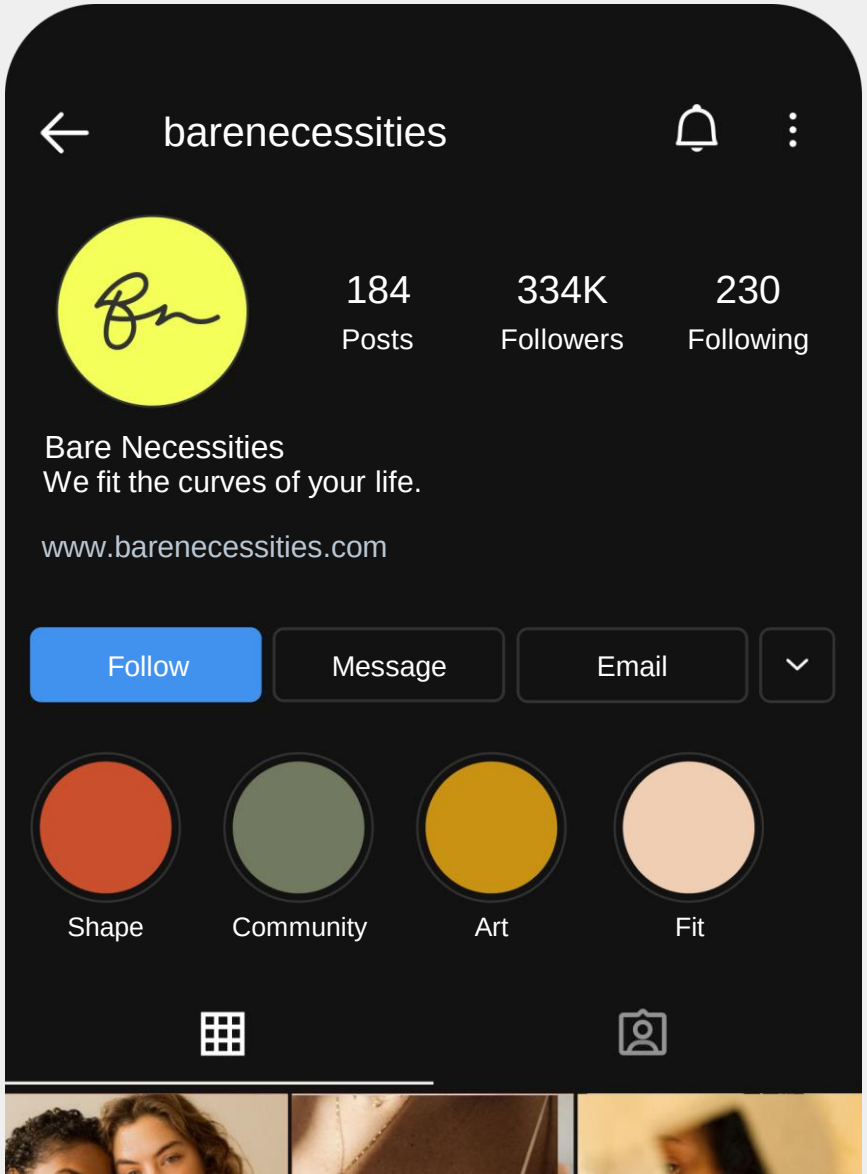





WE FIT ALL

The most intimate *brands and sizes* online

Bare Necessities


barenecessities
184
Posts
334K
Followers
230
Following
Bare Necessities
We fit the curves of your life.
www.barenecessities.com
Follow
Message
Email
Shape
Community
Art
Fit



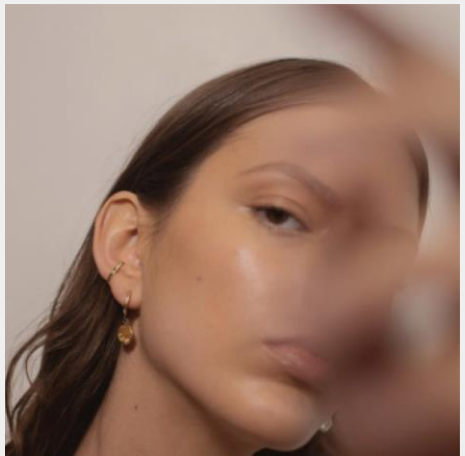







FITS
PERSONAL
Bare Necessities







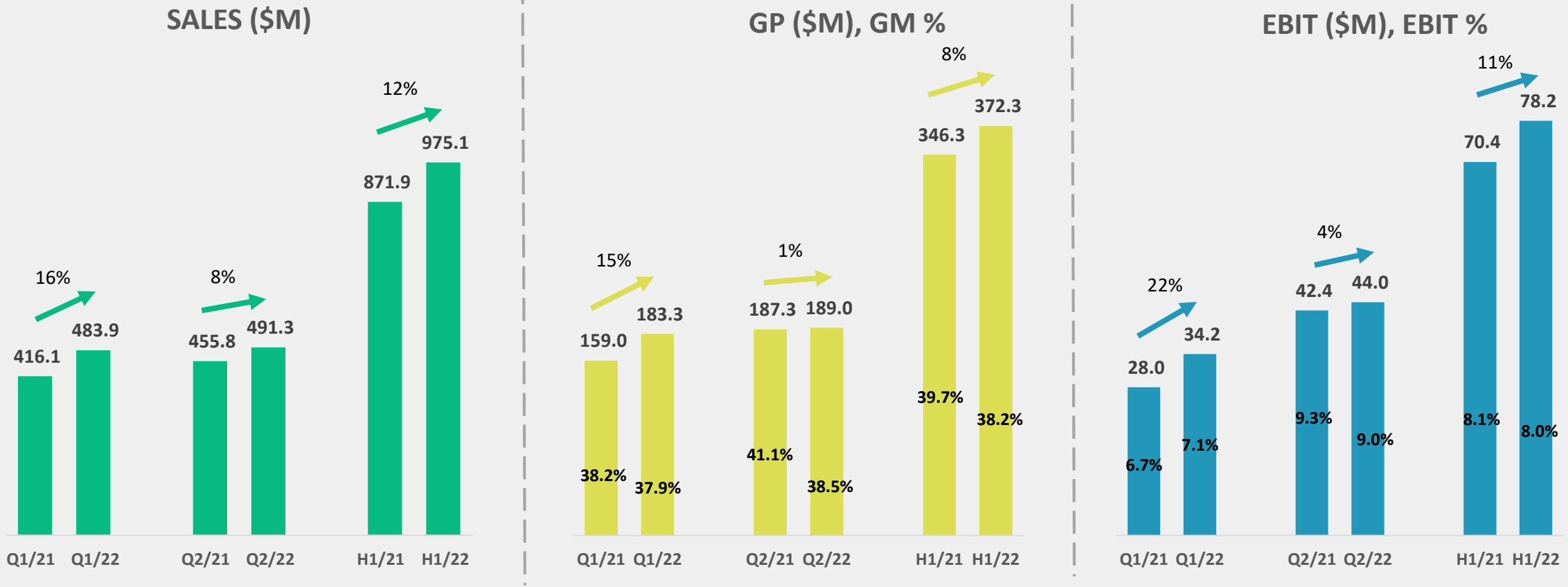




H1-2022 RESULTS

H1-2022 vs. H1-2021

- Following strong Q1 growth, H1 presents moderated sales growth and lower gross margin
- H1 EBIT* % at similar level, driven by SG&A leverage



*Before one time items

H1-2022 Financial Highlights vs. H1-2021

Total Sales	H1-2021	H1-2022
	$871.9M	$975.1M

Gross Profit	H1-2021	H1-2022
	$346.3M	$372.3M

EBIT (BOT)	H1-2021	H1-2022
	$70.4M	$78.2M

Own Websites**	
Vs. H1-2021	(19%)
Vs. H1-2019	313%

Gross Margin	H1-2021	H1-2022
	39.7%	38.2%

EBIT Margin (BOT)	H1-2021	H1-2022
	8.1%	8.0%

EBITDA*	H1-2021	H1-2022
	$87.4M	$94.7M

Net Income (BOT)	H1-2021	H1-2022
	$42.4M	$47.1M

Operating CF* (BOT)	H1-2021	H1-2022
	$58.3M	($68.3M)

★ Record for H1 *Excluding IFRS16 ** Increase of 100% organically vs. H1-2019

Strong Balance Sheet

$182.6M Cash Portfolio

$218.4M Net Debt

Net Debt / EBITDA* ratio of 0.9

1.70 Current ratio

Vs **1.67** in Q2-2021

$641.6M Equity

$ in millions

	June 30 2021	% OF TOTAL	June 30 2022	% OF TOTAL
CASH PORTFOLIO	280.8	16%	182.6	10%
INVENTORY	357.4	20%	519.4	29%
OTHER CURRENT ASSETS	222.9	13%	234.2	13%
TOTAL CURRENT ASSETS	861.1	49%	936.2	52%
NON CURRENT ASSETS	903.3	51%	874.5	48%
TOTAL ASSETS	**1,764.4**	**100%**	**1,810.7**	**100%**
CURRENT LIABILITIES	515.4	29%	552.0	30%
DEBENTURES	312.6	18%	162.2	9%
OTHER NON-CURRENT LIABILITIES	351.1	20%	454.9	25%
TOTAL LONG TERM LIABILITIES	663.8	38%	617.1	34%
EQUITY	585.2	33%	641.6	35%
TOTAL LIABILITIES AND EQUITY	**1,764.4**	**100%**	**1,810.7**	**100%**

Rounded numbers

*Excluding IFRS16 impact

Inventory Days Analysis

Investing in Growth





During 2021, we were defensive on procurement and lost sales due to lack of inventory.
Accordingly, we used June 30, 2019 as reference

The increase of 24 days is driven by:
- Forecasted sales growth
- Brought goods early due to logistic challenges
- Launch of new brands: adidas, Wolford, Panta Rei & Bare™
- Delay of spring product by 3-4 weeks due to logistics backlog

Inventory is fresh with significant reduction in aged items

Our key product categories are:
- Majority of inventory is Never Out of Stock basic product
- Non-cyclical
- Limited fashion risk
- Replenishable core programs
- Essentials / economically resistant

We expect a significant reduction in inventory days by year end

We reaffirm our 2022 guidance on constant currency basis

We expect to achieve mid-to-low range of sales guidance in $ USD

$ in millions

	2021 ACTUAL	2022 GUIDANCE	2022 GUIDANCE VS. 2021
Sales	1,951.0	2,082 - 2,135	7% - 9%
EBIT*	188.1	210 - 220	12% - 17%
EBITDA*	286.8	312 - 322	9% - 12%
Net Income*	124.2	138 - 145	11% - 17%
Diluted EPS* ($)	4.44	4.80 - 5.09	8% - 15%
Updated Sales guidance**		**2,082 - 2,108**	**7% - 8%**
Updated Sales guidance on costant currency basis		**2,127- 2,153**	**9% - 10%**

*Before one time items, includes IFRS 16 impact

** Including negative FX impact of $45M or 2% from sales (based on H2 estimated EURO/USD 1.03; USD/NIS 3.30). EBIT & Below items with moderate FX impact

Long-Term Goal to get to 10% Annual Sales & 20% Annual EBIT Growth

- Continued focus on digitally native customers
- New factories fully operational in Vietnam & Egypt in 2023
- Continue to expand Adidas growth globally
- Launch of Polo Ralph Lauren in 2023 and Lauren in 2024
- Cross-Category growth with leading brands
- Continuously acquiring New Customers
- Grow our recent digital acquisitions- Bare Necessities & Organic Basics
- Strategic Acquisitions with core synergies

THANK YOU



DELTA GALIL
INDUSTRIES LTD.

Q2-2022 IFRS 16 impact

$ in millions

	Q2-2022
EBIT	2.6
EBITDA	14.8
Finance expenses	1.9
Net income	0.6