

WELCOME TO Q3-2022 RESULTS

November 2022

DELTA GALIL INDUSTRIES LTD.

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 בספטמבר 2022.

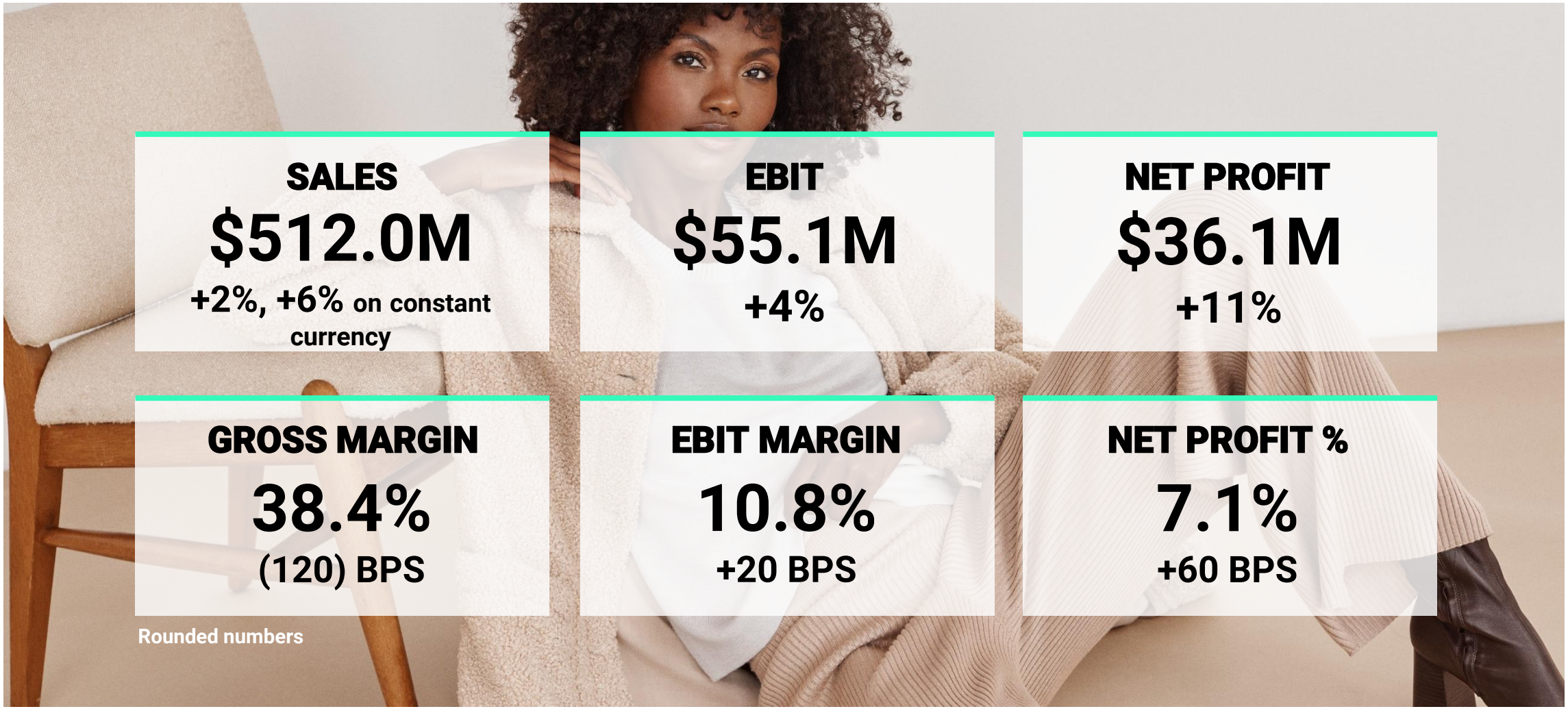
העובדות והנתונים ששימשו בסיס למידע המפורט במצגת זו מבוססים על מידע כפי שהוא ידוע לחברה במועד הכנת מצגת זו, ובכלל זה נתונים שפורסמו על ידי גופים חיצוניים לחברה, אשר תוכנם לא נבדק על ידי החברה באופן עצמאי ולפיכך החברה אינה אחראית לנכונותם. מצגת זו אינה מהווה תחליף לבחינת דיווחיה הציבוריים של החברה, לרבות 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 שלישי המסתיים בחודש ספטמבר 2022.

Strong Q3-2022 results with record sales and EBIT for the quarter



SALES
$512.0M
+2%, +6% on constant currency

EBIT
$55.1M
+4%

NET PROFIT
$36.1M
+11%

GROSS MARGIN
38.4%
(120) BPS

EBIT MARGIN
10.8%
+20 BPS

NET PROFIT %
7.1%
+60 BPS

Rounded numbers



Q3-2022 Highlights

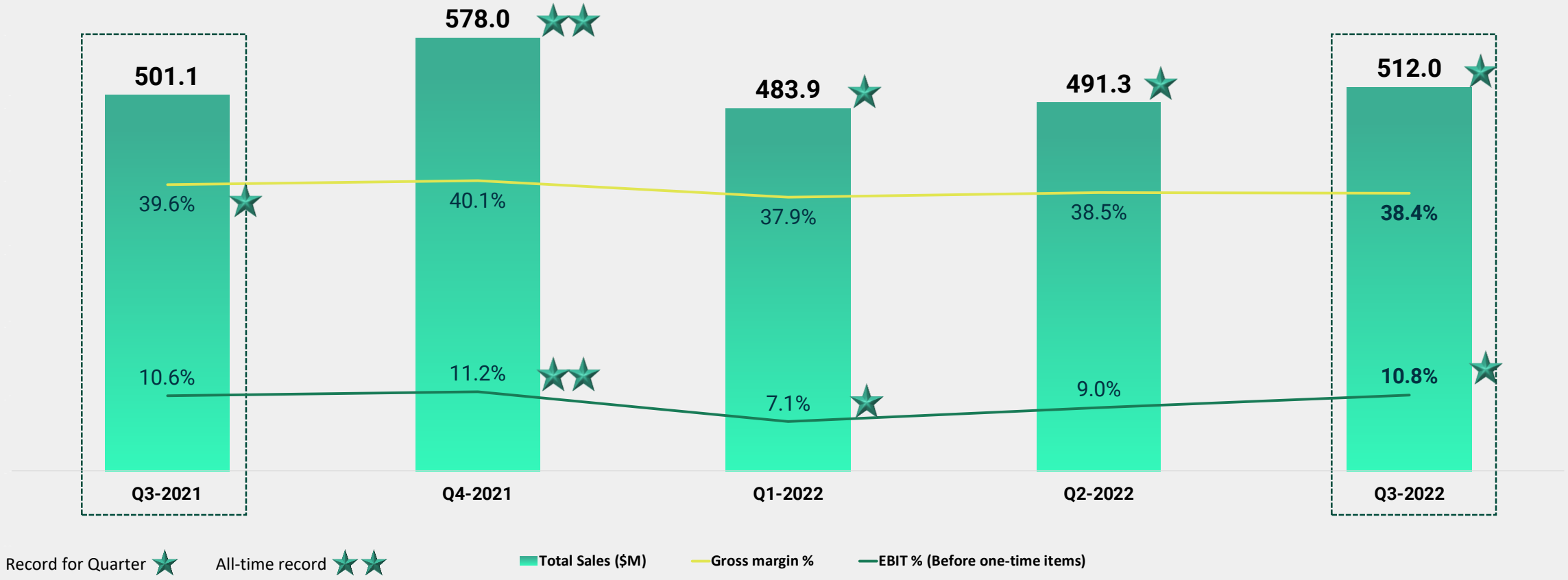
Continued Success in a Challenging Global Environment

Record sales, EBIT and net profit for the quarter

- Sales growth of 2% (+6% on constant currency basis)
- Growth in all geographic areas on constant currency basis
- Private label at record Q3 sales with 19% growth and at all time record EBIT
- Strong e-com customers sales led by Skims
- We expect a significant reduction in inventory days by year end
- $6M dividend declared for Q3

Quarterly Trend Analysis

- 7 consecutive quarters of record sales
- GM down to 38.4% due to segments mix, freight & production costs increase and ex-rate impact
- Record Q EBIT* of 10.8%, driven by strong quarter sales and SG&A leverage



*Before one time items

Record Q3-2022 EBIT* margin despite decrease in gross margin

	Q3-22	Q3-21	Var
GM	**38.4%**	**39.6%**	**-1.2%**
Segment mix with higher Private label portion of 6%			
Ex.Rate			
Higher Discounts & promotions			
Higher freight Cost			
Higher Factories Profitability			
Better product & customer mix			
Other			
		38.4%	
SG&A Leverage			
Other Income (**)			0.7%
EBIT %	**10.8%**	**10.6%**	**0.2%**

*Before one time items
**Mostly capital gains from selling of fixed assets

Q3-2022 Financial Highlights vs. Q3-2021

Total Sales ★

Q3-2021	Q3-2022	
$501.1M	$512.0M	↑

Gross Profit

Q3-2021	Q3-2022	
$198.5M	$196.6M	↓

EBIT ★

Q3-2021	Q3-2022	
$53.0M	$55.1M	↑

Own Websites*

Vs. Q3-2021	(7%)	↓
Vs. Q3-2019	270%	↑

Gross Margin

Q3-2021	Q3-2022	
39.6%	38.4%	↓

EBIT Margin

Q3-2021	Q3-2022	
10.6%	10.8%	↑

EBITDA** ★

Q3-2021	Q3-2022	
$60.7M	$63.9M	↑

Net Income *** ★

Q3-2021	Q3-2022	
$32.5M	$36.1M	↑

Net Debt / EBITDA**

Q3-2021	Q3-2022	
0.7	1.2	↑

Operating CF** (BOT)

Q3-2021	Q3-2022	
$4.7M	($36.1M)	↓

Days Inventory Outstanding

Q3-2021	Q3-2022	
122	153	↑

CAPEX****

Q3-2021	Q3-2022	
$8.2M	$13.0M	↑

★ Record for Q3

*Increase of 68% organically vs. Q3-2019 **Excluding IFRS16
***Net income (BOT) slightly decreased from $36.4M to $36.1M
**** Capex excludes purchase / proceeds related to sale of real-estate



Q3-2022 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 EBIT ($/%) and record sales for Q3

($M)	Q3-2022	Q3-2021	Var vs. Q3-2021
SALES	214.0	179.1	19%
EBIT	24.8	12.2	104%
EBIT%	*11.6%*	*6.8%*	4.8%



Q3-2022 vs Q3-2021

Sales increased by 19%, mainly driven by Skims, Spanx, Aerie, Nike and Walmart

EBIT increased from $12.2M to $24.8M, or 4.8% of sales, driven by:

- Improvement in factories, partially offset by increase in labor & energy costs (Q3-2021 was negatively impacted by COVID with partial shutdown of Asian facilities)
- Better customer and product mix

Fully vertical operating model from design to distribution

Private Label

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

- Strong quarter of Performance Socks business
- Rich pipeline of new exciting customers such as: Tom Brady, Nautica, Hanky-Panky, J.Crew, Jockey, Vuori, Takko & Alo Yoga
- Strong quarter for Bogart fueled by digital customers
- Opportunity to grow with current customers in existing and new categories
- Softer backlog for next 6 months due to major customers being conservative
- Continue to strategically invest to capitalize on long-term growth opportunities such as Egypt & Vietnam for Nike, VS, CK and Lululemon





Brands

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

($M)	Q3-2022	Q3-2021	Var vs. Q3-2021
SALES	164.5	183.5	(10%)
EBIT	22.4	31.2	(28%)
EBIT%	*13.6%*	*17.0%*	(3.4%)

Q3-2022 vs Q3-2021

Sales decreased 10% (**3% on constant currency basis**), mainly due to temporary shift from 'stay at home' categories into other apparel categories, partially offset by Columbia, adidas and Wolford

EBIT decreased by $8.8M or 3.4% of sales (**1.5% on constant currency basis**), driven by:

- Higher freight, raw material & energy costs
- Negative FX impact
- Partially offset by growth in adidas & Wolford which turned to profitability

Growth initiatives:

- Launch of adidasunderwear.com and Tmall China
- Introducing Polo Ralph Lauren in 2023 and Lauren in 2024



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

Licensed:
Columbia, Tommy Hilfiger, Calvin Klein Kids

adidas & Wolford 2022 launch
Polo Ralph Lauren 2023 launch

7 For All Mankind

7 For All Mankind is the originator of American premium denim, born in LA in 2000.

Managed as global organization with global collection since Q2-21

($M)	Q3-2022	Q3-2021	Var vs. Q3-2021
SALES	50.5	47.5	6%
EBIT	1.8	2.1	(11%)
EBIT%	*3.6%*	*4.4%*	(0.7%)

Q3-2022 vs Q3-2021

Sales increased by 6% **(+13% on constant currency basis)**, mainly driven by: Higher DTC sales in the US and strong EU performance, driven by both wholesale and retail. EU sales were negatively impacted by EURO devaluation

EBIT decreased by 0.7% of sales **(+0.3% on constant currency basis)**, due to higher SG&A expenses mainly in US, and negative Ex-rate impact on our European business

Q3 is seasonally our least profitable quarter, due to lower sales of denim products and being more promotional during summer months

Growth initiatives:

- Increasing stores in Brazil, Mexico (new JV) & China (franchise)
- Growing our ready to wear portfolio



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 the leading intimate apparel brand in Israel with a unique proposition of selling to the entire family

Delta Israel presents strong Q3-2022 results with record sales for Q3 (in NIS)

($M)	Q3-2022	Q3-2021	Var vs. Q3-2021
SALES	63.9	65.2	(2%)
EBIT	8.5	12.1	(30%)
EBIT%	*13.3%*	*18.6%*	(5.3%)

Q3-2022 vs Q3-2021

Sales in NIS increased 3%, driven by 1.5% higher stores comp. (+20.9% vs. Q3-2019), and online +10.2% vs. Q3-2021 (+171.3% vs. Q3-2019)

EBIT decreased from $12.1M to $8.5M, due to the strong USD (0.8% of sales), higher freight & FOB costs, longer discount period and Panta Rei startup costs

Growth initiatives:

- Victoria Secret in Israel - e-commerce launch on 12-12-2022 & retail in 2023
- Opening additional stores of Panta Rei; Launch of men's category in Nov
- Growing babywear, maternity, kids & men's categories
- Lower shipping costs will positively impact gross margin from Q4 onwards



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

207 retail stores
digital &
wholesale channels

Other (Bare Necessities & Organic Basics)

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

Organic Basics is a leading sustainable digital apparel brand which we acquired in Q3-2022

($M)	Q3-2022	Q3-2021	Var vs. Q3-2021
SALES	26.8	28.3	(6%)*
EBIT	(2.2)	(1.0)	
EBIT%	(8.3%)	(3.7%)	(4.6%)

Q3-2022 vs Q3-2021

Sales decreased 6%, due to lower traffic & conversion as well as cost per click increase

EBIT decreased by $1.2M (or $0.8M excluding Organic Basics) driven by lower sales, higher promotions and costs for site rebranding & the launch of Bare™

Growth initiatives:

- Grow 'Bare' sales portion with higher GM following recent launch
- Rebrand the Bare Necessities website as the largest online destination for intimate apparel
- Target younger consumers
- Expand offering of activewear and panties
- Full launch of a new global collection for Organic Basics during H1-2023

*Excluding Organic Basics sales of $0.4M in Q3-2022, sales decreased 7%.



Bare Necessities
Independent digital platform

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

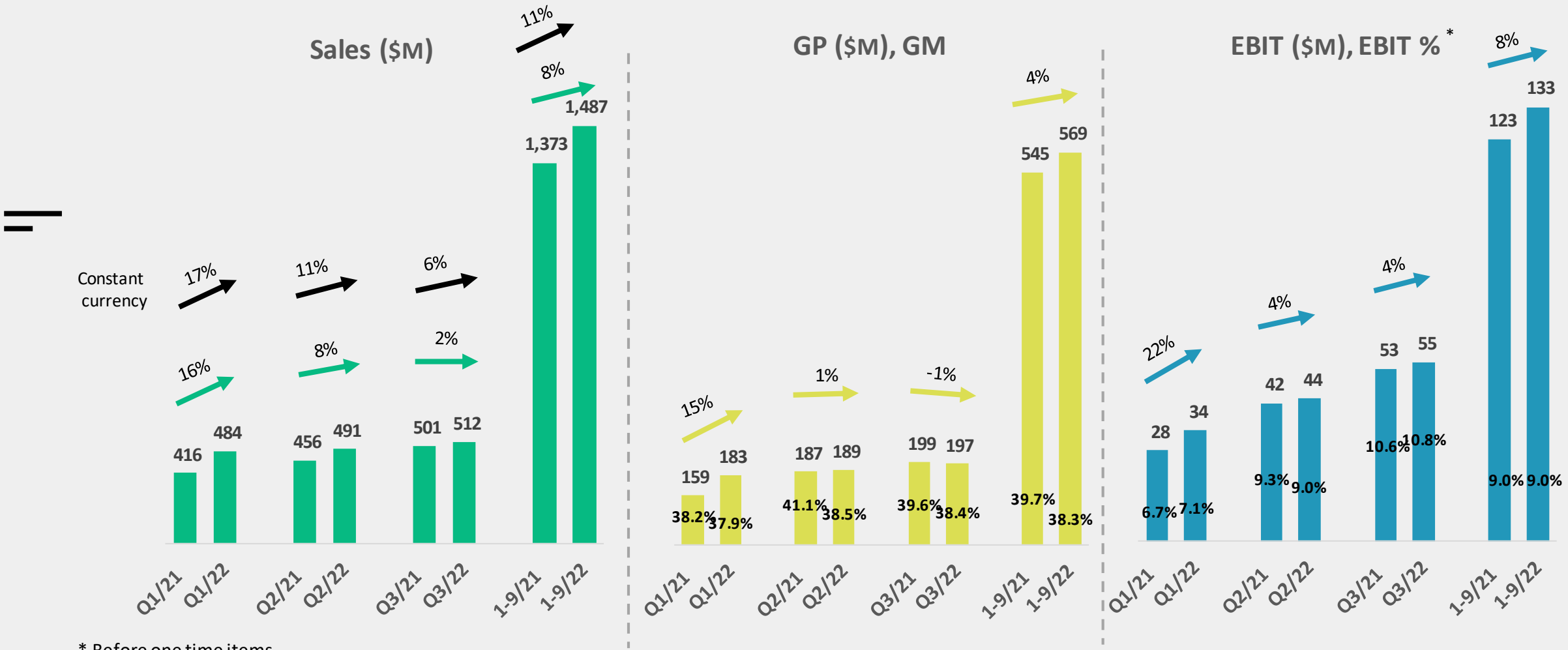
Introducing Delta Galil's own brands



YTD-2022 RESULTS

YTD-2022 vs. YTD-2021

- Following strong Q1 with double digit growth in all parameters, Q2 & Q3 present moderate sales & EBIT growth and flat gross profit vs. LY
- YTD EBIT % same as LY, despite 1.4% GM erosion, due to SG&A leverage and other income



* Before one time items

YTD-2022 Financial Highlights vs. YTD-2021

Total Sales ★

YTD-2021	YTD-2022	
$1,373.0M	$1,487.1M	↑

Gross Profit

YTD-2021	YTD-2022	
$544.8M	$568.9M	↑

EBIT (BOT) ★

YTD-2021	YTD-2022	
$123.4M	$133.3M	↑

Own Websites*

Vs. YTD-2021	(16%)	↓
Vs.YTD-2019	295%	↑

Gross Margin

YTD-2021	YTD-2022	
39.7%	38.3%	↓

EBIT Margin (BOT)

YTD-2021	YTD-2022
9.0%	9.0%

EBITDA** ★

YTD-2021	YTD-2022	
$148.1M	$158.5M	↑

Net Income (BOT) ★

YTD-2021	YTD-2022	
$78.7M	$83.2M	↑

Operating CF** (BOT)

YTD-2021	YTD-2022	
$63.0M	($104.4M)	↓

★ Record for YTD * Increase of 88% organically vs. YTD-2019 **Excluding IFRS16

Strong Balance Sheet

$169.6M

Cash & Short term deposits

$281.7M Net Debt

Net Debt / EBITDA* ratio of 1.2

1.53 Current ratio

Vs **1.60** in Q3-2021

$658.6M Equity

$ in millions

	September 30 2021	% OF TOTAL	September 30 2022	% OF TOTAL
CASH PORTFOLIO	211.6	12%	169.6	9%
INVENTORY	409.3	23%	537.8	29%
OTHER CURRENT ASSETS	252.1	14%	280.5	15%
TOTAL CURRENT ASSETS	873.1	50%	987.9	53%
NON CURRENT ASSETS	873.3	50%	873.0	47%
TOTAL ASSETS	**1,746.4**	**100%**	**1,860.9**	**100%**
CURRENT LIABILITIES	545.1	31%	645.8	35%
DEBENTURES	187.3	11%	145.2	8%
OTHER NON-CURRENT LIABILITIES	404.0	23%	411.3	22%
TOTAL LONG TERM LIABILITIES	591.3	34%	556.4	30%
EQUITY	609.9	35%	658.6	35%
TOTAL LIABILITIES AND EQUITY	**1,746.4**	**100%**	**1,860.9**	**100%**

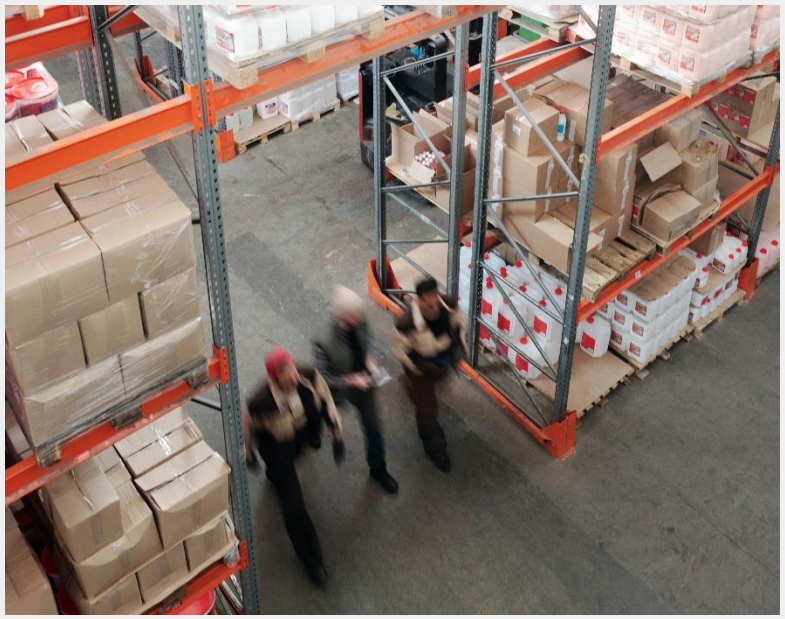
Rounded numbers

*Excluding IFRS16 impact

Inventory Days Analysis

Investing in Growth





During 2021, we were defensive on procurement and lost sales due to lack of inventory.

The increase of 31 days vs. 30-09-2021 is driven by:
- Brought goods early due to logistic challenges
- Launch of new brands: adidas, Wolford, Panta Rei & Bare™
- Certain customers pushed deliveries to Q4-2022 and 2023

Inventory is fresh and mostly NOS

Our key product categories are:
- Majority of inventory is Never Out of Stock basic products
- Non-cyclical
- Essentials / economically resistant

We expect a significant reduction in inventory days by year end

Q3-2022 Macro-economic environment

We delivered growth in constant currency across most of our segments,
and all of our geographies; leveraging our strengths to manage near-term challenges

MAIN CHALLENGES

- Weakening consumer sentiment, driven by inflation
- Elevated inventories in the marketplace
- Unprecedented delays of orders by major customers into 2023
- US Dollar strength
- Temporary shift from ‘stay at home’ categories into other apparel categories
- Inflation drives higher costs: labor, rent, performance marketing
- COVID impact on our global customers’ demand, mainly in Asia

OUR PROACTIVE APPROACH

- We tightly manage our inventory levels and expect a significant reduction by year end
- The strong USD and commodity price reduction will support margin expansion in 2023
- We are implementing discipline & lean methods to control expenses and reduce discretionary spending
- Ongoing hedge of FX exposure
- Shutdown of Bogart's China facility and opening Vietnam facility as part of our strategic production plan
- Executing global supply chain initiatives to reduce costs and increase speed
- Strategically invest to capitalize on our long-term growth opportunities

2022 guidance update

We are revising our revenue & earnings outlook to reflect increased negative impacts from foreign currency fluctuations as well as heightened inventory levels and increased promotional activity in the marketplace

$ in millions

	2021 ACTUAL	2022 PREVIOUS GUIDANCE	**2022 UPDATED GUIDANCE***	**2022 UPDATED GUIDANCE VS. 2021 ACTUAL**
Sales	1,951.0	2,082 - 2,108	2,023 - 2,030	3.7% - 4.1%*
Sales on constant currency basis*			2,083 - 2,090	6.8% - 7.1%
EBIT**	188.1	210 - 220	189 - 192	0.2% - 1.9%
EBITDA**	286.8	312 - 322	281 - 284	(2.0%) - (0.9%)
Net Income**	124.2	138 - 145	119 - 121	(4.6%) - (2.6%)
Diluted EPS** ($)	4.44	4.80 - 5.09	4.25 - 4.34	(4.3%) - (2.3%)

Rounded numbers

* Sales negatively impacted by **~$60M** / 3% from annual sales versus LY (Q4 estimated EURO/USD 1.00; USD/NIS 3.52).

**Before one time items, includes IFRS 16 impact

Winning Strategy Fueling Consistent Long-Term Growth

- **Innovative Products**
- **Growth with Iconic and Digitally Native Brands**
- **Existing & Cross-Category growth with Leading Brands**
- **Flexible Global Supply Chain: New Factories Operational in Vietnam & Egypt in 2023**
- **Consistent Focus on Seeding New Customers**
- **Grow our Recent Digital Acquisitions- Bare Necessities & Organic Basics**
- **Strategic Acquisitions**
- **Growth with New and Licensed Brands**


THANK
YOU
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INDUSTRIES LTD.

Q3-2022 IFRS 16 impact

$ in millions

	Q3-2022
EBIT	2.5
EBITDA	14.4
Finance expenses	2.0
Net income	0.4