DELTA GALIL
INDUSTRIES LTD.

WELCOME TO Q4-2022 RESULTS

February 2023



האמור במצגת בכל הקשור לניתוח פעילותה 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 2022.

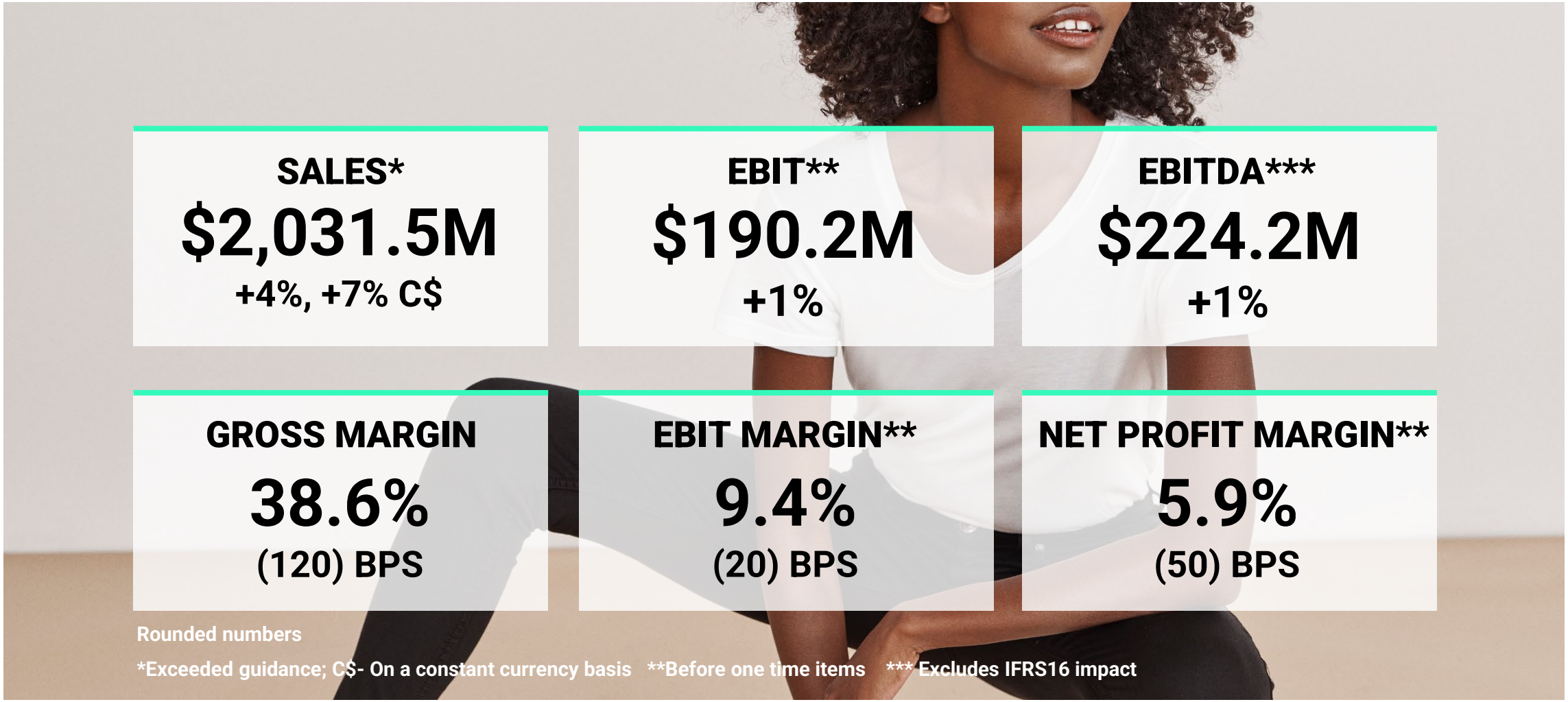
העובדות והנתונים ששימשו בסיס למידע המפורט במצגת זו מבוססים על מידע כפי שהוא ידוע לחברה במועד הכנת מצגת זו, ובכלל זה נתונים שפורסמו על ידי גופים חיצוניים לחברה, אשר תוכנם לא נבדק על ידי החברה באופן עצמאי ולפיכך החברה אינה אחראית לנכונותם. מצגת זו אינה מהווה תחליף לבחינת דיווחיה הציבוריים של החברה, לרבות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

Strong 2022 results with all-time record sales, EBIT and EBITDA



SALES*
$2,031.5M
+4%, +7% C$

EBIT**
$190.2M
+1%

EBITDA***
$224.2M
+1%

GROSS MARGIN
38.6%
(120) BPS

EBIT MARGIN**
9.4%
(20) BPS

NET PROFIT MARGIN**
5.9%
(50) BPS

Rounded numbers

*Exceeded guidance; C$- On a constant currency basis **Before one time items *** Excludes IFRS16 impact



FY-2022 Highlights

Strong Results in a Challenging Global Environment

- Record sales and EBIT* of $2,032M and $190M, respectively
- Sales & EBITDA** exceeded high-end of guidance
- Sales increased in all segments and geographies on a constant currency basis
- Private Label segment at all time record sales, EBIT and EBIT %
- 7 For All Mankind segment at all time record EBIT and EBIT %
- Launch of adidas and Wolford licenses
- Completed Organic Basics acquisition
- Rich pipeline of new customers
- Invested in our factories to support growth and reduce costs
- $26M dividend declared for 2022

*Before one time items **Includes IFRS 16 impact

2022 Actual vs. Guidance

- Sales & EBITDA exceeded higher-end of guidance
- EBIT, Net income & EPS within range

$ in millions

	2021 ACTUAL	2022 ACTUAL	2022 VS. 2021	GUIDANCE LOW END	GUIDANCE HIGH END	
Sales*	1,951.0	2,031.5	4.1%	2,023	2,030	2,031.5
EBIT**	188.1	190.2	1.1%	189	192	190.2
EBITDA**	286.8	284.2	(0.9%)	281	284	284.2
Net Income**	124.2	120.6	(2.9%)	119	121	120.6
Diluted EPS**($)	4.44	4.33	(2.5%)	4.25	4.34	4.33

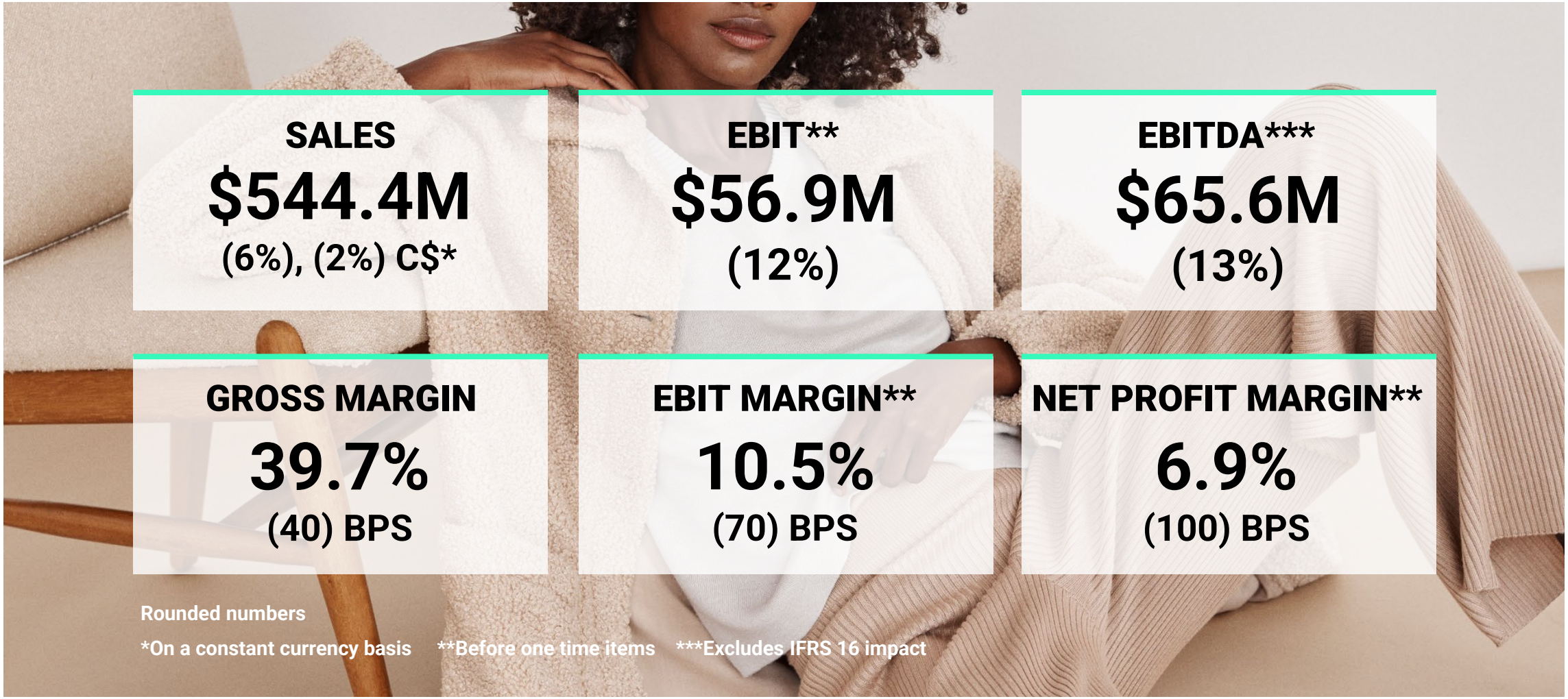
Rounded numbers

*Sales on a **constant currency basis +7.1**% vs. LY

**Before one time items, includes IFRS 16 impact

Q4-2022 Results

Remarkable Profitability in a Challenging Environment



SALES
$544.4M
(6%), (2%) C$*

EBIT**
$56.9M
(12%)

EBITDA***
$65.6M
(13%)

GROSS MARGIN
39.7%
(40) BPS

EBIT MARGIN**
10.5%
(70) BPS

NET PROFIT MARGIN**
6.9%
(100) BPS

Rounded numbers

*On a constant currency basis **Before one time items ***Excludes IFRS 16 impact



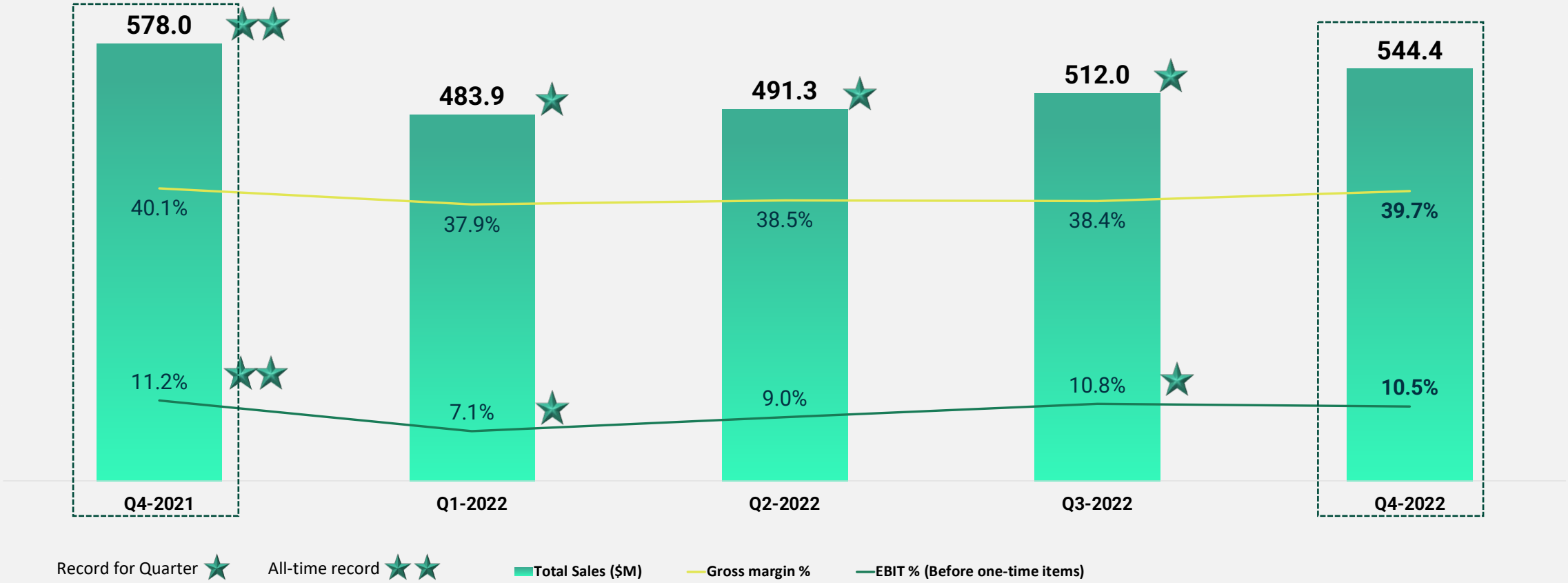
Q4-2022 Highlights

- Sales decreased by 6% (-2% on a constant currency basis) vs. record Q4-2021
- Strong **EBIT margin of 10.5%** despite highly challenging environment
- Private Label at all-time record EBIT and EBIT margin of 12.6%
- Continued strong growth of Skims and Lululemon
- Successful launch of Victoria’s Secret e-comm in Israel; store openings in H2-2023
- Significant reduction of $51M in inventory vs. Q3-2022 led to strong operating cash flow* of $85M
- Moody's (Midroog) **raised our credit rating** from A1.il to Aa3.il
- Equity of $710M - highest level of all time
- $8M dividend declared for Q4

*Excluding IFRS-16

Quarterly Trend Analysis

- **Q4-2021 all-time record in sales and profitability with favorable macroeconomic environment**
- **Q4-2022 Sales down 6% (-2% on a constant currency basis)**
- **GM slightly down to 39.7% mainly due to higher promotions and negative FX impact**
- **EBIT % down to 10.5% mainly due to lower sales and gross margin**



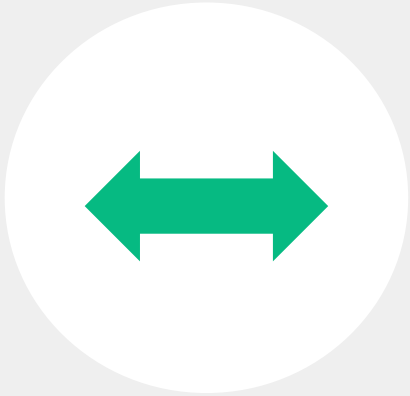
Slightly lower gross margin with initial positive impact of lower freight cost

Q4-2021 Gross margin	40.1%	**Var**
Favorable customer & product mix	↑	
Lower freight cost	↑	
Higher discounts & promotions	↓	
Ex-rate impact	↓	
Lower utilization of owned factories	↓	
Q4-2022 Gross margin	39.7%	(0.4%)

2023 Gross Margin Expansion Opportunity







- Lower FOB costs
- Lower logistic costs
- Favorable customer mix
- **From H2 increased profitability of own factories**

Gross margin expansion opportunity

Q4-2022 Financial Highlights vs. Q4-2021

Total Sales

Q4-2021	Q4-2022
$578.0M	$544.4M

Gross Profit

Q4-2021	Q4-2022
$231.9M	$216.3M

EBIT (BOT)

Q4-2021	Q4-2022
$64.7M	$56.9M

Own Websites*

Vs. Q4-2021	(6%)
Vs. Q4-2019	134%

Gross Margin

Q4-2021	Q4-2022
40.1%	39.7%

EBIT Margin (BOT)

Q4-2021	Q4-2022
11.2%	10.5%

EBITDA**

Q4-2021	Q4-2022
$75.0M	$65.6M

Net Income (BOT)

Q4-2021	Q4-2022
$45.5M	$37.4M

Net Debt / EBITDA***

Q4-2021	Q4-2022
0.4	1.0

Operating CF**

Q4-2021	Q4-2022
$57.8M	$85.1M

Days Inventory Outstanding****

Q4-2021	Q4-2022
103	134

CAPEX

Q4-2021	Q4-2022
$11.5M	$12.2M

*Increase of 59% organically vs. Q4-2019 **Excludes IFRS16 ***Excludes IFRS16; down from 1.2 in Q3-2022 ****Down from 153 in Q3-2022



Q4-2022
UPDATE BY SEGMENT

Private Label

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



At all-time record EBIT ($ / %)

($M)	Q4-2022	Q4-2021	Var vs. Q4-2021
SALES	199.6	203.4	(2%)
EBIT	25.2	19.0	33%
EBIT%	*12.6%*	*9.3%*	3.3%

Q4-2022 vs Q4-2021

Sales decreased 2%, mostly due to major customers' higher inventory levels, partially offset by significant growth with certain customers

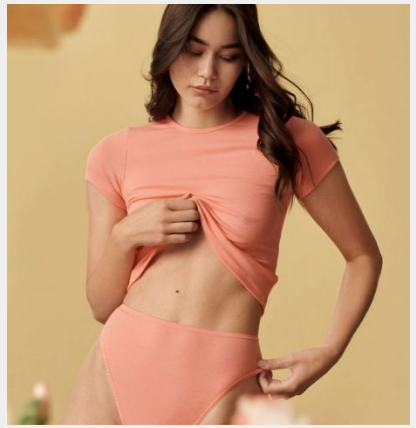
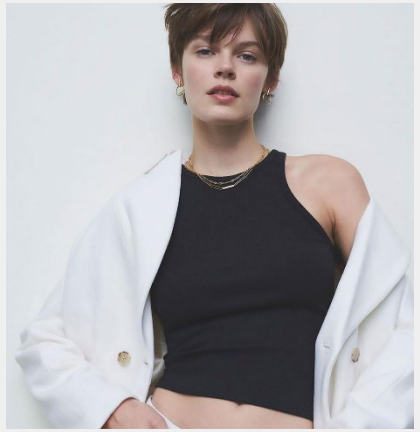
EBIT increased $6.2M, despite lower sales, driven by better customer and product mix, partially offset by lower utilization at some of our factories

Fully vertical operating model from design to distribution

Private Label

Rich pipeline of new and exciting customers




NAUTICA hanky panky J.CREW vuori





TAKKO FASHION alo JOCKEY

Private Label

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

- Opportunity to grow with current customers including SKIMS, Lululemon, Aerie, Adore Me, Fabletics and Savage X Fenty in existing and new categories
- Continue to strategically invest to capitalize on long-term growth opportunities such as Egypt & Vietnam for Nike, Victoria's Secret, Calvin Klein, Lululemon, SKIMS and others
- Increase penetration into the rapidly growing activewear category through special fabrics, bonding techniques and hybrid technologies
- Private Label backlog is at the same level as 2021, with growth in Bogart, partly offset by a temporary reduction in our socks factories





Brands

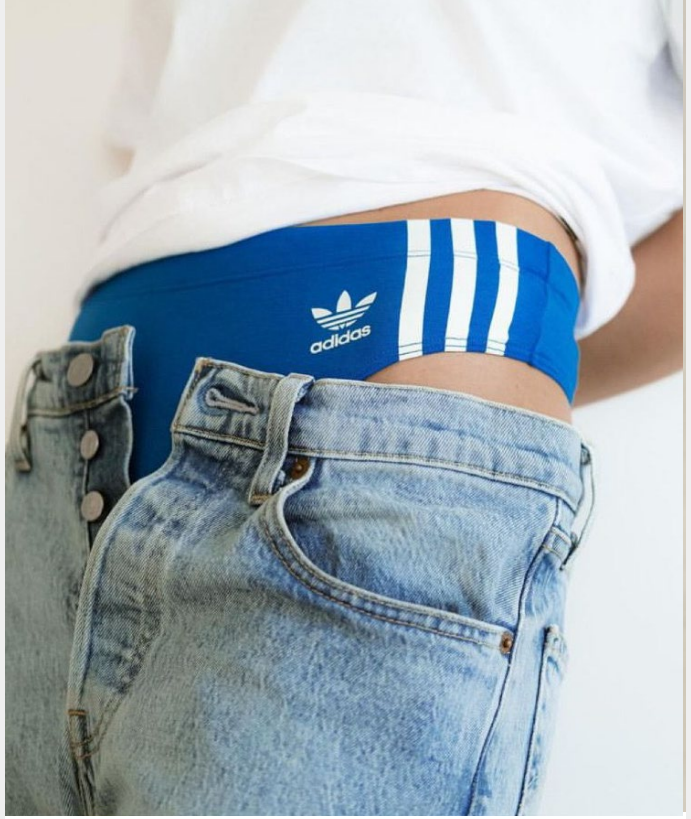
Our Brands segment includes a comprehensive portfolio of top intimate apparel and activewear brands

($M)	Q4-2022	Q4-2021	Var	Var C$
SALES	195.6	199.5	(2%)	3%
EBIT	16.0	24.4	(35%)	
EBIT%	*8.2%*	*12.2%*	(4.1%)	

Q4-2022 vs Q4-2021

Sales increased +3% on a constant currency basis, mainly driven by adidas and Wolford, partially offset by lower sales to major US retailers and department stores due to high inventory levels

EBIT decreased by $8.4M or 4.1% from sales, driven by negative FX impact, higher discounts & promotions, higher historical FOB and clearance of aged inventory



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 Q2-2021

($M)	Q4-2022	Q4-2021	Var	Var C$
SALES	63.2	62.2	2%	6%
EBIT	5.3	7.5	(29%)	
EBIT%	*8.4%*	*12.1%*	(3.7%)	

Q4-2022 vs Q4-2021

Sales increased by 2% **(+6% on a constant currency basis)**, mainly driven by strong EU performance and higher DTC sales in the US

EBIT decreased $2.2M or 3.7% from sales, due to negative FX impact and higher S&M expenses mainly in US including brand marketing and advertising to support 2023 growth, including collaborations

Growth initiatives:

- Expand ready-to-wear portfolio
- Increase of Men's category share across all channels
- Continue international expansion including Brazil & Mexico JVs, China and other markets (e.g., Scandinavia, Middle East and other Asian markets)



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

($M)	Q4-2022	Q4-2021	Var	Var C$
SALES	83.3	95.7	(13%)	(4%)
EBIT	14.6	21.3	(31%)	
EBIT%	*17.5%*	*22.2%*	(4.7%)	

Q4-2022 vs Q4-2021

Sales in NIS decreased 4%, driven by 5.3% lower stores comp. mainly due to warm December, partially offset by online +5% (+83% vs. Q4-2019).

In January 2023 stores comp. +4.8% and online* +14.9%.

EBIT decreased $6.7M or 4.7% from sales, due to the strong USD, increased FOB prices and startup expenses related to the launch of Panta-Rei & Victoria's Secret e-comm, partially offset by lower freight costs

*Excluding Victoria's Secret and Panta Rei



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

205 retail stores digital & wholesale channels

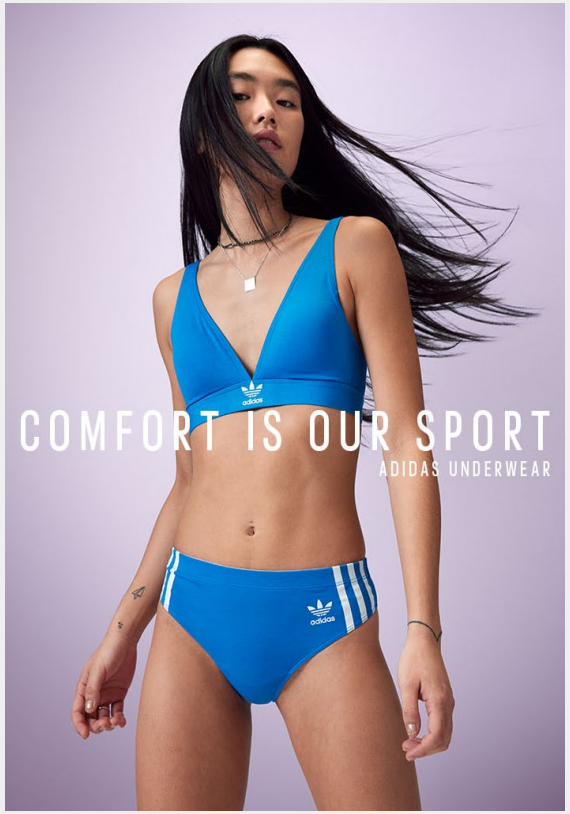
Delta Israel Growth Initiatives

Potential collaboration with / acquisition of international and local brands

VICTORIA'S SECRET

Launching 2 new stores during H2-2023, targeting 13 total stores





adidas

Exclusive intimates distributor in Israel

Panta Rei

Increase brand awareness
Launching of 7 new stores in 2023



Other (Bare Necessities & Organic Basics)

Bare Necessities is a leading online multi-brand intimate apparel and swimwear retailer

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

($M)	Q4-2022	Q4-2021	Var vs. Q4-2021
SALES	20.2	22.1	(9%)*
EBIT	(4.0)	(2.6)	
EBIT%	(19.9%)	(11.9%)	(8.0%)

Q4-2022 vs Q4-2021

Bare Necessities sales decreased 14%, due to consumers' shift to stores. The decrease was mainly driven by sleepwear, partially offset by the launch of Bare™ - 2 styles in top 10 sales. In January, Bare™ was no. 1 brand in demand

EBIT decreased $1.4M or 8.0% from sales, driven by lower sales, higher discounts and massive clearance sales to clear through aged inventory

Growth initiatives:

- Grow Bare™ sales portion following recent launch with higher gross margin
- Expand Bare Necessities product offering in activewear and panties
- Full launch of Organic Basics new global collection in mid-2023

*Excluding Organic Basics sales of $1.2M in Q4-2022, sales decreased 14%.



Bare Necessities independent digital platform

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

Introducing Delta Galil's own brands

Organic Basics

Organic Basics is a sustainable digital-first apparel brand selling women's and men's underwear, activewear and base layers

Business Update

- Launching new Gen-Z focused brand identity mid year with exciting product collections
- Planning a celebrity influencer campaign
- Expanding size, color and style depth of entire underwear and loungewear collection
- Implementing highly competitive pricing to gain broad market share among Gen-Z customers, while maintaining strong margins through internal sustainable sourcing
- Re-certifying as a B-Corp



Strong Balance Sheet

$194.9M

Cash & short term deposits

$217.4M Net Debt

Net Debt / EBITDA* ratio of 1.0

1.58 Current ratio

Vs **1.62** in Q4-2021

$710.3M ★ Equity

$ in millions

	December 31 2021	% OF TOTAL	December 31 2022	% OF TOTAL
CASH PORTFOLIO	236.0	13%	194.9	11%
INVENTORY	395.2	22%	487.3	26%
OTHER CURRENT ASSETS	258.5	15%	284.3	15%
TOTAL CURRENT ASSETS	889.7	50%	966.5	52%
NON CURRENT ASSETS	885.2	50%	884.2	48%
TOTAL ASSETS	**1,774.8**	**100%**	**1,850.7**	**100%**
CURRENT LIABILITIES	547.6	31%	611.3	33%
DEBENTURES	176.3	10%	130.0	7%
OTHER NON-CURRENT LIABILITIES	401.7	23%	399.1	22%
TOTAL LONG TERM LIABILITIES	578.1	33%	529.0	29%
EQUITY	649.2	37%	710.3	38%
TOTAL LIABILITIES AND EQUITY	**1,774.8**	**100%**	**1,850.7**	**100%**

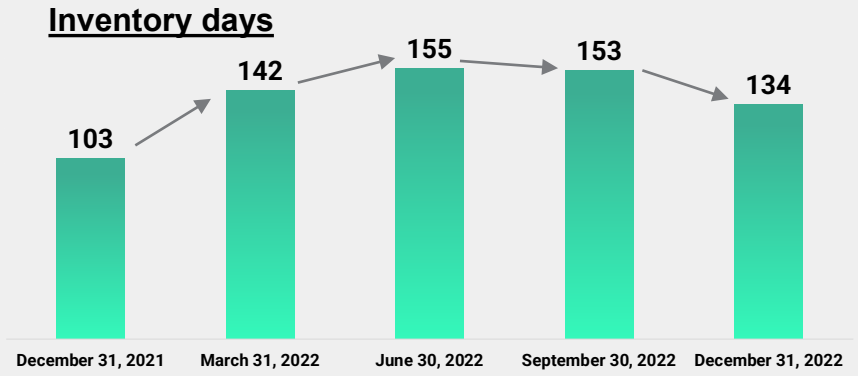
Rounded numbers

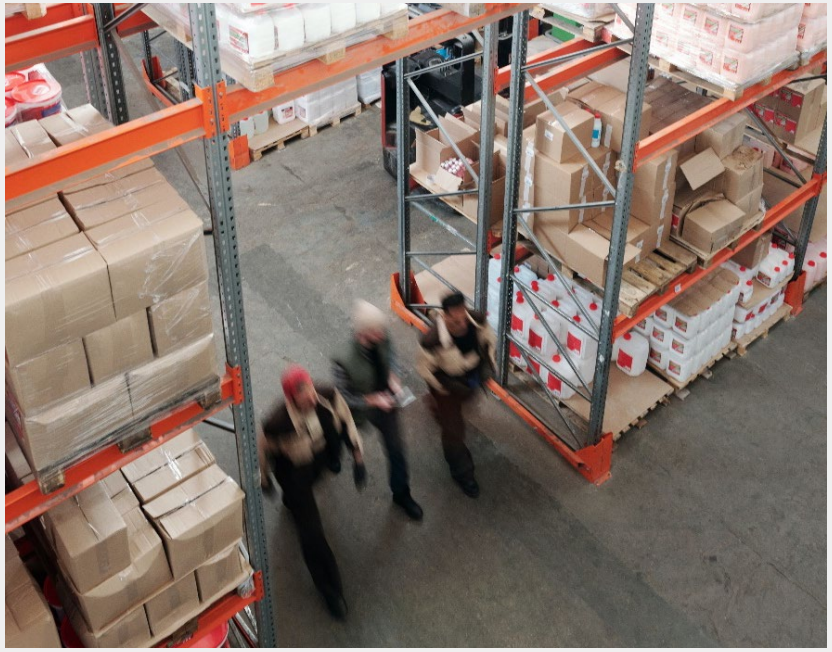
*Excluding IFRS16 impact

★All-time high

Inventory Days Analysis

Significant inventory reduction of $51M vs. Q3-2022





We expect a significant reduction in inventory during 2023

The reduction vs. September 30, 2022 was driven by:

- Strictly controlled planning and purchasing
- Selling existing basics / NOS items
- Clearance of aged items
- Shortened lead times following supply chain re-opening

Inventory is fresh and mostly NOS

Key product categories:

- Majority of inventory is Never Out of Stock basic products
- Non-cyclical
- Essentials / economically resistant

2023 Guidance*

Return to more profitable and consistent growth in H2-2023

H1 with sales and profitability decrease***
H2 with sales and profitability growth

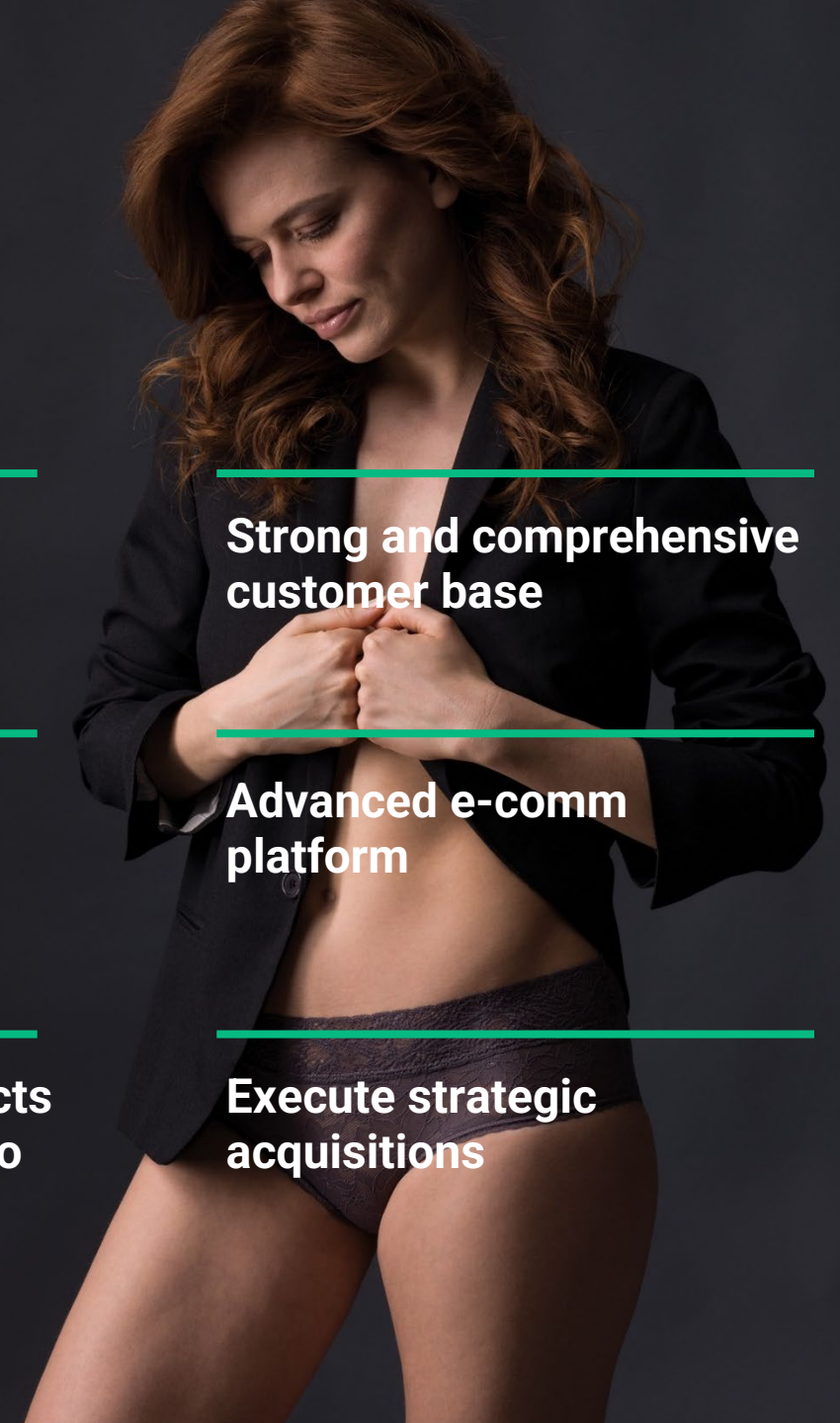
$ in millions

	2022 ACTUAL	2023 GUIDANCE		
Sales	2,031.5	2,000.0	-	2,080.0
EBIT**	190.2	192.0	-	203.8
EBITDA**	284.2	285.7	-	297.5
Net Income**	120.6	120.9	-	130.2
Diluted EPS**($)	4.33	4.27	-	4.62

*2023 estimated EURO/USD 1.03; USD/NIS 3.45
**Before one time items, includes IFRS 16 impact
***Elevated inventories in the marketplace will continue to pressure demand and drive promotions

Our Core Assets and Major Growth Engines

- Strong and leading owned brands
- Licenses with mega global brands
- Strong and comprehensive customer base
- Unique partner of choice capabilities including global flexible supply chain
- Consistent seeding of new customers
- Advanced e-comm platform
- Strong balance sheet
- Basic and essential products which are more resistant to economic downturn
- Execute strategic acquisitions



Broad and Comprehensive Market Presence

Partner of choice for a broad range of brands across the Premium, Mid and Mass Market Tiers

Product Category		Distribution Channel			
Intimates	Active	Pure Players	Mass Market	Dept Stores	Off Price
SKIMS	NIKE	amazon	Walmart	Saks Fifth Avenue	T.J.maxx
VS&Co VICTORIA'S SECRET&CO.	ATHLETA	zalando	Target	bloomingdale's	ROSS DRESS FOR LESS
SPANX BY SARA BLAKELY	lululemon	SAVAGE FENTY LINGERIE BY RIHANNA	COSTCO WHOLESALE	NORDSTROM	Burlington
Wacoal	AVIA	MACK WELDON	Sam's CLUB	macy's	Marshalls
M&S EST. 1884	SPALDING	Tommy John	BJ's	KARSTADT	NORDSTROM rack
	alo	ADORE ME		KOHL'S	

THANK YOU

DELTA GALIL
INDUSTRIES LTD.



Q4-2022 IFRS 16 impact

$ in millions

	Q4-2022
EBIT	2.2
EBITDA	16.0
Finance expenses	1.5
Net income	0.5