DELTA GALIL
INDUSTRIES LTD.

WELCOME TO Q3-2023 RESULTS

November 2023



מצגת זו אינה מהווה ואין לפרשה כהצעה או הזמנה לרכישה ו/או הקצאת ניירות ערך של דלתא גליל תעשיות בע"מ ("**החברה**"). מצגת זו אינה מתיימרת לכלול את כל המידע העשוי להיות רלוונטי לצורך קבלת החלטה כלשהי בנוגע להשקעה בניירות הערך של החברה ובכלל. האמור במצגת הינו תמצית בלבד ואינו ממצה את מלוא הנתונים אודות החברה ופעילותה ואינו יכול להחליף עיון בתשקיף המדף של החברה ובדוחות השנתיים, התקופתיים והמיידים שפרסמה החברה (ובכלל זה, הדוח התקופתי לשנת 2022 שפורסם ביום 14 בפברואר 2023 (מס' אסמכתא: 2023-01-017454) ("**הדוח התקופתי**") וכן הדוח לרבעון השלישי לשנת 2023 שפורסם ביום 15 בנובמבר 2023 (מס' אסמכתא: 2023-01-124704) ("**דוח רבעון 3**")), הכוללים את המידע המלא והמחייב אודות החברה וניירות הערך שתציע, בטרם קבלת החלטה בדבר השקעה בניירות הערך של החברה.

האסטרטגיה העסקית של החברה המוצגת במצגת נכונה למועד זה ועשויה להשתנות בעתיד, בין היתר, בהתחשב בתנאי השוק ובהתאם להחלטות האורגנים המוסמכים של החברה. 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.

האמור במצגת זו כולל גם מידע צופה פני עתיד, כהגדרתו בחוק ניירות ערך, התשכ"ח - 1968 כגון תחזיות, יעדים, 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 חיצוניים רבים אשר אינם בשליטת החברה, כגון שינויים בסביבה המאקרו כלכלית של החברה, שינויים במגמות עולמיות, שינויים בסביבת הריבית והאינפלציה, שינויים בשערי חליפין, שינויים במחירי השינוע, החלטות נגידי הבנקים בעולם ובישראל, שינויים במצב השווקים בהם פועלת החברה או הרגלי הצריכה של הצרכנים בשווקים אלה, המצב הכלכלי והביטחוני בשווקי היעד, שינויים בשיעורי המיסוי במדינות בהן פועלת החברה וכן מהתרחשות איזה מגורמי הסיכון המפורטים בדוח התקופתי.

בנוסף, 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. 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 2023, כמפורט בדוח רבעון 3.

Q3-2023 RESULTS

Sales decrease impacted by global slowdown

Double digit EBIT despite lower sales and SG&A deleverage due to record Q3 gross margin

Strong operating cash flow

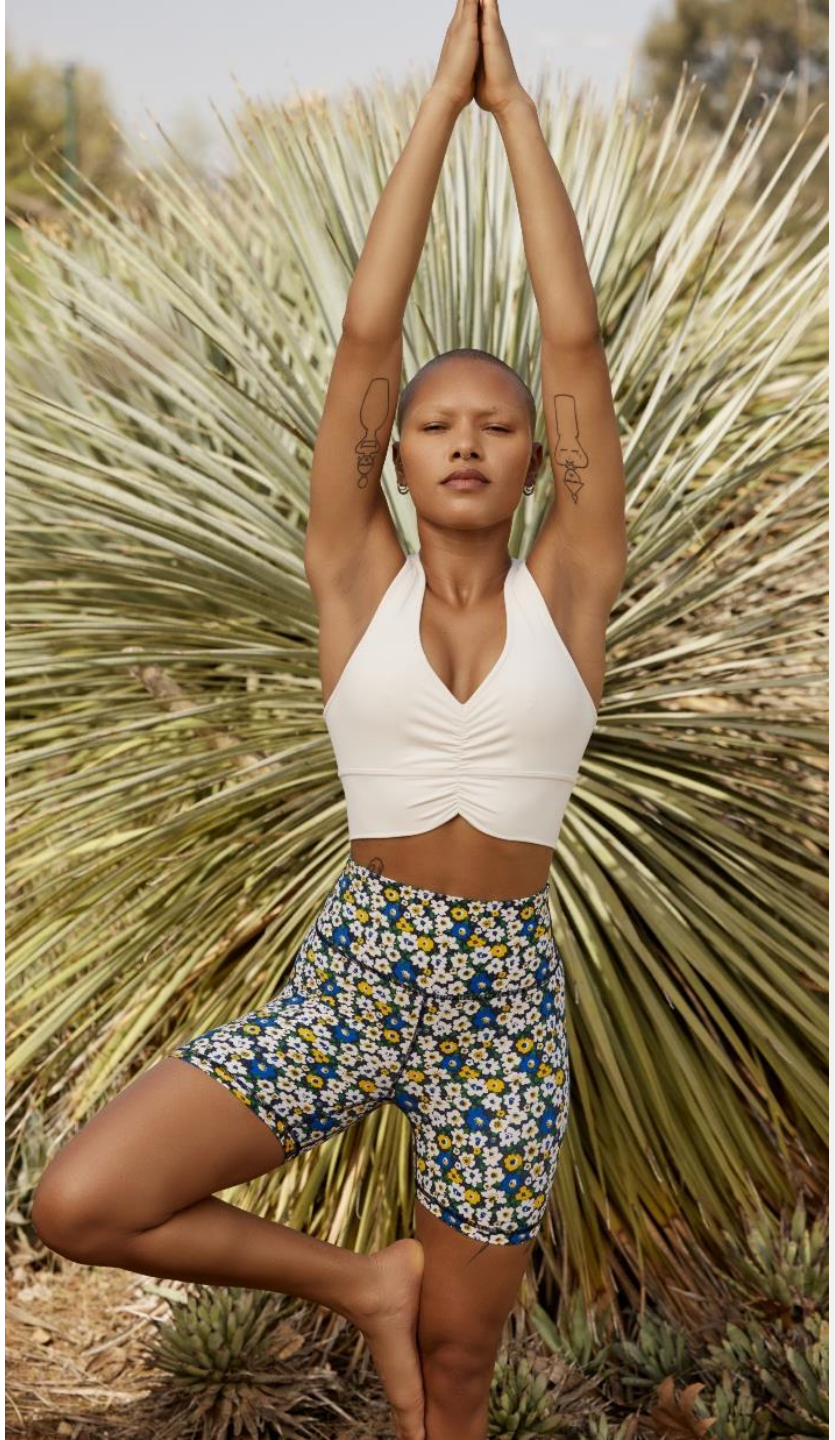
SALES	GROSS MARGIN	EBIT
$463.0M	40.9%★	$46.1M
(10%)	+250 BPS	(16%)

EBIT MARGIN	NET PROFIT MARGIN	OPERATING CF*
10.0%	6.4%	$30.3M
(80) BPS	(70) BPS	+$66.4M

Record for Q3 ★

Rounded numbers

*Excludes IFRS 16 impact



Q3-2023 HIGHLIGHTS

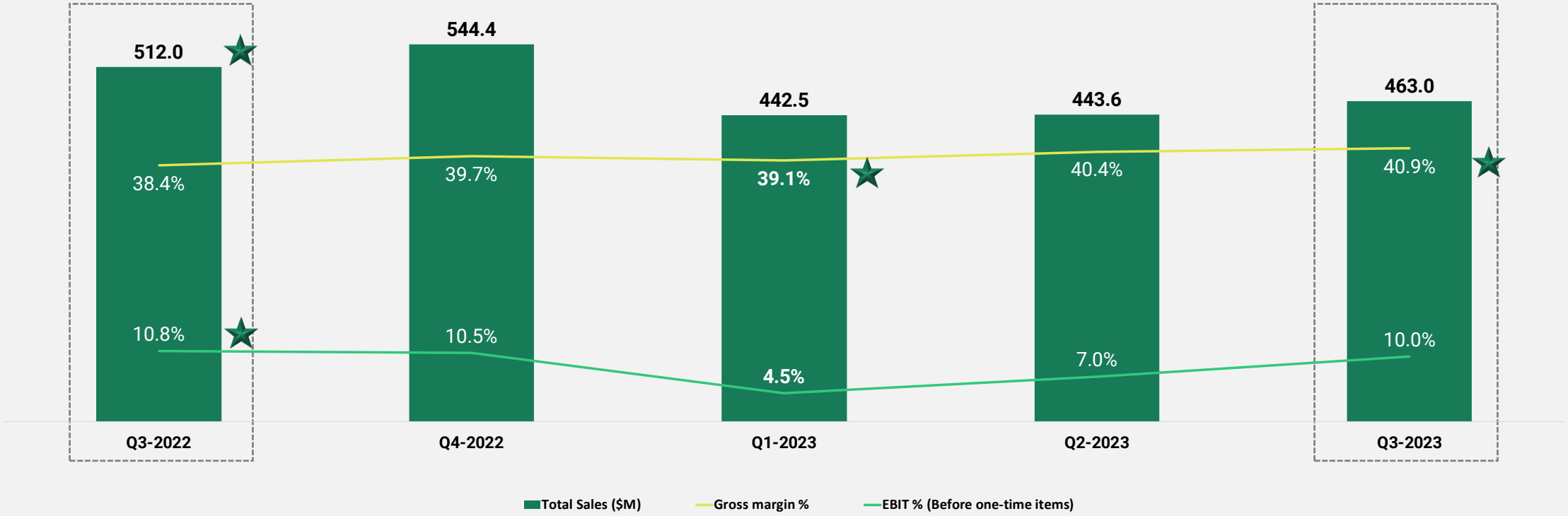
- In a challenging macro environment, numerous positive factors mitigated the impact of a 10% sales reduction from last year's record level
- Owned brands' web sales increased by 26%, driven by higher traffic
- Continued strong growth of Skims with multiple new category expansion opportunities
- Record Q3 Gross margin of 40.9%, driven by favorable customer and segment mix despite highly-promotional environment
- Private label with record EBIT margin of 14.7%
- 4 consecutive quarters of inventory reduction for a cumulative $114.4M
- Strong operating cash flow* of $30.3M vs. used by ($36.1M) in Q3-2022
- Strong balance sheet with record equity of $725.8M and Net Debt / EBITDA* ratio of 1.0
- We reduced 2023 full-year guidance, due to macro economic conditions and customers being more cautious
- $7.5M dividend declared for Q3-2023

*Excludes IFRS 16 impact

QUARTERLY TREND ANALYSIS

Q3-2022 comp with record sales and EBIT

- Q3-2023 Sales down 10% impacted by global slowdown and due to major customers' ongoing focus on inventory reduction
- Gross margin increased to 40.9% due to favorable customer and segment mix, partially offset by higher discounts & promotions
- Strong EBIT margin* of 10.0%, slightly decreased vs. LY due to lower sales, partially offset by higher gross margin



Record for Q ★

*Excluding 'others' (Bare Necessities & Organic Basics) EBIT at 11.2%

Double digit EBIT despite lower sales and SG&A deleverage due to record Q3 gross margin

Q3-2022 Gross margin	38.4%	Var
Lower freight Cost		↑
Favorable customer mix		↑
Segment mix		↑
Higher discounts & promotions		↓
Q3-2023 Gross margin	**40.9%**	**2.5%**

Q3-2022 EBIT%	10.8%	Var
SG&A		
SG&A de-leverage		↓
SG&A cost increase		↓
New businesses high SG&A		↓
Q3-2023 EBIT%	**10.0%**	**-0.8%**

Q3-2023 FINANCIAL HIGHLIGHTS VS. Q3-2022

Total Sales

Q3-2022	Q3-2023
$512.0M	$463.0M

Gross Profit

Q3-2022	Q3-2023
$196.6M	$189.5M

EBIT

Q3-2022	Q3-2023
$55.1M	$46.1M

Own Branded Websites Sales*

Vs. Q3-2022	26%

Gross Margin

Q3-2022	Q3-2023
38.4%	40.9% ★

EBIT Margin

Q3-2022	Q3-2023
10.8%	10.0%

EBITDA**

Q3-2022	Q3-2023
$63.9M	$53.2M

Net Income

Q3-2022	Q3-2023
$36.1M	$29.5M

Net Debt / EBITDA**

Q3-2022	Q3-2023
1.2	1.0

Operating CF**

Q3-2022	Q3-2023
($36.1M)	$30.3M

Days Inventory Outstanding***

Q3-2022	Q3-2023
153	139

CAPEX****

Q3-2022	Q3-2023
$13.0M	$10.0M

Record for Q3 ★

*Excluding Bare Necessities. Down 3% Including Bare Necessities

**Excluding IFRS 16

***121 Normalized DIO assuming Q3-2023 COGS at the same level of LY

****in Q3-2022, capex excludes purchase / proceeds related to sale of real-estate



Q3-2023
UPDATE BY SEGMENT

PRIVATE LABEL

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

All time record EBIT % with 310 BPS increase despite lower sales

($M)	Q3-2023	Q3-2022	Var
SALES	177.7	214.0	(17%)
EBIT	26.2	24.8	6%
EBIT%	14.7%	11.6%	3.1%



SALES decreased 17%, mostly due to major customers' higher inventory levels and being more conservative, partially offset by significant growth with leading customers

EBIT % increased by 310 BPS, mainly driven by favorable customer mix, partially offset by lower sales and production volume in Bogart's factories

In Q4-2023 all factories close to full utilization and back to growth with Nike

New socks factory in Egypt for Nike operational in Q2-2024

Fully vertical operating model from design to distribution

BRANDS

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

($M)	Q3-2023	Q3-2022	Var
SALES	165.5	164.5	1%
EBIT	14.3	22.4	(36%)
EBIT%	8.6%	13.6%	(5.0%)

SALES increased by 1%, mainly driven by DTC growth and higher sales of Splendid and licensed brands to US wholesale customers, partially offset by lower sales of wholesale customers in EU

EBIT % decreased by 500 BPS, mainly driven by higher discounts and promotions, higher advertising and expenses related to new licenses, partially offset by lower freight costs

GROWTH INITIATIVES

- Further expansion of adidas sales globally
- Launch of 'Lauren by Polo Ralph Lauren' in 2024
- Further expand our DTC channels
- New licensing deal With Millie Bobby brown
- Passionata acquisition



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

Licensed:
Columbia, Tommy Hilfiger, Calvin Klein Kids, adidas, Wolford



Credit: Andreas Rentz / Getty Images for Platform Fashion

PASSIONATA

- Founded in 1988, focused on the younger consumers
- An iconic innovative French brand: a unique mix of comfort and sensuality
- International wholesale and online distribution in 18 countries including DACH, Spain, Italy, France, UK, Taiwan.
- Over 70% aided brand awareness and excellent position in key European markets
- Typical consumer is 35-45 year old with strong potential to sell to millennial generation (25- 35 years)
- Key Opportunity for Delta to gain significant market share of the global intimates' market by:
  - Updating the brand story focusing on women ages 25-35: “ Comfortable, Beautiful and Sexy”
  - Modernizing iconic product lines through infusion of innovation
  - Launching Passionata digital site by July 2024
  - Accelerating international growth (priority USA)
  - Sell to hypermarket under the Passio brand



PASSIONATA



DELTA ISRAEL

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

($M)	Q3-2023	Q3-2022	Var	Var C$*
SALES	57.3	63.9	(10%)	(1%)
EBIT	6.2	8.5	(27%)	
EBIT%	10.8%	13.3%	(2.5%)	

SALES in NIS slightly decreased, despite the political and economic situation, driven by -4.0% lower stores comps (DTC comps -2.1%) and lower wholesale channel, partially offset by higher online +11.7% (Including Victoria's Secret online +32.3%)

EBIT decreased 27%, mainly driven by higher expenses related to new businesses (Panta Rei, BBW and Victoria's Secret) and negative FX impact, partially offset by lower freight costs

EBIT in NIS, excluding exchange rate impact decreased by -0.6%, and net profit increased by 0.9% to 10.2%.

October sales at the same level of LY

*On a constant currency basis



The leading Israeli intimate apparel company for the entire family (Delta), teenagers (fix) and activewear (Panta Rei)
Licensee of the leading global apparel brand Victoria's Secret

211 retail stores, digital & wholesale channels

7 FOR ALL MANKIND

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

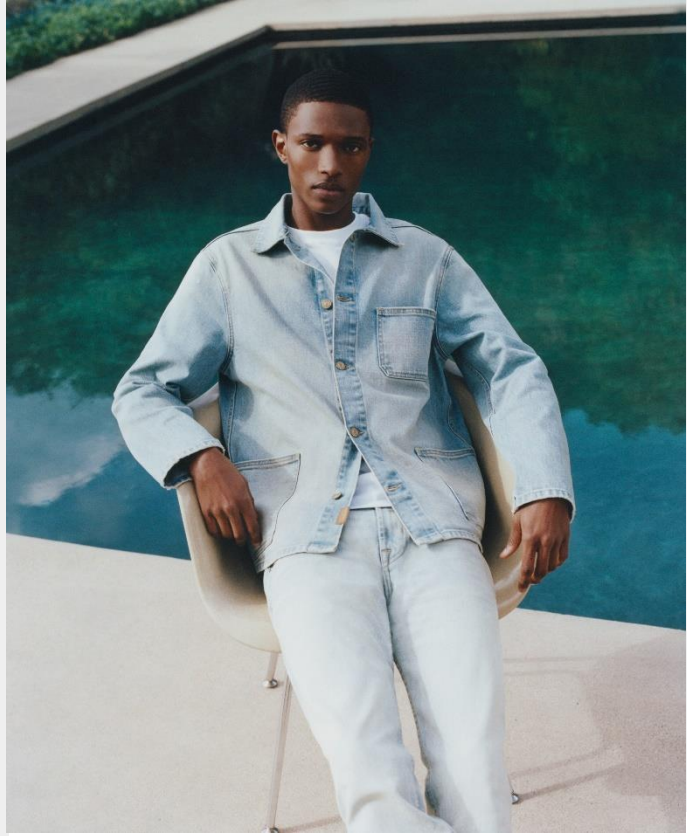
($M)	Q3-2023	Q3-2022	Var
SALES	46.2	50.5	(9%)
EBIT	2.4	1.8	31%
EBIT%	5.2%	3.6%	1.6%

SALES decreased 9%, driven by global slowdown of wholesale channel impacted by soft kick-off of FW23 (warm September) and loss of sales associated with US warehouse theft of $5M, partially offset by an increase in online, Brazil and Mexico

EBIT increased by 31%, mainly driven by $3.8M other income from insurance claim related to US warehouse theft items intended for sale

GROWTH INITIATIVES

- Increase Men's category share across all channels
- Expand ready-to-wear portfolio
- Introduce underwear products and other new categories
- Continue international expansion including Brazil and China, Mexican JV and other markets (e.g., Scandinavia, Middle East and other Asian markets)



The originator of American premium denim

the brand that forever changed the way people think about denim

Marketed through DTC and wholesale channels globally

OTHERS (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)	Q3-2023	Q3-2022	Var
SALES	20.3	26.8	(24%)
EBIT	(3.6)	(2.2)	
EBIT%	(17.5%)	(8.3%)	(9.3%)

SALES decreased 24%, due to reduction of 28% in Bare Necessities sales, driven by continued softness in traffic, partially offset by increased Organic Basics sales of $1.1M

EBIT decreased $1.4M, mainly driven by reduced sales at Bare Necessities.

Additional cost reduction measures implemented in Q4 in Bare Necessities, including termination of 10% of the workforce

BARE NECCESITIES GROWTH INITIATIVES

- Launch of New Private label brands with higher GM in Q3/Q4 to target a broader market (Camio Mio, Reveal, BodyUp)
- Targeted more aggressive promo calendar for Nov/Dec
- New creative campaign for Q4 went live Nov 1



Bare necessities
The largest US online independent digital platform intimate apparel retailer, building a personal, long-lasting connection with our customer.
We ensure your every bra-wearing moment is extraordinary

Organic Basics

A sustainable digital first underwear and basics brand based in Copenhagen. Organic Basics believe in comfort and sustainability for all, making products to be both earth- and people-friendly.

Q3 Business Update

- Launched new Gen-Z focused brand identity in July with elevated logo, lower price-point, new imagery/photography and marketing aesthetic
- Q3 sales increased by $1.1M to $1.4M
- Global launch including US wholesale planned for Q1-24 with celebrity influencer campaign
- Strong sell-through of new product, despite general production delays, especially in bestselling bra category. Men's almost completely sold out





YTD-2023 RESULTS

YTD-2023 FINANCIAL HIGHLIGHTS VS. YTD-2022

Total Sales

YTD-2022	YTD-2023	
$1,487.1M	$1,349.1M	↓

Gross Profit

YTD-2022	YTD-2023	
$568.9M	$541.5M	↓

EBIT (BOT)

YTD-2022	YTD-2023	
$133.3M	$96.9M	↓

Own Branded Websites Sales*

Vs. YTD-2022	18%	↑

Gross Margin

YTD-2022	YTD-2023	
38.3%	40.1% ★	↑

EBIT Margin (BOT)

YTD-2022	YTD-2023	
9.0%	7.2%	↓

EBITDA**

YTD-2022	YTD-2023	
$158.5M	$119.7M	↓

Net Income (BOT)

YTD-2022	YTD-2023	
$83.2M	$53.8M	↓

Operating CF**

YTD-2022	YTD-2023	
(104.4)	99.6 ★	↑

Record for YTD ★

*Excluding Bare Necessities. Down 5% Including Bare Necessities
**Excluding IFRS 16

STRONG BALANCE SHEET

$156.8M
Cash & short term deposits

$178.0M Net Debt
Net Debt / EBITDA* ratio of 1.0

1.71 current ratio
Vs. 1.53 in Q3-2022

$725.8M ★ Equity
42% of total Balance Sheet

★ All-time record

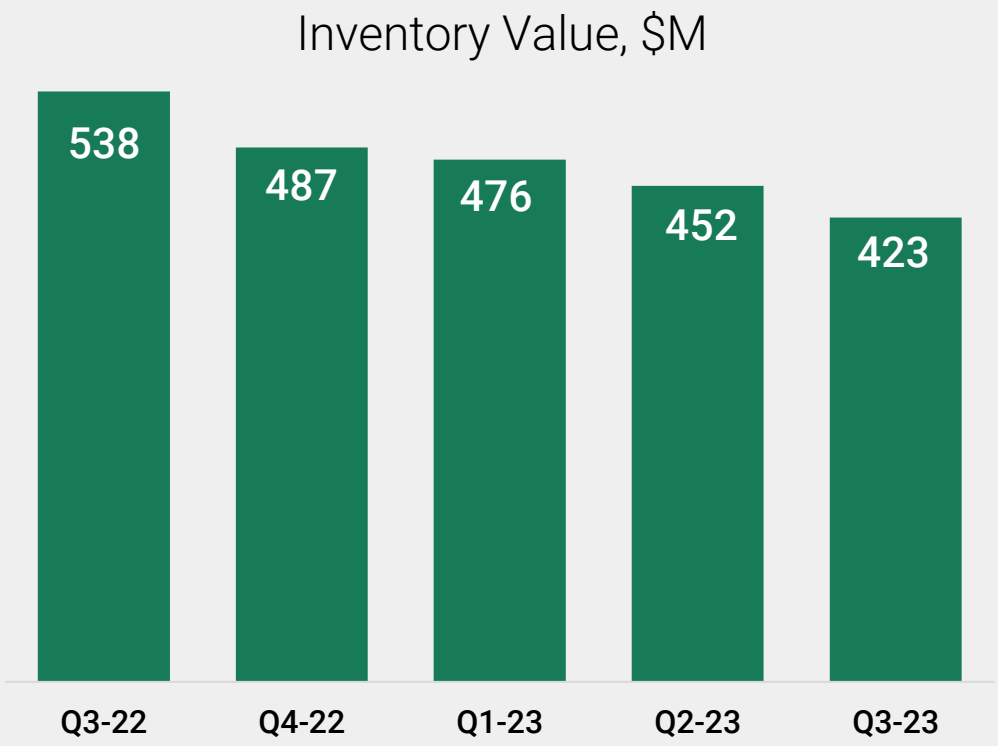
$ in millions

	September 30 2022	% OF TOTAL	September 30 2023	% OF TOTAL
CASH PORTFOLIO	169.6	9%	156.8	9%
INVENTORY	537.8	29%	423.3	24%
OTHER CURRENT ASSETS	280.5	15%	264.0	15%
TOTAL CURRENT ASSETS	987.9	53%	844.1	48%
NON CURRENT ASSETS	873.0	47%	903.1	52%
TOTAL ASSETS	**1,860.9**	**100%**	**1,747.2**	**100%**
CURRENT LIABILITIES	645.8	35%	493.9	28%
DEBENTURES	145.2	8%	108.1	6%
OTHER NON-CURRENT LIABILITIES	411.3	22%	419.4	24%
TOTAL LONG TERM LIABILITIES	556.4	30%	527.5	30%
EQUITY	658.6	35%	725.8	42%
TOTAL LIABILITIES AND EQUITY	**1,860.9**	**100%**	**1,747.2**	**100%**

*Excluding IFRS16 impact
Rounded numbers

INVENTORY TREND ANALYSIS

Consecutive and significant inventory reduction of $114M vs. Q3-2022



We expect further significant reduction in inventory during Q4.2023

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

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

Inventory days reduction of 14 days from 153 in Sep-22 to 139 in Sep-23 (normalized 32 days reduction)

2024 INDICATORS FOR RETURN TO GROWTH IN SALES AND PROFITABILITY

Management's Goal, Based on its Initial 2024 Budget, is Focused on Achieving Sales and Profit Levels Similar to 2022's Record Results; Updated Guidance Will Be Provided in February 2024

- **Normalized inventory** at our customers will drive strong demand
- **Continuous growth with Skims** in both existing and new categories
- **Walmart and Target return to growth** will present opportunities
- Our Egypt new socks facility and new Vietnam plant for Bogart **operational**
- **Our realignment plan** will yield increased profits
- **Passionata acquisition** will yield increased sales
- **Organic Basics** full year following global launch
- Launching **Millie Bobby Brown**


THANK YOU

Q3-2023 IFRS 16 IMPACT

$ in millions

	Q3-2023
EBIT	3.7
EBITDA	16.0
Finance expenses	2.0
Net income	1.3