

Q4-2023 RESULTS

FEBRUARY 2024

DELTA GALIL INDUSTRIES LTD.

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 2023 שפורסם ביום 25 בפברואר 2024 (מס' אסמכתא: 2024-01-019458) ("הדוח התקופתי"), 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 רביעי המסתיים בחודש דצמבר 2023, כמפורט בדוח רבעון 4.

2023 MAIN ACHIEVEMENTS

DTC Sales Increased in all segments*

Reduced Inventory by $125.9M

Record Gross Margin of 40.9%

Record Operating Cash Flow of $181.9M**

Strong Balance Sheet $177.4M Cash and Record Equity of $768.4M

Net Debt down from $217.4M to $123.4M Net Debt/EBITDA 0.7**



*On a constant currency basis **Excludes IFRS 16 impact

2023 A YEAR OF INVESTMENT IN GROWTH

NEW BRANDS

PASSIONATA

Passionata acquisition -
an iconic innovative French brand; a unique mix of comfort and sensuality

Millie Bobby Brown

Florence by mills a new licensing deal with Millie Bobby Brown

Organic Basics

Organic Basics launch -
a sustainable digital first underwear and basics brand based in Copenhagen.

PRIVATE LABEL

SKIMS

Continued growth with SKIMS with expansion to ready to wear

Activewear Category

Increase penetration into the growing **activewear category** through special fabrics, bonding techniques and hybrid technologies

Egypt Socks Factory

New socks factory in Egypt to increase capacity and penetration into the US market

DELTA ISRAEL

VICTORIA'S SECRET

Licensee of the leading global lingerie brand **Victoria's Secret**

Bath & Body Works

New license with **Bath & Body Works**, a global leader in body care and home fragrance

Panta Rei

Expanding our sport brand's awareness in digital and retail and with launch of men's collection

2023 RESULTS

RECORD GROSS MARGIN AND OPERATING CASH FLOW

SALES
$1,857.7M
(9%), (8%) C$

GROSS MARGIN
40.9%★
+230 BPS

EBIT*
$153.0M
(20%)

EBIT MARGIN*
8.2%
(120) BPS

NET PROFIT MARGIN*
4.9%
(100) BPS

OPERATING CF**
$181.9M★
+$201.2M

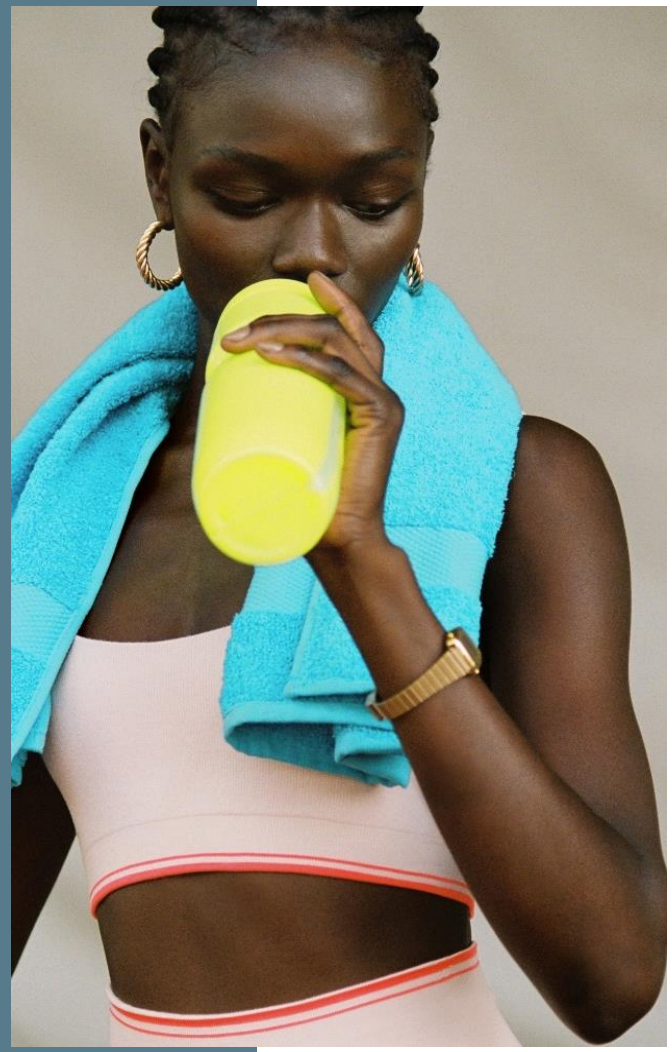


★ **All-time record**

Rounded numbers. *Before one-time items **Excludes IFRS 16 impact

2023 HIGHLIGHTS

- **Sales decreased by 8%** on C$ vs. 2022, driven by all segments except Delta Israel
- **Growth of Skims and Lulu** with multiple new expansion opportunities
- **DTC channel with increase** driven by all segments (on C$)
- **Delta Israel** with record year in sales and gross profit (on C$)
- **Private label** with record EBIT margin of 12.1% despite lower sales
- **All-time record gross margin of 40.9%,** despite highly-promotional environment
- **All-time record operating cash flow* of $181.9M**
- Successful execution of our inventory reduction plan resulted in inventory reduction of **$125.9M in 2023**
- **Implemented realignment plans** of $11.4M ($9.2M in cash) in line with our long-term growth strategy
- **$27.5M dividend** declared for 2023



*Excludes IFRS 16 impact

Q4 - 2023 RESULTS

Remarkable profitability despite challenging wholesale environment

SALES
$508.6M
(7%), (6%) C$

GROSS MARGIN
43.1%★
+340 BPS

EBIT
$56.2M
(1%)

EBIT MARGIN
11.0%
+50 BPS

NET PROFIT MARGIN
7.4%
+50 BPS

OPERATING CF*
$82.3M
-$2.8M



★ **All –time record**

Rounded numbers. *Excludes IFRS 16 impact

Q4 - 2023 HIGHLIGHTS

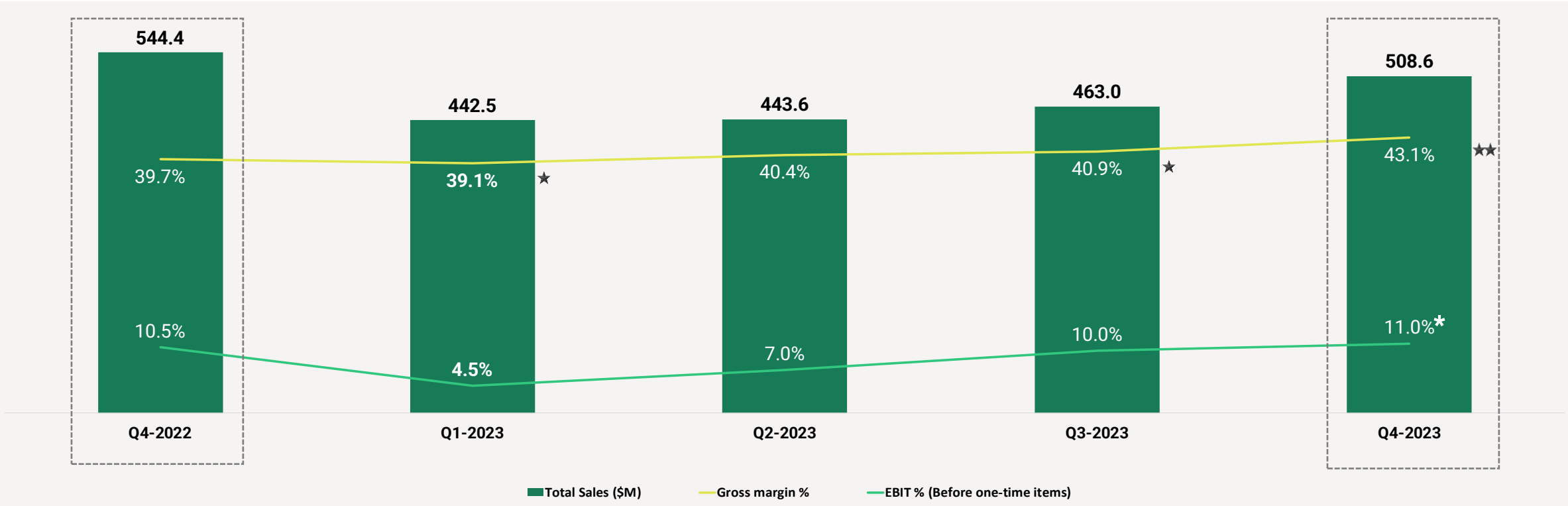


- **Sales decreased by 6%** on C$ vs. Q4-2022, driven by all segments except Delta Israel
- **Own web sales increased** in all segments, driven by higher traffic
- **Growth of VS, Skims and Nike** with multiple new expansion opportunities
- All-time record gross margin of **43.1%**
- **Strong EBIT margin of 11.0% vs. 10.5% in Q4-2022**
- **Delta Israel** with record quarter in sales (on C$), profitability and strong operating cashflow
- **Private label** EBIT margin of 14.7% at Q3-2023 record level despite lower sales
- Strong operating cashflow** of **$82.3M**, with record annual **of $181.9M**
- **Moody's** (Midroog) maintained our strong credit rating of **Aa3.il**
- **$9M dividend** declared for Q4-2023, **$27.5M dividend** declared for 2023

*Before one-time items **Excludes IFRS 16 impact

QUARTERLY TREND ANALYSIS

- Sales decreased by 7% vs. Q4-2022, driven by all segments except Delta Israel, impacted by challenges in the wholesale channel
- Record gross margin increased to 43.1%, mainly driven by favorable customer, segment and channel mix, lower freight costs and improved utilization of our factories
- EBIT margin increased to 11% despite lower sales, driven by higher gross margin



★★ All-time record ★ Quarterly Record *Excluding Bare Necessities EBIT at record level of 12.4%

EBIT MARGIN ANALYSIS

Strong EBIT margin despite lower sales and SG&A de-leverage, due to record Q4 gross margin

Q4-2022 Gross margin	39.7%	Var
Favorable customer mix		↑
Channel and segment mix		↑
Higher utilization of our factories		↑
Lower freight Cost		↑
Higher discounts & promotions		↓
Q4-2023 Gross margin	**43.1%**	**3.4%**

Q4-2022 EBIT margin	10.5%	Var
SG&A		
SG&A de-leverage		↓
SG&A cost increase		↓
New businesses high SG&A		↓
Other income		↑
Q4-2023 EBIT margin	**11.0%**	**0.5%**

Q4-2023 FINANCIAL HIGHLIGHTS VS. Q4-2022

Total Sales		
Q4-2022	Q4-2023	
$544.4M	$508.6M	↓

Gross Profit		
Q4-2022	Q4-2023	
$216.3M	$219.1M	↑

EBIT		
Q4-2022	Q4-2023	
$56.9M	$56.2M	↓

Own Branded Websites Sales*		
Vs. Q4-2022	16%	↑

Gross Margin		
Q4-2022	Q4-2023	
39.7%	43.1%★	↑

EBIT Margin		
Q4-2022	Q4-2023	
10.5%	11.0%	↑

EBITDA**		
Q4-2022	Q4-2023	
$65.6M	$62.9M	↓

Net Income		
Q4-2022	Q4-2023	
$37.4M	$37.8M	↑

Net Debt / EBITDA**		
Q4-2022	Q4-2023	
1.0	0.7	↓

Operating CF**		
Q4-2022	Q4-2023	
$85.1M	$82.3M	↓

Days Inventory Outstanding***		
Q4-2022	Q4-2023	
134	112	↓

CAPEX****		
Q4-2022	Q4-2023	
$12.2M	$21.0M	↑

★ All-time record

*Excluding Bare Necessities. Up 7% Including Bare Necessities **Excluding IFRS 16 ***99 Normalized DIO assuming Q4-2023 COGS at the same level of LY

****in Q4-2023, capex includes significant investments in Delta Israel warehouse / new stores and new Egypt factory



Q4-2023
UPDATE BY SEGMENT

PRIVATE LABEL

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

EBIT margin at Q3-2023 record level despite lower sales

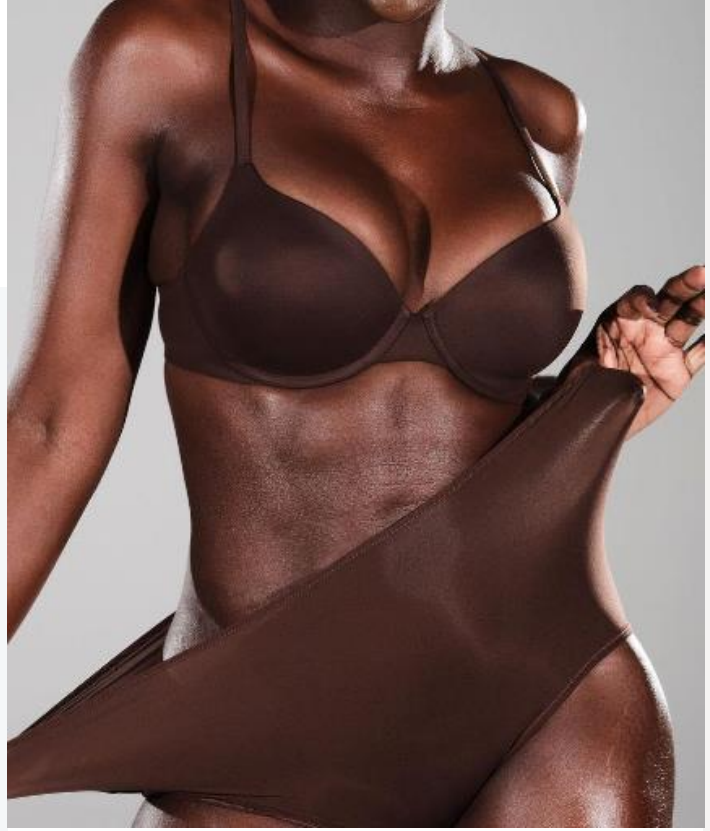
($M)	Q4-2023	Q4-2022	Var
SALES	168.9	199.6	(15%)
EBIT	24.9	25.2	(1%)
EBIT%	14.7%	12.6%	2.1%

SALES decreased 15%, as a result of major customers acting more conservatively, partially offset by significant growth with leading customers

EBIT % increased by 210 BPS, mainly driven by favorable customer mix and higher utilization of our factories

GROWTH INITIATIVES

- Continuous growth with Skims in both existing and new categories
- Nike returned to growth with increased penetration into the US market
- Strong pipeline of innovative products to be launched in 2024
- New launches with major customers: SKIMS, Victoria's Secret, Walmart, Target & PVH
- Entering Kirkland Private Label Costco Jeans category



Fully vertical operating model from design to distribution

BRANDS

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

($M)	Q4-2023	Q4-2022	Var
SALES	186.1	195.6	(5%)
EBIT	14.4	16.0	(10%)
EBIT%	7.7%	8.2%	(0.4%)

SALES decreased by 5%, driven by lower sales of wholesale customers, partially offset by DTC growth

EBIT % at similar level, despite lower sales, higher discounts & promotions and expenses related to new licenses, due to higher gross margin.

GROWTH INITIATIVES

- Further expand our DTC channels including opening new stores for Schiesser, Eminence and Splendid
- New licensing deal with Florence by Mills launched in Q1-2024
- Further expansion of adidas sales globally
- Launch of 'Lauren by Polo Ralph Lauren' in 2024
- Passionata full launch in July-2024



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

Licensed:
Columbia, Polo Ralph Lauren, Tommy Hilfiger, Calvin Klein Kids, adidas, Wolford

DELTA ISRAEL

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

In NIS achieved record sales, gross profit, EBIT and net profit despite the war, political and economic situation

($M)	Q4-2023	Q4-2022	Var	Var C$*
SALES	83.8	83.3	1%	9%
EBIT	21.5	14.6	47%	
EBIT%	25.6%	17.5%	8.1%	

SALES in NIS increased by 9%, driven by higher stores comps in all brands +12.3% and higher online +9.8% (Including Victoria's Secret online +17.4%)

EBIT increased 47%, mainly driven by higher sales, higher GM, lower advertising expenses and SG&A leverage

NET PROFIT (in NIS) increased from 36.5M to 64.6M (from 12.5% to 20.4% of sales, respectively) Strong operating cashflow** of 44.9M vs. 27.6M in Q4-2022.

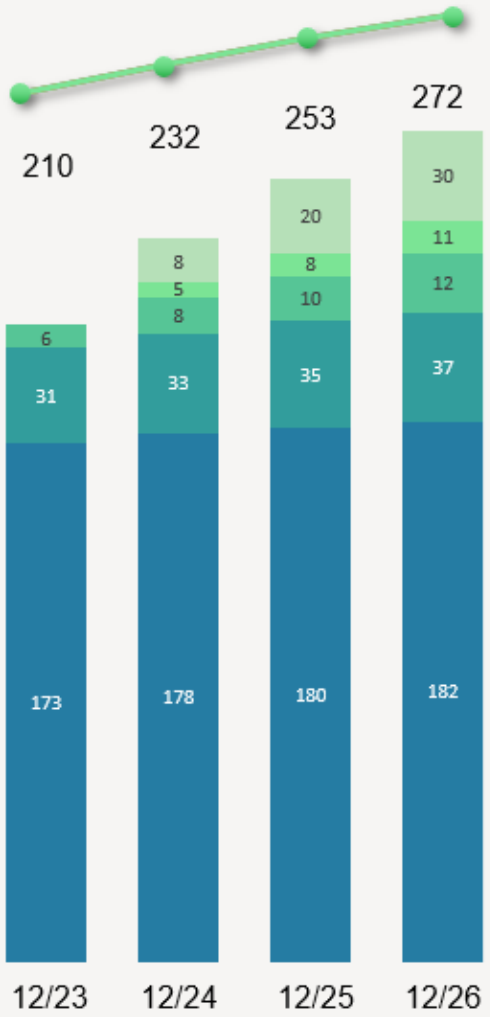
*On a constant currency basis **Excluding IFRS-16



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

210 retail stores, digital & wholesale channels

DELTA ISRAEL - STORES GROWTH PLAN



12/26	12/25	12/24	12/23	
182	180	178	173	Delta
37	35	33	31	fix
12	10	8	6	Panta Rei
11	8	5	0	VICTORIA'S SECRET
30	20	8	0	Bath & Body Works
272	253	232	**210**	סה"כ

7 FOR ALL MANKIND

7 For All Mankind is the originator of American Premium Denim, born in LA in 2000

($M)	Q4-2023	Q4-2022	Var
SALES	57.9	63.2	(8%)
EBIT	2.3	5.3	(57%)
EBIT%	3.9%	8.4%	(4.5%)

SALES decreased by 8%, mainly driven by reduction in major wholesale customers in US and EU

EBIT decreased by 57%, mainly driven by lower sales and SG&A deleverage

GROWTH INITIATIVES

- Expand into new product categories to grow RTW sales in DTC channels.
- Increase Men's category share across all channels and geographies
- Continue international expansion including Brazil, China, Mexico and new market
- Leverage the global organization to increase margins and efficiencies



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)	Q4-2023	Q4-2022	Var
SALES	18.2	20.2	(10%)
EBIT	(5.9)	(4.0)	
EBIT%	(32.7%)	(19.9%)	(12.9%)

SALES decreased 10%, due to reduction of 13% in Bare Necessities, driven by continued softness in traffic, partially offset by increased Organic Basics sales of 37%

EBIT decreased $1.9M, mainly driven by reduced sales at Bare Necessities and SG&A deleverage



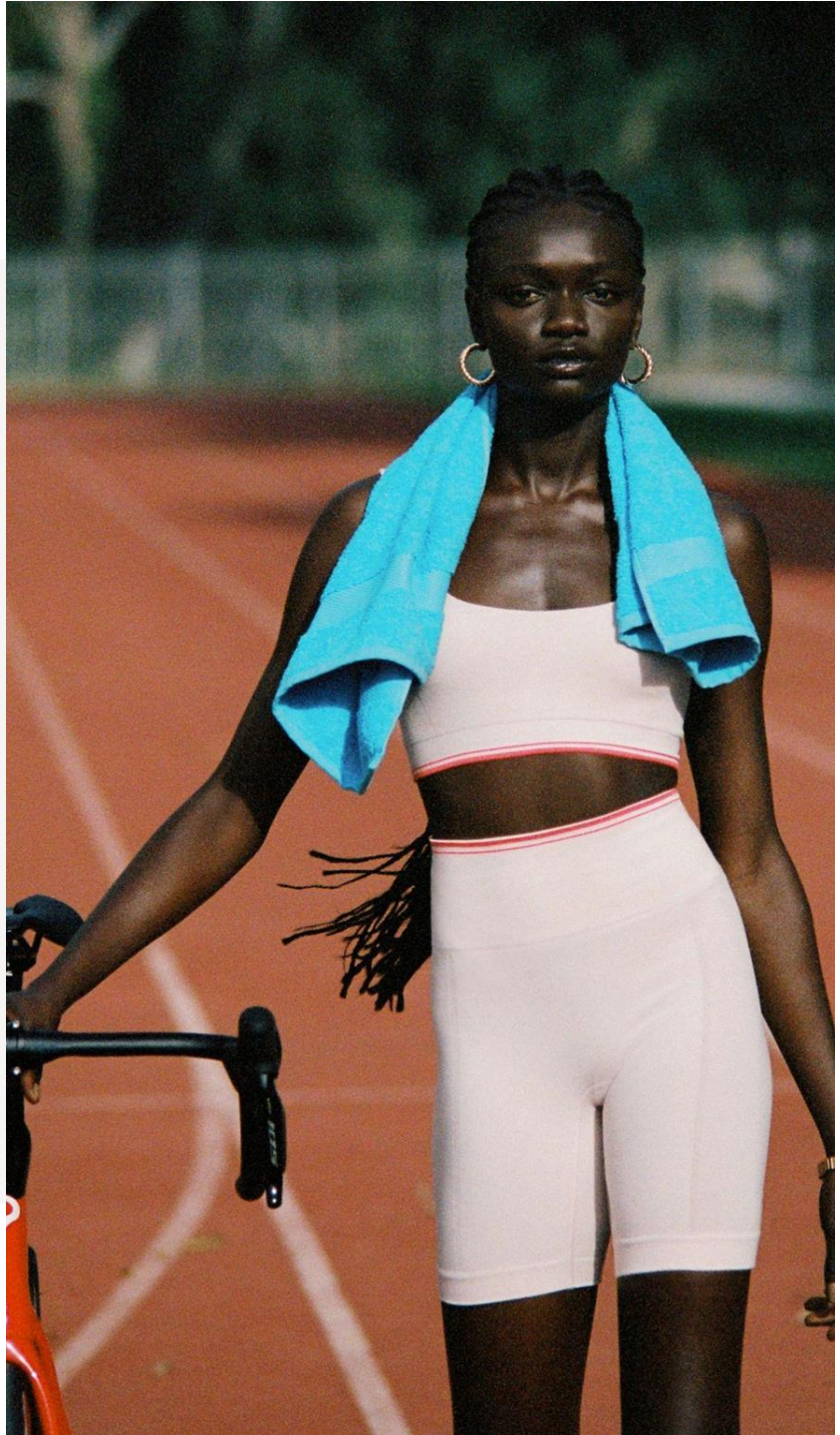
Bare Necessities
The largest US online independent digital platform intimate apparel retailer, building a personal, long-lasting connection with our customer. We ensure your every bra-wearing moment is extraordinary

Organic Basics

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

Q4 BUSINESS UPDATE

- #1 in Google Search in Organic Apparel and Intimate's category lead to a +60% increase in Organic Search traffic
- Q4 sales increased by 37% to $1.7M
- US sales tripled after US Fulfillment Center opened on Nov 1
- US focused growth will continue in 2024 with a brand launch planned in Q1, celebrity collaboration planned for H2 as well as launch of a large US wholesale partner




2023

2023 FINANCIAL HIGHLIGHTS VS. 2022

Total Sales	YTD-2022	YTD-2023
	$2,031.5M	$1,857.7M

Gross Profit	YTD-2022	YTD-2023
	$785.2M	$760.6M

EBIT (BOT)	YTD-2022	YTD-2023
	$190.2M	$153.0M

Own Branded Websites Sales*	
Vs. YTD-2022	17%

Gross Margin	YTD-2022	YTD-2023
	38.6%	40.9%★

EBIT Margin (BOT)	YTD-2022	YTD-2023
	9.4%	8.2%

EBITDA**	YTD-2022	YTD-2023
	$224.2M	$182.6M

Net Income (BOT)	YTD-2022	YTD-2023
	$120.6M	$91.6M

Operating CF**	YTD-2022	YTD-2023
	(19.3)	181.9★

★ All-time record

*Excluding Bare Necessities. Down 1% Including Bare Necessities

**Excluding IFRS 16

STRONG BALANCE SHEET

$177.4M
Cash & short term deposits

0.7 Net Debt /EBITDA *
$123.4M Net Debt

1.73 Current Ratio
Vs. 1.58 in Q4-2022

$768.4M ★ Equity
43% of total Balance Sheet

★ All –time record

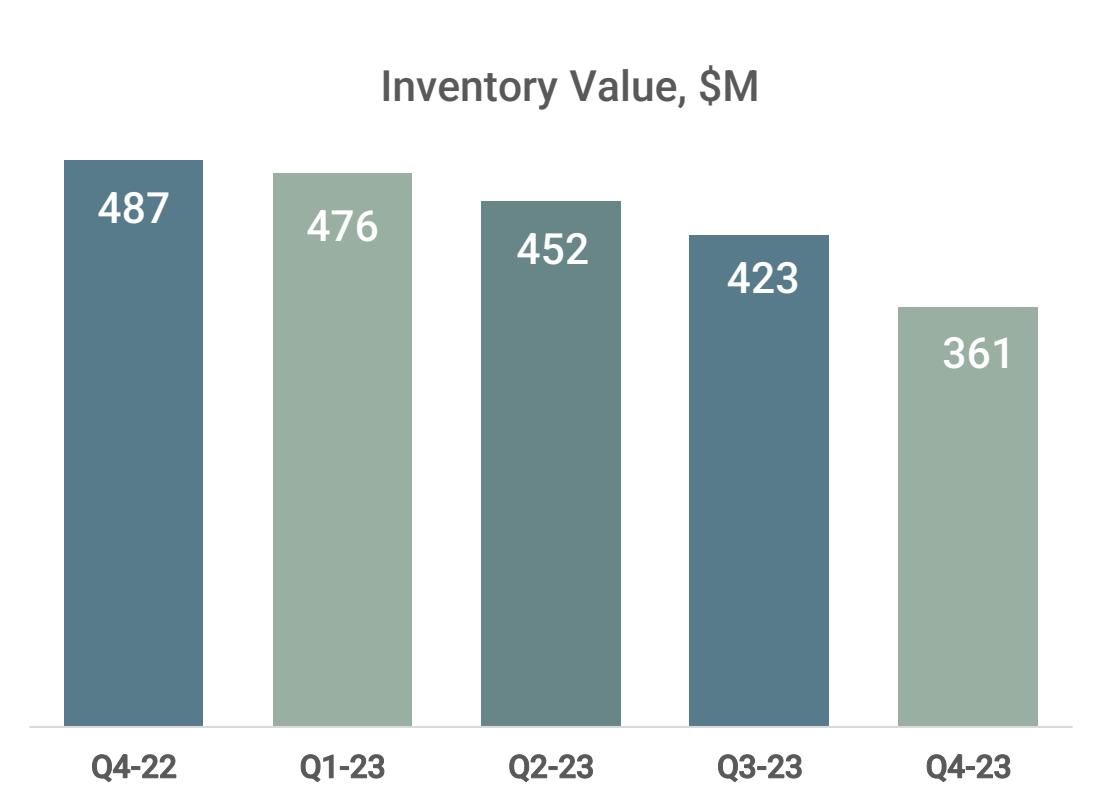
$ in millions

	December 31 2022	% OF TOTAL	December 31 2023	% OF TOTAL
CASH PORTFOLIO	194.9	11%	177.4	10%
INVENTORY	487.3	26%	361.4	20%
OTHER CURRENT ASSETS	284.3	15%	292.2	16%
TOTAL CURRENT ASSETS	966.5	52%	831.0	46%
NON CURRENT ASSETS	884.2	48%	957.5	54%
TOTAL ASSETS	**1,850.7**	**100%**	**1,788.6**	**100%**
CURRENT LIABILITIES	611.3	33%	481.7	27%
DEBENTURES	130.0	7%	96.5	5%
OTHER NON-CURRENT LIABILITIES	399.1	22%	442.0	25%
TOTAL LONG TERM LIABILITIES	529.0	29%	538.5	30%
EQUITY	710.3	38%	768.4	43%
TOTAL LIABILITIES AND EQUITY	**1,850.7**	**100%**	**1,788.6**	**100%**

*Excluding IFRS16 impact Rounded numbers

INVENTORY TREND ANALYSIS

- **Reduction of $126M in 2023 - exceeded our target of $100M, which contributed to record cashflow from operations**
- **5 consecutive Qs of inventory reduction**
- The significant reduction vs. December 2022 is driven by our commitment to reduce inventory levels by:
  - Enhanced planning and purchasing
  - Selling existing basics / NOS items
  - Stringent management
  - Clearance of aged items
- Inventory days reduced by 22 days from 134 in to 112 (normalized 35 days reduction)



2024 GUIDANCE

	2023 ACTUAL	2024 GUIDANCE		
				$ in millions
Sales	1,857.7	1,951	-	2,031
EBIT*	153.0	163.0	-	183.0
EBITDA*	246.8	256.3	-	276.3
Net Income*	91.6	99.1	-	114.7
Diluted EPS*($)	3.25	3.52	-	4.11

Based on our order file and projections, we expect the growth to materialize mostly in the second half of the year

2024 guidance is based on ex-rates of $1.05 to 1 Euro and NIS 3.74 to 1$, and is based on current tax rates, which are prior to the adoption of the Pillar 2 new tax legislation

*Before one time items, includes IFRS 16 impact

2024 INDICATORS

FOR **GROWTH** IN SALES AND **PROFITABILITY**

Normalized inventory at our customers will drive strong demand

Full utilization of our factories and launch of new Egypt socks factory

Organic Basics full year United States Launch

Continuous growth with Skims in both existing and new categories

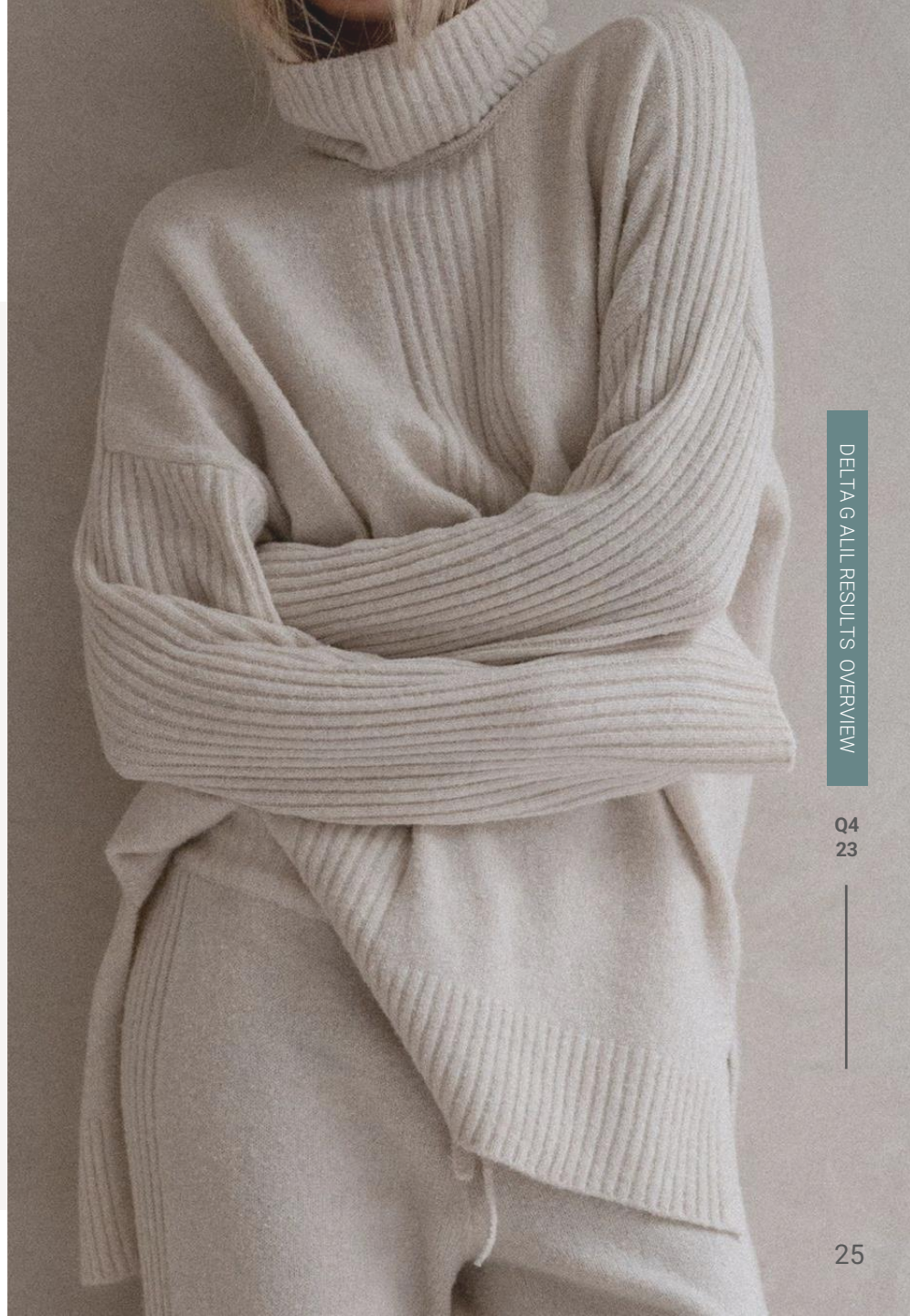
Our realignment plans will yield increased profits

Focus on growth in strategic categories: activewear, loungewear and bras

Launching **Florence by Mills**

VS, Walmart and Target return to growth will present opportunities

Passionata acquisition will yield increased sales




THANK YOU
DELTA GALIL
INDUSTRIES LTD.