DELTA GALIL
INDUSTRIES LTD.

RESULTS OVERVIEW Q4 2017

February 2018



האמור במצגת בכל הקשור לניתוח פעילותיה של החברה הינו תמצית בלבד, ועל מנת לקבל תמונה מלאה של פעילות החברה ושל הסיכונים עימם מתמודדת החברה, יש לעיין בדיווחיה השוטפים של החברה לרבות בדוח הרבעוני לתקופה שהסתיימה ביום 31 בדצמבר 2017.
בין היתר, העובדות והנתונים ששימשו בסיס למידע המפורט במצגת זו מבוססים על מידע כפי שידוע 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, של 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, וכן התפתחויות בסביבה הכלכלית ובגורמים החיצוניים המשפיעים על החברה. 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 במידע הצופה פני עתיד המוצג במצגת זו, ויש לקחת בחשבון כי נתוני עבר אינם מצביעים בהכרח על ביצועים בעתיד.

בהעדר אינדיקציה אחרת, הנתונים הכספיים הנכללים במצגת זו מתייחסים לשלושה חודשים המסתיימים בחודש דצמבר 2017 (כאשר מדובר על רבעון) ולשנת 2017 (כאשר מדובר על שנה).

2017 RECORD YEAR

RECORD ACHIEVED IN 2017:

- **SALES** INCREASED BY 16% TO $1.37B
- **NET INCOME*** INCREASED BY 7% TO $51M
- **EPS*** INCREASED BY 7% TO $1.98
- **EBITDA** INCREASED BY 8% TO $116M



* EXCLUDING ONE TIME ITEMS

RESULTS OVERVIEW Q4 2017

2017 OTHER HIGHLIGHTS

- **OPERATING CASH FLOW** $75M
- **CASH ON HAND** $139M
- **NET FINANCIAL DEBT TO EBITDA 1.1**

  DOWN FROM 2.0 POST ACQUISITION
- **DIVIDENDS DECLARED** $14M



2017 HIGHLIGHTS

- **CONTINUOUS IMPROVEMENT IN GLOBAL UPPER MARKET**
  - Transitioned our Israeli Seamless operation to Asia
  - Sales increase of 4.5%
  - EBIT increase of 7.6% excluding Vietnam impact
  - EBIT decrease of 3.9%

- **MARGIN IMPROVEMENTS FOR DGUSA**
  - GM up 110bps help to sustain our EBIT although sales were down 3%
  - Did not anniversary a club program from last year

- **FOURTH QUARTER IMPROVEMENT IN DELTA ISRAEL**
  - Strong fourth quarter sales up 19% EBIT up 40%
  - Fix brand shows significant sales increase
  - Significant increase on our Ecommerce platform
  - Weakness in first half affected full year

- **SCHIESSER CONTINUES TO GROW**
  - Sales increase of 6%



DGPB HIGHLIGHTS

- **DELTA PREMIUM BRANDS**
  - Q4 EBIT $ 3.3M, YTD EBIT $ 13.5M
  - 2 DCs consolidated into 1 in December 2017

- **7 FOR ALL MANKIND**
  - Strong Same store sales after a few years of negative same store
  - Transition of the European activity completed in September 2017
  - Hired new GM for 7FAM Europe

- **SPLENDID/ ELLA MOSS**
  - Converted Ella Moss losing business model to profitable licensing business
  - Separated the division from 7FAM
  - Will be on Delta ERP system by June 2018
  - Launched menswear line “Mills Supply” shipping in second half of 2018

MILLS SUPPLY



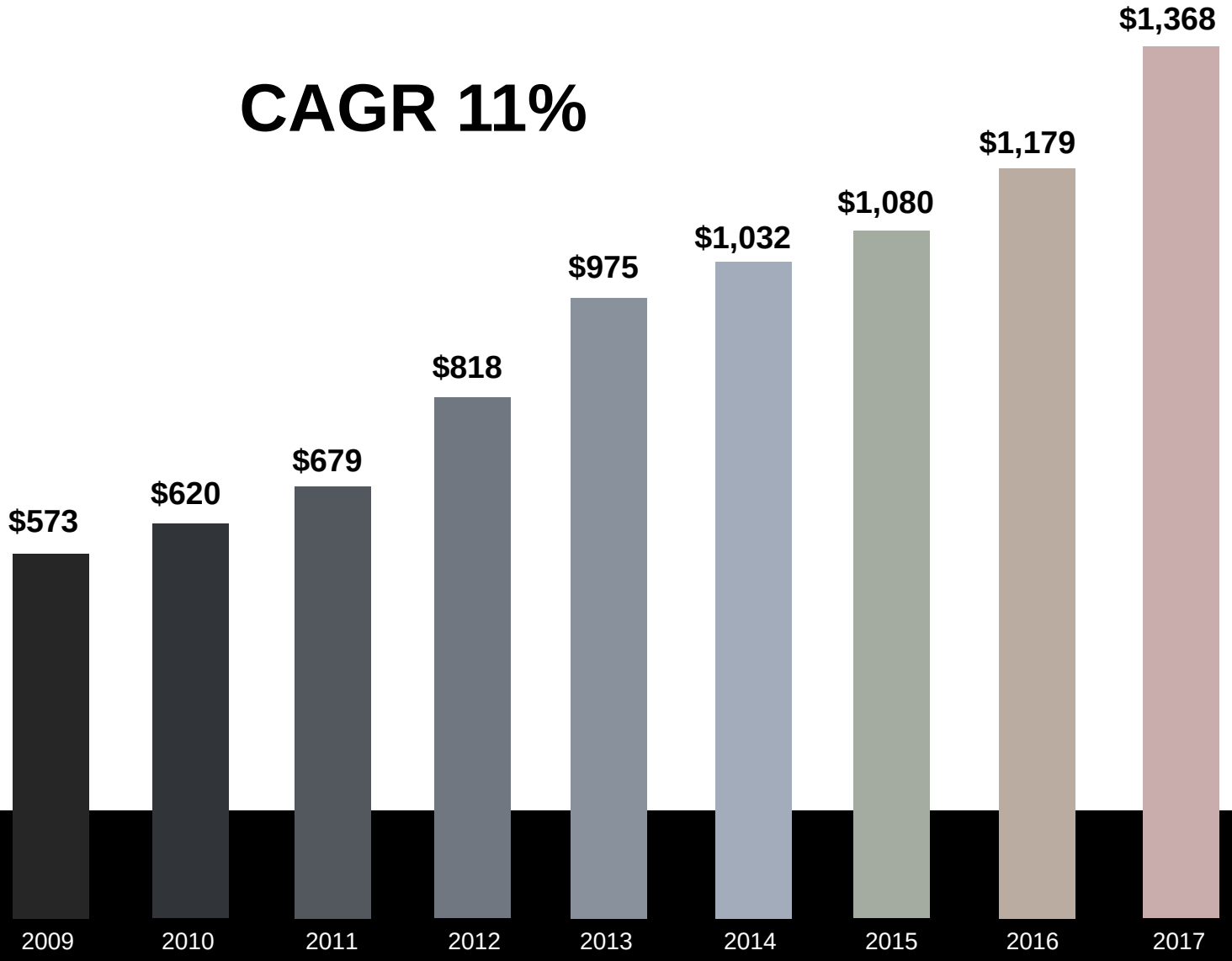
DGPB ACQUISITION RECAP

- PAID $ 119M
- BUILDING SALE $ 28M
- WORKING CAPITAL $ 66M
- CORPORATE OVERHEAD
  REDUCED SINCE ACQUISITION FROM 600 PEOPLE TO 316
- COMPLETION OF CLOSING 13 LOSING STORES IN 2017
  PLANNING ADDITIONAL 10 STORE CLOSURES IN 2018.
- 2017 SALES $ 275M; EBIT $ 13.5M



DRIVING GROWTH YEAR OVER YEAR

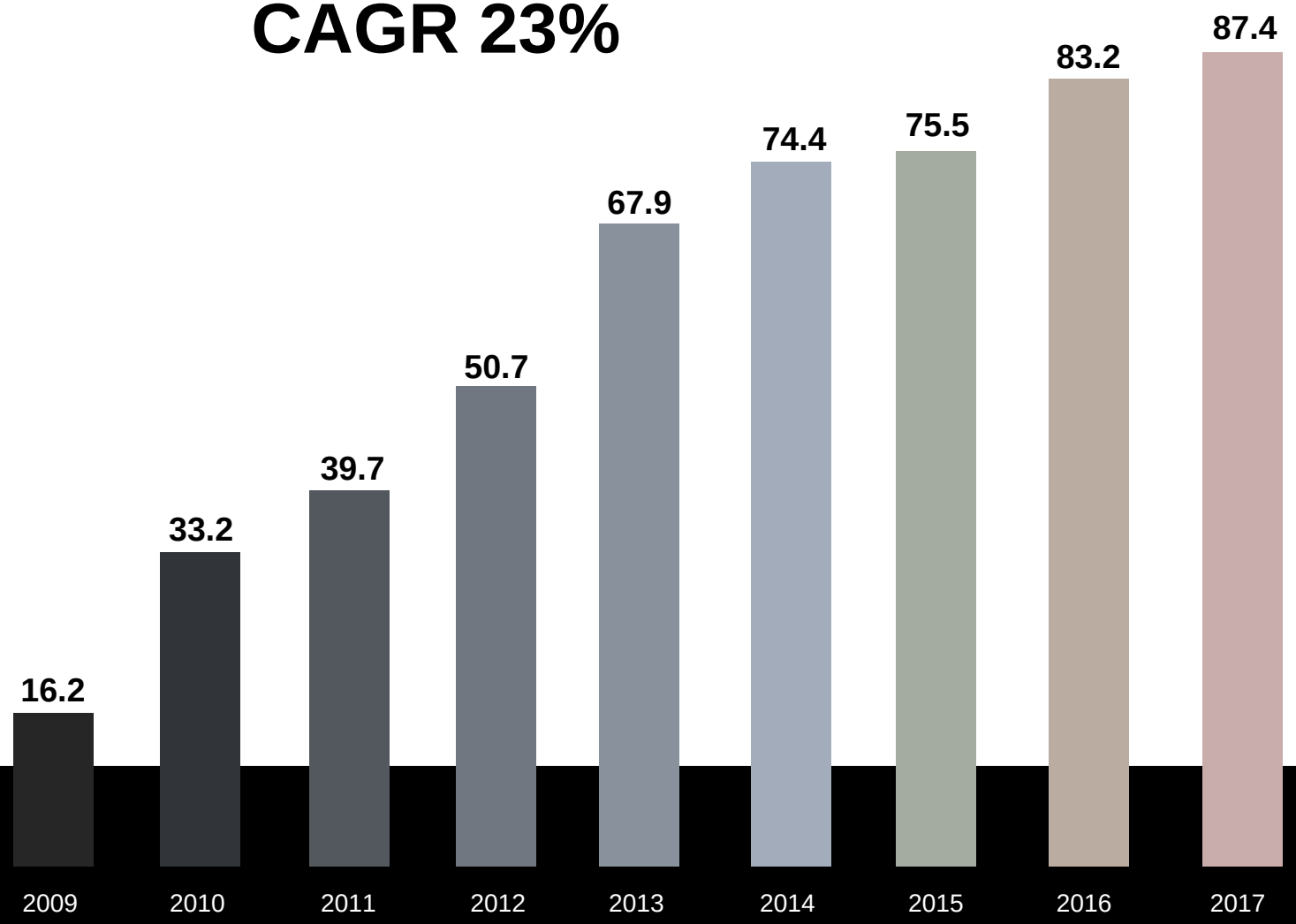
SALES 2009-2017 ($M)



DRIVING GROWTH YEAR OVER YEAR

EBIT 2009-2017 ($M)

Excluding one-time items



2017 INITIATIVES E-COMMERCE FOCUS

ONGOING FOCUS ON OUR E-COMMERCE GROWTH

- Implementing a new advanced digital platform for Delta Premium Brands (7 For All Mankind & Splendid)
- Significant increase in sales to E-comm pure players
- Doubling sales on our owned branded websites : Schiesser, Delta Israel, 7 For all Mankind and Splendid



Q4 2017 RESULTS

-1%
Sales
Sales in original currency down 4%

+1%
Operating Profit

+2%
EBITDA

+8%
Net income

($ million)

	Q4 2017	Q4 2016	% change vs last year
Sales	**371.6**	**376.3**	**(1%)**
Operating Profit	**32.5**	**32.3**	**1%**
% from sales	*8.7%*	*8.6%*	
EBITDA	**40.0**	**39.2**	**2%**
% from sales	*10.8%*	*10.4%*	
Net Income	**20.1**	**18.5**	**8%**
Diluted EPS ($ per share)	**0.79**	**0.73**	**7%**
Operating Cash Flow	**55.0**	**61.1**	**(10%)**

2017 RESULTS

+16%
Sales
Sales excl. DGPB **up 2%**

+5%
Operating Profit excluding one-time items
Reported OP **down 1%**

+8%
EBITDA

$75M
Operating cash flow LTM

($ million)

	2017	2016	% change vs last year
Sales	**1,368.1**	**1,179.2**	**16%**
Operating Profit	**84.6**	**85.3**	**(1%)**
% from sales	*6.2%*	*7.2%*	
Operating Profit Excluding one-time items	**87.4**	**83.2**	**5%**
% from sales	*6.4%*	*7.1%*	
EBITDA	**115.9**	**107.0**	**8%**
% from sales	*8.5%*	*9.1%*	
Net Income	**49.0**	**51.9**	**(6%)**
Net Income Excluding one-time items	**50.7**	**47.2**	**7%**
Diluted EPS ($ per share)	**1.91**	**2.03**	**(6%)**
Diluted EPS ($ per share) Excluding one-time items	**1.98**	**1.85**	**7%**
Operating Cash Flow	**74.7**	**76.6**	**(3%)**

Q4 SALES AND EBIT BY SEGMENT

($ thousands)

	SALES			% change in original currency	EBIT	
	Q4 2017	Q4 2016	% change		Q4 2017	Q4 2016
Delta USA	**117,174**	**126,465**	**(7%)**	**(7%)**	**10,016**	**10,153**
% from segment sales					*8.5%*	*8.0%*
Global Upper Market	**68,975**	**69,385**	**(1%)**	**(1%)**	**5,465**	**8,773**
% from segment sales					*7.9%*	*12.6%*
Schiesser	**60,898**	**56,290**	**8%**	**(1%)**	**6,281**	**7,932**
% from segment sales					*10.3%*	*14.1%*
Delta Israel	**55,024**	**46,299**	**19%**	**9%**	**7,149**	**5,111**
% from segment sales					*13.0%*	*11.0%*
Delta Premium Brands	**73,387**	**79,812**	**(8%)**	**(10%)**	**3,258**	**1,095**
% from segment sales					*4.4%*	*1.4%*
Intersegment Sales	**(3,820)**	**(1,936)**				
Others					**320**	**(753)**
Total Sales / EBIT before one-time items	**371,637**	**376,315**	**(1%)**	**(4%)**	**32,488**	**32,311**
% from total sales					*8.7%*	*8.6%*

The numbers are rounded

2017 SALES AND EBIT BY SEGMENT

($ thousands)

	SALES			% change in original currency	EBIT	
	2017	2016	% change		2017	2016
Delta USA	**445,321**	**461,470**	**(3%)**	**(3%)**	**30,300**	**30,764**
% from segment sales					*6.8%*	*6.7%*
Global Upper Market	**290,556**	**278,079**	**4%**	**4%**	**29,881**	**31,100**
% from segment sales					*10.3%*	*11.2%*
Schiesser	**207,881**	**195,864**	**6%**	**3%**	**12,607**	**13,595**
% from segment sales					*6.1%*	*6.9%*
Delta Israel	**161,769**	**148,120**	**9%**	**2%**	**3,853**	**6,850**
% from segment sales					*2.4%*	*4.6%*
Delta Premium Brands	**275,278**	**108,709**			**13,520**	**3,122**
% from segment sales					*4.9%*	*2.9%*
Intersegment Sales	**(12,726)**	**(13,075)**				
Others					**(2,772)**	**(2,225)**
Total Sales / EBIT before one-time items	**1,368,080**	**1,179,167**	**16%**	**15%**	**87,390**	**83,206**
% from total sales					*6.4%*	*7.1%*
One-Time items, net					**(2,832)**	**2,069**
Reported EBIT					**84,558**	**85,275**

The numbers are rounded

SALES ANALYSIS BY GEOGRAPHIC AREA

($ thousands)

	Q4					YTD				
	2017	% of sales	2016	% of sales	% change	2017	% of sales	2016	% of sales	% change
U.S.A	**197,245**	53%	**208,272**	55%	**-5%**	**760,480**	56%	**641,582**	54%	**19%**
Europe (excluding Germany)	**51,142**	14%	**54,915**	15%	**-7%**	**203,750**	15%	**181,342**	15%	**12%**
Germany	**55,031**	15%	**52,278**	14%	**5%**	**188,770**	14%	**168,398**	14%	**12%**
Israel	**55,149**	15%	**46,320**	12%	**19%**	**162,056**	12%	**148,299**	13%	**9%**
Others	**13,070**	4%	**14,529**	4%	**-10%**	**53,024**	4%	**39,546**	3%	**34%**
Total	**371,637**	100%	**376,315**	100%	**-1%**	**1,368,080**	100%	**1,179,167**	100%	**16%**

SEGMENTAL RESULTS ON A QUARTERLY BASIS

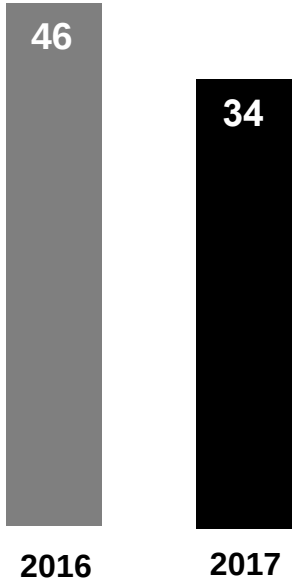
Excluding one time items

($ thousands)

	2016 Q4		2017 Q1		2017 Q2		2017 Q3		2017 Q4		TRAILING TWELVE MONTHS	
	EBIT	SALES	EBIT	SALES	EBIT	SALES	EBIT	SALES	EBIT	SALES	EBIT	SALES
Delta USA	**10,153**	**126,465**	**6,081**	**109,201**	**8,286**	**118,787**	**5,917**	**100,160**	**10,016**	**117,174**	**30,300**	**445,321**
% from sales	*8.0%*		*5.6%*		*7.0%*		*5.9%*		*8.5%*		*6.8%*	
Global Upper Market	**8,773**	**69,385**	**5,613**	**62,878**	**9,523**	**79,902**	**9,281**	**78,801**	**5,465**	**68,975**	**29,881**	**290,556**
% from sales	*12.6%*		*8.9%*		*11.9%*		*11.8%*		*7.9%*		*10.3%*	
Schiesser	**7,932**	**56,290**	**1,397**	**47,351**	**(1,181)**	**40,870**	**6,110**	**58,763**	**6,281**	**60,898**	**12,607**	**207,881**
% from sales	*14.1%*		*3.0%*		*(2.9%)*		*10.4%*		*10.3%*		*6.1%*	
Delta Israel	**5,111**	**46,299**	**(2,619)**	**33,491**	**(707)**	**34,783**	**30**	**38,470**	**7,149**	**55,024**	**3,853**	**161,769**
% from sales	*11.0%*		*(7.8%)*		*(2.0%)*		*0.1%*		*13.0%*		*2.4%*	
Delta Premium Brands	**1,095**	**79,812**	**2,804**	**66,760**	**2,969**	**68,434**	**4,489**	**66,697**	**3,258**	**73,387**	**13,520**	**275,278**
% from sales	*1.4%*		*4.2%*		*4.3%*		*6.7%*		*4.4%*		*4.9%*	
Intersegment Sales and Others	**(753)**	**(1,936)**	**(402)**	**(4,000)**	**(1,196)**	**(2,315)**	**(1,493)**	**(2,590)**	**320**	**(3,820)**	**(2,772)**	**(12,726)**
Total EBIT / Sales	**32,311**	**376,315**	**12,874**	**315,681**	**17,694**	**340,461**	**24,334**	**340,301**	**32,488**	**371,637**	**87,390**	**1,368,080**
% from sales	*8.6%*		*4.1%*		*5.2%*		*7.2%*		*8.7%*		*6.4%*	

The numbers are rounded

CAPITAL EXPENDITURES



($ million)

Manufacturing	12.2
Schiesser*	4.7
Israeli market	3.6
DGPB	9.0
Others	4.5
Total	**34**

*excluding manufacturing

STRONG BALANCE SHEET

$139M
cash on hand

$451M
equity

44%
equity from total balance sheet

1.1
net debt / EBITDA

($ million)

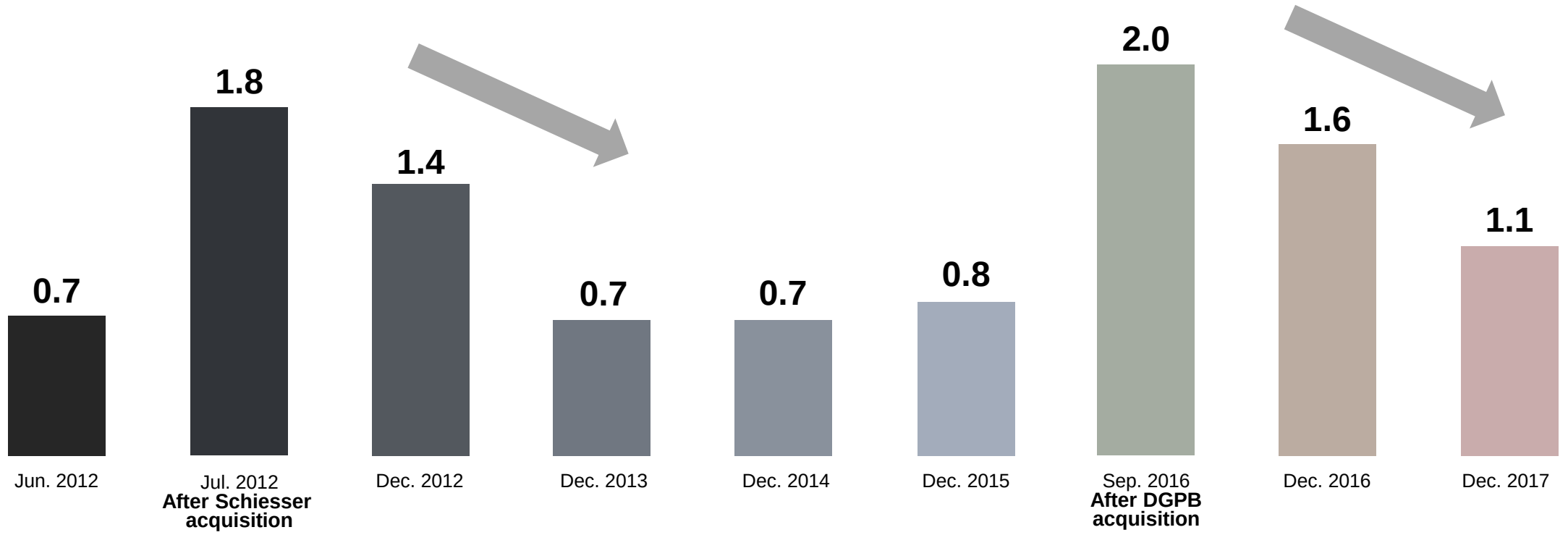
	Dec 31 2017	% FROM TOTAL	Dec. 31 2016	% FROM TOTAL
Cash and cash equivalents	138.9	14%	83.7	9%
Other current assets	443.4	43%	406.7	45%
Total current assets	582.3	57%	490.4	54%
Non current assets	438.2	43%	423.1	46%
Total Assets	**1,020.5**	**100%**	**913.5**	**100%**
Current liabilities	258.3	25%	264.9	29%
Debentures	258.9	25%	207.0	23%
Others non-current liabilities	52.0	5%	51.0	6%
Total long term liabilities	310.9	30%	258.0	28%
Equity	451.3	44%	390.6	43%
Total Liabilities and Equity	**1,020.5**	**100%**	**913.5**	**100%**

FINANCIAL INDICATORS

	31.12.2017	31.12.2016
Current ratio	2.25	1.85
Quick ratio	1.21	0.97
Days of Sales Outstanding	36	37
Days Payable Outstanding	45	39
Inventory Days	107	88
Operating cash flow - Q4 ($ million)	55.0	61.1
Operating cash flow - YTD ($ million)	74.7	76.6
EBITDA - Q4 ($ million)	40.0	39.2
EBITDA - YTD ($ million)	115.9	107.0
Net financial debt ($ million)	125.6	181.2
Net financial debt to EBITDA (based on Last 4 Quarters)*	1.1	1.6
Equity / Equity & Liabilities	44.2%	42.8%
Equity ($ million)	451.3	390.6
Net Debt / CAP	17.4%	27.5%

* Net financial debt to EBITDA in 2016 is calculated based on proforma, assuming the purchased activity was consolidated for the full year.

NET FINANCIAL DEBT TO EBITDA

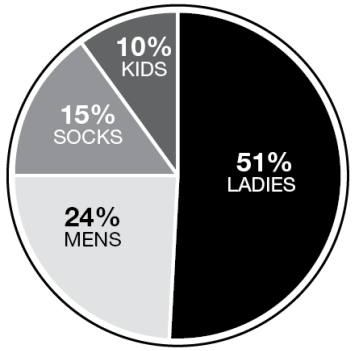


* EBITDA calculated based on Last 4 Quarters

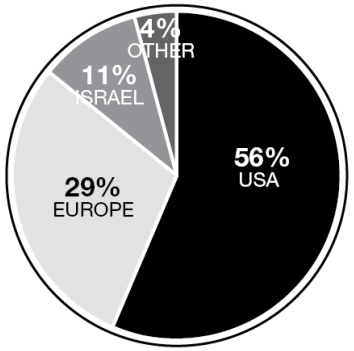
DIVERSIFIED PORTFOLIO

Enables Delta to mitigate the market changes

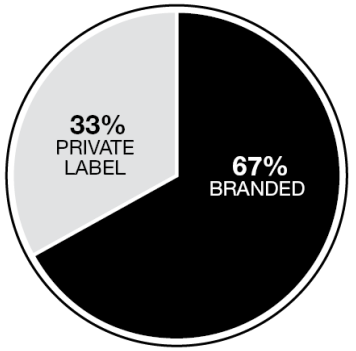
% from sales (for 2017)



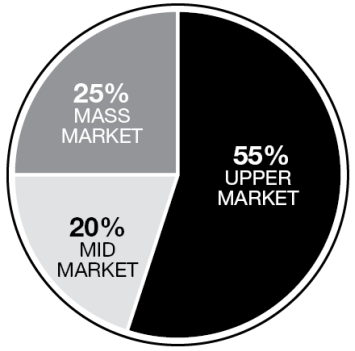
PRODUCT CATEGORIES



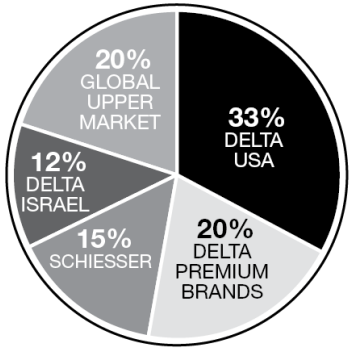
GEOGRAPHIC AREA



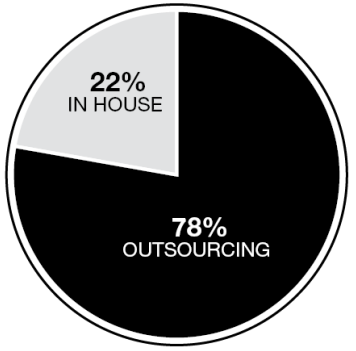
BRANDED / PRIVATE LABEL



MARKET SEGMENT



BUSINESS SEGMENTS



PRODUCTION

The numbers are rounded

2018 GUIDANCE

Excluding one time items

Based on current market conditions
Ex-rates used: Euro/USD 1.20; USD/NIS 3.50

($ million except per share data)

	2017 ACTUAL	2018 GUIDANCE	% INCREASE 2018 GUIDANCE COMPARED TO 2017 ACTUAL
Sales	1,368	1,400 - 1,440	**2% - 5%**
EBIT	87.4	91 - 96	**4% - 10%**
EBITDA	115.9	119 - 125	**3% - 8%**
Net Income	50.7	54 - 59	**7% - 16%**
Diluted EPS ($)	1.98	2.11 - 2.30	**7% - 16%**

FUTURE GROWTH: DGPB

- **CONTINUE IMPROVING OUR FINANCIAL RESULTS OF DGPB**
- **LAUNCHING MARKETING CAMPAIGNS FOR 7 FOR ALL MANKIND AND SPLENDID IN 2018**
- **DGPB LAUNCHES FOR 2018:**
  - Splendid Yoga
  - Splendid Sleepwear
  - Seven For All Mankind men's underwear
- **BEGINNING TO SHIP SPLENDID KIDS IN Q1 2018**
- **NEW ECOMMERCE PLATFORM FOR DGPB LAUNCHING Q1 2018**
- **LOI SIGNED FOR JOINT VENTURE AGREEMENT WITH : MEXICO, PANAMA AND COLOMBIA**



FUTURE GROWTH: DGPB 2020 GOAL

- ACHIEVING SALES INCREASE MID SINGLE DIGITS AND EBIT TARGET OF 10% (15% FOR 7FAM)
  - INCREASING GLOBAL FOOTPRINT
  - DEVELOPING RTW PRODUCTS
  - INCREASING ECOMMERCE SALES



FUTURE GROWTH

- LAST TWO YEARS INVESTMENTS FOR ADDITIONAL MANUFACTURING CAPACITY AND STARTUPS WILL BEAR FRUIT IN 2018 AND BEYOND
- LAUNCHING OF CK BRAND KIDS UNDERWEAR IN 2018
- LAUNCHING ACTIVE WEAR ECOMMERCE SITE IN ASIA IN Q3
- FOCUSING ON PRODUCING PRIVATE LABEL INTIMATES FOR AMAZON
- PROJECTING LOWER TAX RATES OF 20-22%
- CONTINUE TO PURSUE STRATEGIC ACQUISITION OPPORTUNITIES




THANK
YOU