

DELTA GALIL
INDUSTRIES LTD.

Results Overview Q2 2019

Aug 2019

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 30 יוני 2019.

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 לרבעון שני המסתיים בחודש יוני 2019.

Q2 2019 Highlights

CONCLUDED THE SECOND QUARTER WITH

- **SALES** INCREASE OF 10% TO $374M
- **EBIT*** INCREASE OF 13% TO $17M , REPORTED IS UP 27%
- **OPERATING CASH FLOW**** INCREASED BY $11M TO $21M

DGUSA

- Q2 Sales are down 10%, EBIT down 83%

  Mainly due to one time product return and continued weakness in Avia active wear business
- Hired Steve Moore as President of Mass Market, former VP of Sales at Gildan

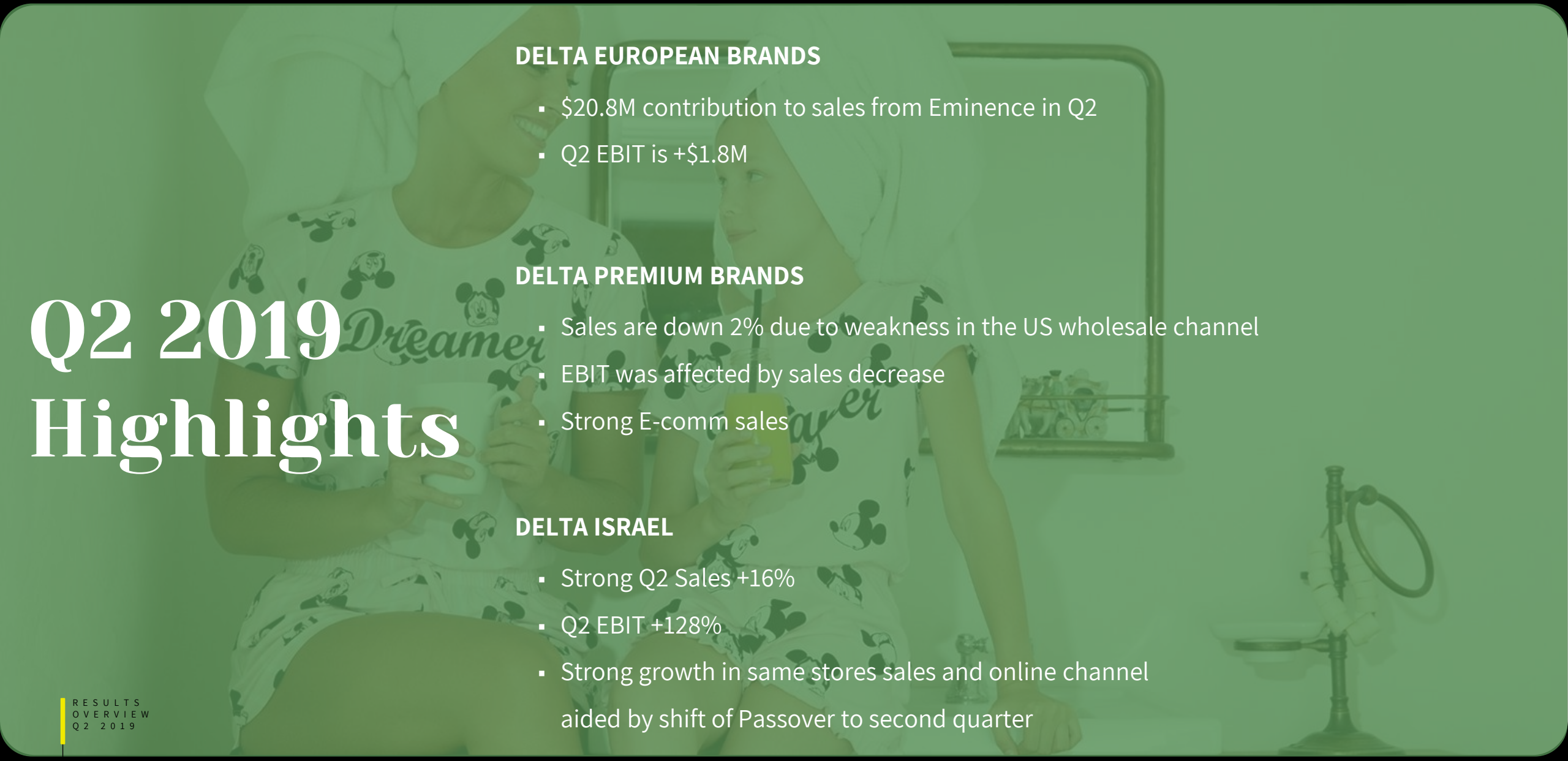
GLOBAL UPPER MARKET

- Strong Q2 Sales +26%, EBIT +74%
- Improvement in our seamless and socks categories
- Improving efficiency at our factories

* EXCLUDING ONE TIME ITEMS

** REPORTED OPERATING CASH FLOW IMPROVED BY $24M TO $34M

Q2 2019 Highlights



DELTA EUROPEAN BRANDS

- $20.8M contribution to sales from Eminence in Q2
- Q2 EBIT is +$1.8M

DELTA PREMIUM BRANDS

- Sales are down 2% due to weakness in the US wholesale channel
- EBIT was affected by sales decrease
- Strong E-comm sales

DELTA ISRAEL

- Strong Q2 Sales +16%
- Q2 EBIT +128%
- Strong growth in same stores sales and online channel aided by shift of Passover to second quarter

IFRS16 Impact

WE APPLIED IFRS16 STARTING Q1/2019

($ million)

	Q2.2019		YTD 2019	
	EXCLUDING IFRS16	REPORTED	EXCLUDING IFRS16	REPORTED
OPERATING PROFIT	12.3	14.3	21.1	24.8
OPERATING PROFIT (Excluding one-time items)	15.2	17.2	24.0	27.6
EBITDA	23.9	37.3	41.2	68.0
FINANCIAL EXPENSES	5.5	7.4	11.3	15.3
NET INCOME	5.0	5.1	8.4	8.1
NET INCOME (Excluding one-time items)	7.8	7.9	11.2	10.9
OPERATING CASH FLOW	21.0	34.5	4.8	31.6

The numbers are rounded

Q2 2019 Results

+10% **Sales**
Sales in original currency +11%
Sales excluding Eminence +4%
Sales organic growth in original currency +5%

+13% **Operating Profit** excluding one-time items
Reported OP 27%

+63% **EBITDA**

-13% **Net income** excluding one-time items
Reported Net income -22%

($ million)

	Q2 2019	Q2 2018	% change vs last year
SALES	373.9	338.9	10%
OPERATING PROFIT	14.3	11.3	27%
% from sales	3.8%	3.3%	
OPERATING PROFIT Excluding one-time items	**17.2**	**15.2**	**13%**
% from sales	4.6%	4.5%	
EBITDA	37.3	22.9	63%
% from sales	10.0%	6.8%	
NET INCOME	5.1	6.5	(22%)
NET INCOME Excluding one-time items	**7.9**	**9.1**	**(13%)**
DILUTED EPS ($ per share)	0.20	0.25	(22%)
Diluted EPS ($ per share) Excluding one-time items	**0.31**	**0.36**	**(14%)**
OPERATING CASH FLOW	34.5	10.4	

The numbers are rounded

H1 2019 Results

+10% **Sales**
Sales in original currency +12%
Sales excluding Eminence +3%
Sales organic growth in original currency +5%

-5% **Operating Profit** excluding one-time items
Reported OP -2%

+53% **EBITDA**

-34% **Net income** excluding one-time items
Reported Net income -42%

($ million)

	2019	2018	% change vs last year
SALES	739.3	673.4	10%
OPERATING PROFIT	24.8	25.3	(2%)
% from sales	*3.3%*	*3.8%*	
OPERATING PROFIT Excluding one-time items	**27.6**	**29.2**	**(5%)**
% from sales	3.7%	4.3%	
EBITDA	68.0	44.3	53%
% from sales	*9.2%*	*6.6%*	
NET INCOME	8.1	13.9	(42%)
NET INCOME Excluding one-time items	**10.9**	**16.6**	**(34%)**
DILUTED EPS ($ per share)	0.32	0.55	(43%)
Diluted EPS ($ per share) Excluding one-time items	**0.43**	**0.65**	**(35%)**
OPERATING CASH FLOW	31.6	(20.0)	

The numbers are rounded

Q2 Sales and EBIT by Segment

($ thousands)

	SALES			% change in original currency	EBIT	
	Q2 2019	Q2 2018	% change		Q2 2019	Q2 2018
DELTA USA	107,332	118,911	(10%)	(10%)	1,115	6,586
% from sales					1.0%	5.5%
GLOBAL UPPER MARKET	95,573	75,793	26%	26%	11,460	6,577
% from sales					12.0%	8.7%
DELTA EUROPEAN BRANDS	66,000	44,979	47%	51%	2,228	422
% from sales					3.4%	0.9%
DELTA PREMIUM BRANDS	64,910	66,425	(2%)	(1%)	1,043	1,454
% from sales					1.6%	2.2%
DELTA ISRAEL	45,892	39,665	16%	16%	2,959	1,297
% from sales					6.4%	3.3%
INTERSEGMENT SALES	(5,821)	(6,866)				
OTHERS					(1,648)	(1,091)
TOTAL SALES / EBIT before one-time items	**373,886**	**338,907**	**10%**	**11%**	**17,157**	**15,245**
% from sales					4.6%	4.5%
ONE-TIME ITEMS, NET					(2,842)	(3,950)
REPORTED EBIT					**14,315**	**11,295**

The numbers are rounded

H1 Sales and EBIT by Segment

($ thousands)

	SALES			% change in original currency	EBIT	
	2019	2018	% change		2019	2018
DELTA USA	219,107	221,599	(1%)	(1%)	5,929	11,551
% from sales					2.7%	5.2%
GLOBAL UPPER MARKET	175,121	144,217	21%	21%	16,657	10,375
% from sales					9.5%	7.2%
DELTA EUROPEAN BRANDS	140,761	102,972	37%	41%	4,320	2,817
% from sales					3.1%	2.7%
DELTA PREMIUM BRANDS	127,106	133,138	(5%)	(3%)	121	5,521
% from sales					0.1%	4.1%
DELTA ISRAEL	90,328	83,676	8%	11%	3,266	2,094
% from sales					3.6%	2.5%
INTERSEGMENT SALES	(13,162)	(12,208)				
OTHERS					(2,692)	(3,154)
TOTAL SALES / EBIT before one-time items	**739,261**	**673,394**	**10%**	**12%**	**27,601**	**29,205**
% from sales					3.7%	4.3%
ONE-TIME ITEMS, NET					(2,842)	(3,945)
REPORTED EBIT					**24,759**	**25,260**

The numbers are rounded

Sales Analysis by Geographic Area

($ thousands)

	Q2						YTD					
	2019	% of sales	2018	% of sales	% change	% change in original currency	2019	% of sales	2018	% of sales	% change	% change in original currency
U.S.A	197,819	53%	195,141	58%	1%	1%	**389,085**	53%	**371,390**	55%	**5%**	**5%**
EUROPE (excluding Germany)	70,124	19%	49,732	15%	41%	44%	**138,896**	19%	**98,596**	15%	**41%**	**44%**
GERMANY	42,140	11%	40,130	12%	5%	11%	**86,326**	12%	**91,056**	14%	**(5%)**	**2%**
ISRAEL	45,970	12%	39,668	12%	16%	16%	**90,485**	12%	**83,670**	12%	**8%**	**11%**
OTHERS	17,834	5%	14,236	4%	25%	25%	**34,470**	5%	**28,682**	4%	**20%**	**20%**
Total	**373,886**	100%	**338,907**	100%	**10%**	**11%**	**739,261**	100%	**673,394**	100%	**10%**	**12%**

The numbers are rounded

Segmental Results on a Quarterly Basis

Excluding one time items

($ thousands)

	2018						2019				TRAILING TWELVE MONTHS	
	Q2		Q3		Q4		Q1		Q2			
	EBIT	SALES	EBIT	SALES	EBIT	SALES	EBIT	SALES	EBIT	SALES	EBIT	SALES
DELTA USA	**6,586**	**118,911**	8,836	108,704	12,600	139,019	4,815	111,775	**1,115**	**107,332**	27,364	466,830
% from sales	5.5%		8.1%		9.1%		4.3%		1.0%		5.9%	
GLOBAL UPPER MARKET	**6,577**	**75,793**	5,053	78,239	5,595	85,909	5,197	79,548	**11,460**	**95,573**	27,306	339,269
% from sales	8.7%		6.5%		6.5%		6.5%		12.0%		8.0%	
DELTA EUROPEAN BRANDS	**422**	**44,979**	8,698	83,305	9,559	86,976	2,092	74,761	**2,228**	**66,000**	22,577	311,042
% from sales	0.9%		10.4%		11.0%		2.8%		3.4%		7.3%	
DELTA PREMIUM BRANDS	**1,454**	**66,425**	2,920	62,612	8,511	86,181	(922)	62,196	**1,043**	**64,910**	11,552	275,899
% from sales	2.2%		4.7%		9.9%		-1.5%		1.6%		4.2%	
DELTA ISRAEL	**1,297**	**39,665**	1,348	45,589	7,520	64,933	307	44,436	**2,959**	**45,892**	12,134	200,851
% from sales	3.3%		3.0%		11.6%		0.7%		6.4%		6.0%	
INTERSEGMENT SALES & EBIT	**(1,091)**	**(6,866)**	(199)	(7,686)	(1,642)	(8,754)	(1,045)	(7,341)	**(1,648)**	**(5,821)**	(4,533)	(29,602)
TOTAL EBIT / SALES	**15,245**	**338,907**	26,656	370,763	42,144	454,264	10,444	365,375	**17,157**	**373,886**	96,401	1,564,289
% from sales	4.5%		7.2%		9.3%		2.9%		4.6%		6.2%	

The numbers are rounded

Capital Expenditures

Back to normal level



($ million)

Global upper market	5.4
Delta European brands	4.3
DGPB	2.7
Delta Israel	1.3
Others	1.5
Total	**15.2**

Balance Sheet

Increased following Eminence acquisition and IFRS16 implementation

$40M Cash on hand

$462M Equity

33% Equity from total balance sheet

2.8 Net debt / EBITDA

($ million)

	Jun. 30 2019	% FROM TOTAL	Jun. 30 2018	% FROM TOTAL
CASH AND CASH EQUIVALENTS	39.8	3%	105.9	10%
OTHER CURRENT ASSETS	604.5	43%	478.0	47%
TOTAL CURRENT ASSETS	644.3	46%	583.9	57%
NON CURRENT ASSETS	761.9	54%	434.5	43%
TOTAL ASSETS	**1,406.2**	**100%**	**1,018.4**	**100%**
CURRENT LIABILITIES	352.2	25%	271.3	27%
DEBENTURES	291.8	21%	248.0	24%
OTHER NON-CURRENT LIABILITIES	299.9	21%	49.0	5%
TOTAL LONG TERM LIABILITIES	591.7	42%	297.0	29%
EQUITY	462.3	33%	450.1	44%
TOTAL LIABILITIES AND EQUITY	**1,406.2**	**100%**	**1,018.4**	**100%**

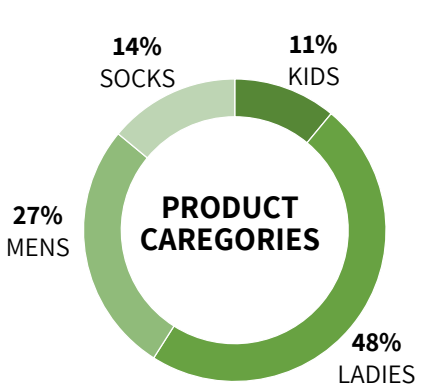
Financial Indicators

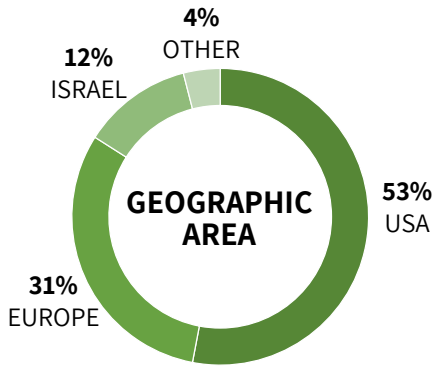
	30.06.2019	30.06.2018
Current ratio	**1.83**	2.15
Quick ratio	**0.84**	1.06
Days of Sales Outstanding	**45**	41
Days Payable Outstanding	**54**	49
Inventory Days	**131**	123
Operating cash flow - Q2 ($ million)	**34.5**	10.4
Operating cash flow - YTD ($ million)	**31.6**	(20.0)
Operating cash flow - Last 4 Quarters ($ million)	**74.0**	51.9
EBITDA - Q2 ($ million)	**37.3**	22.9
EBITDA - YTD ($ million)	**68.0**	44.3
EBITDA - Last 4 Quarters ($ million)	**153.5**	115.6
Net financial debt ($ million)	**361.1**	178.7
Net financial debt to EBITDA* (based on Last 4 Quarters)	2.8	1.5
Equity / Total balance sheet	**32.9%**	44.2%
Equity ($ million)	**462.3**	450.1
Net Debt / CAP	**40.1%**	24.0%

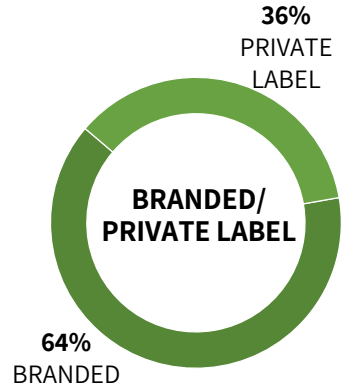
* This ratio excludes $26.8M positive impact on EBITDA due to IFRS16

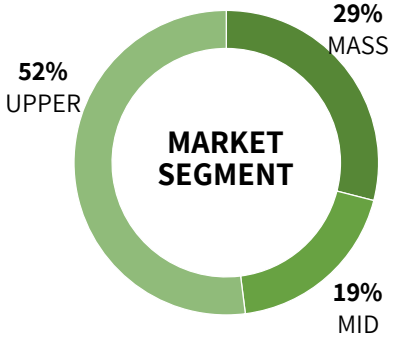
Diversified Portfolio

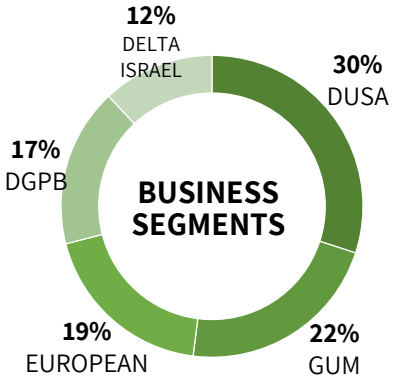
Enables Delta to mitigate the market changes
% from sales (for H1.2019)

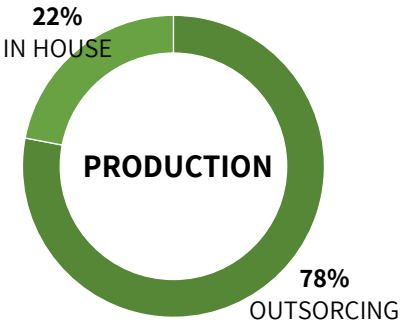












2019 Guidance

Excluding one time items

($ million)

	2018 ACTUAL	2019 GUIDANCE	% INCREASE 2019 GUIDANCE COMPARED TO 2018 ACTUAL
SALES	1,498	1,550 - 1,590	**3% - 6%**
EBIT	98	104 - 109	**6% - 11%**
EBITDA	130	138 - 143	**6% - 10%**
NET INCOME	60	64 - 67	**5% - 12%**
DILUTED EPS ($)	2.37	2.50 - 2.65	**5% - 12%**
INCLUDING IFRS16 IMPACT			
EBIT	98	112 - 117	**14% - 19%**
EBITDA	130	189 - 194	**45% - 49%**

The company estimates the impact of China tariffs and the one time product return up to $4M.
Since no official announcement has been made by the customs authorities, the Company does not have any certainty as to the exact change and the date of its implementation, if any.
Excluding the above impact and without Bogart's contribution, the company expects to meet the guidance in sales and the lower range of the profit.

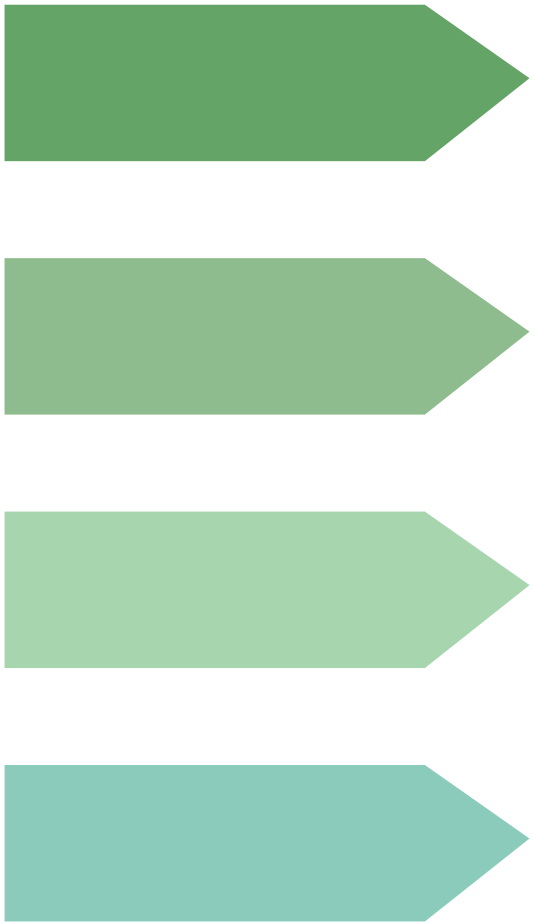
The company will update the forecast including Bogart contribution in the 3rd quarter results.



Bogart Acquisition

- **Deal closed** on July 2nd 2019
- We will **consolidate Bogart group** results starting Q3/2019 under GUM segment
- Q2 results include $2.8M **deal cost**
- **Delta invested** $32M as of 30.06.2019 and additional $40M until today
- Business is **returning to normal activity**
  H2/2019 production and sales are improving according to plan
- Increasing **production** in Thailand and Myanmar
  China production is reduced and will be focused on higher value added products (less affected by tariffs)
- **Collaboration with Delta** divisions have begun, synergies will start to be materialize in H2/2020

Future Growth



Strengthening **Delta's ladies intimate footprint** in the lingerie categories through Bogart acquisition

Delta manufacturing are full for 2019

Continued growth in **direct to consumer** channel

Improving DGPB results by **new designed collection**



Thank You