

DELTA GALIL
INDUSTRIES LTD.

RESULTS OVERVIEW Q4 2019

February 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 31 דצמבר 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 רביעי המסתיים בחודש דצמבר 2019.



Q4 2019 Highlights

- **SALES** INCREASED BY 11% TO A RECORD LEVEL OF $505M, ORGANIC GROWTH -2%
- **EBIT*** INCREASED BY 22% TO $51M, REPORTED UP 36%
- **NET INCOME*** INCREASED 28% TO $35M, REPORTED UP 44%
- **OPERATING CASH FLOW** AT A RECORD LEVEL OF $97M**, UP $40M
- **NET DEBT/EBITDA REDUCED** TO 2.5 FROM 3.2 IN Q3
- **BOGART** PERFORMING BETTER THAN EXPECTED
- **VIETNAM FACTORY PROFITABLE**
- **ACQUIRED BRAYOLA** AS PART OF OUR **ONLINE EXPANSION STRATEGY**
- **DIVIDEND DECLARED of $6.5M**

* EXCLUDING ONE TIME ITEMS

** EXCLUDING IFRS16 EFFECT; REPORTED OPERATING CASH FLOW IMPROVED BY $56M TO $112M

Q4 2019 Highlights

DGUSA

- Q4 Sales down 7%, EBIT down 16%

- **FY EBIT** down $10M, negatively impacted by:
  - Lower margins due to price pressure
  - One time product return and continued weakness in Avia active wear business

- Executing the strategic & operational plan presented in Q3
  - Exited $60M of basic business with low contribution to profitability
  - Focusing on higher margin product categories such as Bras, Seamless
  - Implementing efficiency and cost cutting measures

Q4 2019 Highlights

DELTA PREMIUM BRANDS

- Sales down 3%, EBIT up 5%
- Finalized transition of Finance from LA to NJ offices
- Finalized transition of Splendid headquarter from LA to NY offices

- **FY EBIT** down $11.5M, negatively impacted by:
  - Increased expenses of Splendid move to NY
  - Increased expenses of new store openings
  - Wholesale channel downtrend in the US

- Strategic & operational plan improvements
  - Implementing efficiency and cost cutting measures
  - Improved RTW leading to increased sales
  - Celebrating 20th anniversary of 7FAM with new marketing campaign

Q4 2019 Highlights

GLOBAL UPPER MARKET

- Positive momentum continues with EBIT doubling YoY
- Bogart sales of $58M
- Strong growth in our Socks and Seamless categories
- Vietnam factory profitable in 4th quarter and into 2020

DELTA EUROPEAN BRANDS

- Sales growth of 2% in original currency, EBIT up 18%
- Initiated cross-selling of Eminence and Schiesser products

DELTA ISRAEL

- Q4 Sales up 17%, EBIT up 44%
- E-com strong double digit growth; new platform expected launch in Q2 2020
- +8% annual growth in comparable sales and online channel

Q4 & 2019 Financial Highlights

	Q4.2019		Full Year 2019	
	$M	% change vs last year	$M	% change vs last year
TOTAL SALES ★ New Record level	504.8	11%	1,690.2	13%
OPERATING PROFIT ★ New Record level (Excluding one-time items)	51.2	22%	106.0	8%
NET INCOME ★ Quarter Record level (Excluding one-time items)	34.8	28%	60.2	(0.4%)
OPERATING CASH FLOW* ★ New Record level	96.9	71%	97.1	334%
EBITDA* ★ New Record level	60.7	21%	137.7	6%
CAPEX	10.9	(10%)	33.6	(26%)
NET DEBT/EBITDA	2.5	3.2 at 30/9	2.5	2.4 at 31/12

* Excluding IFRS16 Impact

IFRS16 IMPACT

WE APPLIED IFRS16 STARTING Q1/2019

($ million)

	Q4.2019			YTD 2019		
	EXCLUDING IFRS16	REPORTED	VAR	EXCLUDING IFRS16	REPORTED	VAR
OPERATING PROFIT	49.9	52.2	2.3	95.6	103.7	8.1
OPERATING PROFIT (Excluding one-time items)	48.9	51.2	2.3	97.9	106.0	8.1
EBITDA	60.7	76.1	15.4	137.7	195.6	57.9
FINANCIAL EXPENSES	8.5	10.6	2.1	27.6	36.1	8.5
NET INCOME	35.4	35.6	0.2	58.0	57.7	0.3
NET INCOME (Excluding one-time items)	34.6	34.8	0.2	60.5	60.2	0.3
OPERATING CASH FLOW	96.9	112.3	15.4	97.1	155.0	57.9

Segmental impact

OPERATING PROFIT	Q4 2019	2019
DELTA USA	**0.2**	**0.8**
GLOBAL UPPER MARKET	**0.4**	**1.1**
DELTA EUROPEAN BRANDS	**0.4**	**1.6**
DELTA PREMIUM BRANDS	**0.8**	**2.5**
DELTA ISRAEL	**0.4**	**1.6**
OTHERS	**0.1**	**0.3**
IFRS16 - EBIT IMPACT	**2.3**	**8.1**

The numbers are rounded

Q4 2019 Results

+11% **Sales**
Sales in original currency +11%
Sales excluding Bogart -2%
Sales organic growth in original currency -2%

+22% **Operating Profit** excluding one-time items
Reported OP +36%

+51% **EBITDA**
Excluding IFRS16 +21%

+28% **Net income** excluding one-time items
Reported Net income +44%

($ million)

	Q4 2019	Q4 2018	% change vs last year
SALES	504.8	454.3	11%
OPERATING PROFIT	52.2	38.4	36%
% from sales	10.3%	8.4%	
OPERATING PROFIT Excluding one-time items	**51.2**	**42.1**	**22%**
% from sales	10.1%	9.3%	
EBITDA	76.1	50.2	51%
% from sales	15.1%	11.1%	
NET INCOME	35.6	24.7	44%
NET INCOME Excluding one-time items	**34.8**	**27.2**	**28%**
DILUTED EPS ($ per share)	1.40	0.97	45%
Diluted EPS ($ per share) Excluding one-time items	**1.37**	**1.07**	**28%**
OPERATING CASH FLOW	112.3	56.5	99%

The numbers are rounded

YTD 2019 Results

+13% **Sales**
Sales in original currency +14%
Sales excluding Bogart & Eminence H1 +2%
Sales organic growth in original currency +3%

+8% **Operating Profit** excluding one-time items
Reported OP +29%

+51% **EBITDA**
Excluding IFRS16 +6%

-0.4% **Net income** excluding one-time items
Reported Net income +20%

($ million)

	2019	2018	% change vs last year
SALES	1,690.2	1,498.4	13%
OPERATING PROFIT	103.7	80.7	29%
% from sales	*6.1%*	*5.4%*	
OPERATING PROFIT Excluding one-time items	**106.0**	**98.0**	**8%**
% from sales	6.3%	6.5%	
EBITDA	195.6	129.8	51%
% from sales	*11.6%*	*8.7%*	
NET INCOME	57.7	48.2	20%
NET INCOME Excluding one-time items	**60.2**	**60.5**	**(0.4%)**
DILUTED EPS ($ per share)	2.26	1.90	19%
Diluted EPS ($ per share) Excluding one-time items	**2.36**	**2.37**	**(0.4%)**
OPERATING CASH FLOW	155.0	22.4	592%

The numbers are rounded

Q4 Sales and EBIT by Segment

($ thousands)

	SALES			% change in original currency	EBIT	
	Q4 2019	Q4 2018	% change		Q4 2019	Q4 2018
DELTA USA	128,630	139,019	(7%)	(7%)	10,614	12,600
% from sales					8.3%	9.1%
GLOBAL UPPER MARKET	140,836	85,909	64%	64%	11,153	5,595
% from sales					7.9%	6.5%
DELTA EUROPEAN BRANDS	86,144	86,976	(1%)	2%	11,262	9,559
% from sales					13.1%	11.0%
DELTA PREMIUM BRANDS	83,427	86,181	(3%)	(3%)	8,924	8,511
% from sales					10.7%	9.9%
DELTA ISRAEL	75,981	64,933	17%	10%	10,833	7,520
% from sales					14.3%	11.6%
INTERSEGMENT SALES	(10,254)	(8,754)				
OTHERS					(1,561)	(1,642)
TOTAL SALES / EBIT before one-time items	**504,764**	**454,264**	**11%**	**11%**	**51,225**	**42,144**
% from sales					10.1%	9.3%
ONE-TIME ITEMS, NET					987	(3,776)
REPORTED EBIT					**52,212**	**38,368**

The numbers are rounded

YTD Sales and EBIT by Segment

($ thousands)

	SALES			% change in original currency	EBIT	
	2019	2018	% change		2019	2018
DELTA USA	461,608	469,321	(2%)	(2%)	23,166	32,988
% from sales					5.0%	7.0%
GLOBAL UPPER MARKET	460,682	308,365	49%	49%	40,333	21,023
% from sales					8.8%	6.8%
DELTA EUROPEAN BRANDS	308,526	273,253	13%	19%	25,683	21,073
% from sales					8.3%	7.7%
DELTA PREMIUM BRANDS	274,648	281,931	(3%)	(1%)	5,405	16,952
% from sales					2.0%	6.0%
DELTA ISRAEL	214,836	194,198	11%	9%	15,922	10,962
% from sales					7.4%	5.6%
INTERSEGMENT SALES	(30,136)	(28,647)				
OTHERS					(4,543)	(4,993)
TOTAL SALES / EBIT before one-time items	**1,690,164**	**1,498,421**	**13%**	**14%**	**105,966**	**98,005**
% from sales					6.3%	6.5%
ONE-TIME ITEMS, NET					(2,286)	(17,330)
REPORTED EBIT					**103,680**	**80,675**

The numbers are rounded

Sales Analysis by Geographic Area

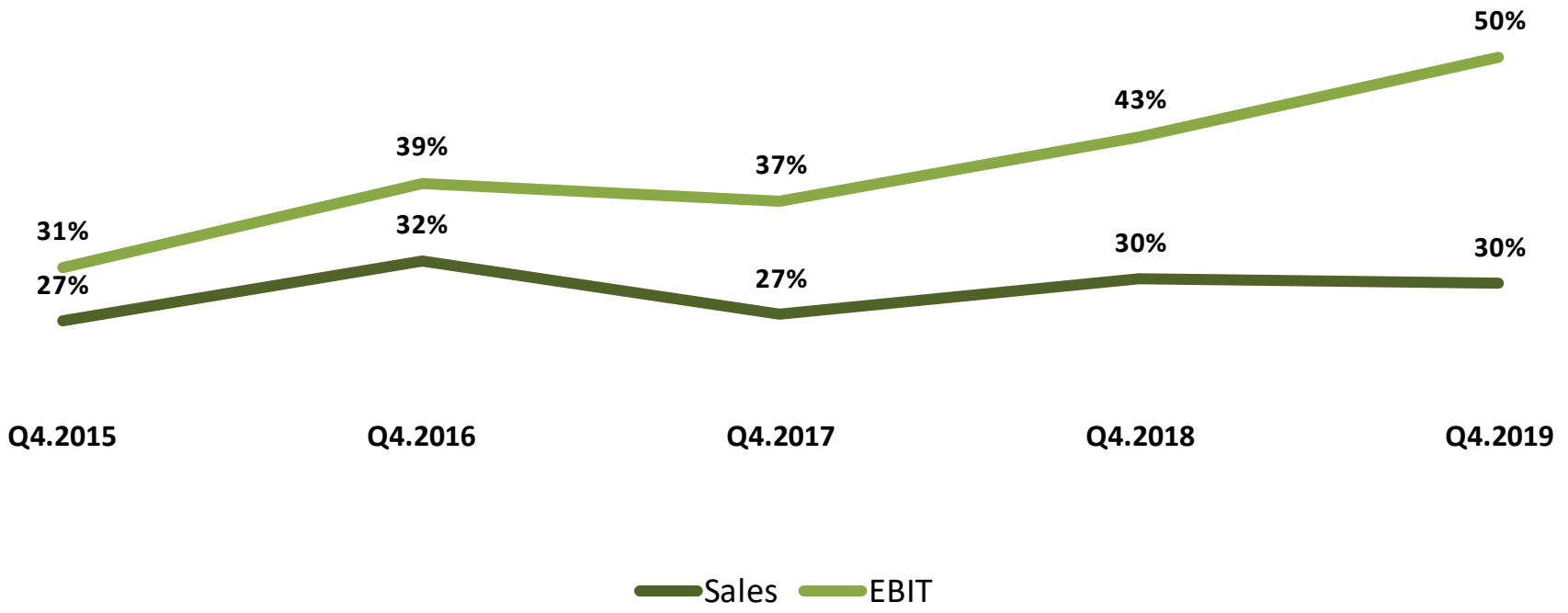
($ thousands)

	Q4						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	251,032	50%	237,407	52%	6%	6%	**846,061**	50%	**794,316**	53%	**7%**	**7%**
EUROPE (excluding Germany)	84,685	17%	77,624	17%	9%	11%	**312,093**	18%	**251,804**	17%	**24%**	**27%**
GERMANY	56,732	11%	55,881	12%	1%	4%	**198,194**	12%	**194,378**	13%	**2%**	**7%**
ISRAEL	76,669	15%	64,935	14%	18%	11%	**215,708**	13%	**194,239**	13%	**11%**	**10%**
OTHERS	35,646	7%	18,417	4%	94%	94%	**118,107**	7%	**63,684**	4%	**85%**	**85%**
Total	**504,764**	100%	**454,264**	100%	**11%**	**11%**	**1,690,164**	100%	**1,498,421**	100%	**13%**	**14%**

The numbers are rounded

Q4 Sales & EBIT % from total year

Without IFRS16 effect



The numbers are rounded

Segmental Results on a Quarterly Basis

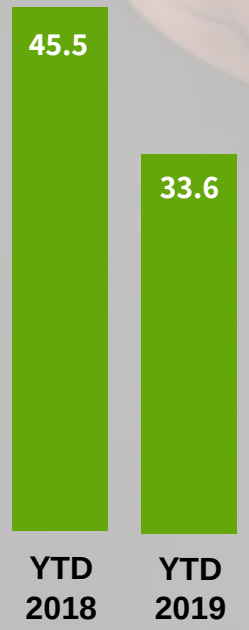
Excluding one time items

($ thousands)

	2018 Q4		2019 Q1		2019 Q2		2019 Q3		2019 Q4		TRAILING TWELVE MONTHS	
	EBIT	SALES	EBIT	SALES	EBIT	SALES	EBIT	SALES	EBIT	SALES	EBIT	SALES
DELTA USA	**12,600**	**139,019**	4,815	111,775	1,115	107,332	6,623	113,871	**10,614**	**128,630**	23,166	461,608
% from sales	9.1%		4.3%		1.0%		5.8%		8.3%		5.0%	
GLOBAL UPPER MARKET	**5,595**	**85,909**	5,197	79,548	11,459	95,573	12,523	144,725	**11,153**	**140,836**	40,333	460,681
% from sales	6.5%		6.5%		12.0%		8.7%		7.9%		8.8%	
DELTA EUROPEAN BRANDS	**9,559**	**86,976**	2,092	74,761	2,228	66,000	10,101	81,621	**11,262**	**86,144**	25,682	308,526
% from sales	11.0%		2.8%		3.4%		12.4%		13.1%		8.3%	
DELTA PREMIUM BRANDS	**8,511**	**86,181**	(922)	62,196	1,043	64,910	(3,640)	64,115	**8,924**	**83,427**	5,405	274,648
% from sales	9.9%		-1.5%		1.6%		-5.7%		10.7%		2.0%	
DELTA ISRAEL	**7,520**	**64,933**	307	44,436	2,959	45,892	1,823	48,527	**10,833**	**75,981**	15,922	214,836
% from sales	11.6%		0.7%		6.4%		3.8%		14.3%		7.4%	
INTERSEGMENT SALES & EBIT	**(1,642)**	**(8,754)**	(1,045)	(7,341)	(1,647)	(5,821)	(290)	(6,720)	**(1,561)**	**(10,254)**	(4,542)	(30,136)
TOTAL EBIT / SALES	**42,144**	**454,264**	10,444	365,375	17,157	373,886	27,140	446,139	**51,225**	**504,764**	105,966	1,690,164
% from sales	9.3%		2.9%		4.6%		6.1%		10.1%		6.3%	
% OF 2019			**10%**	**22%**	**16%**	**22%**	**26%**	**26%**	**48%**	**30%**		

The numbers are rounded

Capital Expenditures



($ million)

Global upper market	9.4
Delta European brands	5.2
DGPB	9.8
Delta Israel	2.8
Others	6.4
Total	**33.6**

Balance Sheet

Increased following Bogart acquisition and IFRS16 implementation

$109M Cash on hand

$507M Equity

32% Equity from total balance sheet

2.5 Proforma Net debt / EBITDA

($ million)

	Dec. 31 2019	% FROM TOTAL	Dec. 31 2018	% FROM TOTAL
CASH AND CASH EQUIVALENTS	109.2	7%	74.0	6%
OTHER CURRENT ASSETS	579.5	36%	561.2	47%
TOTAL CURRENT ASSETS	688.7	43%	635.2	53%
NON CURRENT ASSETS	899.1	57%	570.7	47%
TOTAL ASSETS	**1,587.8**	**100%**	**1,205.9**	**100%**
CURRENT LIABILITIES	401.8	25%	372.8	31%
DEBENTURES	340.4	21%	223.0	18%
OTHER NON-CURRENT LIABILITIES	338.7	21%	142.3	12%
TOTAL LONG TERM LIABILITIES	679.0	43%	365.2	30%
EQUITY	506.9	32%	467.9	39%
TOTAL LIABILITIES AND EQUITY	**1,587.8**	**100%**	**1,205.9**	**100%**

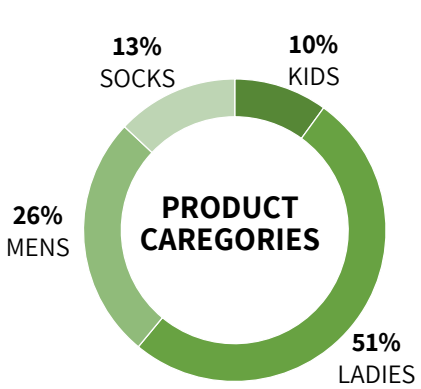
Financial Indicators

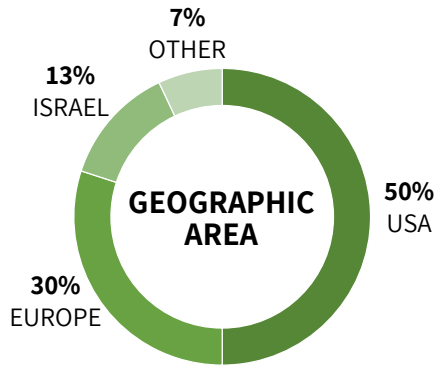
	31.12.2019	31.12.2018
Current ratio	**1.71**	1.70
Quick ratio	**0.90**	0.87
Days of Sales Outstanding	**38**	44
Days Payable Outstanding	**40**	45
Inventory Days	**93**	99
Operating cash flow - Q4 ($ million)	**112.3**	56.5
Operating cash flow - YTD ($ million)	**155.0**	22.4
EBITDA - Q4 ($ million)	**76.1**	50.2
EBITDA - YTD ($ million)	**195.6**	129.8
Net financial debt ($ million)	**334.5**	326.7
Net financial debt to EBITDA* (based on Last 4 Quarters)	**2.5**	2.4
Equity / Total balance sheet	**31.9%**	38.8%
Equity ($ million)	**506.9**	467.9
Net Debt / CAP	**33.5%**	36.5%

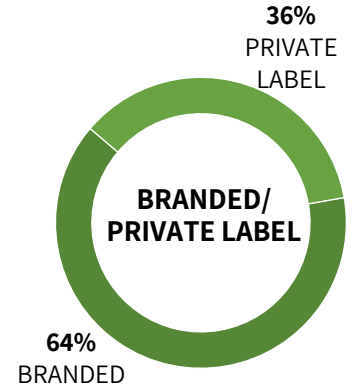
* This ratio excludes $57.9M positive impact on EBITDA due to IFRS16 & Proforma of Bogart EBITDA

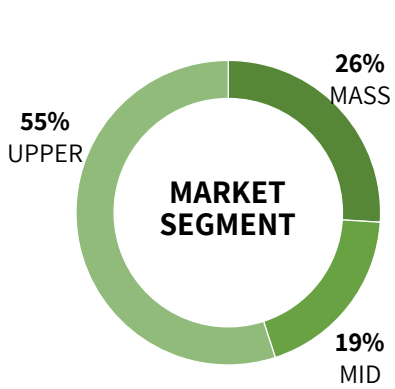
Diversified Portfolio

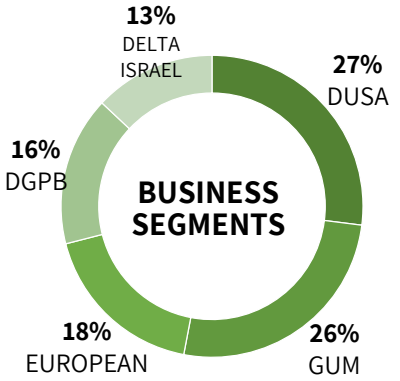
Enables Delta to effectively mitigate market risks
% from sales (for 2019)

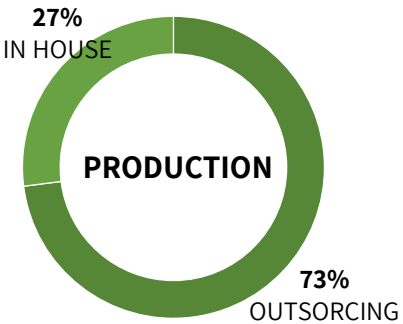












Actual Vs. 2019 Guidance

Excluding one time items

($ million)

	2019 ACTUAL	2019 GUIDANCE
Sales	1,690	1,650 - 1,690
EBIT	98	98 - 102
EBITDA	138	132 - 136
Net Income	60	60 - 62
Diluted EPS ($)	2.36	2.37 - 2.44
INCLUDING IFRS16 IMPACT		
EBIT	106	106 - 111
EBITDA	196	183 - 187

Corona Impact

- Shipments delay effect: sales loss of approximately $15M in Q1. $12M shifted to Q2. EBIT loss of $1M
- Factory operational disruption: $3.5M loss in Q1
- Air freight and additional misc. costs: $1-2M in Q1
- **Total: $5-$7M**

Actual Vs. 2020 Guidance

Excluding one time items

($ million)

	2019 ACTUAL	2020 GUIDANCE	% INCREASE 2020 GUIDANCE COMPARED TO 2019 ACTUAL
SALES	1,690	1,740 - 1,770	**3% - 5%**
EBIT EXCLUDING CORONA IMPACT	106	113 - 119	**7% - 12%**
CORONA IMPACT		6	
EBIT *	106	107 - 113	**1% - 7%**
EBITDA*	196	197 - 203	**1% - 4%**
NET INCOME*	60	57 - 62	**(-5%) - 3%**
DILUTED EPS ($)*	2.36	2.23 - 2.42	**($-0.13) - $0.06**

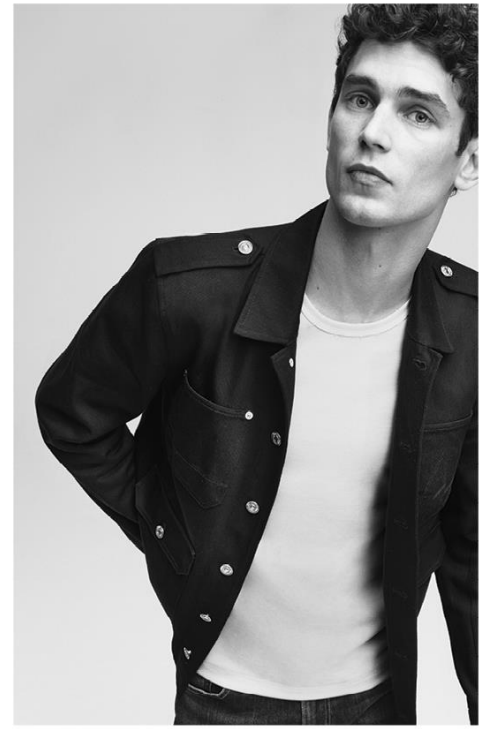
* Including Corona virus one time impact of $5-$7M

Future Growth

- Leveraging **Bogart relationships** to sell **Delta products** to major new customers and vice versa
- Growing with Kim Kardashian intimate brand **SKIMS**
- Leveraging **BRAYOLA** to continue our strong growth in **E-com** channel
- Continuous growth in GUM in **Seamless and Socks**
- Expanding **Eminence Ladies & kids** products
- Growing with Splendid sales to clubs
- Celebrating **20th anniversary of 7FAM** with new marketing campaign







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THANK YOU
DELTA GALIL
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