



DELTA GALIL 
INDUSTRIES LTD.

WELCOME TO Q2-2023 RESULTS

August 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 השני לשנת 2023 שפורסם ביום 8 באוגוסט 2023 (מס' אסמכתא: 2023-01-091368) ("דוח רבעון 2")), 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 המקרו 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 בשוקי 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 הכלולות 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 שני המסתיים בחודש יוני 2023, כמפורט בדוח רבעון 2.

Q2-2023 RESULTS

Sales decrease impacted by global slowdown

Strong gross margin despite a highly-promotional environment

Strong operating cash flow

SALES

\$443.6M

(10%), (9%) C\$*

GROSS MARGIN

40.4%

+190 BPS

EBIT**

\$30.9M

(30%)

EBIT MARGIN**

7.0%

(200) BPS

NET PROFIT MARGIN**

3.7%

(200) BPS

OPERATING CF***

\$58.4M

+\$74.1M

Rounded numbers

*On a constant currency basis **Before one-time items ***Excludes IFRS 16 impact



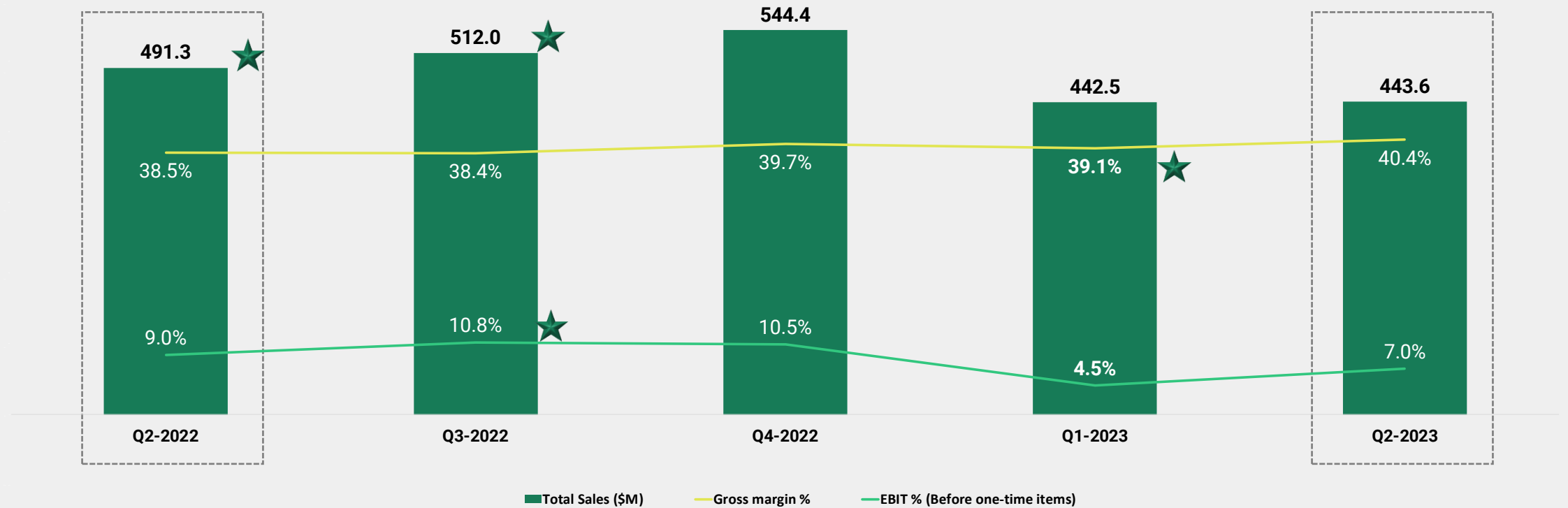
Q2-2023 HIGHLIGHTS

- Sales decreased by 10% (-9% on C\$) vs. Q2-2022, impacted by global slowdown
- Our own Branded Web sales increased, driven by higher traffic
- Continued strong growth of Skims with multiple new expansion opportunities
- Strong gross margin of 40.4%, despite highly-promotional environment
- 3 consecutive quarters of inventory reduction for a cumulative \$85.7M
- Strong operating cash flow of \$58.4M vs. used by (\$15.7M) in Q2-2022
- Realignment plan in Bogart China of \$6.0M (\$5.3M in cash) in accordance with our plan to shift production to strategic locations
- Strong balance sheet with record equity of \$713.6M and Net Debt / EBITDA* ratio of 1.0
- We reiterate 2023 full-year guidance, including the expectation of meaningfully higher gross and operating margins in the second half of 2023, and with lower inventory and debt levels
- \$7M dividend declared for Q2-2023

*Excludes IFRS 16 impact

QUARTERLY TREND ANALYSIS

- Q2-2023 Sales down 10% or 9% on C\$ impacted by global slowdown and due to major customers' ongoing focus on inventory reduction
- Gross margin increased to 40.4% due to favorable customer mix and lower freight costs, partially offset by higher discounts and lower production volume
- EBIT % down to 7.0% due to lower sales, SG&A deleverage and higher loss of 'others'*



Record for Q ★

*Excluding 'others' (Bare Necessities & Organic Basics) EBIT at 8.3%

LOWER EBIT % DESPITE STRONG GROSS MARGIN, MAINLY DUE TO HIGHER SG&A

Q2-2022 Gross margin	38.5%	Var	Q2-2022 EBIT%*	9.0%	Var
Customer & product mix		↑	SG&A		
Freight Cost		↑	Positive FX impact		↑
Segment Mix		↑	SG&A de-leverage		↓
Manufacturing impact		↓	SG&A cost increase		↓
Higher discounts & promotions		↓	New businesses high SG&A		↓
			Other Income**		↓
Q2-2023 Gross margin	40.4%	1.9%	Q2-2023 EBIT%*	7.0%	-2.0%

*Before one-time items

**The decrease in other income (representing -0.5% from sales) is mainly driven by high hedging gains last year

Q2-2023 FINANCIAL HIGHLIGHTS VS. Q2-2022

Total Sales			Gross Profit			EBIT (BOT)		
Q2-2022	Q2-2023		Q2-2022	Q2-2023		Q2-2022	Q2-2023	
\$491.3M	\$443.6M	⬇️	\$189.0M	\$179.1M	⬇️	\$44.0M	\$30.9M	⬇️
Own Branded Websites Sales*			Gross Margin			EBIT Margin (BOT)		
Vs. Q2-2022	13%	⬆️	38.5%	40.4%	⬆️	9.0%	7.0%	⬇️
EBITDA**			Net Income (BOT)			Net Debt / EBITDA**		
Q2-2022	Q2-2023		Q2-2022	Q2-2023		Q2-2022	Q2-2023	
\$52.1M	\$38.0M	⬇️	\$28.1M	\$16.6M	⬇️	0.9	1.0	⬆️
Operating CF**			Days Inventory Outstanding***			CAPEX		
Q2-2022	Q2-2023		Q2-2022	Q2-2023		Q2-2022	Q2-2023	
(\$15.7M)	\$58.4M	⬆️	155	154	⬇️	\$11.3M	\$16.7M	⬆️

*Excluding Bare Necessities and Organic Basics. Down 8% Including Bare Necessities and Organic Basics

**Excluding IFRS 16

***135 Normalized DIO assuming Q2-2023 COGS at the same level of LY

Q2-2023 ONE-TIME ITEMS BREAKDOWN

One-time items	Cash (\$M)	Non Cash (\$M)	Total (\$M)	Headcount Reduction
Q2 Bogart China realignment plan *	5.3	0.7	6.0	550
Change in fair value of Bogart's acquisition earnout		(4.0)	(4.0)	
Deal cost (mostly Delta Israel)	0.7		0.7	
Total one-time items expenses, net for Q2-2023	6.0	(3.3)	2.7	550

***Anticipated full-year 2024 savings of ~\$5.5M. We will start benefiting from the realignment plan in 2023 (ROI <1Y)**



Q2-2023 UPDATE BY SEGMENT

PRIVATE LABEL

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

Strong EBIT% with 140 BPS increase despite lower sales

(\$M)	Q2-2023	Q2-2022	Var
SALES	191.6	221.3	(13%)
EBIT	22.0	22.5	(2%)
EBIT%	11.5%	10.1%	1.4%

SALES decreased by 13%, mostly due to major customers' higher inventory levels, partially offset by significant growth with leading customers

EBIT % increased by 1.4%, mainly driven by favorable customer mix, partially offset by lower sales and production volume in our factories

GROWTH INITIATIVES

- We expect a significantly higher utilization across our factories in the second half of 2023
- China market re-opening



Fully vertical operating model
from design to distribution

BRANDS

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

(\$M)	Q2-2023	Q2-2022	Var
SALES	127.3	134.8	(6%)
EBIT	3.0	6.5	(54%)
EBIT%	2.3%	4.8%	(2.5%)

SALES decreased by 6%, mainly driven by lower sales to major retailers and e-comm customers due to high inventory levels, partially offset by growth with adidas and Wolford

EBIT decreased by \$3.5M due to lower sales, higher discounts & promotions and higher expenses related to new licenses, partially offset by lower freight costs

GROWTH INITIATIVES

- Further expansion of adidas sales globally
- Further expand our DTC channels



Owned:

Schiesser, Eminence,
Splendid, P.J. Salvage

Licensed:

Columbia, 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

(\$M)	Q2-2023	Q2-2022	Var	Var C\$ *
SALES	53.0	59.0	(10%)	(2%)
EBIT	8.3	11.4	(27%)	
EBIT%	15.6%	19.3%	(3.7%)	

SALES in NIS decreased 2%, driven by -6.4% lower stores comps (DTC comps -3.8%) and lower wholesale channel, partially offset by higher online +20.3% (Including Victoria's Secret and Panta Rei online +55%)

EBIT decreased \$3.1M, mainly driven by lower sales and negative FX impact, partially offset by lower freight costs, improved results of Panta Rei and contribution of Victoria's Secret website

Excluding hedging gains, Q2-2023 EBIT% in NIS increased by 0.5%

*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

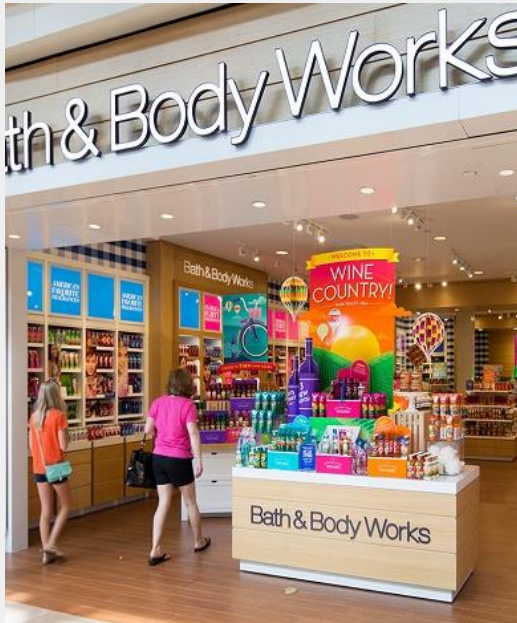
DELTA ISRAEL GROWTH STRATEGY

Growing from 3 local brands with 211 stores to 5 brands, including 2 global leaders, and 280 stores in 3 years

BATH & BODY WORKS

Launched brand, opening 5 stores and e-comm site in Q4-2023.

Gradually growing to 30 stores by 2026



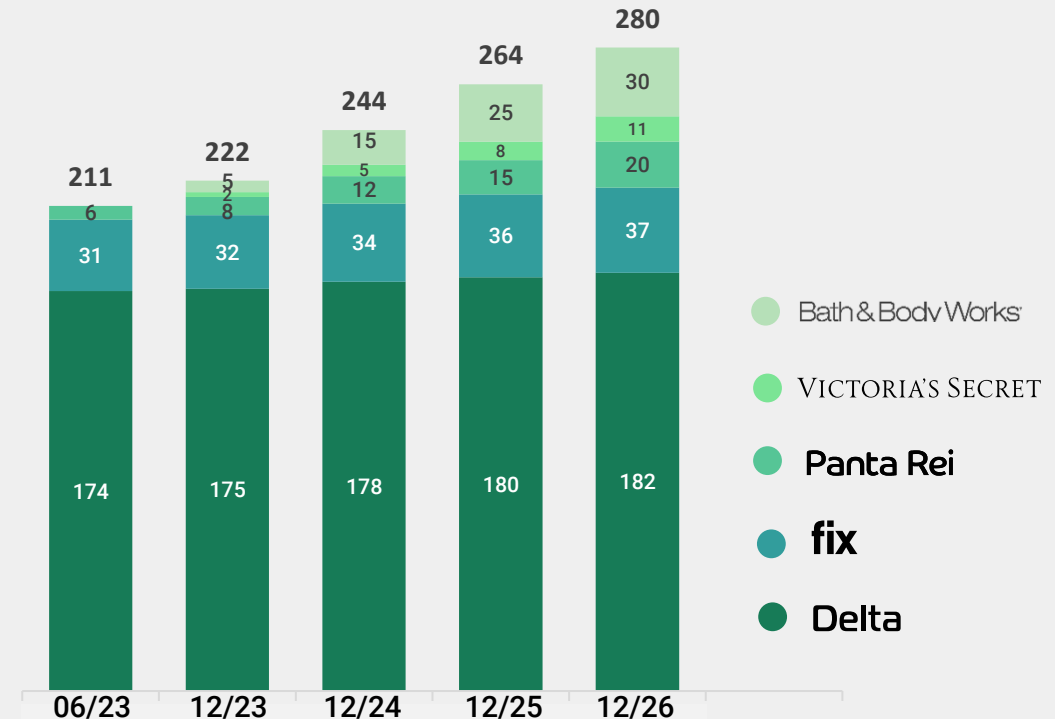
VICTORIA'S SECRET

Launched brand and e-comm site, opening 2 stores in Q4-2023

Gradually growing to 11 stores by 2026



STORES GROWTH PLAN



7 FOR ALL MANKIND

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

(\$M)	Q2-2023	Q2-2022	Var
SALES	51.9	53.9	(4%)
EBIT	2.7	6.4	(57%)
EBIT%	5.3%	11.9%	(6.6%)

SALES decreased by 4%, due to lower performance in US wholesale, partially offset by better performance of EU and new businesses in Brazil and Mexico

EBIT decreased by \$3.7M, mainly driven by higher discounts & promotions and higher S&M expenses, partially offset by lower freight costs

We expect positive realignment plan impact already in H2-2023

GROWTH INITIATIVES

- Expand ready-to-wear portfolio
- Increase Men's category share across all channels
- International expansion to new markets and continue expansion in Brazil, China, and Mexico



The originator of American premium denim

the brand that forever changed the way people think about denim

Marketed through DTC and wholesale channels globally

OTHER (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)	Q2-2023	Q2-2022	Var
SALES	23.2	30.4	(23%)
EBIT	(4.1)	(0.9)	
EBIT%	(17.4%)	(2.8%)	(14.6%)

SALES decreased 23%, due to continued softness in Bare Necessities' traffic and challenges related to inventory transfer to new warehouse, partially offset by incremental Organic Basics sales of \$1.1M.

EBIT decreased \$3.2M, mainly driven by reduced sales at Bare Necessities

We expect positive realignment plan impact already in H2-2023

GROWTH INITIATIVES

- Grow Bare penetration with higher gross margin (currently 2 of top 10 selling styles)
- Launching two new bra brands in Q3 targeting a wider range of customers
- Launching activewear private label brand Body Up in Q4-2023
- Organic Basics soft launch of a new collection during 2023



Bare Necessities
Independent digital platform

The largest US online
intimate apparel retailer offering
over 140 leading brands

Introducing Delta Galil's own brands

ORGANIC BASICS

Organic Basics is a sustainable digital-first apparel brand selling women's and men's underwear, activewear and base layers

Business Update

- Launched new Gen-Z focused brand in July with elevated logo, photography and marketing aesthetic
- Planning a celebrity influencer campaign in H1-2024
- Significant opportunity in US wholesale for Fall 2024



A woman with long brown hair is sitting on a light-colored concrete ledge. She is wearing a vibrant red, long-sleeved suit consisting of a blazer and matching trousers. She is barefoot and looking directly at the camera. In the background, there is a swimming pool with clear blue water and some greenery. The overall scene is bright and sunny.

YTD-2023 RESULTS

YTD-2023 FINANCIAL HIGHLIGHTS VS. YTD-2022

Total Sales		
YTD-2022	YTD-2023	
\$975.1M	\$886.0M	⬇️

Own Branded Websites Sales*		
Vs. YTD-2022		
	10%	⬆️

EBITDA**		
YTD-2022	YTD-2023	
\$94.7M	\$66.5M	⬇️

Gross Profit		
YTD-2022	YTD-2023	
\$372.3M	\$352.0M	⬇️

Gross Margin		
YTD-2022	YTD-2023	
38.2%	39.7%	⬆️

Net Income (BOT)		
YTD-2022	YTD-2023	
\$47.1M	\$24.3M	⬇️

EBIT (BOT)		
YTD-2022	YTD-2023	
\$78.2M	\$50.7M	⬇️

EBIT Margin (BOT)		
YTD-2022	YTD-2023	
8.0%	5.7%	⬇️

Operating CF**		
YTD-2022	YTD-2023	
(68.3)	69.3	⬆️

*Excluding Bare Necessities and Organic Basics. Down 6% Including Bare Necessities and Organic Basics

**Excluding IFRS 16

Q2-2023 VS. Q1-2023 – EBIT%^{*} BRIDGE

A significantly higher EBIT (+56%) and EBIT% (+250BPS) at slightly higher sales level

Q1-2023 Gross margin	39.1%	Var	Q1-2023 EBIT% [*]	4.5%	Var
Favorable Customer mix		^	<u>SG&A</u>		
Lower freight and FOB costs		^	Reduction in distribution centers costs		^
Initial realignment plan savings		^	Initial realignment plan savings		^
Favorable channel mix		^			
Q2-2023 Gross margin	40.4%	1.3%	Q2-2023 EBIT% [*]	7.0%	2.5%

*Before one-time items. Numbers are rounded

STRONG BALANCE SHEET

\$ in millions

\$180.8M

Cash & short term deposits

\$189.5M Net Debt


Net Debt / EBITDA* ratio of 1.0

1.67 current ratio

Vs. 1.70 in Q2-2022

\$713.6M

Equity

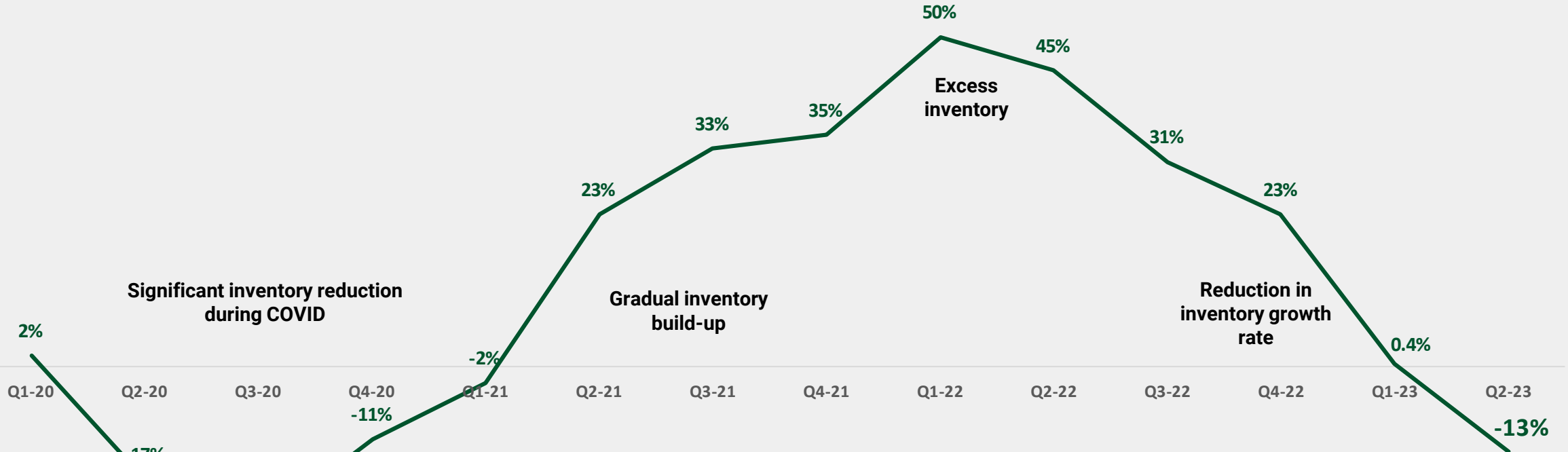
 All-time record

	June 30 2022	% OF TOTAL	June 30 2023	% OF TOTAL
CASH PORTFOLIO	182.6	10%	180.8	10%
INVENTORY	519.4	29%	452.0	26%
OTHER CURRENT ASSETS	234.2	13%	231.0	13%
TOTAL CURRENT ASSETS	936.2	52%	863.8	49%
NON CURRENT ASSETS	874.5	48%	896.4	51%
TOTAL ASSETS	1,810.7	100%	1,760.2	100%
CURRENT LIABILITIES	552.0	30%	518.5	29%
DEBENTURES	162.2	9%	125.4	7%
OTHER NON-CURRENT LIABILITIES	454.9	25%	402.8	23%
TOTAL LONG TERM LIABILITIES	617.1	34%	528.1	30%
EQUITY	641.6	35%	713.6	41%
TOTAL LIABILITIES AND EQUITY	1,810.7	100%	1,760.2	100%

*Excluding IFRS16 impact
Rounded numbers

INVENTORY TREND*

5 consecutive quarters of reduced inventory change rate
3 consecutive quarters of lower inventory



* Year over year % change

H2-2023

We expect strong H2-2023 due to the following:

- H2 positively impacted by our strong seasonality trend
- Strong DTC performance with high margins
- Favorable customer mix led by Skims
- Solid Back-to-School performance
- Improved margins due to lower logistic & FOB costs
- Multiple channels to sell existing inventory
- Positive impact of our realignment plans
- We expect higher utilization of our factories



2023 GUIDANCE

We reiterate 2023 full-year guidance, including the expectation of meaningfully higher gross and operating margins in the second half of 2023, and with lower inventory and debt levels

\$ in millions

	2022 ACTUAL	2023 GUIDANCE	2023 GUIDANCE VS. 2022 ACTUAL
Sales	2,031.5	2,000.0	(1.6%)
EBIT*	190.2	192.0	0.9%
EBITDA*	284.2	285.7	0.5%
Net Income*	120.6	120.9	0.2%
Diluted EPS*(\$)	4.33	4.27	(1.4%)

*Before one time items, includes IFRS 16 impact

2024 - RETURN TO GROWTH IN SALES AND PROFITABILITY

📍 **Normalized inventory** at our customers will drive strong demand

📍 **Reduced own inventory** levels will improve margins

📍 **Continuous growth with Skims** in both existing and new categories

📍 **Walmart and Target return to growth** will present opportunities

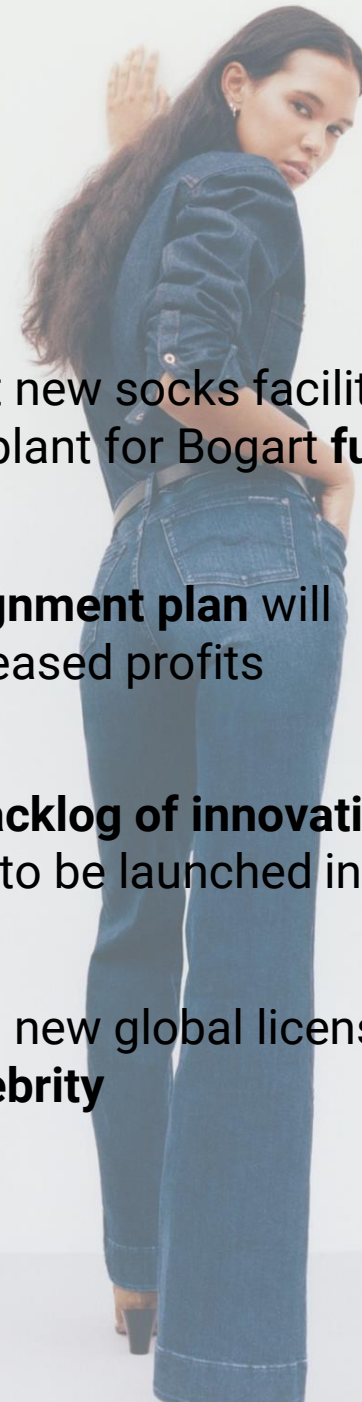
📍 **Organic Basics** full year following global launch

📍 Our Egypt new socks facility and new Vietnam plant for Bogart **fully operative**

📍 **Our realignment plan** will yield increased profits

📍 **Strong backlog of innovative products** to be launched in 2024

📍 Upcoming new global license with a **mega celebrity**



THANK YOU



Q2-2023 IFRS 16 IMPACT

\$ in millions

	Q2-2023
EBIT	3.9
EBITDA	17.1
Finance expenses	2.4
Net income	1.2