

DELTA GALIL >
INDUSTRIES LTD.

**ברוכים הבאים
לשיחת הועידה
לסיכום תוצאות
רבעון ראשון
2020**



DELTA GALIL 
INDUSTRIES LTD.

RESULTS OVERVIEW Q1 2020

JUNE 2020



האמור במצגת בכל הקשור לניתוח פעילותיה של החברה הינו תמצית בלבד. 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 בדו"חותיה, במצגות החברה או בדיווחיה בעבר, כאשר נתונים אלה נכונים למועד הצגתם בלבד. על מנת לקבל תמונה מלאה של פעילות החברה ושל הסיכונים עימם מתמודדת החברה, יש לעיין בדיווחיה השוטפים של החברה לרבות בדוח השנתי לתקופה שהסתיימה ביום 31 בדצמבר 2019 ובדוח הרבעוני לתקופה שהסתיימה ביום 31 במרס 2020.

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. מצגת זו אינה מהווה תחליף לבחינת דיווחיה הציבוריים של החברה, לרבות הדוחות הכספיים שלה, לפני קבלת החלטה כלשהי באשר לניירות הערך של החברה.

האמור במצגת זו כולל גם מידע צופה פני עתיד, כהגדרתו בחוק ניירות ערך, כגון 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, התפתחויות בסביבה הכלכלית ובגורמים החיצוניים המשפיעים על החברה, לרבות השלכות השפעת נגיף הקורונה, כך, למשל, המשך התפשטות הנגיף והשפעותיו, החלטות של מדינות ורשויות שלטוניות בארץ ובעולם על דרך טיפולן בנגיף, התנהגות לקוחות וצרכנים כתוצאה מהמצב ושינויים נוספים שינבעו מהאמור, עלולים אף הם להשפיע על החברה ועל תוצאותיה, באופן שונה מהותית ממה שהיא מעריכה במצגת. 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 ראשון המסתיים בחודש מרס 2020.

Q1 2020 Highlights

- **Sales** decreased 9% to \$332.7M, organic sales decreased 19%
- **EBIT*** decreased by \$26.3M to (\$15.9M), reported down to (\$28.8M)
- **Estimated covid-19 impact** of \$53.4M on sales and \$22.7M on EBIT, respectively
- **Net Income*** decreased by \$23.0M to (\$20.0M), reported down to (\$30.5M)
- **Operating cash flow at \$7.5M**, up +\$10.3M
- **Inventory excluding Bogart significantly down**

* EXCLUDING ONE TIME ITEMS



Covid-19 Proactive Measures

WE HAVE TAKEN DECISIVE ACTION TO MANAGE THE CRISIS

- Implemented quick measures to preserve and enhance liquidity
- Stopped all inventory from coming in unless we had confirmed orders
- Furloughed all retail associates and majority of office personnel
- Reduced compensation of management
- Negotiated rent reductions for our retail stores
- Stopped all discretionary spending

Liquidity Update

2020

Delta entered 2020 in a strong financial position following record cash flow and record year and quarter

\$143M

Cash Balance of \$143M as of March 31, 2020

\$223M

Utilized \$66M Committed Bank facilities of \$289M as of June 24, 2020

~\$220M

Cash Balance of ~\$220M as of June 24, 2020

CAPEX

Reduced discretionary Capex until year end

REDUCED EXPENSES

Furloughed associates where applicable, reduced compensation for management and reduced rent while stores were closed

DIVIDEND

Suspended dividend until year-end

GOVT LOANS

During Q2 borrowed \$30M of State Subsidized loans under attractive terms

Focused Business Strategy

Adapting to New Realities

**WEATHER THE STORM
AND EMERGE STRONGER
ON THE OTHER SIDE**

**STRENGTHEN OUR POSITION
IN INTIMATES AND EXPAND IN
SLEEP AND LOUNGEWEAR**

**FOCUS ON
SUSTAINABLE GROWTH
THROUGH INNOVATION**

ACCELERATE OUR DIGITAL GROWTH



COVID-19 UPDATE

Operational Update by Region

USA

- All warehouses open and operating
- Ecommerce continues to grow
- Most owned stores have opened with the exception of New York and LA after being closed for 3 months
- Mass wholesale customers exceeding LY sales for existing programs
- Department stores/malls slowly opening

ISRAEL

- All stores open and exceeded LY sales in May
- Ecommerce continues to grow
- Outperforming RIS

EUROPE

- All owned stores open and sales are gradually recovering
- Ecommerce continues to grow
- Most independent wholesale customers seeing similar trend to owned stores

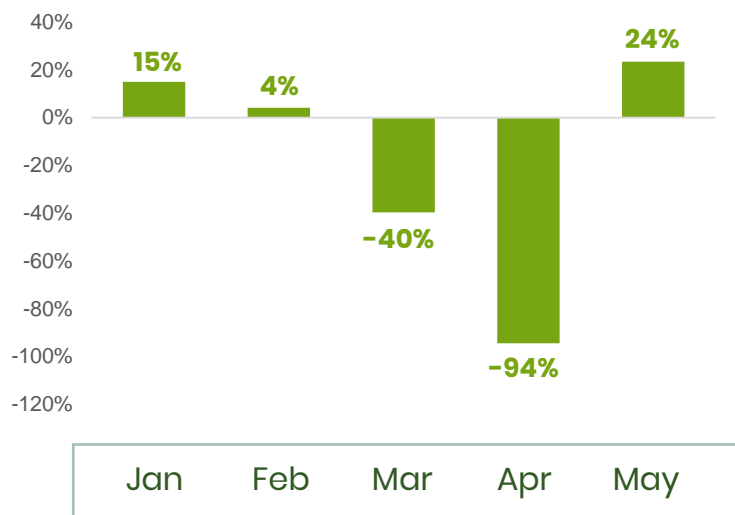
MANUFACTURING

- Certain factories closed between January and April, depending on the region
- All factories are now open and operating

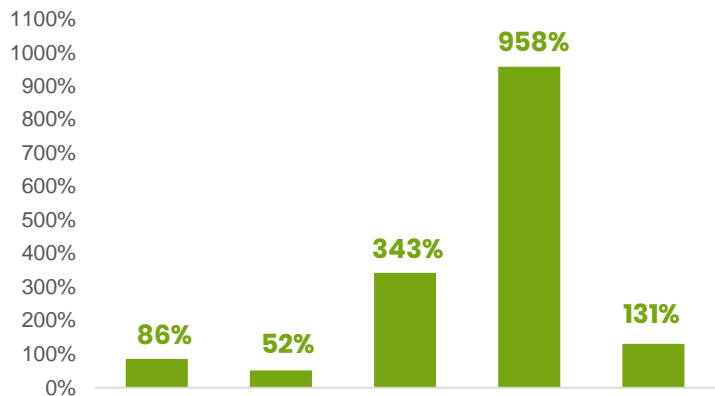
Consolidated DTC Revenue Trend vs LY

Delta Israel

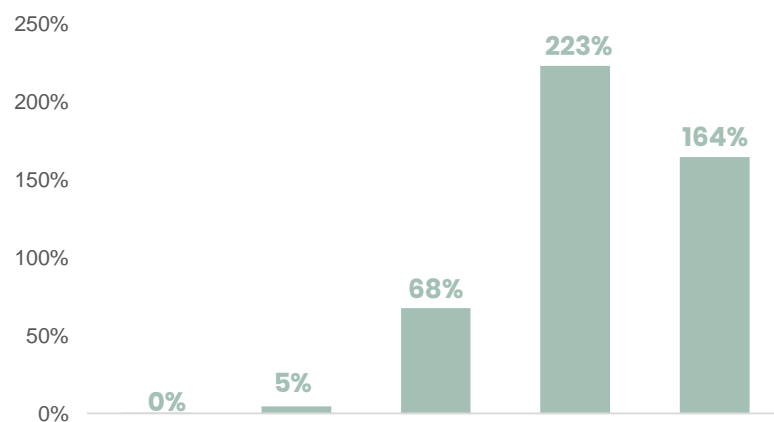
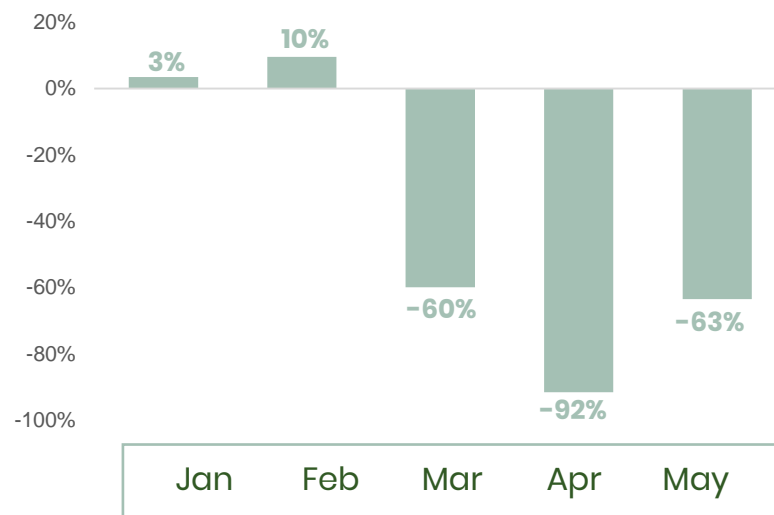
Brick & Mortar



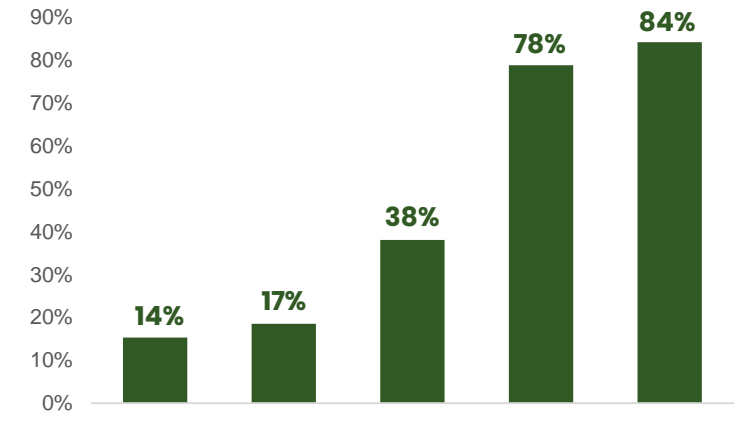
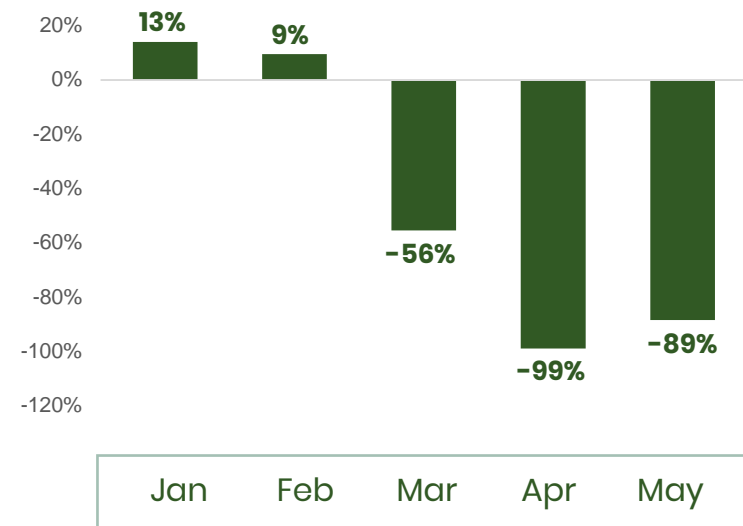
Digital



European Brands



Premium Brands



RESTRUCTURING



Manufacturing Efficiencies

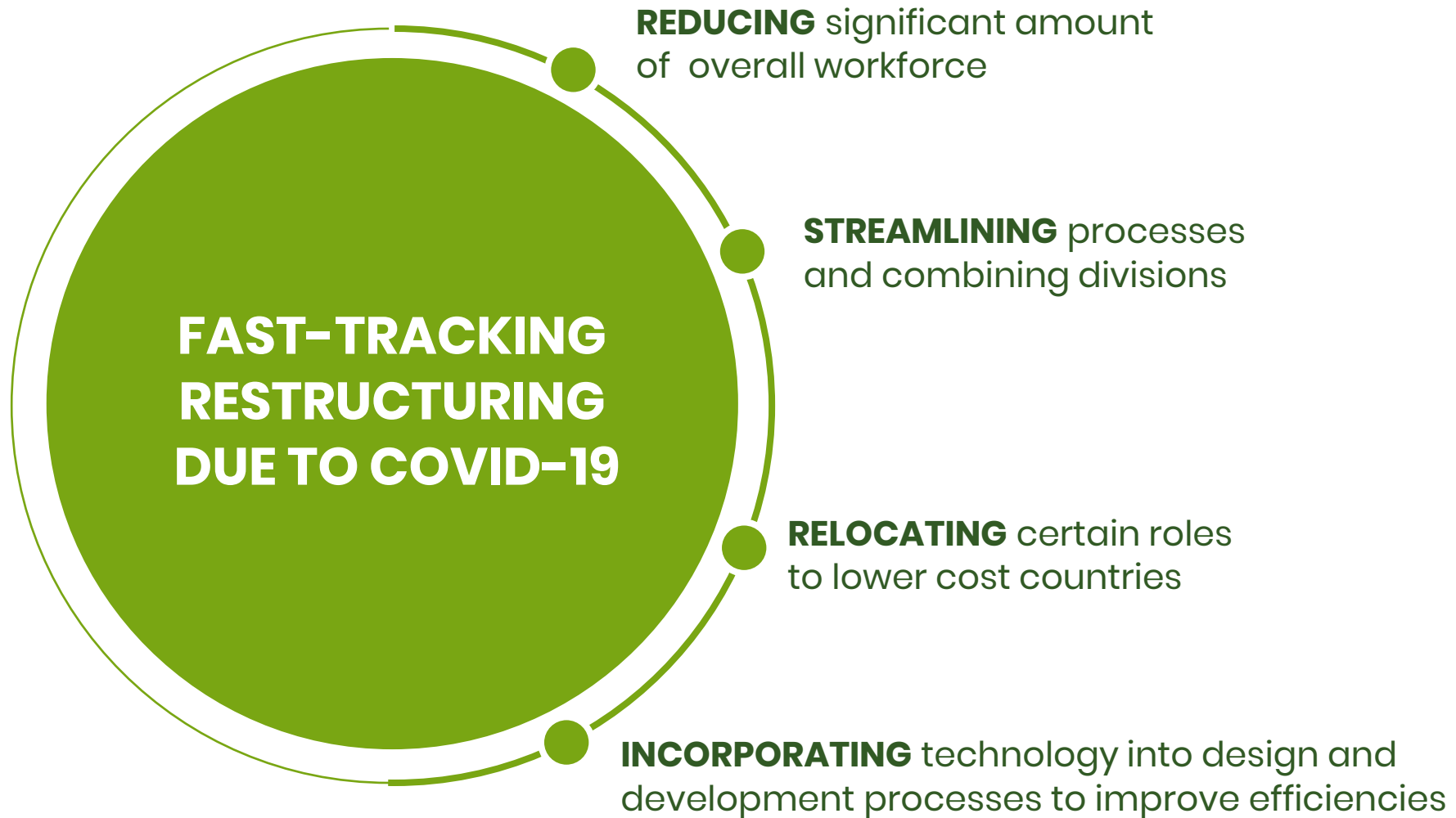
Moving to lower cost countries

- Strengthening our strategic production hubs in **Vietnam, Egypt and Bangladesh**
- Enhancing the production utilization /efficiencies of our **existing facilities**
- Implementing **systems and technology** to support future growth
- We will start seeing the benefits of this plan as soon as **Q3**. ROI within **12-18 months**

COUNTRY	DIVISION	# OF EMPLOYEES	MOVING TO
CHINA*	BOGART	1,090	THAILAND & MYANMAR
TURKEY*	GUM	250	VIETNAM
EGYPT- CAIRO	GUM	825	EGYPT- EL MINYA
ROMANIA	EU BRANDS	124	EGYPT & BANGLADESH
CZECH REPUBLIC	EU BRANDS	411	EGYPT & BANGLADESH

* Factories will continue to operate at reduced capacities

Reduction of Overhead



A man and a woman are lying on a bed with white linens and several pillows. The woman, on the left, has long brown hair and is wearing a black short-sleeved shirt with white polka dots and black shorts with a lace hem. She is smiling and looking at the man. The man, on the right, has short brown hair and a beard, and is wearing a black t-shirt with the words 'GAME ON' in white. He is looking back at the woman. The text 'Q1 UPDATE' is overlaid in large white letters across the center of the image.

Q1 UPDATE



Delta USA

- Material **reduction** in overhead:
 - **Combined** Men's and Socks division
 - **Combined** Private Label active wear & intimates division
- **Growing our mass market business** for existing programs with improved margins
- Signed production **agreement** to produce **Hanes kids** products in 2021
- YTD Retail **sales at Amazon up over 100% to LY**
- PJ Salvage division **meeting original 2020 plans**
- **Continued growth with Skims business**



DGPB

- **Owned retail and department store** channel **most impacted** by covid-19 closures
- Significant overhead **reduction** for both brands
- Closing **9 stores** out of 74

DGPB



- DTC channel experienced double digit growth pre-closure
- DTC Ecom YTD demand up double digits
- Growth from Jen7 sub brand at lower price point

eco▷KNIT

DELTA ANALYST DECK | RESULTS OVERVIEW Q1 2020

DGPB

Splendid*

- Loungewear products performing above plan
- DTC Ecom YTD demand up +100%
- Retail started the year with double digit growth
- Launched SunDown sub brand for younger consumers



DG European Brands

SCHIESSER

Eminence
POUR HOMME

- Integrating operations and implementing efficiency measures for both divisions
- Closing Schiesser HK office and combining with Delta
- Reducing owned manufacturing and moving production to Egypt and third party sourcing
- Produced **over 4M million masks** in Q2



GUM

- Executing restructuring plan for China, Egypt and Turkey
- Implementing new process layout leading to reduction of overhead
- Digital transformation to reduce development time by 50%
- DGV profitable throughout 2020
- Socks business continues to trend well
- Offsetting challenges with traditional department stores and mall customers by growing with pure player ecommerce customers



Delta Israel



- Continue to increase market share
- Quarterly sales -1% (-6% in NIS) despite store closures in March
- EBIT at \$1.9M , +\$1.6M to LY, due to improved gross margin and reduced expenses
- Ecom sales strong double digit growth in Q1 and continues into Q2
- Launch of new platform for [Delta.co.il](https://delta.co.il) and fixfixfixfix.co.il
- Launching new bra collection in collaboration with Bogart in July

Q1 Financial Highlights

\$ millions

	Q1 2020	Q1 2019	Change vs last year
TOTAL SALES	332.7	365.4	(32.7)
OPERATING PROFIT (LOSS) (Excluding one-time items)	(15.9)	10.4	(26.3)
NET INCOME (LOSS) (Excluding one-time items)	(20.0)	3.0	(23.0)
OPERATING CASH FLOW *	(7.8)	(16.2)	8.4
EBITDA *	(7.7)	17.2	(24.9)
CAPEX	6.6	7.7	(1.1)
EPS BEFORE ONE TIME (\$ per share)	(0.78)	0.12	(0.90)
NET DEBT/EBITDA	3.4	2.9	

* Excluding IFRS16 Impact

Q1 2020 Results

\$ millions

Change

(9%)

Sales

In original currency decreased (9%)
Excluding Bogart decreased (19%)
Excluding Bogart in original currency decreased (19%)

(26.3)

Operating Profit (loss) excluding one-time items
Reported OP decreased (39.2)

(23.0)

EBITDA

Excluding IFRS16 decreased (24.9)

(23.0)

Net income (loss) excluding one-time items
Reported Net income decreased (33.5)

	Q1 2020	Q1 2019	Change vs last year
SALES	332.7	365.4	(32.7)
OPERATING PROFIT (LOSS)	(28.8)	10.4	(39.2)
% from sales	-8.6%	2.9%	
OPERATING PROFIT (LOSS)	(15.9)	10.4	(26.3)
Excluding one-time items			
% from sales	-4.8%	2.9%	
EBITDA	7.6	30.6	(23.0)
% from sales	2.3%	8.4%	
NET INCOME (LOSS)	(30.5)	3.0	(33.5)
NET INCOME (LOSS)	(20.0)	3.0	(23.0)
Excluding one-time items			
DILUTED EPS (\$ per share)	(1.19)	0.12	(1.31)
Diluted EPS (\$ per share)	(0.78)	0.12	(0.90)
Excluding one-time items			
OPERATING CASH FLOW	7.5	(2.8)	10.3

Q1 2020 Covid-19 Impact

\$ millions

	Sales			EBIT		
	Q1 2020	Q1 2019	Change vs last year	Q1 2020	Q1 2019	Change vs last year
SALES/EBIT	332.7	365.4	(32.7)	(15.9)	10.4	(26.3)
Covid-19 IMPACT	(53.4)			(22.7)		
W/O Covid-19 IMPACT	386.1	365.4	20.7	6.9	10.4	(3.6)

The numbers are rounded

Q1 Sales and EBIT by Segment

\$ millions

	SALES				EBIT	
	Q1 2020	Q1 2019	% change	% change in original currency	Q1 2020	Q1 2019
DELTA USA	74,026	111,775	(34%)	(34%)	(9,833)	4,815
% from sales					(13%)	4%
GLOBAL UPPER MARKET	102,175	79,548	28%	28%	716	5,197
% from sales					1%	7%
DELTA EUROPEAN BRANDS	67,387	74,761	(10%)	(8%)	1,173	2,092
% from sales					2%	3%
DELTA PREMIUM BRANDS	51,453	62,196	(17%)	(16%)	(9,040)	(922)
% from sales					(18%)	(1%)
DELTA ISRAEL	43,861	44,436	(1%)	(6%)	1,881	307
% from sales					4%	1%
INTERSEGMENT SALES	(6,219)	(7,341)				
OTHERS					(747)	(1,045)
TOTAL SALES / EBIT before one-time items	332,683	365,375	(9%)	(9%)	(15,850)	10,444
% from sales					(5%)	3%
ONE-TIME ITEMS, NET					(12,906)	
REPORTED EBIT					(28,756)	10,444

Sales Analysis by Geographic Area

	Q1 2020	% of sales	Q1 2019	% of sales	% change	(\$ thousands) % change in original currency
U.S.A	155,502	47%	191,266	52%	(19%)	(19%)
EUROPE (excluding Germany)	69,692	21%	68,772	19%	1%	3%
GERMANY	40,597	12%	44,186	12%	(8%)	(5%)
ISRAEL	43,979	13%	44,515	12%	(1%)	(6%)
OTHERS	22,913	7%	16,636	5%	38%	38%
Total	332,683	100%	365,375	100%	(9%)	(9%)

Capital Expenditures



Balance Sheet

\$ millions

\$143M Cash on hand as of 31.3

~\$220M Cash on hand as of 24.6

\$457M Equity

30% Equity from total balance sheet

3.4 Net debt / EBITDA



	Mar. 31 2020	% FROM TOTAL	Mar. 31 2019	% FROM TOTAL
CASH AND CASH EQUIVALENTS	144.1	9%	45.8	3%
INVENTORY	323.0 *	21%	317.6	23%
OTHER CURRENT ASSETS	191.9	13%	239.7	18%
TOTAL CURRENT ASSETS	659.0	43%	603.1	44%
NON CURRENT ASSETS	872.4	57%	763.5	56%
TOTAL ASSETS	1,531.4	100%	1,366.6	100%
CURRENT LIABILITIES	410.6	27%	317.7	23%
DEBENTURES	332.0	22%	288.5	21%
OTHER NON-CURRENT LIABILITIES	331.5	22%	304.3	22%
TOTAL LONG TERM LIABILITIES	663.5	43%	592.8	43%
EQUITY	457.3	30%	456.1	33%
TOTAL LIABILITIES AND EQUITY	1,531.4	100%	1,366.6	100%

* Includes Bogarts balance

Increasing Financial Flexibility

Banks Credit Facilities

Banks Credit Facilities	3/31/2020	6/30/2020	Additional facilities during Q2
Committed Facilities	155	180	25
Uncommitted Facilities	80	109	29
Total	235	289	54

Country	Currency	Loan amount	Interest	Duration
	NIS	100,000,000	P+15%(3.1%)	5 years
	CHF	1,000,000	-	5 years

Financing programs

The company has available discounting facilities with both its suppliers and customers with leading banks .

Financial Indicators

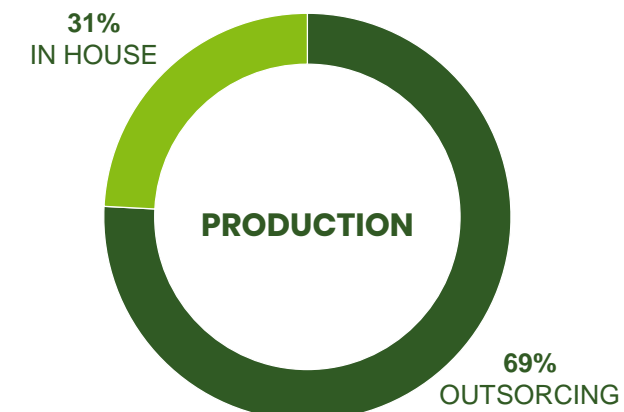
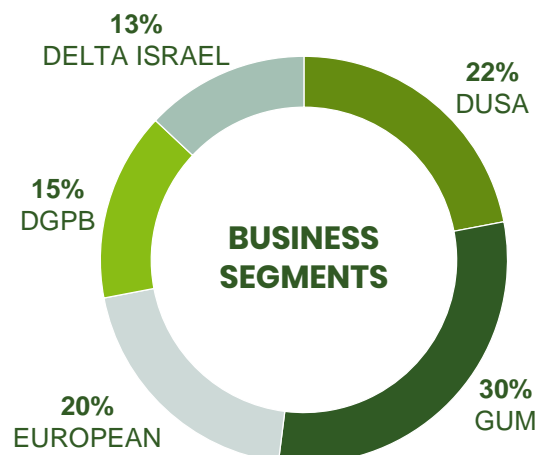
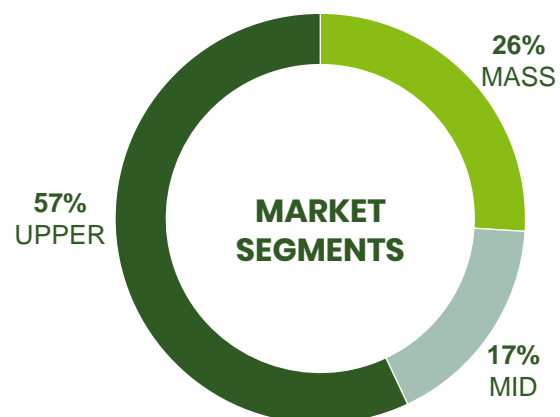
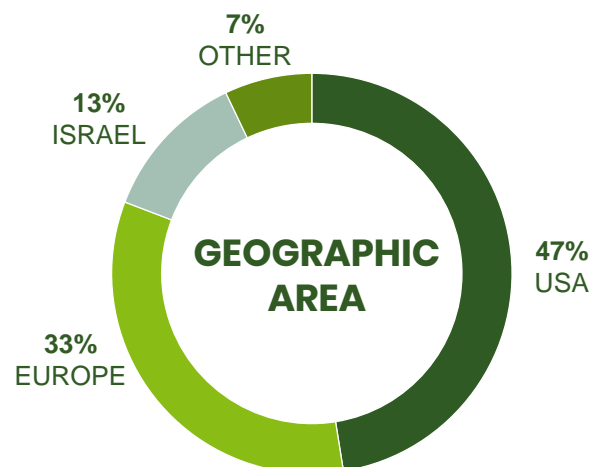
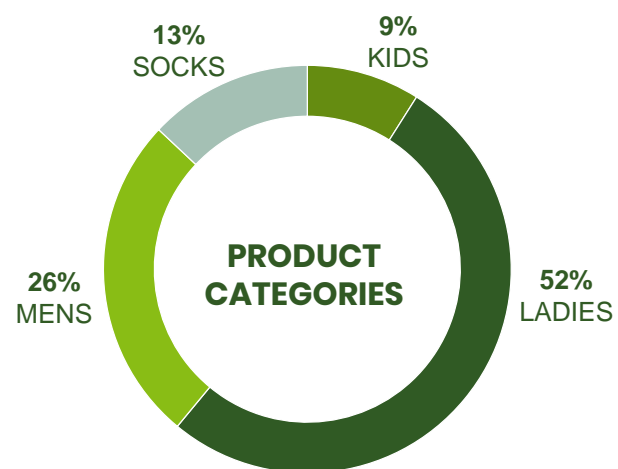
	31.03.2020	31.03.2019
Current ratio	1.61	1.90
Quick ratio	0.82	0.90
Days of Sales Outstanding	40	46
Days Payable Outstanding	45	39
Inventory Days	133	122
Operating cash flow - Q1 (\$ million)	7.5	(2.8)
EBITDA - Q1 (\$ million)	7.6	30.6
Net financial debt (\$ million)	366.4	361.8
Net financial debt to EBITDA* (based on Last 4 Quarters)	3.4	2.9
Equity / Total balance sheet	29.9%	33.4%
Equity (\$ million)	457.3	456.1
Net Debt / CAP	36.0%	40.2%

*EBITDA is adjusted to exclude IFRS 16 impact and to include Bogart EBITDA in the 3 months prior to its acquisition in July 2019

Diversified Portfolio

Enables Delta to efficiently mitigate market risks

% from sales (for Q1-2020)



The numbers are rounded

Q2 Restructuring Plan (estimated)

	(\$ million)			
	2020 IN CASH	2021 IN CASH	NON CASH	TOTAL
OPERATIONAL	(11.1)	(1.6)	(3.5)	(16.1)
SG&A	(11.6)	(12.1)	(0.2)	(23.9)
TOTAL	(22.7)	(13.6)	(3.7)	(40.0)

The numbers are rounded

Q2 Initial Estimate

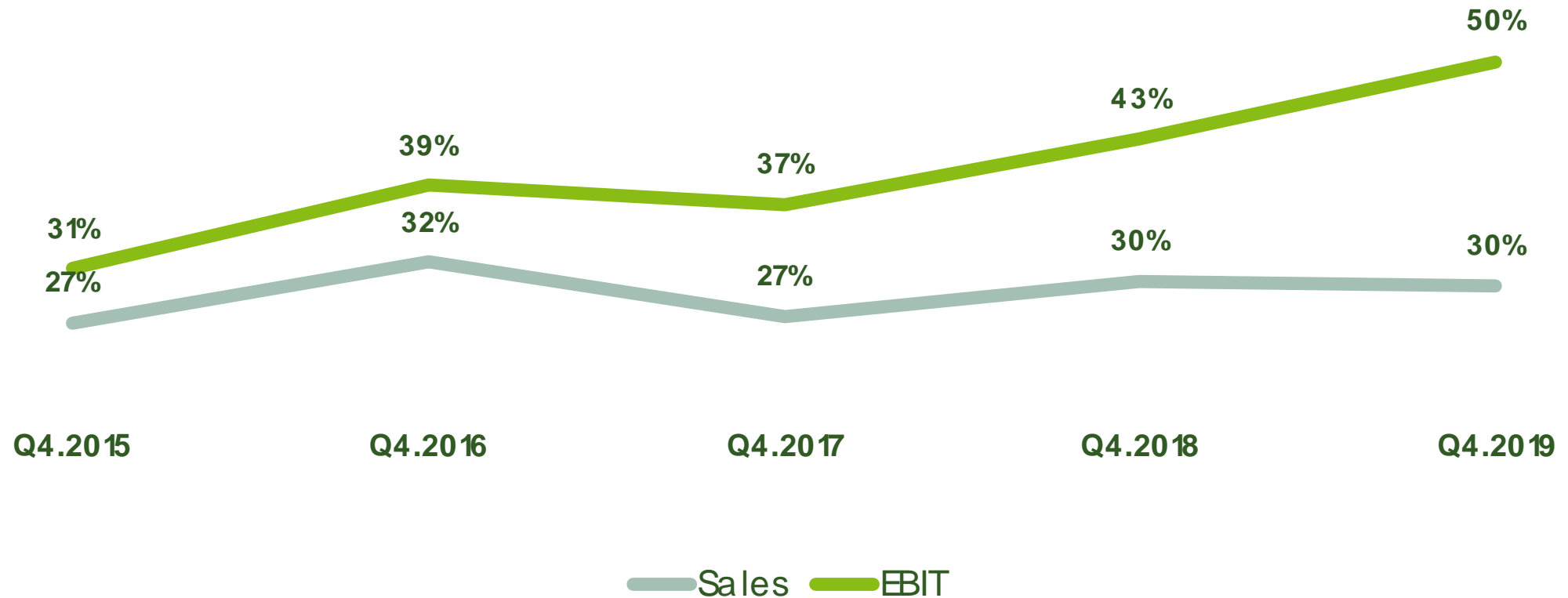
Revenue and EBIT range

	Q2 2020 - ESTIMATION	Q2 2019	\$ CHANGE	% CHANGE
REVENUES EXCLUDING COVID-19 IMPACT	388 - 408	373.9	14.1 - 34.1	4% - 9%
COVID-19 IMPACT ON REVENUES	(140) - (150)			
REVENUES INCLUDING COVID-19 IMPACT	248 - 258	373.9	(115.9) - (125.9)	(31%) - (34%)
EBIT BEFORE ONE-TIME EXCLUDING COVID-19 IMPACT	18 - 20	17.2	0.8 - 2.8	5% - 17%
COVID-19 IMPACT ON EBIT	(38) - (45)			
EBIT (LOSS) BEFORE ONE TIME INCLUDING COVID-19 IMPACT	(20) - (25)	17.2	(37.2) - (42.2)	
RESTRUCTURING EXPENSES	(40.0)	(2.8)	(37.2)	
EBIT (LOSS) REPORTED	(60) - (65)	14.3	(74.3) - (79.3)	

We expect the second half of 2020 to be profitable

Seasonality trend- Sales & EBIT % from total year

Without IFRS16 effect



Our Mission



**DELIVER SUSTAINABLE GROWTH
AND VALUE CREATION FOR ALL
OUR STAKE HOLDERS**

Thank You Associates

OUR TOP PRIORITY THROUGHOUT THIS PANDEMIC
HAS BEEN THE HEALTH AND SAFETY
OF OUR ASSOCIATES.

WE WANT TO EXPRESS GRATITUDE TO ALL OF OUR TEAMS
FOR ALL OF THEIR HELP NAVIGATING THIS DIFFICULT PERIOD

SPECIAL THANK YOU TO OUR FACTORIES WHO QUICKLY MOBILIZED
TO PRODUCE **OVER 4 MILLIONS MASKS** FOR HEALTH CARE
WORKERS AROUND THE GLOBE.