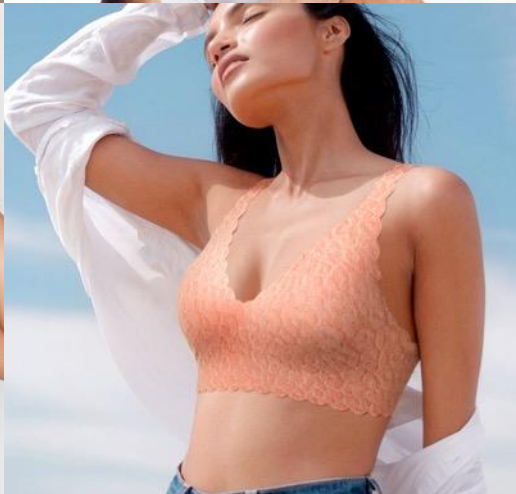


DELTA GALIL   
INDUSTRIES LTD.

# WELCOME TO Q4 2020 RESULTS

MARCH 2021



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 התקופתי לשנת 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 לתקופות הדיווח בשנת 2020.**

# Our Vision

We strive to **continuously grow** our position as global leaders in the field of intimate apparel, sleepwear, active wear and socks.

We achieve our goals through **innovation** and creativity while staying true to our universal **social and environmental** ideals.

# Our Strategy

**OPTIMIZE OUR GLOBAL INTIMATES,  
SLEEPWEAR, ACTIVE WEAR, AND  
SOCKS PORTFOLIO**

**GROWTH OF GLOBAL  
BRANDED  
FOOTPRINT**

**ACCELERATE IN DIGITAL CHANNEL**

# 2020 Achievements Summary

## The Pandemic Has Created Opportunity for Improvements:

- **Global restructuring** allows us to migrate production to **lower cost areas** while improving future margins
- Implemented SG&A efficiency measures creating more **agile / lean / efficient organization**
- **Strategic initiatives in 7FAM** to combine European and U.S. divisions under one leadership
- Enhanced focus on **digital platforms, including the acquisitions of Bare Necessities and Brayola**
- Achieved **record Cash Flow** from operations
- **Successful IPO of Delta Israel Brands, our Israeli subsidiary** (initiated in 2020)
- We are best positioned to continue to grow our **athleisure** and **PJ** categories



# Q4 '20 Strong Business Performance

REVENUES

**\$459.7M**  
**(-9%)**

OPERATING CASH FLOW\*\*

**\$75.6M**

EBITDA\*\*

**\$55.6M**  
**(-8%)**

GROSS MARGIN

**40.1%**

EBIT MARGIN\*

**10.4%**

DIGITAL

**+183%**

**Record level**


\* Before one-time items.  
\*\* Excluding IFRS16 Impact.

# Q4 2020 Highlights

- **Our cash flow is strong** and cash balance is **\$231.7M**
- Inventory is **down by \$50.8M** year over year  
(Excluding Bare Necessities)
- Net debt\* is **down by \$98.2M** year over year
- Business fundamentals **continue to improve** with particular strength in **Digital, Delta Israel, Mass Channel** and our **PJS categories**
- **Our restructuring plan will further benefit us in the future**

\* Excluding IFRS16 Impact





# Q4 UPDATE BY SEGMENT



More than 1000 North American retailers voted & named P.J. Salvage the top of their list for 2020's **BEST SELLING BRAND** For Sleepwear and Loungewear



# Delta USA

- EBIT significantly **increased by 24% to \$13.1M**, from \$10.6M, driving EBIT margin to a record level of 11.1%, even though sales were down 8%
- **Significantly reduced overhead:**
  - **Combined** Men's and Socks division
  - **Combined** Private Label active wear & intimates division
- **Grew our mass market segment**, driven by strength at Walmart, Target & Costco
- **Strength in our branded segment**, particularly with **PJ Salvage and clubs**
- **SKIMS business** continued with strong momentum into 2021



**LAUNCHING  
SOFIA  
VERGARA**  
AT WALMART  
IN SEPTEMBER  
2021







# DGPB

- Sales decreased by 24% to \$63.6M, from \$83.4M
- **Recovery trend continues** with sales increase of 28% vs. Q3/20 and significant EBIT improvement from (\$5.5M) to +\$0.3M

# 7FAM

- **Combining the European and U.S. business units under one global brand management**
- **North America is most challenging** due to 55 store retail network's heavy presence in **tourist destinations** and sales to department store channel
- Significantly **reduced overhead**
- **Growth from Jen7** sub brand at lower price point
- **Recovery trend** in EU led by Digital sales

# DGPB (cont'd)

## Splendid

- **Profitable quarter** with sales improvement despite COVID
- Significant **overhead reduction** implemented
- **Digital growth** continues with additional opportunities
- **Strong Splendid orders** from clubs continues
- Added **Dillard's** as a new customer in Q4 with 200 doors
- **SUNDOWN by Splendid** introduced – a line targeted towards Gen-Z customer
- **Challenged** due to 18 store retail fleet's presence in **tourist destinations**





# DG European Brands

SCHIESSER **Eminence**  
POUR HOMME

- Despite lengthy shutdown of retail stores during the quarter, **Sales of \$86.0M, down only 7% in local currency**
- EBIT down from \$11.3M to \$10.2M (11.9% of sales)
- **Restructuring plan** implementation will allow further reduction of our cost structure **in the second half of 2021**
- **Strong digital growth continues** both in owned websites and Ecom customers



# GUM

- Sales decreased 19% to \$114.1M, from \$140.8M
- EBIT decreased by 23% to \$8.6M, from \$11.2M
- **Recovery trend** in sales and EBIT over the last 2 quarters
- Socks business **continues to trend well with significant growth opportunities**
- All factories **are full with orders** through Q2 2021
- VS sales **are rebounding** with **penetration to new categories**
- Seeing **growth with our digital customers**
- Myanmar factory represents 7% of GUM sales and continues to operate
- **Planned capital investments** in Vietnam and Egypt to support anticipated growth



# Delta Israel



- **Successful IPO with \$80M in proceeds raised from leading institutional investors**
- Despite the six-week shutdown of retail stores, **EBIT increased by 51% to a record level of \$16.3M, representing 23% of sales**
- **Sales down by only 11% in NIS to \$71.0M**
- **Digital sales grew 173% with high profitability**
- Significantly **reduced overhead**
- **Strong growth opportunities:**
  - Continued digital growth
  - Bras and casual wear
  - Expanding baby category
  - Penetration into new white space categories such as Sport, Body Care & Home Fragrances



# Q4 Financial Highlights

\$ in millions

## Change Q4

(9%)

**Sales**  
In original  
currency down 11%

**+300 bps** **Gross margin**

(8%)

**EBITDA\***

(20%)

**Capex**

	Q4 2020	Q4 2019	Change vs last year
<b>TOTAL SALES</b>	459.7	504.8	(45.1)
<b>GROSS PROFIT</b>	184.4	187.3	(2.9)
% from sales	40.1%	37.1%	
<b>OPERATING PROFIT</b> (Before one-time items)	47.7	51.2	(3.5)
% from sales	10.4%	10.1%	
<b>NET INCOME (LOSS)</b>	27.3	34.8	(7.5)
(Before one-time items)			
<b>OPERATING CASH FLOW *</b>	75.6	96.8	(21.2)
<b>EBITDA *</b>	55.6	60.7	(5.1)
<b>CAPEX</b>	8.8	10.9	(2.1)
<b>EPS BEFORE ONE TIME</b> (\$ per share)	1.08	1.37	(0.29)

\* Excluding IFRS16 Impact

The numbers are rounded



# Financial Highlights

\$ in millions

## Change YTD

**(14%)**

### Sales

In original currency down 15%

**+50 bps**

### Gross margin

**(41%)**

### EBITDA\*

**+66%**

### Operating cash flow\*

	2020	2019	Change
<b>SALES</b>	<b>1,446.2</b>	<b>1,690.2</b>	<b>(244.0)</b>
<b>GROSS PROFIT</b>	<b>523.7</b>	<b>604.2</b>	<b>(80.5)</b>
% from sales	36.2%	35.7%	0.5%
<b>OPERATING PROFIT (LOSS)</b>	<b>(7.1)</b>	<b>103.7</b>	<b>(110.8)</b>
% from sales	-0.5%	6.1%	-6.6%
<b>OPERATING PROFIT (LOSS)</b>	<b>49.3</b>	<b>106.0</b>	<b>(56.7)</b>
Before one-time items			
% from sales	3.4%	6.3%	-2.9%
<b>EBITDA*</b>	<b>81.1</b>	<b>137.7</b>	<b>(56.6)</b>
% from sales	5.6%	8.1%	-2.5%
<b>NET INCOME (LOSS)</b>	<b>(40.5)</b>	<b>57.7</b>	<b>(98.2)</b>
<b>NET INCOME (LOSS)</b>	<b>3.8</b>	<b>60.2</b>	<b>(56.4)</b>
Before one-time items			
<b>DILUTED EPS (\$ per share)</b>	<b>(1.56)</b>	<b>2.26</b>	<b>(3.82)</b>
<b>Diluted EPS (\$ per share)</b>	<b>0.18</b>	<b>2.36</b>	<b>(2.18)</b>
Before one-time items			
<b>OPERATING CASH FLOW*</b>	<b>161.6</b>	<b>97.1</b>	<b>64.5</b>

\* Excluding IFRS16 Impact

The numbers are rounded

# Q4 Restructuring Update

\$ in millions

	2020-2021 IN CASH	NON CASH	TOTAL	PERFORMED TO DATE	% Completed to date
MANUFACTURING	12.3	3.4	15.7	6.5	53%
SG&A	23.3	0.2	23.5	8.1	35%
<b>TOTAL</b>	<b>35.6</b>	<b>3.6</b>	<b>39.2<sup>*</sup></b>	<b>14.6</b>	<b>41%</b>

\*The entire amount was recorded as an expense in Q2

**Positive ROI** already in 2020

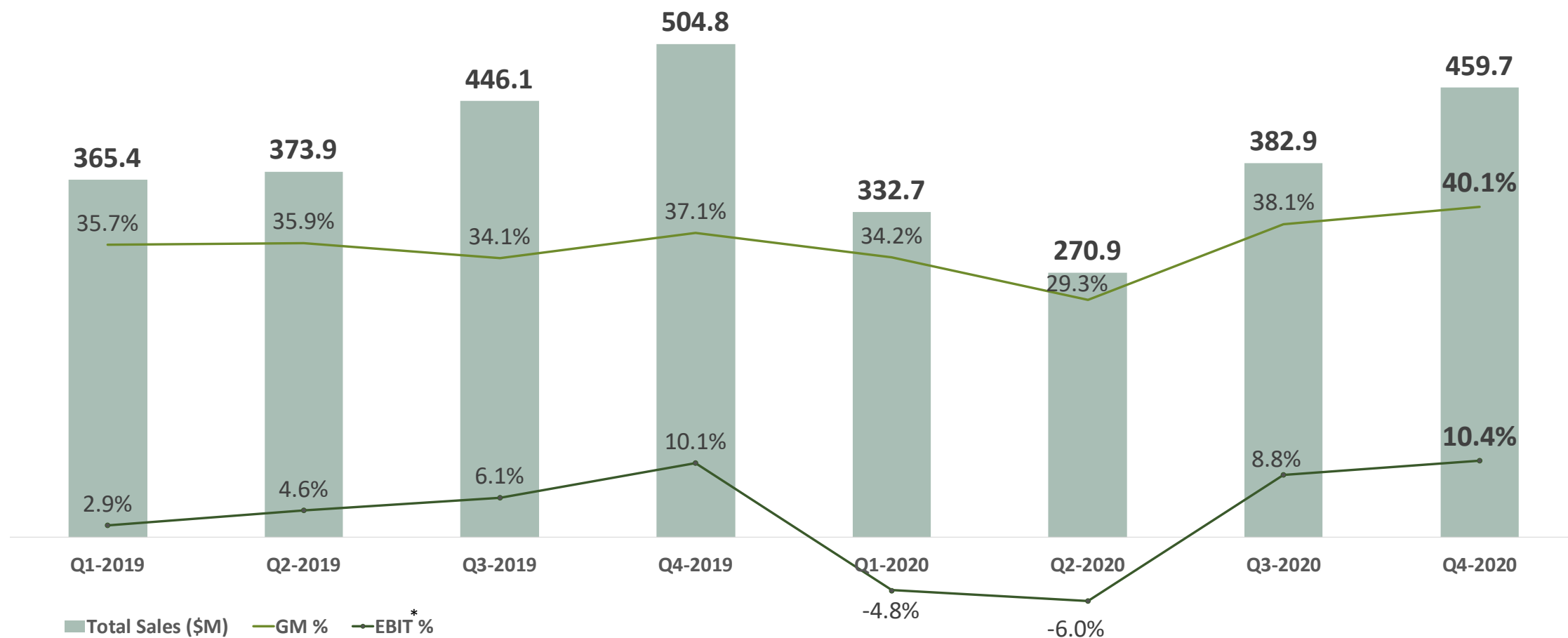
# Q4 Sales and EBIT by Segment

\$ in millions

	SALES				EBIT		
	Q4 2020	Q4 2019	% change	% change in original currency	Q4 2020	Q4 2019	% change
<b>DELTA USA</b>	118.0	128.6	(8%)	(8%)	13.1	10.6	24%
% of sales					11%	8%	
<b>GLOBAL UPPER MARKET</b>	114.1	140.8	(19%)	(19%)	8.6	11.2	(23%)
% of sales					8%	8%	
<b>DELTA EUROPEAN BRANDS</b>	86.0	86.1	(0%)	(7%)	10.2	11.3	(9%)
% of sales					12%	13%	
<b>DELTA PREMIUM BRANDS</b>	63.6	83.4	(24%)	(26%)	0.3	8.9	(97%)
% of sales					0%	11%	
<b>DELTA ISRAEL</b>	71.0	76.0	(7%)	(11%)	16.3	10.8	51%
% of sales					23%	14%	
<b>OTHER</b>	24.9				(0.2)		
% of sales					(1%)		
<b>INTERSEGMENT SALES</b>	(17.9)	(10.3)					
<b>OTHERS</b>					(0.6)	(1.6)	
<b>TOTAL SALES / EBIT</b> before one-time items	<b>459.7</b>	<b>504.8</b>	<b>(9%)</b>	<b>(11%)</b>	<b>47.7</b>	<b>51.2</b>	<b>(7%)</b>
% of sales					10.4%	10.1%	
<b>ONE-TIME ITEMS, NET</b>					(4.3)	1.0	
<b>REPORTED EBIT</b>					<b>43.4</b>	<b>52.2</b>	<b>(17%)</b>

The numbers are rounded

# Qs Trend Analysis

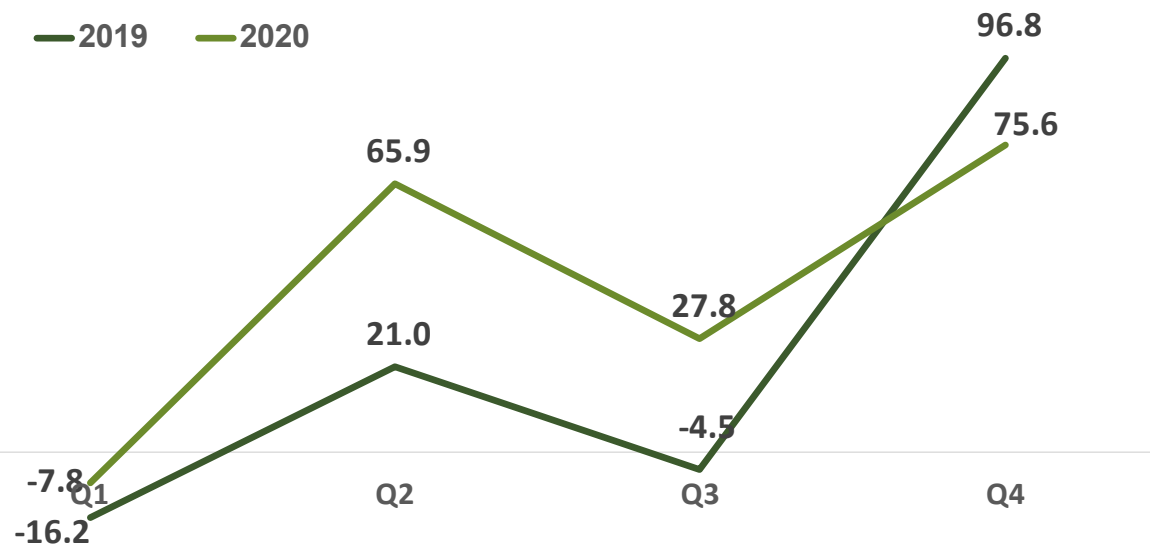


\* Before one-time items.

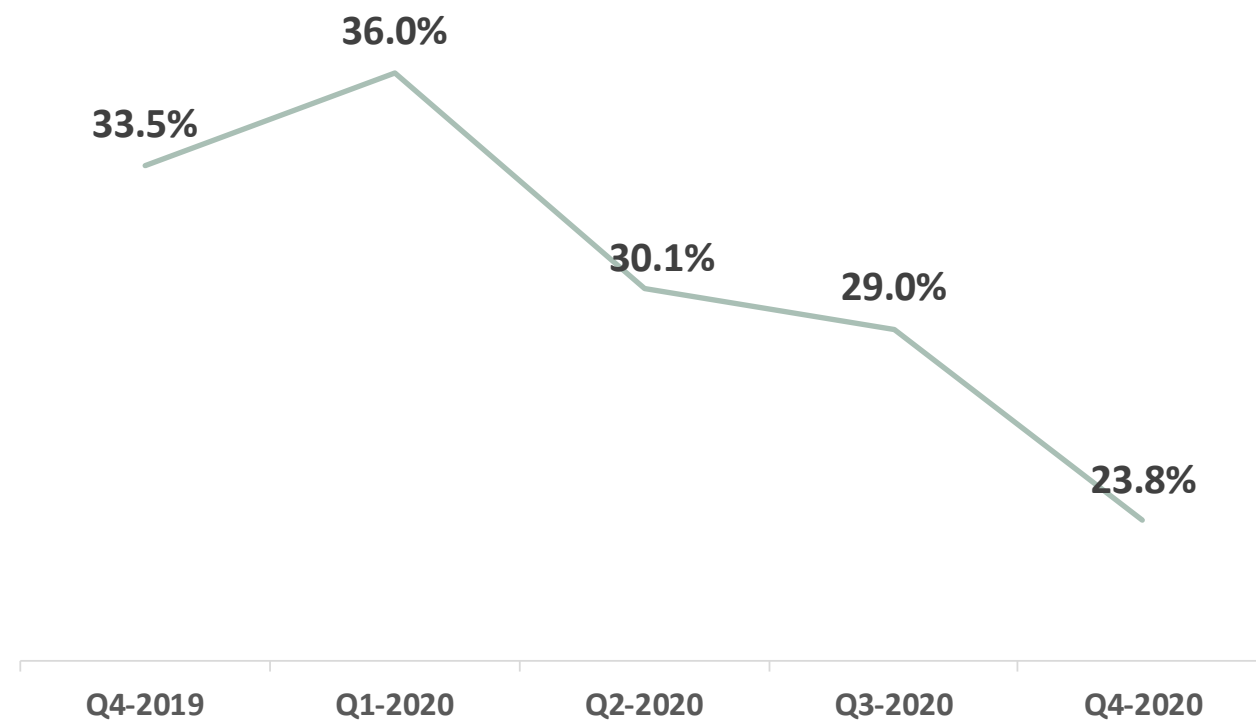


# Qs Trend Analysis

## Operating CF\*



## Net Debt/CAP\*



\* Excluding IFRS16 Impact

# Balance Sheet

\$ in millions

**\$231.7M** Cash on hand

**\$50.8M** Inventory decrease\*

**\$476.4M** Equity

	Dec. 31 2020	% OF TOTAL	Dec.31 2019	% OF TOTAL
CASH AND CASH EQUIVALENTS	231.7	14%	109.2	7%
INVENTORY	291.7	17%	328.1	21%
OTHER CURRENT ASSETS	258.8	15%	251.3	16%
<b>TOTAL CURRENT ASSETS</b>	<b>782.2</b>	<b>46%</b>	<b>688.7</b>	<b>43%</b>
NON CURRENT ASSETS	910.1	54%	899.1	57%
<b>TOTAL ASSETS</b>	<b>1,692.3</b>	<b>100%</b>	<b>1,587.8</b>	<b>100%</b>
CURRENT LIABILITIES	521.6	31%	401.8	25%
DEBENTURES	316.8	19%	340.4	21%
OTHER NON-CURRENT LIABILITIES	377.5	22%	338.7	21%
<b>TOTAL LONG TERM LIABILITIES</b>	<b>694.3</b>	<b>41%</b>	<b>679.0</b>	<b>43%</b>
EQUITY	476.4	28%	506.9	32%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,692.3</b>	<b>100%</b>	<b>1,587.8</b>	<b>100%</b>

\*Exc. BN

The numbers are rounded

# Financial Indicators

	31.12.2020	31.12.2019
Current ratio	1.50	1.71
Quick ratio	0.94	0.90
Days of Sales Outstanding	39	38
Days Payable Outstanding	61	41
Inventory Days	95	93
Operating cash flow - Q4(\$ in millions)*	75.6	96.8
Operating cash flow - YTD (\$ in millions)*	161.6	97.1
EBITDA - Q4 (\$ in millions)*	55.6	60.7
EBITDA - YTD (\$ in millions)*	81.1	137.7
Net financial debt (\$ in millions)*	236.3	334.5
Net financial debt to EBITDA* (based on Last 4 Quarters)	2.9	2.5
Equity / Total balance sheet	28.2%	31.9%
Equity (\$ in millions)	476.4	506.9
Net Debt / CAP*	23.8%	33.5%

\*Exclude IFRS 16 impact



# Delta Israel Brands (DLTI) IPO impact (Proforma)

## Impact on Balance Sheet

- Increase in Cash ~\$77M
- Minority Interest ~\$19M
- Increase in Equity ~\$58M
- Equity / Total Assets increases from 28.2% to 30.2% ↑

Pre money valuation ~	\$320M
Holding post	20%
Gross Cash raised	~ \$80M

## Impact on covenants as of Dec 2020


	Reported	Proforma*	
• Net debt / CAP	23.8%	15.2%	↓
• Net debt / EBITDA	2.9	2.0	↓

\* Proforma covenants are calculated assuming Net Debt is reduced by the cash proceeds of \$77M, and CAP is increased by \$58M



# Q4 momentum matrix

DELTA GALIL<sup>></sup>  
INDUSTRIES LTD.



**+300 bps GM**  
**Cash flow of \$75.6M**  
**-\$50.8M inventory**  
**-\$98.2M net debt**  
**EBIT margin at 10.4%**

**Delta USA**



**+24% EBIT**  
**+287 bps EBIT margin**  
**Substantial expense reduction**  
**Inventory down \$15.2M**

**DGPB**

*Splendid\**

**Profitable  
quarter despite  
COVID**

*for all mankind*  
**7**


**Restructuring  
continues –  
creating one  
global brand**

**DG European Brands**

SCHIESSER **Eminence**  
POUR HOMME

**EBIT margin at 11.9%  
(sales down 7% in Euro)**

**Delta** 



**+51% EBIT**  
**Successful IPO**  
**+173% digital growth**  
**Net profit of 17.7%**

**Global Upper Market**

**Factories full  
through Q2 2021**  
**Continued substantial  
growth in 2021**  
**Socks business continues  
to grow**

# Summary

01

Intimates, sleepwear, active wear and socks **are not cyclical categories** and are **performing well during the pandemic**

02

Using our **centers of excellence** to **improve our innovation** on a global basis

03

**The restructuring will increase our EBIT** in 2021, 2022 and beyond

04

We are **growing the digital channel** at a **high double digit rate**

05

We are focused on increasing sales through **licensing “A” brands globally**

# Our Goals

**STRATEGICALLY  
POSITIONED  
TO DELIVER CONTINUOUS  
GROWTH & VALUE  
CREATION FOR OUR  
SHAREHOLDERS IN THE  
YEARS AHEAD**

A woman with dark hair, wearing a wide-brimmed straw hat and a white ribbed tank top, is the central figure. She is looking directly at the camera with a slight smile, her right hand raised to her forehead. She has a small red heart tattoo on her left forearm and is wearing a gold ring on her finger. The background is a light-colored wall with shadows of leaves. The text 'Thank You' is overlaid in large white letters on the left side.

**Thank You**