

Delta Galil Industries Ltd.

("the Company")

October 19, 2025

To:

Israel Securities Authority
Via MAGNA
TEL AVIV STOCK EXCHANGE LTD
Via MAYA

www.isa.gov.il
www.tase.co.il

Dear Sir/Madam,

Re: Acquisition of Daily Drills Company

The Company is pleased to update that on October 16, 2025, the Company entered into an agreement (hereinafter: "the Agreement") under which it acquired, through two wholly owned subsidiaries, all rights in **Daily Drills LLC**, including its intellectual property assets (hereinafter: "Daily Drills"), from companies held by the two founders of **Daily Drills** and a dedicated donation fund (hereinafter: "the Sellers").

Below is a brief description of Daily Drills' activity:

1. Daily Drills Activity:

- **1.1**
Daily Drills is an American company, managed from Los Angeles and active in the field of digital apparel commerce in the United States. The main product categories in the company are Loungewear and Activewear. The company's sales are made through its owned website and application.
- **1.2**
The Company is acquiring the **Daily Drills** fashion brand with the intention to develop and expand its activity, mainly by entering new product categories, sales channels, and additional markets, leveraging the Company's design and product development capabilities.
- **1.3**
Below are key unaudited financial data of **Daily Drills** as provided by the Sellers and reviewed as part of the due diligence, based on US GAAP (in millions of dollars):

	2023 Ended December 31, 2023	2024 Ended December 31, 2024	Six months Ended June 30, 2025
Total Assets *	2.0	5.0	12.5
Total Liabilities *	0.5	0.8	4.8
Revenue	9.3	22.0	14.1
Gross Profit	4.9	13.0	8.4
Operating Profit	3.5	9.6	6.3

The balance of assets and liabilities is as of December 31, 2023, December 31, 2024, and June 30, 2025, respectively.

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The intangible assets of Daily Drills mainly include the brand name and goodwill, whose value will be assessed as part of the purchase price allocation work.

Below is a summary of the main terms of the agreement:

2. The Transaction

2.1 In consideration for the purchase of all the Sellers' rights in Daily Drills, the Company will pay the Sellers, at the closing of the transaction, a cash amount of \$65 million, plus or minus certain amounts specified in the agreement (including the cash existing in the company, as defined in the agreement, the difference between the working capital and the working capital set in the agreement, and less liabilities and transaction expenses) (hereinafter: "the Consideration").

2.2 An amount of \$4.7 million out of the Consideration will be held in escrow and released to the Sellers according to the conditions set in the agreement.

2.3 The Sellers will be entitled to additional payment beyond the Consideration ("Earn-Out" mechanisms and bonus payments over four years (2026-2029)), subject to meeting EBITDA targets of the acquired activity. The additional payment is estimated by the Company as of the reporting date at approximately \$37 million, so that the total consideration including the Earn-Out and bonus is estimated at approximately \$102 million.

The Company's estimate regarding the additional payment beyond the Consideration, as stated above, is based on Daily Drills' sales at this time as well as the Company's assessments regarding the synergy between Daily Drills' activity and the Company's activity and sales forecasts for the coming years. This estimate may not materialize, including materially, as a result, among other things, of changes in market preferences, brand weakening, weakness in the US economy, as well as all risk factors detailed in Part A of the Company's periodic report for 2024.

2.4 The payment of the Consideration will be financed by utilizing the Company's existing bank credit facilities.

For details regarding credit facilities, see Note 18(d) in the Company's annual report for 2024.

2.5 The purchaser will bear, together with the Sellers, part of the taxes and levies arising from the transaction, according to the allocation and mechanisms set in the agreement.

3. Additional Obligations

The agreement also includes, among other things, additional obligations, including:

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- **3.1** Standard representations regarding Daily Drills as well as representations of the Sellers and purchasers.
- **3.2** The Sellers' commitment to non-competition until December 31, 2029, not to solicit employees for a period of 24 months from the closing date, and to confidentiality for a period of three years from the closing date.
- **3.3** The Sellers' and the Company's commitment to indemnify the other party as a result, among other things, of breaches of representations and obligations, all as set in the agreement. The maximum indemnification amount for the Company and the Sellers will be \$6.5 million each.

Sincerely,

Delta Galil Industries Ltd.

By Yaniv Bendek, Chief Financial Officer