

Delta Galil Reports First Quarter 2017 Results

*Sales Increase 23% to \$315.7 Million,
Including Delta Premium Brands*

*Operating Cash Flow for the Twelve Month Period Ending March 31, 2017 was \$87 Million,
Compared with \$67 Million for the Same Period Last Year*

*Reaffirms 2017 Guidance; Sales Expected to Reach \$1,330 Million-\$1,370 Million and
Full-Year EPS Expected to Reach \$1.95-\$2.02*

2017 First Quarter Highlights

- Sales grew 23% to \$315.7 million in the first quarter of 2017, from \$256.7 million in the first quarter 2016.
- Strong balance sheet post-acquisition, highlighted by \$399.1 million in equity, and \$66.2 million in cash and cash equivalents as of March 31, 2017.
- Diluted earnings per share excluding one-time items amounted to \$0.28 in the first quarter of 2017, compared to \$0.31 in the first quarter of 2016.
- Financial guidance for 2017 was reaffirmed: Full-year 2017 sales are expected to range between \$1,330 million-\$1,370 million, representing an increase of 13%-16% from 2016 actual sales of \$1,179 million. Full-year 2017 diluted EPS is expected to range between \$1.95-\$2.02, representing an increase of 5%-9% from 2016 actual EPS of \$1.85.
- Declared a dividend of \$2.75 million, or \$0.108 per share, to be distributed on June 6, 2017. The determining and "ex-dividend" date will be May 25, 2017.
- Successful issuing of new series bond.
- Signed licensing deal with Calvin Klein Inc. to develop, produce and distribute boys and girls underwear, sleepwear and socks for the brand.
- Isaac Dabah, CEO of Delta Galil, stated: "We are pleased with the continued strength of our diversified business model. Our first quarter results were in line with our plan, and consistent with Delta's historical performance of generating higher profits in the second half of the year. We continue to have a strong balance sheet and remain focused on growing our global business segment."





Tel Aviv, May 16, 2017 – Delta Galil Industries, Ltd. (DELT/Tel Aviv Stock Exchange, DELTY.PK/OTCQX), the global manufacturer and marketer of branded and private label apparel products for men, women and children, as well as leisurewear, jeans and activewear, today reported its financial results for the first quarter ended March 31, 2017.

Sales

The Company reported sales of \$315.7 million for the first quarter of 2017, a 23% increase compared to \$256.7 million for the same quarter last year. The increase was primarily driven by the addition of Delta Premium Brands.

Operating profit

Operating profit excluding one-time items amounted to \$12.9 million for the first quarter of 2017, compared to \$14.8 million for the first quarter last year, representing a 13% decrease.

Operating profit was \$10.2 million for the first quarter of 2017, compared to \$14.8 million in the same period last year, representing a 31% decrease.

Net income

Net income excluding one-time items was \$7.2 million for the 2017 first quarter, representing an 8% decrease from \$7.9 million in the first quarter last year.

Net income was \$5.6 million in the first quarter of 2017, compared to \$7.9 million in the first quarter last year, representing a 29% decrease.

Diluted earnings per share excluding one-time items amounted to \$0.28 in the first quarter of 2017, compared to \$0.31 in the first quarter of 2016. Diluted earnings per share were \$0.22 in the 2017 first quarter, compared to \$0.31 in the same quarter last year. The results reflect a stronger gross margin offset by higher marketing and other expenses including negative impact of foreign currency translation.

Management Comment

Isaac Dabah, CEO of Delta Galil, stated: “We are pleased with the continued strength of our diversified business model. Our first quarter results were in line with our plan, and consistent with Delta’s historical performance of generating higher profits in the second half of the year.”

“During the quarter, we made meaningful changes in our company that will improve our efficiency and production capacity. We started to run our Vietnamese factory with 750 new employees, and are on track to have our first orders shipped in April 2017. We expect the facility to reach full operational status in 2018.”

“Also during the quarter, we signed a licensing deal with Calvin Klein Inc. to develop, produce and distribute boys and girls underwear, sleepwear and socks for the brand. This represented an important step in our ongoing strategy of enhancing our branded portfolio and broadening our presence in the premium sector.”



“We continue to have a strong balance sheet to support our acquisition strategy, and we remain focused on growing our global business segment, while attaining strong EBITDA growth in 2017 and beyond.”

EBITDA, Cash Flow, Net Debt, Equity and Dividend

EBITDA was \$19.1 million, or 6% of sales in the first quarter of 2017, compared to \$20.2 million, or 7.9% of sales in the same quarter last year.

Operating cash flow was negative \$13.1 million in the first quarter of 2017, compared with negative \$23.6 million in the first quarter of 2016. Operating cash flow for the twelve month period ending March 31, 2017 was \$87 million, compared with \$67 million for the same period last year, representing a 30% increase.

Net financial debt as of March 31, 2017 was \$205.2 million, compared to \$112.4 million as of March 31, 2016, and \$181.2 million as of December 31, 2016.

Equity on March 31, 2017 was \$399.1 million, up from \$368.9 million a year earlier.

Delta Galil declared a dividend of \$2.75 million, or \$.108 per share, to be distributed on June 6, 2017. The determining and "ex-dividend" date will be May 25, 2017.

The Company completed a successful issuance of a five-year USD series bond for \$57 million, at a 3.85% coupon.

2017 Financial Guidance

Delta Galil reaffirmed its 2017 financial guidance, excluding non-recurring items which is based on current market conditions and current exchange rate of \$1.09 per euro and 3.65 NIS per US\$.

- Full-year 2017 sales are expected to range between \$1,330 million-\$1,370 million, representing an increase of 13%-16% from 2016 actual sales of \$1,179 million.
- Full-year 2017 EBIT is expected to range between \$86 million-\$91 million, representing an increase of 3%-9% from 2016 actual EBIT of \$83.2 million.
- Full-year 2017 EBITDA is expected to range between \$113.0 million-\$118.0 million, representing an increase of 6%-10% from 2016 actual EBITDA of \$107.0 million.
- Full-year 2017 net income is expected to range between \$50.0 million-\$52.0 million, representing an increase of 6%-10% from 2016 actual net income of \$47.2 million.
- Full-year 2017 diluted EPS is expected to range between \$1.95-\$2.02, representing an increase of 5%-9% from 2016 actual EPS of \$1.85.





About Delta Galil Industries

Delta Galil Industries is a global manufacturer and marketer of branded and private label apparel products for men, women and children. Since its inception in 1975, the Company has continually strived to create products that follow a body-before-fabric philosophy, placing equal emphasis on comfort, aesthetics and quality. Delta Galil develops innovative seamless apparel including bras, shapewear and socks; intimate apparel for women; extensive lines of underwear for men; babywear, activewear, sleepwear, and leisurewear. Delta Galil also designs, develops, markets and sells branded denim apparel under the brand 7 For All Mankind®, and ladies apparel under the brands Splendid® and Ella Moss®. For more information, visit www.deltagalil.com.

Safe Harbor Statement

Matters discussed in this press release contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this press release, the words "anticipate," "believe," "estimate," "may," "intend," "expect" and similar expressions identify such forward-looking statements. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained herein, and while expected, there is no guarantee that we will attain the aforementioned anticipated developmental milestones. These forward-looking statements are based largely on the expectations of the Company and are subject to a number of risks and uncertainties. These include, but are not limited to, risks and uncertainties associated with: the impact of economic, competitive and other factors affecting the Company and its operations, markets, product, and distributor performance, the impact on the national and local economies resulting from terrorist actions, and U.S. actions subsequently; and other factors detailed in reports filed by the Company.

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DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Balance Sheets

As of March 31, 2017

	March 31		December 31
	2017	2016	2016
	(Unaudited)		(Audited)
	Thousands of Dollars		
Assets			
Current assets:			
Cash and cash equivalents	64,629	129,717	81,947
Restricted Cash	1,542	535	1,767
Other accounts receivable:			
Trade receivables	131,784	117,920	153,044
Taxes on income receivable	2,090	8,533	2,264
Others	20,759	16,186	16,980
Financial derivative	840	559	286
Inventory	247,488	199,058	233,114
Assets classified as held for sale	1,000	1,000	1,000
Total current assets	<u>469,952</u>	<u>473,508</u>	<u>490,402</u>
Non-current assets:			
Investments in associated companies accounted using the equity method and long-term receivables	11,052	7,276	11,341
Investment property	3,411	3,742	3,389
Fixed assets, net of accumulated depreciation	174,835	130,809	171,954
Goodwill	70,101	70,101	70,101
Intangible assets, net of accumulated amortization	142,538	89,582	147,990
Deferred tax assets	16,946	9,910	14,269
Financial derivative	13,789	3,937	4,096
Total non-current assets	<u>432,672</u>	<u>315,357</u>	<u>423,140</u>
Total assets	<u><u>902,624</u></u>	<u><u>788,865</u></u>	<u><u>913,542</u></u>



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Concise Consolidated Balance Sheets

As of March 31, 2017

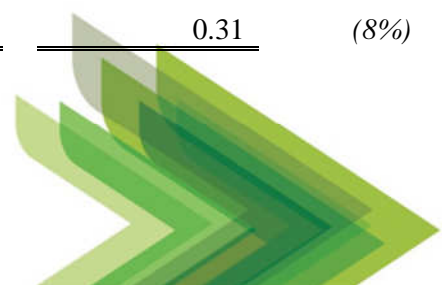
	<u>March 31</u>		<u>December 31</u>
	<u>2017</u>	<u>2016</u>	<u>2016</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>Thousands of Dollars</u>		
Liabilities and Equity			
Current liabilities:			
Short-term bank loans	24	183	44,988
Current maturities of debentures	13,983	24,432	13,479
Financial derivative	1,623	1,972	2,383
Other accounts payable:			
Trade payables	81,655	83,947	104,797
Taxes on income payable	4,571	4,874	3,478
Others	87,859	55,211	95,767
Total current liabilities	189,715	170,619	264,892
Non-current liabilities:			
Severance pay liabilities less plan assets	3,337	2,761	3,213
Other non-current liabilities	34,820	23,763	42,040
Debentures	269,929	219,160	207,024
Deferred taxes liabilities	5,308	2,170	4,353
Financial derivative	439	1,451	1,388
Total non-current liabilities	313,833	249,305	258,018
Total liabilities	503,548	419,924	522,910
Equity:			
Equity attributable to equity holders of the parent company:			
Share capital	23,699	23,670	23,696
Share premium	130,847	130,387	130,901
Other capital reserves	(10,179)	(8,571)	(15,824)
Retained earning	270,785	233,624	268,217
Treasury shares	(17,222)	(11,315)	(17,474)
	397,930	367,795	389,516
Minority interests	1,146	1,146	1,116
Total equity	399,076	368,941	390,632
Total liabilities and equity	902,624	788,865	913,542



DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Statement of Income
For the 3-month period ending March 31, 2017

	Three months ended on		% Increase (Decrease)
	March 31		
	2017	2016	
	(Unaudited)		
	Thousands of dollars		
Sales	315,681	256,687	23%
Cost of sales	201,738	177,873	
Gross profit	113,943	78,814	45%
% of sales	36.1%	30.7%	
Selling and marketing expenses	83,271	52,468	59%
% of sales	26.4%	20.4%	
General and administrative expenses	15,959	10,028	59%
% of sales	5.1%	3.9%	
Other expenses, net	1,869	1,494	
Share in profit of associated companies accounted for using the equity method	30	27	
Operating income excluding non-recurring items	12,874	14,851	(13%)
% of sales	4.1%	5.8%	
Restructuring expenses	2,665	-	
Operating income	10,209	14,851	
Finance expenses, net	3,710	3,619	3%
Income before taxes on income	6,499	11,232	
Taxes on income	910	3,343	
Net income for the period	5,589	7,889	(29%)
Net income excluding non-recurring items, net of tax for the period	7,241	7,889	(8%)
Attribution of net earnings for the period:			
Attributed to company's shareholders	5,559	7,859	
Attributed to non-controlling interests	30	30	
	5,589	7,889	
Net diluted earnings per share attributable to Company's shareholders	0.22	0.31	(29%)
Net diluted earnings per share, before non-recurring items attributable to Company's shareholders	0.28	0.31	(8%)



DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Statement of Income
For the 3-month period ending March 31, 2017

	Three months ended on March 31		Year Ending
	2017	2016	December 31
	(Unaudited)		2016
	(Unaudited)		(Audited)
	Thousands of Dollars		
Cash flows from operating activities			
Net profit for the period	5,589	7,889	51,902
Adjustments required to reflect cash flows deriving from operating activities	(13,482)	(28,088)	42,758
Interest paid in cash	(4,256)	(3,047)	(11,971)
Interest received in cash	109	323	1,284
Taxes on income paid in cash, net	(1,101)	(633)	(7,368)
Net cash generated from (used in) operating activities	<u>(13,141)</u>	<u>(23,556)</u>	<u>76,605</u>
Cash flows from investment activities:			
Acquisition of fixed assets and intangible assets	(6,225)	(8,917)	(42,604)
Restricted cash release (deposit)	225	7	(1,224)
Acquisition of activity	-	-	(118,885)
Proceeds from the sale of fixed assets	175	17	258
Earn-out payment for acquisition of an activity	(1,500)	-	-
Others	261	(403)	(919)
Net cash used in investment activities	<u>(7,064)</u>	<u>(9,296)</u>	<u>(163,374)</u>
Cash flows from financing activities:			
Dividends paid to non-controlling interest holders in consolidated subsidiary	-	-	(120)
Long term payables credit for fixed assets purchase	(1,554)	(1,315)	(3,308)
Debentures principle repayment	(6,413)	-	(19,379)
Dividend paid	(3,539)	(3,540)	(14,094)
Shares Buy-Back	-	(578)	(6,895)
Repayment of loans and other long-term liabilities	-	(755)	(755)
Short-term credit from banking corporations, net	(44,964)	125	44,165
Debentures issuance return, excluding issuance expenses	57,152	-	-
A deposit with a banking corporation as security in respect of the SWAP transaction	1,545	415	1,745
Proceeds from exercise of employee options	201	82	618
Net cash used in financing activities	<u>2,428</u>	<u>(5,566)</u>	<u>1,977</u>
Net decrease in cash and cash equivalents	(17,777)	(38,418)	(84,792)
Exchange rate differences and revaluation of cash and cash equivalents, net	459	603	(793)
Balance of cash and cash equivalents at the beginning of the period	81,947	167,532	167,532
Balance of cash and cash equivalents at the end of the period	64,629	129,717	81,947



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For the 3-month period ending March 31, 2017

	Three months ended on March 31		Year Ending
	2017	2016	December 31
	(Unaudited)		(Audited)
	Thousands of Dollars		
Adjustments required to reflect cash flows from operating activities:			
Revenues and expenses not involving cash flow:			
Depreciation	5,426	4,544	21,420
Amortization	788	791	3,029
Cash erosion, net	(174)	(157)	50
Interest paid in cash	4,256	3,047	11,971
Interest received in cash	(109)	(323)	(1,284)
Taxes on income paid in cash, net	1,101	633	7,368
Deferred taxes, net	(1,787)	(427)	932
Severance pay liability, net	104	(20)	62
Restructuring expenses	2,665	-	3,984
Capital loss (gain) from sale of fixed assets	42	(9)	(54)
Change in benefit component of options and restricted shares granted to Employees	548	514	2,130
Bargain purchase	-	-	(10,420)
Share in losses of associated companies accounted for using the equity method	(30)	(27)	(351)
Others	392	180	577
	<u>13,222</u>	<u>8,746</u>	<u>39,414</u>
Changes to operating assets and liabilities:			
Decrease (increase) in trade receivables	23,569	(11,574)	(26,054)
Decrease (increase) in other receivable	(3,549)	342	8,404
Decrease in trade payables	(22,195)	(18,925)	(6,339)
Increase (decrease) in other payables	(11,481)	(7,696)	5,757
Decrease (increase) in inventory	(13,048)	1,019	21,576
	<u>(26,704)</u>	<u>(36,834)</u>	<u>3,344</u>
	<u>(13,482)</u>	<u>(28,088)</u>	<u>42,758</u>

