

Delta Galil Reports 2016 Second Quarter Results

Net Income Attributable to Shareholders was \$7.8 million on Sales of \$249.5 Million

Operating Cash Flow Rose to \$26.5 Million

- Sales amounted to \$249.5 million in the 2016 second quarter, compared to \$255.5 million in the 2015 second quarter, representing a 2% decrease.
- Operating profit in the second quarter of 2016 was \$13.5 million, a 7% decrease from \$14.5 million in the second quarter of 2015. The decrease in operating income was mainly due to high depreciation expenses derived from investments for future growth.
- EBITDA in the second quarter of 2016 was \$18.9 million, a 1% decrease from \$19.0 million for the second quarter of 2015. For the six months ended June 30, 2016, EBITDA increased by 1% to \$39.1 million, versus \$38.7 million a year ago.
- Net income in the second quarter of 2016 amounted to \$7.8 million, compared to \$9.3 million in the same period of 2015.
- Operating cash flow increased to \$26.5 million, compared to \$24.0 million last year.
- The Board of Directors declared a dividend of \$3.5 million or \$0.139 per share, to be distributed on September 6th, 2016. The determining and "ex-dividend" date will be August 23rd, 2016, per the Tel Aviv Stock Exchange.
- Strong balance sheet was highlighted by \$363.3 million in equity and \$134.2 million in cash as of June 30, 2016.
- The Company has completed its share buy-back plan of \$6.9 million.
- Financial guidance for 2016: the Company expects to meet the lower end of the previously stated guidance range, reflecting the continuance of the soft market in the U.S.
- Isaac Dabah, CEO of Delta Galil, stated: "While we experienced a challenging U.S. retail environment this quarter, this was partially offset by improvements in all of our other business segments and regions, reflecting the strength of our diversified business model. Looking ahead, we are continuing to build our branded business and global footprint by implementing the new acquisition, which we anticipate will be consummated during the third quarter. Importantly, we have a strong balance sheet to support our long-term growth, and we are continuing with our investments aimed at attaining double digit EBIT growth in 2017 and 2018."



The Company reported sales of \$249.5 million for the second quarter of 2016, compared to \$255.5 million for the same quarter last year, reflecting softer topline performance in the U.S market, offset by stronger sales in regions such as Europe and Israel. Sales for the first six months of 2016 were \$506.2 million, versus \$508.4 million in the same period of 2015.

Operating income for the second quarter of 2016 was \$13.5 million, down 7% from \$14.5 million in the second quarter of 2015. For the first six months of 2016, operating income was \$28.4 million, down 5% from \$29.8 million a year earlier. The decrease in operating income was mainly due to higher depreciation expenses derived from investments for future growth.

Net income attributable to shareholders was \$7.8 million in the second quarter of 2016, compared to \$9.3 million in the same quarter of 2015, representing a 16% decrease. Diluted earnings per share attributed to shareholders were \$0.30 for the 2016 second quarter, compared to \$0.36 for the same quarter last year. For the first six months of 2016, net income attributable to shareholders was \$15.6 million, or \$0.61 per diluted share, compared to \$18.2 million or \$0.71 per diluted share for the same period of 2015. The decrease for the second quarter and the first half of 2016 derives mainly from higher depreciation expenses and an increase in tax on income expenses compared to the same periods a year ago.

Management Comment

Isaac Dabah, CEO of Delta Galil, stated: “While we experienced a challenging U.S. retail environment in the second quarter, which is expected to continue into the third quarter, this was partially offset by improvements in all of our other business segments and regions, reflecting the strength of our diversified business model. Through our balanced blend of branded and private label products, an expanding global presence, and a range of market segments, we are positioned for long-term profitable growth.”

“As part of our growth strategy, we announced during the quarter the acquisition of contemporary premium brands, including the businesses and brands of 7 For All Mankind®, Splendid® and Ella Moss® from VF Corporation. We are now working to maximize the benefits these brands bring to Delta, as they further diversify our product offering and distribution channels, while adding significant strength to our structure.”

“We are on track to launch our new factories in Vietnam, with Seamfree and Cut & Sew factories opening in the fourth quarter of 2016, and our Socks factory in the first quarter of 2017, which will contribute to our growth in 2017 and 2018. With a strong balance sheet to support our long-term growth and acquisition strategy, we are focused on growing our e-commerce business, and are working to attain double digit EBIT growth in 2017 and 2018.”



Cash Flow, EBITDA, Net Debt, Equity and Dividend

Operating cash flow increased to \$26.5 million in the second quarter, from \$24.0 million in the same period a year ago. Operating cash flow for the 12 months ended June 30, 2016 and 2015, was \$69.2 million and \$53.9 million, respectively.

EBITDA was \$18.9 million or 7.6% of sales in the second quarter of 2016, compared to \$19.0 million or 7.5% of sales in the same quarter last year. For the first six months of 2016, EBITDA was \$39.1 million or 7.7% of sales, compared to \$38.7 million or 7.6% of sales in the same period of 2015.

Last 12 Months EBITDA for the period ended June 30, 2016, amounted to \$95.7 million, a 3% increase from \$92.8 million in the same period a year ago.

Net financial debt as of June 30, 2016 was \$106.6 million, compared to \$71.1 million as of June 30, 2015, and \$74.5 million as of December 31, 2015. The increase in net financial debt as of June 30, 2016, compared to previous periods derives mainly from the PJ Salvage acquisition and the Company's investments in its production plants.

The net financial debt to EBITDA ratio based on the last four quarters was 1.1 as of June 30, 2016, compared to a ratio of 0.8 as of June 30, 2015.

Equity on June 30, 2016 was \$363.3 million, up from \$343.2 million a year earlier.

Delta Galil declared a dividend of \$3.5 million, or \$0.139 per share, to be distributed on September 6th, 2016. The determining and "ex-dividend" date will be August 23rd, 2016, per the Tel Aviv Stock Exchange.

Guidance for 2016

Reflecting the continuance of the soft market in the U.S., the Company expects to meet the lower end of the previously stated guidance range.

