

Delta Galil Reports 2016 Third Quarter Results

Company has completed the 7 For All Mankind/Splendid/Ella Moss ("Premium Brands") Acquisition

*Net profit increased 31% to \$17.7 Million,
On Sales of \$296.6 Million*

Operating cash flow last 12 month is \$75.8 Million

2016 Third Quarter Highlights

- Sales grew 4% to \$296.6 million in the third quarter of 2016, from \$284.6 million in the 2015 third quarter.
- Operating profit increased 16% to \$24.6 million in the third quarter of 2016, compared to \$21.2 million in the third quarter of 2015.
- Operating profit before one-time items increased by 2% in the third quarter of 2016 and amounted to \$22.5 million, compared to \$22.1 million in the third quarter of 2015.
- EBITDA in the third quarter of 2016 was \$28.7 million, a 5% increase from \$27.1 million in the third quarter of 2015.
- Net income in the third quarter of 2016 totaled \$17.7 million, compared to \$13.4 million in the same period of 2015, a 31% increase.
- Premium Brands activity was consolidated for the first time and contributed \$28.9 million to sales, and \$2.0 million to operating profit in the third quarter of 2016.
- Operating cash flow in the third quarter of 2016 increased to \$12.6 million, compared to \$5.9 million last year.
- The Board of Directors declared a dividend of \$3.5 million, or \$0.139 per share, to be distributed on December 6th, 2016. The determining and "ex-dividend" date will be November 23rd, 2016.
- Isaac Dabah, CEO of Delta Galil, stated: "We are happy with the completion of the acquisition of Premium Brands, and believe it will be a significant long-term growth engine. The acquisition will contribute to our diversification and will help introduce new categories and new customers. The Company continues to focus on attaining overall double digit EBIT growth in 2017 and beyond."



Sales

The Company reported sales of \$296.6 million for the third quarter of 2016, compared to \$284.6 million for the same quarter last year, a 4% increase. Sales for the first nine months of 2016 were \$802.8 million, compared to \$792.9 million in the same period of 2015, a 1% increase.

Operating profit

Operating profit increased 16% to \$24.6 million in the third quarter of 2016, compared to \$21.2 million in the third quarter last year. For the first nine months of 2016, operating income was \$53.0 million, compared to \$51.0 for the same period last year, representing a 4% increase.

Operating profit before one-time items in the third quarter of 2016 amounted to \$22.5 million, compared to \$22.1 million last year, representing an increase of 2%. Operating profit before one-time items in the first nine months of 2016 amounted to \$50.9 million, compared to \$51.9 million last year, representing a decrease of 2%.

Net income

Net income was \$17.7 million in the third quarter of 2016, compared to \$13.4 million in the same quarter last year, increasing 31%. Diluted earnings per share were \$0.69 for the 2016 third quarter, compared to \$0.52 for the same quarter last year. For the first nine months of 2016, net income was \$33.3 million, or \$1.30 per diluted share, compared to \$31.7 million or \$1.23 per diluted share for the same period of 2015.

Management Comment

Isaac Dabah, CEO of Delta Galil, stated: “Our third quarter results demonstrate the strength of our business model, which is built on a diverse portfolio of branded and private label products, an expanding global presence, and a range of market segments that, together, provide both growth momentum and balance. We saw a strong contribution from our recent addition of DG Premium Brands, which includes 7 For All Mankind®, Splendid® and Ella Moss®, and despite the expected soft U.S. market, we experienced strong growth in Europe and Israel.”

“During the quarter, we focused on consolidating Premium Brands into our business, while taking important measures and implementing the necessary efficiencies to both streamline and strengthen the brands to best position them for growth. Also during the quarter, we appointed retail and fashion leader Paula Schneider, who is renowned for building profitable businesses and improving efficiencies for contemporary brands, to oversee this business and execute our ambitious goals for these brands.”

“Importantly, through this new business segment, we are growing our product offering and entering new categories, which is enabling us to reach new customers as well as strengthen our relations with existing ones – all while expanding our global reach.”



“Looking ahead, in addition to maximizing the benefits of this new acquisition, we expect our new Vietnamese factory to contribute to our growth beginning in 2017, and we are on track to open our new Seamfree and Cut & Sew factories in the fourth quarter. With a strong balance sheet to support our long-term growth and acquisition strategy, we are also focused on growing our e-commerce business, and we are working to attain double digit EBIT growth in 2017 and beyond.”

EBITDA, Cash Flow, Net Debt, Equity and Dividend

EBITDA was \$28.7 million, or 9.7% of sales in the third quarter of 2016, compared to \$27.1 million, or 9.5% of sales in the same quarter last year. For the first nine months of 2016, EBITDA was \$67.8 million, or 8.4% of sales, compared to \$65.8 million, or 8.3% of sales in the same period of 2015.

Operating cash flow was \$12.6 million in the third quarter of 2016, compared with \$5.9 million in the third quarter of 2015. Operating cash flow for the nine months ended September 30, 2016, and September 30, 2015, was \$15.5 million, and \$10.2 million, respectively. Operating cash flow in the last 12 months amounted to \$75.8 million, compared to \$45.1 million last year.

Net financial debt as of September 30, 2016 was \$223.8 million, compared to \$123.5 million as of September 30, 2015, and \$74.5 million as of December 31, 2015. The increase in net finance debt derives mainly from the Premium Brands activity acquisition.

Equity on September 30, 2016 was \$382.0 million, up from \$349.9 million a year earlier.

Delta Galil declared a dividend of \$3.5 million, or \$0.139 per share, to be distributed on December 6th, 2016. The determining and "ex-dividend" date will be November 23rd, 2016.



DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Balance Sheets
As of September 30, 2016

	September 30		December 31
	2016	2015	2015
	(Unaudited)		(Audited)
	Thousands of Dollars		
Assets			
Current assets:			
Cash and cash equivalents	47,788	128,088	167,532
Restricted Cash	1,762	456	532
Other accounts receivable:			
Trade receivables	144,949	122,291	105,630
Taxes on income receivable	5,599	8,530	8,963
Others	18,703	15,408	15,882
Financial derivative	511	264	209
Inventory	267,693	204,702	196,172
Assets classified as held for sale	1,000	1,935	1,000
Total current assets	<u>488,005</u>	<u>481,674</u>	<u>495,920</u>
Non-current assets:			
Investments in associated companies accounted using the equity method and long-term receivables	11,256	10,433	5,421
Investment property	3,639	3,719	3,573
Fixed assets, net of accumulated depreciation	167,724	114,977	122,129
Goodwill	70,101	70,101	70,101
Intangible assets, net of accumulated amortization	135,707	84,373	89,734
Deferred tax assets	16,912	10,376	9,877
Financial derivative	6,490	1,033	1,439
Total non-current assets	<u>411,829</u>	<u>295,012</u>	<u>302,274</u>
Total assets	<u><u>899,834</u></u>	<u><u>776,686</u></u>	<u><u>798,194</u></u>



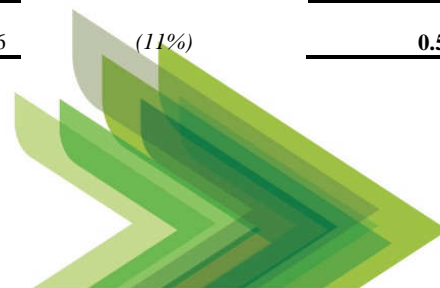
	September 30		December 31
	2016	2015	2015
	(Unaudited)		(Audited)
	Thousands of Dollars		
Liabilities and Equity			
Current liabilities:			
Short-term bank loans	51,332	617	52
Current maturities of debentures	13,583	23,489	23,365
Financial derivative	1,832	2,854	3,049
Other accounts payable:			
Trade payables	103,859	83,851	100,956
Taxes on income payable	4,393	4,343	2,690
Others	87,905	60,526	65,807
Total current liabilities	262,904	175,680	195,919
Non-current liabilities:			
Severance pay liabilities less plan assets	2,867	2,254	2,696
Other non-current liabilities	33,810	20,282	22,533
Debentures	211,981	216,446	211,728
Reserve for deferred taxes	4,638	3,118	2,528
Financial derivative	1,607	9,052	5,311
Total non-current liabilities	254,903	251,152	244,796
Total liabilities	517,807	426,832	440,715
Equity:			
Equity attributable to equity holders of the parent company:			
Share capital	23,688	23,662	23,666
Share premium	130,529	130,113	130,421
Other capital reserves	(8,759)	(13,814)	(15,692)
Retained earning	252,943	219,712	228,817
Treasury shares	(17,490)	(10,933)	(10,849)
	380,911	348,740	356,363
Minority interests	1,116	1,114	1,116
Total equity	382,027	349,854	357,479
Total liabilities and equity	899,834	776,686	798,194



DELTA GALIL INDUSTRIES LTD.

Consolidated Statement of Comprehensive Income
For the 3-month and 9-month periods ending September 30, 2016

	Nine months ended September 30		%	Three months ended September 30		%
	2016	2015		Increase/(Decrease)	2016	
(Unaudited)						
Thousands of Dollars						
Except for Earnings per Share Data						
Sales	802,852	792,931		296,634	284,556	4%
Cost of sales	548,151	564,549		196,164	201,539	
Gross profit	254,701	228,382	12%	100,470	83,017	21%
% of sales	31.7%	28.8%		33.9%	29.2%	
Selling and marketing expenses	172,122	150,788	14%	65,191	51,613	26%
% of sales	21.4%	19.0%		22.0%	18.1%	
General and administrative expenses	30,936	27,136	14%	12,483	9,616	30%
% of sales	3.9%	3.4%		4.2%	3.4%	
Other expenses (income), net	1,053	(801)		427	(66)	
Share in profits of associated companies accounted for using the equity method	305	594		166	199	
Operating income before one-time items	50,895	51,853	(2%)	22,535	22,053	2%
% of sales	6.3%	6.5%		7.6%	7.7%	
Restructuring expenses	6,895	-		6,895	-	
Bargain purchase profit	10,420	-		10,420	-	
Activity Acquisition expenses	1,456	809		1,456	809	
Operating income	52,964	51,044	4%	24,604	21,244	16%
Finance expenses, net	10,786	12,122	(11%)	3,519	4,555	(23%)
Income before tax on income	42,178	38,922		21,085	16,689	
Taxes on income	8,823	7,247		3,430	3,245	
Net income for the period	33,355	31,675	5%	17,655	13,444	31%
Net income for the period before one-time items	28,670	32,403	(12%)	12,970	14,172	(8%)
Attribution of net earnings for the period:						
Attributed to company's shareholders	33,265	31,585		17,625	13,414	
Attributed to non-controlling interests	90	90		30	30	
	33,355	31,675	5%	17,655	13,444	31%
Operating income attributed to company's shareholders before one-time items, net	28,580	32,313	(12%)	12,940	14,142	(8%)
Net diluted earnings per share attributed to company's shareholders	1.30	1.23	6%	0.69	0.52	33%
Net diluted earnings per share attributed to company's shareholders before one-time items	1.12	1.26	(11%)	0.51	0.55	(7%)



DELTA GALIL INDUSTRIES LTD.

Consolidated Cash Flow Reports
For the 3-month and 9-month periods ending September 30, 2016

	Nine months ending September 30		Three months ending September 30	
	2016	2015	2016	2015
(Unaudited)				
Thousands of Dollars				
Cash flows from operating activities:				
Net income for the period	33,355	31,675	17,655	13,4
Adjustments required to reflect cash flows deriving from operating activities	(4,811)	(4,198)	600	(3,
Interest paid in cash	(9,678)	(10,277)	(3,401)	(3,84
Interest received in cash	1,160	1,488	220	1
Taxes on income paid in cash, net	(4,510)	(8,537)	(2,520)	(3,80
Net cash generated from operating activities	15,516	10,151	12,554	5,9
Cash flows from investment activities:				
Acquisition of fixed assets and intangible assets	(29,184)	(26,539)	(10,354)	(10,36
Restricted cash deposit	(1,224)	(103)	(1,226)	(1
Acquisition of a subsidiary	-	(2,000)	-	-
Acquisition of Activity	(116,902)	(37,368)	(116,902)	(37,36
Investments in associated companies	-	(3,700)	-	(3,70
Proceeds from selling of fixed asset	159	149	84	-
Proceeds from realization of real estate	-	10,879	-	-
Others	(552)	146	(135)	-
Net cash used for Investing activities	(147,703)	(58,536)	(128,533)	(51,34
Cash flows from financing activities:				
Dividends paid to non-controlling interest holders in consolidated subsidiary	(90)	(118)	(30)	(9
Long term payables credit for fixed assets purchase	(2,896)	(2,104)	(245)	(26
Shares Buy-Back	(6,895)	-	-	-
Debentures principle repayment	(19,379)	(19,379)	(19,379)	(19,37
Dividend paid	(10,567)	(10,500)	(3,511)	(3,50
Repayment of loans and other long-term liabilities	(755)	(215)	-	-
Short-term credit from banking corporations, net	50,503	(1,706)	50,278	(85
Issuance of debentures, net of issuance costs	-	40,006	-	-
Release (deposit) of bank deposit used as a security with respect of SWAP transaction	1,745	2,670	2,080	(2,28
Proceeds from exercise of employee options	384	1,922	285	3
Net cash generated (used in) from financing activities	12,050	10,576	29,478	(26,03
Net decrease in cash and cash equivalents	(120,137)	(37,809)	(86,501)	(71,45
Exchange rate differences and revaluation of cash and cash equivalents, net	393	(1,061)	112	(6
Balance of cash and cash equivalents at the beginning of the period	167,532	166,958	134,177	199,6
Balance of cash and cash equivalents at the end of the Period	47,788	128,088	47,788	128,0



DELTA GALIL INDUSTRIES LTD.

Consolidated Cash Flow Reports
For the 3-month and 9-month periods ending September 30, 2016

Nine months ending September 30		Three months ending September 30	
2016	2015	2016	2015

(Unaudited)

Thousands of Dollars

Adjustments required to reflect cash flows from operating activities:

Revenues and expenses not involving cash flow:

Depreciation	15,157	12,037	5,925	4,369
Amortization	2,307	1,896	829	643
Cash erosion, net	(115)	361	(53)	171
Interest paid in cash	9,678	10,277	3,401	3,840
Interest received in cash	(1,160)	(1,488)	(220)	(176)
Taxes on income paid in cash, net	4,510	8,537	2,520	3,808
Deferred taxes on income, net	(1,582)	1,101	(740)	1,697
Severance pay liability, net	146	81	70	(58)
Capital gain from sale of fixed assets	(48)	(133)	(77)	(40)
Restructuring expenses and impairment of intangible assets, net	3,984	(628)	3,984	(201)
Change in benefit component of options and restricted shares granted to employees	1,454	1,492	1,084	653
Bargain purchase profit	(10,420)	-	(10,420)	-
Share in profits of associated companies accounted for using the equity method	(305)	(594)	(166)	(199)
Others	212	(1,306)	174	(1,111)
	23,818	31,633	6,311	13,396
Changes to operating assets and liabilities:				
Increase in trade receivables	(17,703)	(13,106)	(9,980)	(2,057)
Decrease (increase) in other receivable and balances	2,514	(608)	582	(191)
Increase (decrease) in trade payables	(6,385)	4,247	7,342	(3,909)
Increase (decrease) in other payables	2,314	(546)	9,082	(531)
Increase in inventory	(9,369)	(25,818)	(12,737)	(6,745)
	(28,629)	(35,831)	(5,711)	(13,433)
	(4,811)	(4,198)	600	(37)

