

## **Delta Galil Reports Double Digit Sales Growth for 2017 Third Quarter**

*Sales Increased 15% to \$340.3 Million;  
EBITDA Increased 9% to \$31.3 Million*

*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 Third Quarter Highlights**

- Sales increased 15% and totaled \$340.3 million in the 2017 third quarter, compared to \$296.6 million in the same quarter last year.
- Net income excluding one-time items increased 12% in the third quarter to \$14.5 million, from \$13.0 million in the comparable period in 2016.
- EBITDA rose 9% in the third quarter of 2017 and amounted to \$31.3 million, compared to \$28.7 million in the same quarter last year.
- Operating profit excluding one-time items increased 8% to \$24.3 million in the third quarter, compared to \$22.5 million in the third quarter of 2016.
- Operating cash flow for the last twelve months ended September 30, 2017 was \$80.7 million, compared with \$75.8 million for the same period last year.
- The Board of Directors declared a dividend of \$3.5 million, or \$0.139 per share, to be distributed on November 23, 2017. The determining and "ex-dividend" date will be November 15, 2017, per the Tel Aviv Stock Exchange.
- A strong balance sheet was highlighted by \$436 million in equity and \$97.3 million in cash as of September 30, 2017.
- 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.
- Isaac Dabah, CEO of Delta Galil, stated: "We are very pleased with our third quarter results, which reflect our balanced and diversified mix of businesses, products and markets. Looking ahead, we will continue to grow organically, with a focus on our international and e-commerce businesses, while we will also continue to pursue the right strategic acquisition opportunities to drive sustained profitable growth and long-term shareholder value."

**Tel Aviv, November 7, 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 and activewear, today reported its financial results for the third quarter ended September 30, 2017.

### **Sales**

The Company reported sales of \$340.3 million for the third quarter of 2017, a 15% increase from \$296.6 million for the third quarter of 2016. The sales increase reflected a full period of results from Delta Galil Premium Brands (DGPB), as well as strength in the Global Upper Market, Schiesser and Delta Israel, while sales of Delta USA were impacted by hurricanes. Excluding DGPB, sales increased by 2% compared to the third quarter of 2016. For the first nine months of 2017, sales rose 24% to \$996.4 million, compared to \$802.8 million in the first nine months of 2016. Excluding DGPB, sales for the nine-month period increased by 3% compared to the first nine months of 2016.

### **Operating Profit**

Operating profit for the third quarter of 2017 was \$24.2 million, compared to \$24.6 million in the third quarter of 2016, representing a 2% decrease. Operating profit before one-time items for the third quarter increased 8% to \$24.3 million, from \$22.5 million for the comparable period last year. For the first nine months of 2017, operating profit before one-time items was \$54.9 million, an 8% increase from \$50.9 million a year earlier. Operating profit in the first nine months was \$52.1 million, down 2% from \$53.0 million in the same period of 2016.

### **Net Income**

Net income attributable to shareholders was \$14.4 million in the third quarter of 2017, compared to \$17.7 million in the same quarter of 2016, representing an 18% decrease. Net income excluding one-time items attributable to shareholders for the third quarter of 2017 increased 12% to \$14.5 million, compared to \$13.0 million in the same quarter last year. For the first nine months of 2017, net income attributable to shareholders was \$28.8 million, compared to \$33.3 million last year, representing a 13% decrease. Net income excluding one-time items attributable to shareholders for the first nine months of 2017 increased 7% to \$30.6 million, compared to \$28.6 million in the same period of 2016. The trend in net income attributable to shareholders largely reflected the growth in operating profit excluding one-time items partially offset by an increase in finance expenses.

### **Diluted Earnings Per Share**

Diluted earnings per share attributed to shareholders were \$0.56 for the 2017 third quarter, compared to \$0.69 for the same quarter last year, representing a 19% decrease. Diluted earnings per share excluding one-time items attributed to shareholders in the third quarter of 2017 increased by 12% to \$0.57, from \$0.51 in the third quarter of 2016. Diluted earnings per share excluding one-time items attributed to shareholders in the first nine months of 2017 increased by 7% to \$1.20, from \$1.12 in the same period of 2016. For the first nine months of 2017, diluted

earnings were \$1.13, compared to \$1.30 per diluted share for the same period of 2016, representing a 13% decrease.

### **Management Comment**

Isaac Dabah, CEO of Delta Galil, stated: “We are very pleased with our third quarter results, which reflect our balanced and diversified mix of businesses, products and markets. We delivered a strong quarter in our global upper market, Schiesser and recently acquired, Delta Galil Premium Brands, segments.

“During the quarter, we did see softer sales in the US resulting from the hurricane’s impact and port closures, as well as big launches of club programs which were not anniversaried from last year. However, we remained focused on centralizing and consolidating several manufacturing capabilities and store locations to promote greater efficiency, teamwork and more agile decision-making. And we expect to begin benefiting from these efforts, as well as expansion into Asian and Latin American markets, and initiatives to enhance the performance of Delta Galil Premium Brands beginning in 2018 and beyond.”

“Looking ahead, we will continue to grow organically, with a focus on our international and e-commerce businesses, while we will also continue to pursue the right strategic acquisition opportunities. We currently have a strong balance sheet, and we remain committed to investing in new products and resources to drive sustained profitable growth and long-term shareholder value.”

### **EBITDA, Cash Flow, Net Debt, Equity and Dividend**

EBITDA increased 9% compared to Q3 of 2016 and was \$31.3 million. For the first nine months of 2017, EBITDA increased 12% compared to the same period of last year and was \$75.9 million.

Operating cash flow for the trailing 12 months ended September 30, 2017 was \$80.7 million, compared to \$75.8 million for the trailing 12 months ended September 30, 2016.

Net financial debt as of September 30, 2017 decreased to \$164.8 million, compared to \$223.8 million as of September 30, 2016, and \$181.2 million as of December 31, 2016.

Equity on September 30, 2017 was \$436.0 million, up from \$382.0 million a year earlier.

Delta Galil declared a dividend of \$3.5 million, or \$0.139 per share, to be distributed on November 23, 2017. The determining and "ex-dividend" date will be November 15, 2017, per the Tel Aviv Stock Exchange.

### **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 \$1.17 per euro and 3.50 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](http://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 September 30, 2017

	<u>September 30</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>		
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	95,685	47,788	81,947
Restricted Cash	1,646	1,762	1,767
Other accounts receivable:			
Trade receivables	152,363	144,949	153,044
Taxes on income receivable	2,266	5,599	2,264
Others	20,060	18,703	16,980
Financial derivative	996	511	286
Inventory	275,130	267,693	233,114
Assets classified as held for sale	1,000	1,000	1,000
Total current assets	<u>549,146</u>	<u>488,005</u>	<u>490,402</u>
<b>Non-current assets:</b>			
Investments in associated companies accounted using the equity method and long-term receivables	11,289	11,256	11,341
Investment property	3,691	3,639	3,389
Fixed assets, net of accumulated depreciation	158,371	167,724	171,954
Goodwill	70,101	70,101	70,101
Intangible assets, net of accumulated amortization	150,111	135,707	147,990
Deferred tax assets	14,422	16,912	14,269
Financial derivative	20,623	6,490	4,096
Total non-current assets	<u>428,608</u>	<u>411,829</u>	<u>423,140</u>
<b>Total assets</b>	<u><b>977,754</b></u>	<u><b>899,834</b></u>	<u><b>913,542</b></u>

**DELTA GALIL INDUSTRIES LTD.**

Concise Consolidated Balance Sheets

As of September 30, 2017

	September 30		December 31
	2017	2016	2016
	(Unaudited)		(Audited)
	Thousands of Dollars		
<b>Liabilities and Equity</b>			
<b>Current liabilities:</b>			
Short-term bank loans	-	51,332	44,988
Current maturities of debentures	14,465	13,583	13,479
Financial derivative	1,341	1,832	2,383
Other accounts payable:			
Trade payables	104,140	103,859	104,797
Taxes on income payable	5,017	4,393	3,478
Others	100,851	87,905	95,767
<b>Total current liabilities</b>	<b>225,814</b>	<b>262,904</b>	<b>264,892</b>
<b>Non-current liabilities:</b>			
Severance pay liabilities less plan assets	3,594	2,867	3,213
Other non-current liabilities	37,474	33,810	42,040
Debentures	267,959	211,981	207,024
Reserve for deferred taxes	6,918	4,638	4,353
Financial derivative	-	1,607	1,383
<b>Total non-current liabilities</b>	<b>315,945</b>	<b>254,903</b>	<b>258,018</b>
<b>Total liabilities</b>	<b>541,759</b>	<b>517,807</b>	<b>522,910</b>
<b>Equity:</b>			
Equity attributable to equity holders of the parent company:			
Share capital	23,706	23,688	23,696
Share premium	130,799	130,529	130,901
Other capital reserves	9,330	(8,759)	(15,824)
Retained earning	288,079	252,943	268,217
Treasury shares	(17,035)	(17,490)	(17,474)
	<b>434,879</b>	<b>380,911</b>	<b>389,516</b>
Minority interests	1,116	1,116	1,116
<b>Total equity</b>	<b>435,995</b>	<b>382,027</b>	<b>390,632</b>
<b>Total liabilities and equity</b>	<b>977,754</b>	<b>899,834</b>	<b>913,542</b>

## DELTA GALIL INDUSTRIES LTD.

Consolidated Statement of Comprehensive Income  
For the 3-month and 9-month periods ending September 30, 2017

	Nine months ended September 30		%	Three months ended September 30		%
	2017	2016		Increase/(Decrease)	2017	
<b>(Unaudited)</b>						
<b>Thousands of Dollars</b>						
<b>Except for Earnings per Share Data</b>						
<b>Sales</b>	<b>996,443</b>	802,852		<b>340,301</b>	296,634	
Cost of sales	<b>629,316</b>	548,151	24%	<b>211,218</b>	196,164	15%
<b>Gross profit</b>	<b>367,127</b>	254,701	44%	<b>129,083</b>	100,470	28%
% of sales	<b>36.8%</b>	31.7%		<b>37.9%</b>	33.9%	
Selling and marketing expenses	<b>262,140</b>	172,122	52%	<b>88,191</b>	65,191	35%
% of sales	<b>26.3%</b>	21.4%		<b>25.9%</b>	22.0%	
General and administrative expenses	<b>50,295</b>	30,936	63%	<b>17,157</b>	12,483	37%
% of sales	<b>5.0%</b>	3.9%		<b>5.0%</b>	4.2%	
Other Expenses (income), net	<b>222</b>	1,053		<b>(354)</b>	427	
Share in profits of associated company accounted for using the equity method	<b>432</b>	305		<b>245</b>	166	
<b>Operating income excluding non-recurring items</b>	<b>54,902</b>	50,895	8%	<b>24,334</b>	22,535	8%
% of sales	<b>5.5%</b>	6.3%		<b>7.2%</b>	7.6%	
Restructuring expenses	<b>2,832</b>	6,895		<b>167</b>	6,895	
Bargain purchase	-	10,420		-	10,420	
Deal cost	-	1,456		-	1,456	
<b>Operating income</b>	<b>52,070</b>	52,964	(2%)	<b>24,167</b>	24,604	(2%)
% of sales	<b>5.2%</b>	6.6%		<b>7.1%</b>	8.3%	
Finance expenses, net	<b>14,518</b>	10,786		<b>5,403</b>	3,519	
Income before tax on income	<b>37,552</b>	42,178		<b>18,764</b>	21,085	
Taxes on income	<b>8,664</b>	8,823		<b>4,375</b>	3,430	
<b>Net income for the period</b>	<b>28,888</b>	33,355	(13%)	<b>14,389</b>	17,655	(18%)
<b>Attribution of net earnings for the period:</b>						
<b>Attributed to company's shareholders</b>	<b>28,798</b>	33,265		<b>14,359</b>	17,625	
<b>Attributed to non-controlling interests</b>	<b>90</b>	90		<b>30</b>	30	
	<b>28,888</b>	33,355		<b>14,389</b>	17,655	
<b>Net diluted earnings per share attributed to company's shareholders</b>	<b>1.13</b>	1.30	(13%)	<b>0.56</b>	0.69	(19%)
<b>Net diluted earnings per share, before non-recurring items</b>	<b>1.20</b>	1.12	7%	<b>0.57</b>	0.51	12%





attributable to Company's shareholders

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## DELTA GALIL INDUSTRIES LTD.

Consolidated Cash Flow Reports  
For the 3-month and 9-month periods ending September 30, 2017

	Nine months ending September 30		Three months ending September 30	
	2017	2016	2017	2016
(Unaudited)				
Thousands of Dollars				
<b>Cash flows from operating activities:</b>				
Net income for the period	28,888	33,355	14,389	17,655
Adjustments required to reflect cash flows deriving from operating activities	4,869	(4,811)	6,622	600
Interest paid in cash	(10,281)	(9,678)	(2,801)	(3,401)
Interest received in cash	498	1,160	267	220
Taxes on income paid in cash, net	(4,351)	(4,510)	(1,605)	(2,520)
Net cash generated from operating activities	<u>19,623</u>	<u>15,516</u>	<u>16,872</u>	<u>12,554</u>
<b>Cash flows from investment activities:</b>				
Acquisition of fixed assets and intangible assets	(21,520)	(29,184)	(8,711)	(10,354)
Restricted cash release (deposit)	121	(1,224)	(69)	(1,226)
Earn-out payment for acquisition of an activity	(1,500)	-	-	-
Acquisition of activity	-	(116,902)	-	(116,902)
Proceeds from selling of fixed asset	28,275	159	44	84
Others	(882)	(552)	(242)	(135)
Net cash generated from ( used in) Investing activities	<u>4,494</u>	<u>(147,703)</u>	<u>(8,978)</u>	<u>(128,533)</u>
<b>Cash flows from financing activities:</b>				
Dividends paid to non-controlling interest holders in consolidated subsidiary	(90)	(90)	(60)	(30)
Long term payables credit for fixed assets purchase	(2,034)	(2,896)	-	(245)
Shares Buy-Back	-	(6,895)	-	-
Debentures principle repayment	(14,506)	(19,379)	(8,093)	(19,379)
Dividend paid	(10,522)	(10,567)	(4,222)	(3,511)
Repayment of loans and other long-term liabilities	-	(755)	-	-
Short-term credit from banking corporations, net	(44,988)	50,503	(108)	50,278
Debentures issuance net of issuance expenses	57,152	-	-	-
Release (deposit) of bank deposit used as a security with respect of SWAP transaction	1,545	1,745	-	2,080
Proceeds from exercise of employees options	347	384	244	285
Net cash generated from ( used in) financing activities	<u>(13,096)</u>	<u>12,050</u>	<u>(12,239)</u>	<u>29,478</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>11,021</b>	<b>(120,137)</b>	<b>(4,345)</b>	<b>(86,501)</b>
<b>Exchange rate differences and revaluation of cash and cash equivalents, net</b>	<b>2,717</b>	<b>393</b>	<b>892</b>	<b>112</b>
<b>Balance of cash and cash equivalents at the beginning of the period</b>	<b>81,947</b>	<b>167,532</b>	<b>99,138</b>	<b>134,177</b>
<b>Balance of cash and cash equivalents at the end of the Period</b>	<b><u>95,685</u></b>	<b><u>47,788</u></b>	<b><u>95,685</u></b>	<b><u>47,788</u></b>

**DELTA GALIL INDUSTRIES LTD.**

Consolidated Cash Flow Reports  
For the 3-month and 9-month periods ending September 30, 2017

	Nine months ending September 30		Three months ending September 30	
	2017	2016	2017	2016
(Unaudited)				
Thousands of Dollars				

**Adjustments required to reflect cash flows  
from operating activities:**

Revenues and expenses not involving cash flow:

Depreciation	17,391	15,157	5,982	5,925
Amortization	3,559	2,307	959	829
Cash erosion, net	(470)	(115)	(64)	(53)
Interest paid in cash	10,281	9,678	2,801	3,401
Interest received in cash	(498)	(1,160)	(267)	(220)
Taxes on income paid in cash, net	4,351	4,510	1,605	2,520
Deferred taxes on income, net	1,691	(1,582)	4,146	(740)
Severance pay liability, net	232	146	42	70
Restructuring expenses, net	2,832	3,984	167	3,984
Capital loss (gain) from sale of fixed assets and asset held for sale	(3,495)	(48)	(353)	(77)
Change to the benefit component of options granted to employees	1,586	1,454	412	1,084
Bargain purchase	-	(10,420)	-	(10,420)
Share in profits of associated company accounted for using the equity method	(432)	(305)	(245)	(166)
Others	733	212	500	174
	<u>37,761</u>	<u>23,818</u>	<u>15,685</u>	<u>6,311</u>
Changes to operating assets and liabilities:				
Decrease (increase) in trade receivables	1,630	(17,703)	(4,634)	(9,980)
Decrease in other receivable and balances	5,279	2,514	4,785	582
Increase (decrease) in trade payables	(671)	(6,385)	3,982	7,342
Increase (decrease) in other payables	(5,522)	2,314	(1,875)	9,082
Decrease in inventory	(33,608)	(9,369)	(11,321)	(12,737)
	<u>(32,892)</u>	<u>(28,629)</u>	<u>(9,063)</u>	<u>(5,711)</u>
	<u>4,869</u>	<u>(4,811)</u>	<u>6,622</u>	<u>600</u>