



Delta Galil Reports First Quarter 2018 Results

***Diluted EPS Increased 38% to \$0.30 and 5% excluding one-time items;
Operating Profit Increased 37% to \$14 Million and 8% excluding one-time
items,***

Sales increased 6% and reached \$334.5 Million

***Reaffirms 2018 Guidance; Sales Expected to Reach \$1,400 Million-\$1,440
Million and
Full-Year Diluted EPS Expected to Reach \$2.11-\$2.30***

2018 First Quarter Highlights

- Diluted EPS increased 38% to \$0.30 in the first quarter of 2018, from \$0.22 in the first quarter of 2017.
- Operating profit grew 37% to \$14.0 million in the first quarter of 2018, from \$10.2 million in the same quarter last year.
- Net income increased 33% and amounted to \$7.4 million in the first quarter this year, compared to \$5.6 million in the first quarter of 2017.
- EBITDA increased 12% to \$21.4 million in the first quarter of 2018, from \$19.1 million in the first quarter of 2017.
- Sales grew 6% to \$334.5 million in the first quarter of 2018, from \$315.7 million in the same quarter last year.
- A strong balance sheet was highlighted by \$459 million in equity and \$88.5 million in cash as of March 31, 2018.
- Financial guidance for 2018 was reaffirmed: Full-year 2018 sales are expected to range between \$1,400 million-\$1,440 million, representing an increase of 2%-5% from 2017 actual sales of \$1,368.1 million. Full-year 2018 diluted EPS excluding one-time items is expected to range between \$2.11-\$2.30, representing an increase of 7%-16% from 2017 actual EPS, excluding one-time items, of \$1.98.
- Declared dividend of \$3.5 million, or \$0.139 per share, to be distributed on June 5, 2018. The determining and "ex-dividend" date will be May 24, 2018.



- Isaac Dabah, CEO of Delta Galil, stated: “First quarter sales rose in most segments, while profitability benefitted from rising EBIT margins at Delta Israel and Delta Premium Brands. The investments we made in our business over the last two years have put us in a stronger position today, and we’re seeing steady and diversified growth.”

Tel Aviv, May 14, 2018 – 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, activewear and denim, today reported its financial results for the first quarter ended March 31, 2018.

Sales

The Company reported sales of \$334.5 million for the first quarter of 2018, representing a 6% increase compared to \$315.7 million for the same quarter last year. The sales increase largely reflected top-line growth in the Schiesser, Delta Israel and Global Upper Market business segments.

Operating profit

Operating profit was \$14.0 million for the first quarter of 2018, a 37% increase from \$10.2 million in the first quarter of 2017. Operating profit before one-time items was \$14.0 million for the first quarter of 2018, compared to \$12.9 million in the first quarter of 2017, representing an 8% increase.

Net income

Net income was \$7.4 million in the first quarter of 2018, a 33% increase compared to \$5.6 million in the first quarter of 2017. Net income before one-time items was \$7.5 million for the 2018 first quarter, representing a 4% increase from \$7.2 million in the first quarter last year.

Diluted Earnings Per Share

Diluted earnings per share were \$0.30 in the first quarter of 2018, a 38% increase compared to \$0.22 in the same quarter last year. Diluted earnings per share before one-time items amounted to \$0.30 in the first quarter of 2018, an increase of 5% compared to \$0.28 in the first quarter of 2017.

Management Comment

Isaac Dabah, CEO of Delta Galil, stated: “We’re pleased to be off to a solid start to 2018. First quarter sales rose in most segments, particularly Schiesser and Delta Israel, while profitability benefitted from rising EBIT margins at Delta Israel and Delta Premium Brands. The investments we made in our business over the last two years have put us in a stronger position today, and we’re seeing steady and diversified growth. We expect to continue on a solid track, and with a



strong balance sheet in place, we have the funds necessary to take advantage of the right market opportunities as they arise.”

“We announced separately today that we named former Chief Merchandising Officer of Macy’s Tim Baxter as the Chief Executive Officer of Delta Galil Premium Brands. Tim is an extremely accomplished retail and fashion merchandising executive, whose highly profitable strategic plans, licensing deals, and partnerships at Macy’s with many of the world’s most renowned brands, will prove instrumental in leading Seven for All Mankind and Splendid into their next phase of growth.”

“Also as we recently announced, we have signed an option to acquire leading French men’s underwear group Eminence, which includes Eminence, a premium underwear brand for men, along with ATHENA and Liabel – mass-market underwear brands for men, women and kids. The deal, which is expected to close in the third quarter, would significantly expand our presence and branded business in France and Italy, while providing the potential for a platform for growth.”

“Looking ahead, we will continue to pursue growth both organically and through acquisitions – with a sharp focus on driving innovation, excellence and shareholder value.”

EBITDA, Cash Flow, Net Debt, Equity and Dividend

EBITDA was \$21.4 million in the first quarter of 2018, up 12% from \$19.1 million in the same quarter last year.

Operating cash flow was negative \$30.3 million for the first quarter of 2018, compared to negative \$13.1 million in the first quarter of 2017.

Net financial debt as of March 31, 2018 was \$170.0 million, compared to \$205.2 million as of March 31, 2017, and \$125.6 million as of December 31, 2017.

Equity on March 31, 2018 was \$459.0 million, up from \$399.1 million a year earlier.

Delta Galil declared a dividend of \$3.5 million, or \$0.139 per share, to be distributed on June 5, 2018. The determining and "ex-dividend" date will be May 24, 2018.

2018 Financial Guidance

Delta Galil reaffirmed its 2018 financial guidance, excluding one-time items and the acquisition of Eminence, which is based on current market conditions and current exchange rates of: Euro/USD 1.20 and USD / NIS 3.60.

- Full-year 2018 sales are expected to range between \$1,400 million-\$1,440 million, representing an increase of 2%-5% from 2017 actual sales of \$1,368.1 million.



- Full-year 2018 EBIT is expected to range between \$91 million-\$96 million, representing an increase of 4%-10% from 2017 actual EBIT of \$87.4 million.
- Full-year 2018 EBITDA is expected to range between \$119 million-\$125 million, representing an increase of 3%-8% from 2017 actual EBITDA of \$115.9 million.
- Full-year 2018 net income is expected to range between \$54 million-\$59 million, representing an increase of 7%-16% from 2017 actual net income of \$50.7 million.
- Full-year 2018 diluted EPS is expected to range between \$2.11-\$2.30, representing an increase of 7%-16% from 2017 actual EPS, of \$1.98.

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, 2018

	March 31		December 31
	2018	2017	2017
	(Unaudited)		(Audited)
	Thousands of Dollars		
Assets			
Current assets:			
Cash and cash equivalents	87,182	64,629	137,470
Restricted Cash	1,277	1,542	1,430
Other accounts receivable:			
Trade receivables	152,631	131,784	148,806
Taxes on income receivable	1,600	2,090	2,915
Others	23,530	20,579	20,632
Financial derivative	1,057	840	1,191
Inventory	288,640	247,488	269,877
Assets classified as held for sale	-	1,000	-
Total current assets	<u>555,917</u>	<u>469,952</u>	<u>582,321</u>
Non-current assets:			
Investments in associated companies accounted using the equity method and long-term receivables	11,689	11,052	11,142
Investment property	3,788	3,411	3,718
Fixed assets, net of accumulated depreciation	163,307	174,835	160,018
Goodwill	70,101	70,101	70,101
Intangible assets, net of accumulated amortization	157,944	142,538	158,768
Deferred tax assets	11,388	16,946	11,654
Financial derivative	18,962	13,789	22,800
Total non-current assets	<u>437,179</u>	<u>432,672</u>	<u>438,201</u>
Total assets	<u>993,096</u>	<u>902,624</u>	<u>1,020,522</u>



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As of March 31, 2018

	<u>March 31</u>		<u>December 31</u>
	<u>2018</u>	<u>2017</u>	<u>2017</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>Thousands of Dollars</u>		
Liabilities and Equity			
Current liabilities:			
Short-term bank loans	12	24	28
Current maturities of debentures	20,676	13,983	20,596
Financial derivative	1,863	1,623	1,432
Other accounts payable:			
Trade payables	101,687	81,655	112,028
Taxes on income payable	7,571	4,571	6,373
Others	98,939	87,859	117,804
Total current liabilities	230,748	189,715	258,261
Non-current liabilities:			
Severance pay liabilities less plan assets	4,162	3,337	4,057
Other non-current liabilities	35,288	34,820	40,212
Debentures	255,888	269,929	258,945
Deferred taxes liabilities	7,993	5,308	7,724
Financial derivative	-	439	-
Total non-current liabilities	303,331	313,833	310,938
Total liabilities	534,079	503,548	569,199
Equity:			
Equity attributable to equity holders of the parent company:			
Share capital	23,712	23,699	23,708
Share premium	130,790	130,847	130,791
Other capital reserves	11,015	(10,179)	7,834
Retained earning	309,367	270,785	304,788
Treasury shares	(16,677)	(17,222)	(16,914)
	458,207	397,930	450,207
Minority interests	810	1,146	1,116
Total equity	459,017	399,076	451,323
Total liabilities and equity	993,096	902,624	1,020,522



DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Statement of Income
For the 3-month period ending March 31, 2018

	Three months ended on March 31		% Chg.
	2018	2017	
	(Unaudited)		
	Thousands of dollars		
Sales	334,487	315,681	6%
Cost of sales	207,576	201,738	
Gross profit	126,911	113,943	11%
% of sales	37.9%	36.1%	
Selling and marketing expenses	96,445	83,271	16%
% of sales	28.8%	26.4%	
General and administrative expenses	16,488	15,959	3%
% of sales	4.9%	5.1%	
Other expenses, net	38	1,869	
Share in profit of associated company accounted for using the equity method	20	30	
Operating income excluding non-recurring items	13,960	12,874	8%
% of sales	4.2%	4.1%	
Restructuring income (expenses)	5	(2,665)	
Operating income	13,965	10,209	37%
Finance expenses, net	5,029	3,710	36%
Income before taxes on income	8,936	6,499	
Taxes on income	1,526	910	
Net income for the period	7,410	5,589	33%
Net income excluding non-recurring items, net of tax for the period	7,515	7,241	4%
Attribution of net earnings for the period:			
Attributed to company's shareholders	7,686	5,559	38%
Attributed to non-controlling interests	(276)	30	
	7,410	5,589	
Net diluted earnings per share attributable to Company's shareholders	0.30	0.22	38%
Net diluted earnings per share, before non-recurring items attributable to Company's shareholders	0.30	0.28	5%



DELTA GALIL INDUSTRIES LTD.

Concise Consolidated Cash Flow Reports
For the 3-month period ending March 31, 2018

	Three months ended on March 31	
	2018	2017
	(Unaudited)	
	Thousands of Dollars	
Cash flows from operating activities		
Net profit for the period	7,410	5,589
Adjustments required to reflect cash flows deriving from operating activities	(33,608)	(13,482)
Interest paid in cash	(3,430)	(4,256)
Interest received in cash	97	109
Taxes on income paid in cash, net	(798)	(1,101)
Net cash used in operating activities	<u>(30,329)</u>	<u>(13,141)</u>
Cash flows from investment activities:		
Acquisition of fixed assets and intangible assets	(9,060)	(6,225)
Restricted cash release	153	225
Earn-out payment for acquisition of an activity	(2,250)	(1,500)
Proceeds from sale of fixed asset	1,497	175
Others	(720)	261
Net cash used in investment activities	<u>(10,380)</u>	<u>(7,064)</u>
Cash flows from financing activities:		
Dividends paid to non-controlling interest holders in consolidated subsidiary	(30)	-
Long term payables credit for fixed assets purchase	(489)	(1,554)
Debentures principle repayment	-	(6,413)
Liability to financial institution	(6,413)	-
Dividend paid	(3,461)	(3,539)
Short-term credit from banking corporations, net	(16)	(44,964)
Debentures issuance return, excluding issuance expenses	-	57,152
A deposit with a banking corporation as security in respect of the SWAP transaction	-	1,545
Proceeds from exercise of employee options	105	201
Net cash generated from (used in) financing activities	<u>(10,304)</u>	<u>2,428</u>
Net decreased in cash and cash equivalents	(51,013)	(17,777)
Exchange rate differences and revaluation of cash and cash equivalents, net	725	459
Balance of cash and cash equivalents at the beginning of the period	137,470	81,947
Balance of cash and cash equivalents at the end of the period	<u>87,182</u>	<u>64,629</u>



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Concise Consolidated Cash Flow Reports
For the 3-month period ending March 31, 2018

Three months ended on March 31	
2018	2017
(Unaudited)	
Thousands of Dollars	

Adjustments required to reflect cash flows from operating activities:

Revenues and expenses not involving cash flow:

Depreciation	6,297	5,426
Amortization	1,136	788
Cash erosion, net	(17)	(174)
Interest paid in cash	3,430	4,256
Interest received in cash	(97)	(109)
Taxes on income paid in cash, net	798	1,101
Deferred taxes, net	298	(1,787)
Severance pay liability, net	76	104
Restructuring expenses	(442)	2,665
Capital loss (gain) from sale of fixed assets	11	42
Change in benefit component of options and restricted shares granted to Employees	354	548
Share in losses of associated companies accounted for using the equity method	(20)	(30)
Others	1,192	392
	<u>12,976</u>	<u>13,222</u>
Changes to operating assets and liabilities:		
Decrease (increase) in trade receivables	(3,625)	23,569
Decrease (increase) in other receivable	(2,695)	(3,549)
Decrease in trade payables	(11,499)	(22,195)
Increase (decrease) in other payables	(11,642)	(11,481)
Increase in inventory	(17,123)	(13,048)
	<u>(46,584)</u>	<u>(26,704)</u>
	<u>(33,608)</u>	<u>(13,482)</u>