



Kornit
Digital
bonding
matters

Enabling the supply chain revolution of the printed textiles market

11/10/2016

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INVESTMENT HIGHLIGHTS

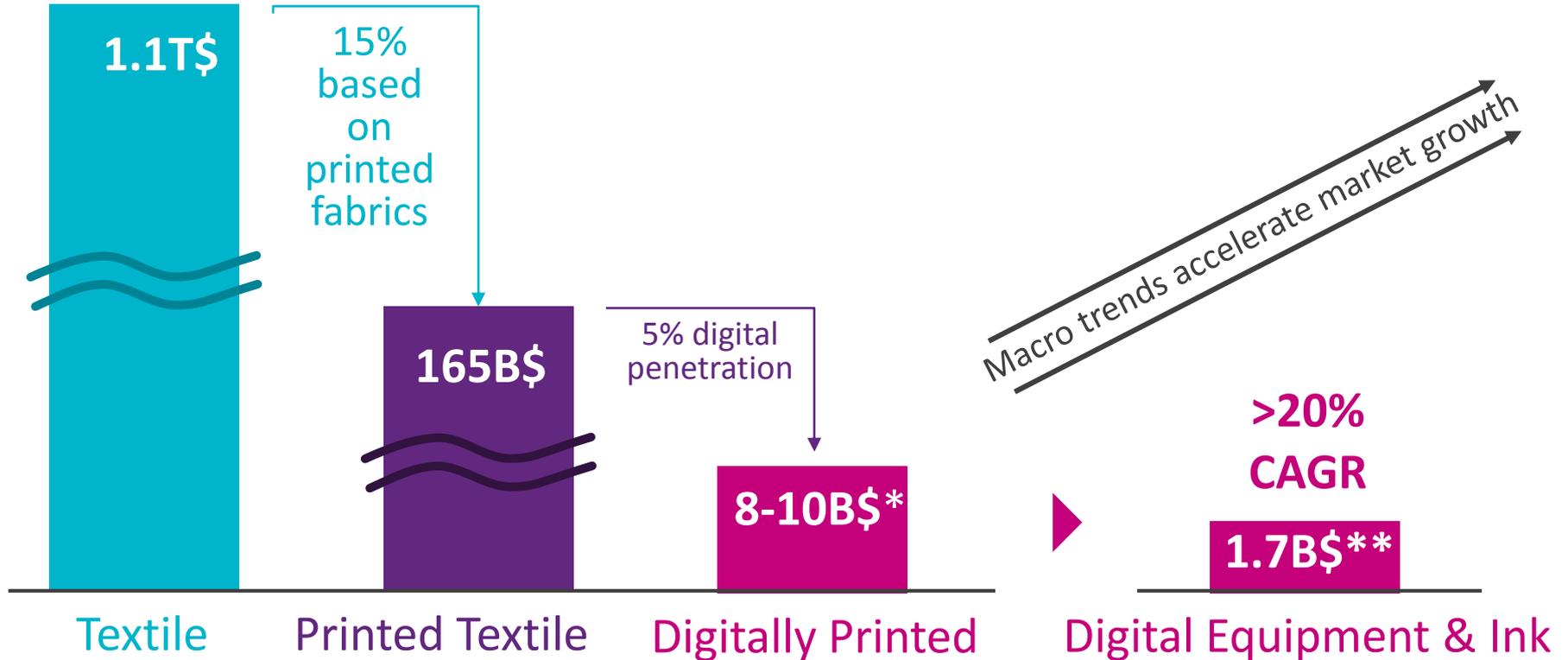
Kornit is leading a secular shift to digital textile printing with an addressable end market of ~ \$165B

- Leading solution provider for macro consumer trend of **online shopping** and **personalization** of **apparel**
- **Proprietary** fully integrated **process** enabling a revolutionary shift to **on demand garment printing**
- **Solving** the textile market's largest problems – **inventory management** and **sustainability**
- Strong **new product** introductions **significantly** expand SAM

Strong growth and attractive business model

- 3-year revenue **CAGR** of **32%**
- **Highly profitable Razor/Razor Blade** business model with **~40% recurring revenues**
- Globally positioned with **over 1,000 active customers** and a strong field sales and support organization
- Attractive fundamentals with **profitable** operations during high-growth **investment phase** and a **clean balance sheet**

HUGE MARKET IN EARLY TRANSFORMATION



*Estimated based on digital production penetration. Adjusted to market prices **Based on PIRA 2014 report for 2016 projections, company analysis

4 KEY CONSUMER TRENDS DRIVING GROWTH



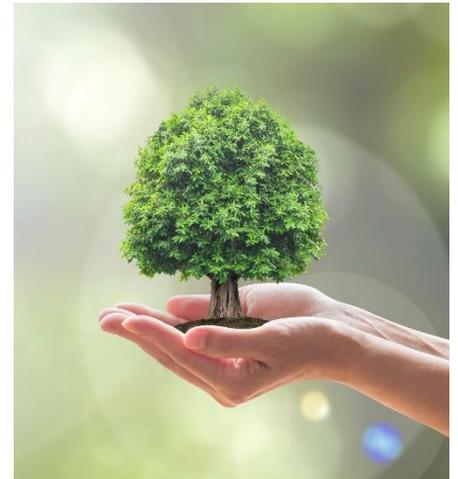
Influence through
social media



The need for
personal
expression



Immediate
gratification



Consumer
awareness

IMMEDIATE GRATIFICATION

number of US Amazon customers
willing to

pay more to receive faster

> **Doubled**

from **25,000,000** in 2013
To **55,000,000** in 2015

THE NEED FOR PERSONAL EXPRESSION

Fashion says
“me too”

Style says
“only me”

(Geraldine Stutz)



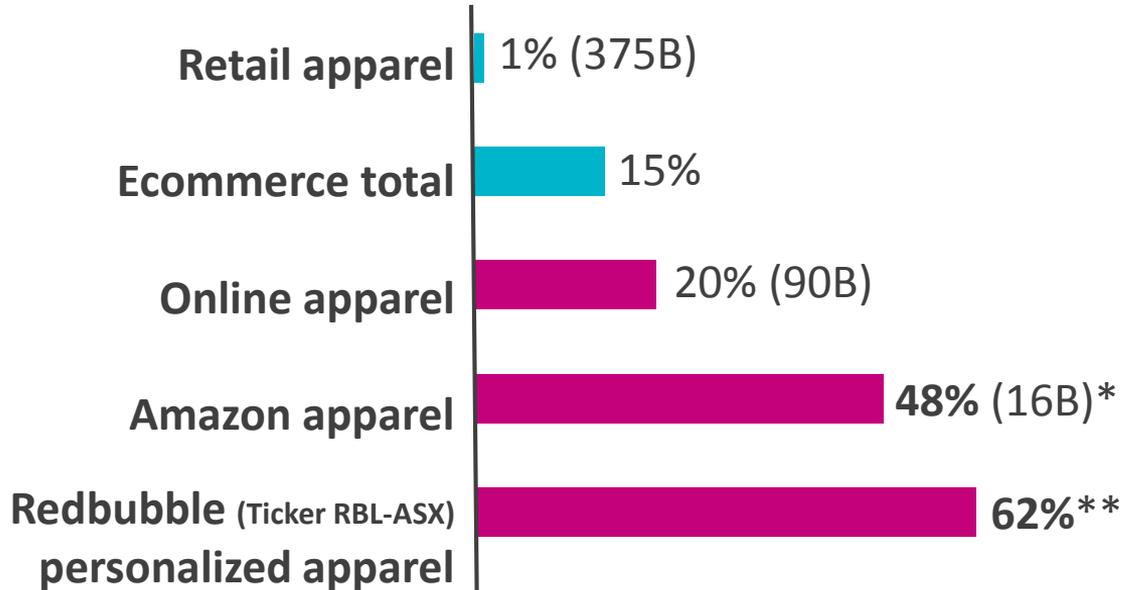
INFLUENCE
THROUGH
SOCIAL MEDIA

>74%

Of consumers rely on
social media
to influence
purchasing decisions

ONLINE APPAREL MARKET IS BOOMING

Segments CAGR 2015



KORNIT TOP 10 ACCOUNTS

Aggregated capacity
5M GARMENTS
a month

Largest site can print over
40,000 garments a day

Kornit installed base produces
70-80M GARMENTS A
YEAR

Sources: "Behind the online apparel boom" by Internet Retailer

* Cowen & Co. July, 2015

** (FY2016 growth) Apparel representing 68% of total Redbubble revenue, July 2016 Redbubble company reports

CUSTOMER EXAMPLE FOR ONLINE TREND

1.25M

Customers*

USD
105m

Turnover FY2016E

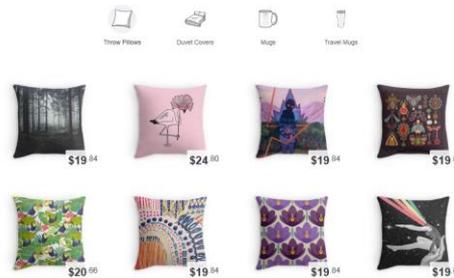
68%

Apparel sales

62%

YoY growth
of Turnover

65% of sales are from unique designs that were sold 50 times or less*



Driven by individuality and de-branding which are fueled by social media

SUPPLY CHAIN MUST REACT TO BECOME:

AGILE

VERSATILE

PRODUCTIVE

SUSTAINABLE



MOVING TO DIGITAL IS THE ONLY WAY TO GO



Analogue Textile Printing



- Complexity
- Costly setup
- Limited design flexibility
- Large batch manufacturing



Digital Textile Printing



- Simplicity
- No setup cost
- Infinite design flexibility
- No minimum: MOQ = 1

DIGITAL PRINTING ENABLES NEW BUSINESS MODELS



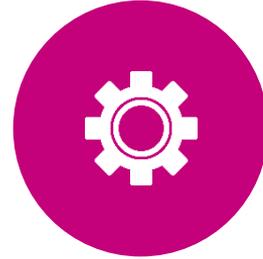
Faster Time
to Market



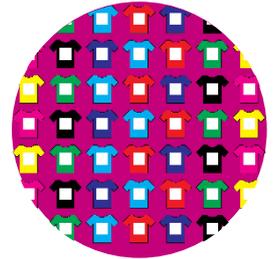
Global
fulfillment
network



Infinite design
flexibility



Reduces
fixed cost
element



Reducing
inventory &
inventory at risk

But... printing on textile is challenging



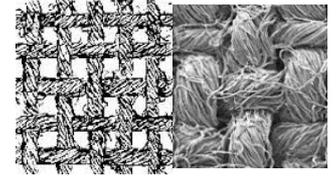
Fabric Variety



Dark & Light Dyes



Wear (Fastness)



Absorptive Media



Stretchable Media



Uneven Surfaces



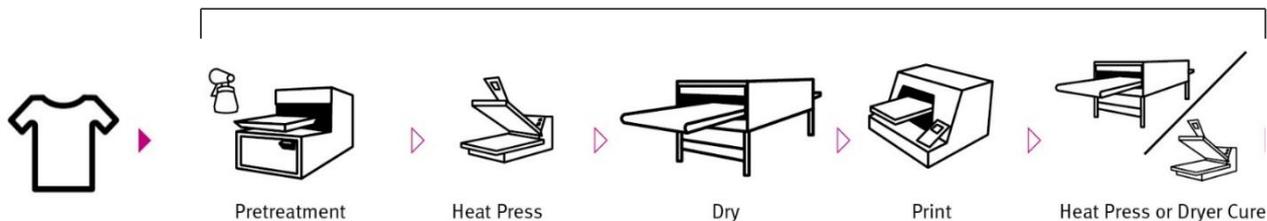
Feel (Hand)



Costly

OUR PROPRIETARY PROCESS

Process Steps for Competitive Digital DTG Solutions – 5 Steps



Process Steps for Kornit



25-40% cost savings

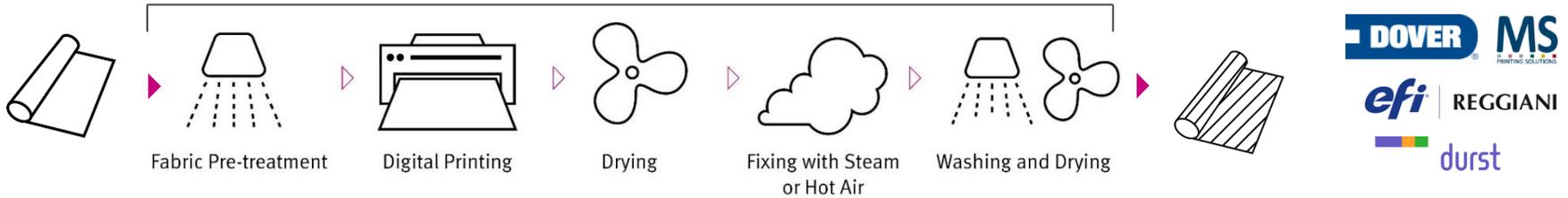
Saves 5-8 minutes per garment



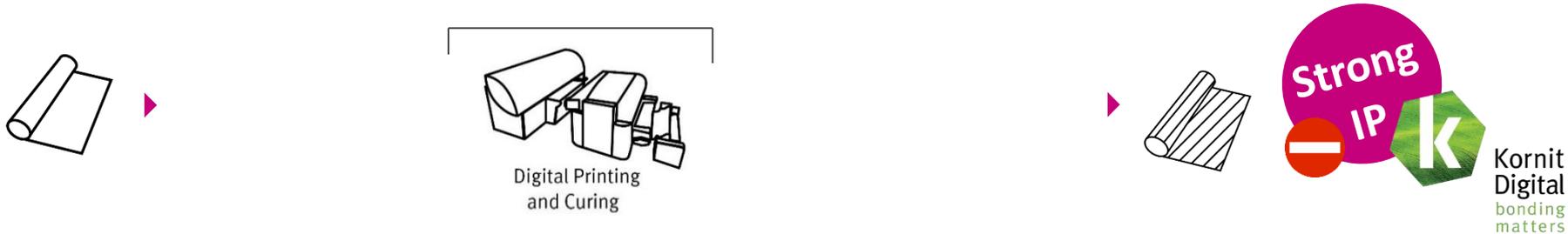
Kornit Digital
bonding matters

OUR PROPRIETARY R2R PRINTING PROCESS

Conventional digital textile printing process: 5 steps



Kornit Digital printing process – single step, multiple fabric types



OUR PRODUCT STRATEGY

Online DTG



 Kornit
Avalanche Platform

Enabling set up of global fulfillment networks for optimal order turnaround

Fast Retail



 Kornit
Vulcan

Moving medium and long runs from screen. Serving retail transition to frequent store level replenishment

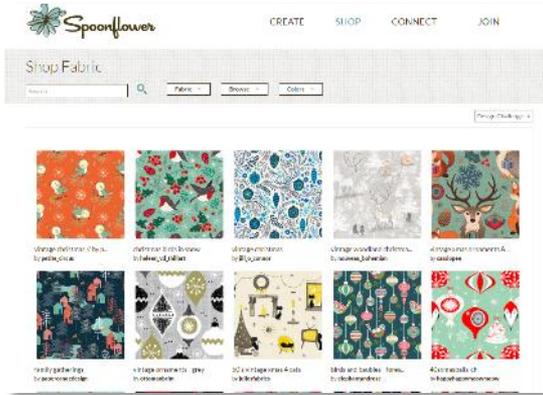
On Demand Textile



 Kornit
Allegro

Enable custom decoration for home Décor, beachwear, footwear, fashion and accessories on any type of fabric

ON DEMAND TEXTILE CUSTOMER EXAMPLES



Web to Print
4 Allegros
21/7 operation

**wholesale Home
furniture manufacturer**
Shipping to customers
that order through
retailers (Costco, Wayfair,
Walmart...)

Baby Bedding Manufacturer
Customized baby beddings
produced on demand
Started with 1 Allegro in 2015,
added their second in 2016

A NEW SUPPLY CHAIN IS DEVELOPING

*SUPPLY AND
DEMAND*

*DEMAND
AND SUPPLY*

NEW DTC (DIRECT TO CONSUMER) STRATEGIES REQUIRE NEW OPERATING MODELS



DTC expected to drive **50%**
of Nike's growth by 2020



GAP online shop
represents 30% of revenues

- From “street shopping” to **on line shopping & “click and collect”**
- Less stores: closing “brick and mortars” and **opening e-commerce platforms**
- From cash to **e-payment**
- **Capsule collections**
- Time to market: **Proximity production**
- **Just in time** stock management
- Innovative manufacturing

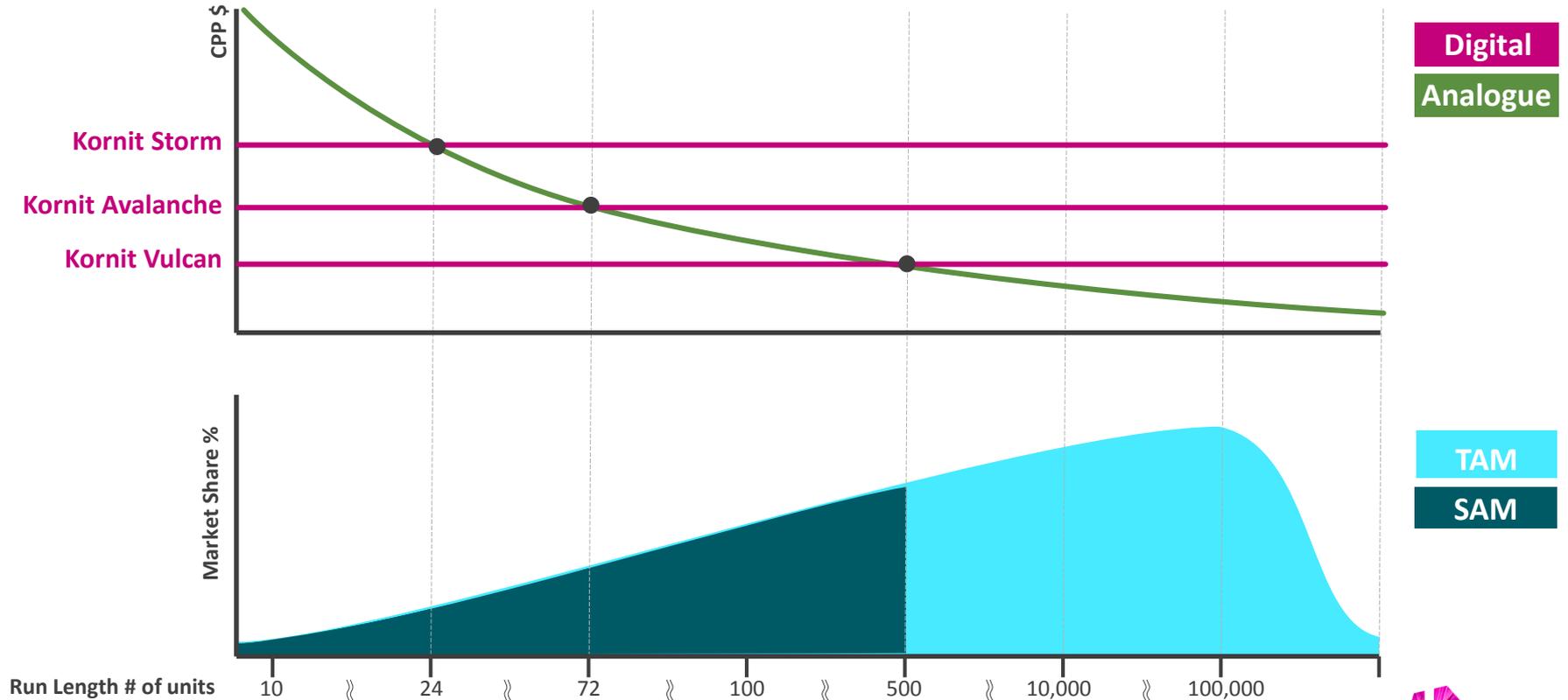
FAST FASHION IS MOVING ONLINE

“ *This business is all about reducing response time. In fashion, stock is like food. It goes bad quickly* ”

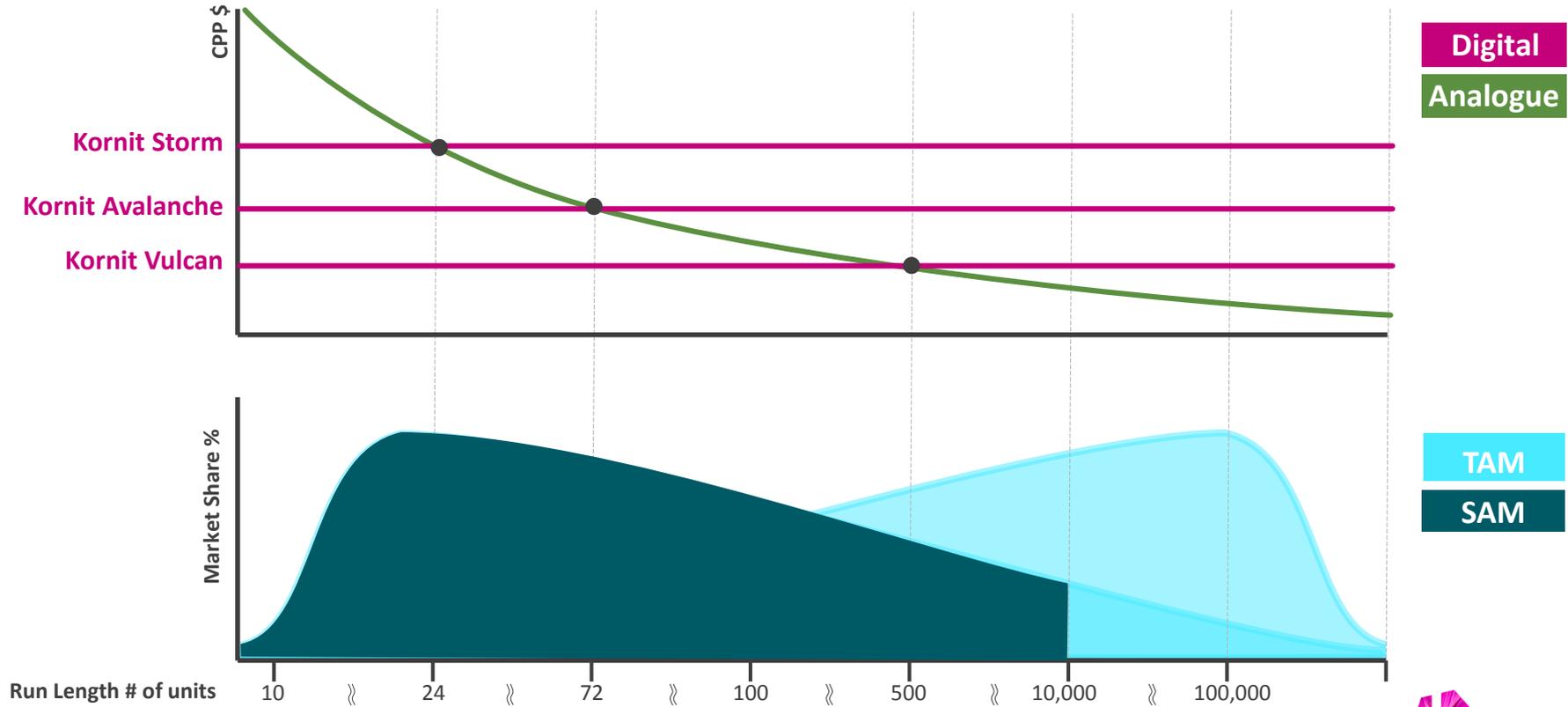
José María Castellano, former CEO and Deputy Chairman of the Inditex Group



CONTINUOUSLY EXPANDING SAM



MARKET IS TRENDING TOWARDS SMALLER BATCHES



Source: Kornit Analysis

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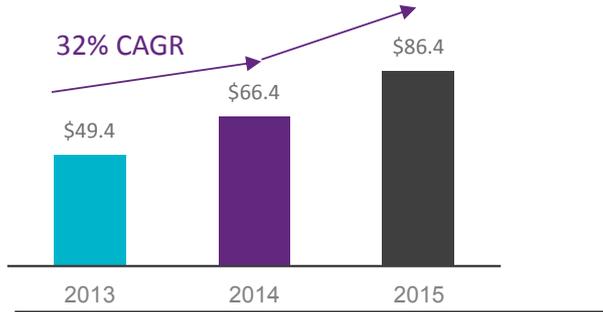


FINANCIAL HIGHLIGHTS

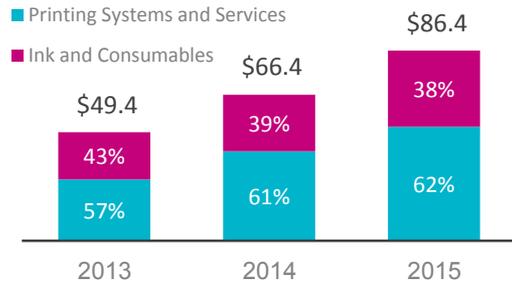
- Attractive business model contributes to significant revenue growth with **substantial recurring revenues**
- **Investment in** research & development and sales & marketing to support **growth**
- **Attractive long-term model**
- **Financial flexibility** driven by debt-free balance sheet, minimal working capital & capex and a long-term favorable tax position
- **High**, expanding **gross margins**

HISTORICAL REVENUES ANALYSIS

Annual Revenues (\$ millions)



Components of business model (\$ millions)



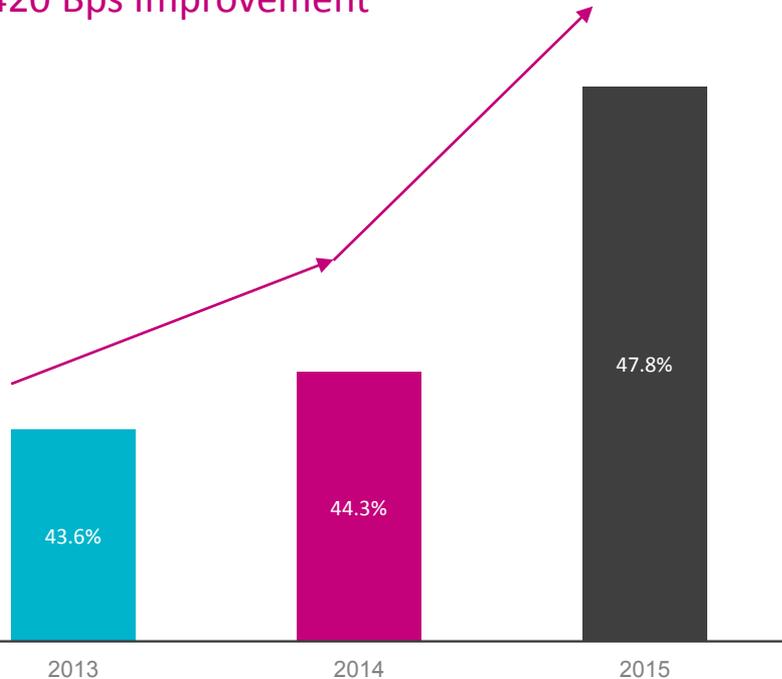
Quarterly Revenues (\$ millions)



GROSS MARGIN PERFORMANCE

Non-GAAP Gross Margin

~420 Bps Improvement



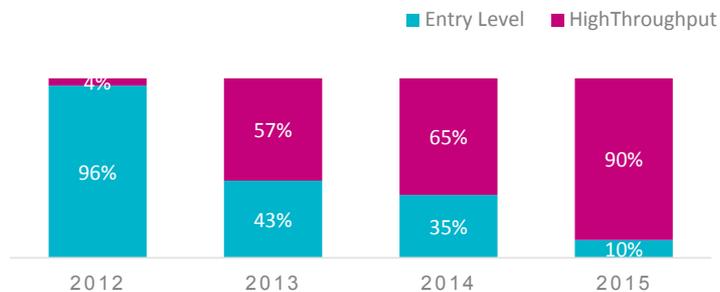
Looking Forward:

5 key drivers for Gross Margin Expansion

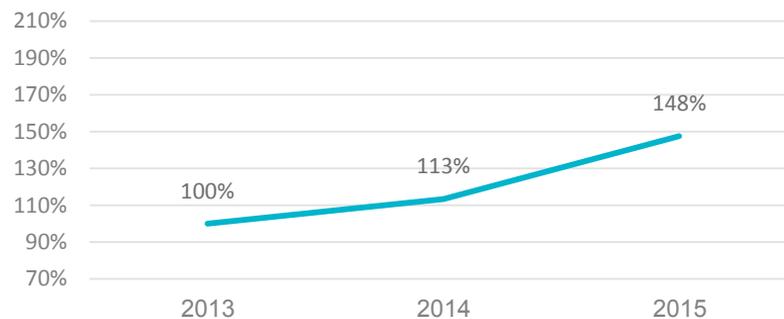
- ▶ Continued transition to high throughput systems
- ▶ Higher ink consumption
- ▶ Turning value-added services into a profitable business
- ▶ Significant additions of software features & functionality
- ▶ Continuous reduction of COGS

GROSS MARGIN KPI'S

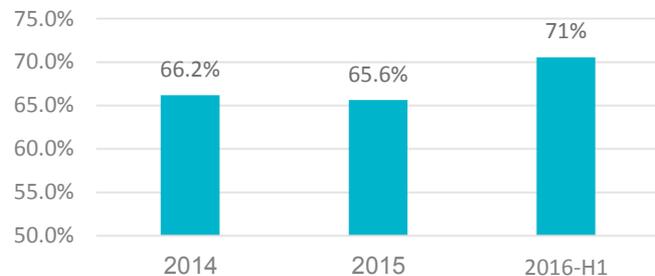
Throughput



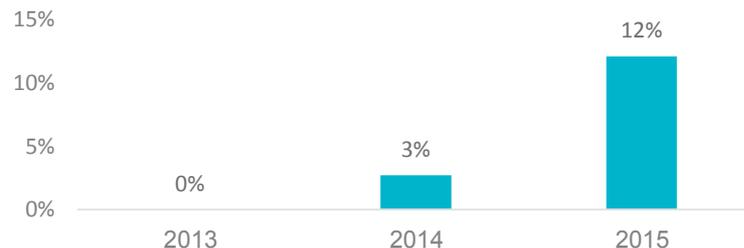
ASP (Average Selling Price)



Revenue from Recurring Customers



Service Contract coverage vs. installed base



FINANCIAL RESULTS FOR Q3 2016

- Quarterly revenues of \$30.9 million vs. \$22.0 in prior year period, 40.3% YoY increase
- Quarterly non-GAAP gross margins of 49.2%, increase from 48.3% in 3rd quarter of 2015.
- NON-GAAP net income of \$3.6M for the quarter, or \$0.11 per diluted share.
- GAAP net income of \$0.4M for the quarter, or \$0.01 per diluted share.

Q4' 2016 GUIDANCE

- Expected revenues between \$31 million to \$34 million
- Operating income expected to be in the range of 12% of revenues to 16% of revenues
- End of quarter share count expected to be approximately 32.5 million

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THANK YOU

