

## Kornit Digital Reports Fourth Quarter and Full-Year 2019 Results

February 11, 2020

### Record 2019 with 39% Year-Over-Year Growth in System Sales

- Fourth quarter revenue of \$48.7 million, net of \$1.1 million attributed to the non-cash impact of warrants.
- Fourth quarter 2019 GAAP operating income of \$3.3 million; Non-GAAP operating income of \$5.8 million, net of \$1.1 million attributed to the non-cash impact of warrants.
- Completed a year of innovative and successful new product introductions, continued to focus on strengthening infrastructure and expanding scale across the business, laying foundation for future growth.

ROSH-HA`AYIN, Israel, Feb. 11, 2020 (GLOBE NEWSWIRE) -- Kornit Digital Ltd. (NASDAQ: KRNT), a leading provider of digital printing solutions for the global textile industry, today reported results for the fourth quarter and full-year, ended December 31, 2019.

"The fourth quarter of 2019 capped off another year of exciting growth and progress for Kornit. We are extremely proud of our strong performance in 2019 and believe that our leadership position in the market continues to widen," said Ronen Samuel, Kornit Digital's Chief Executive Officer. "Our 2019 results provide a robust foundation for continued growth and execution in 2020 as we are seeing the exceptionally strong momentum in the business continue in the first quarter. We believe Kornit is best positioned to lead the textile industry in its shift to on-demand manufacturing in a sustainable way."

2019 GAAP and Non-GAAP figures in today's press release are presented using a different valuation basis to the warrants impact compared to previous quarters as a result of the recently issued accounting standards update (ASU 2019-08).

The Company will provide additional information in today's earning call, details of which can be found at the end of today's press release.

The following table compares the adverse, non-cash impact that our outstanding warrants had on our results of operations during the fourth quarters of 2019 and 2018, respectively:

|                                     | <b>Fourth Quarter Warrants Impact</b> |                        |                               |                        |
|-------------------------------------|---------------------------------------|------------------------|-------------------------------|------------------------|
|                                     | <b>Three Months Ended</b>             |                        |                               |                        |
|                                     | <b>December 31,</b>                   |                        |                               |                        |
|                                     | <b>2019</b>                           |                        | <b>2018</b>                   |                        |
|                                     | <b>Net of Warrants Impact</b>         | <b>Warrants Impact</b> | <b>Net of Warrants Impact</b> | <b>Warrants Impact</b> |
| Revenue                             | \$48.7M                               | \$1.1M                 | \$37.8M                       | \$1.4M                 |
| Non-GAAP Gross Margin               | 50.2%                                 | 113bps                 | 48.8%                         | 181bps                 |
| Non-GAAP Operating Margin           | 12.0%                                 | 200bps                 | 7.8%                          | 326bps                 |
| Non-GAAP Net Margin                 | 14.5%                                 | 194bps                 | 7.8%                          | 326bps                 |
| Non-GAAP Diluted Earnings Per Share | \$0.17                                | \$0.02                 | \$0.08                        | \$0.04                 |

The following table compares the adverse, non-cash impact that our outstanding warrants had on our results of operations during the full-year 2019 and 2018, respectively:

|                                     | <b>Full-Year Warrants Impact</b> |                        |                               |                        |
|-------------------------------------|----------------------------------|------------------------|-------------------------------|------------------------|
|                                     | <b>Year Ended</b>                |                        |                               |                        |
|                                     | <b>December 31,</b>              |                        |                               |                        |
|                                     | <b>2019</b>                      |                        | <b>2018</b>                   |                        |
|                                     | <b>Net of Warrants Impact</b>    | <b>Warrants Impact</b> | <b>Net of Warrants Impact</b> | <b>Warrants Impact</b> |
| Revenue                             | \$179.9M                         | \$5.1M                 | \$142.4M                      | \$4.6M                 |
| Non-GAAP Gross Margin               | 47.9%                            | 144bps                 | 49.8%                         | 156bps                 |
| Non-GAAP Operating Margin           | 10.1%                            | 248bps                 | 8.9%                          | 284bps                 |
| Non-GAAP Net Margin                 | 10.9%                            | 245bps                 | 9.2%                          | 283bps                 |
| Non-GAAP Diluted Earnings Per Share | \$0.49                           | \$0.13                 | \$0.37                        | \$0.13                 |

Guy Avidan, Kornit Digital's Chief Financial Officer, said, "We had a strong close to 2019 as we saw significant business expansion with strategic accounts and collaborative business development activities with leading brands resulting in new customer accounts in both the athleisure and specialty retail categories. There is a significant market opportunity ahead of us and we continue to invest in the business through expansion of our go-to-market capabilities, enhancements to our global leadership team, and allocation of incremental capital to drive innovation that will propel Kornit towards our long-term goal of reaching \$500 million in run-rate sales exiting 2023."

#### **Fourth Quarter 2019 Results of Operations**

- Total revenue for the fourth quarter 2019 revenue grew 28.8% to \$48.7 million, net of \$1.1 million attributed to the non-cash impact of warrants, compared to \$37.8 million, net of \$1.4 million attributed to the non-cash impact of warrants in the prior year period.
- GAAP net income for the fourth quarter 2019 was \$4.8 million, or \$0.11 per diluted share, compared to net income of \$7.0 million, or \$0.19 per diluted share, for the fourth quarter 2018.
- Non-GAAP net income for the fourth quarter 2019 was \$7.1 million, or \$0.17 per diluted share, net of \$0.02 per diluted share attributed to the non-cash impact of warrants, compared to \$3.0 million, or \$0.08 per diluted share, net of \$0.04 per diluted share attributed to the non-cash impact of warrants, for the fourth quarter 2018.

#### **Full-Year 2019 Results of Operations**

- Total revenue for the full-year 2019 revenue was \$179.9 million, net of \$5.1 million attributed to the non-cash impact of warrants, compared to \$142.4 million, net of \$4.6 million attributed to the non-cash impact of warrants in the prior year period.
- GAAP net income for the full-year 2019 was \$10.2 million, or \$0.26 per diluted share, compared to net income of \$12.4 million, or \$0.35 per diluted share, for the full-year 2018.
- Non-GAAP net income for the full-year 2019 was \$19.6 million, or \$0.49 per diluted share, net of \$0.13 per diluted share attributed to the non-cash impact of warrants, compared to \$13.1 million, or \$0.37 per diluted share, net of \$0.13 per diluted share attributed to the non-cash impact of warrants, for the full-year 2018.

#### **First Quarter 2020 Guidance**

The Company will discuss the details of its guidance live during its earnings conference call, which will be available for replay via webcast at [ir.kornit.com](http://ir.kornit.com), as referenced below.

#### **Conference Call Information**

The Company will host a conference call today at 5:00 p.m. ET, or 0:00 a.m. Israel time, to discuss the results, followed by a question and answer session for the investment community. A live webcast of the call can be accessed at [ir.kornit.com](http://ir.kornit.com). To access the call, participants may dial toll-free at 1-800-289-0438 or +1-323-794-2423. The toll-free Israeli number is 1 809 212 883. The confirmation code is 1770690.

To listen to a telephonic replay of the conference call, dial toll-free 1-844-512-2921 or +1-412-317-6671 (international) and enter confirmation code 1770690. The telephonic replay will be available beginning at 8:00 p.m. ET on Tuesday, February 11, 2020, and will last through 11:59 p.m. ET on Tuesday, February 25, 2020. The call will also be available for replay via the webcast link on Kornit's Investor Relations website.

#### **Forward Looking Statements**

Certain statements in this press release are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and other U.S. securities laws. Forward-looking statements are characterized by the use of forward-looking terminology such as "will," "expects," "anticipates," "continue," "believes," "should," "intended," "guidance," "preliminary," "future," "planned," or other words. These forward-looking statements include, but are not limited to, statements relating to the Company's objectives, plans and strategies, statements of preliminary or projected results of operations or of financial condition and all statements that address activities, events or developments that the Company intends, expects, projects, believes or anticipates will or may occur in the future. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. The Company has based these forward-looking statements on assumptions and assessments made by its management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. Important factors that could cause actual results, developments and business decisions to differ materially from those anticipated in these forward-looking statements include, among other things: the degree of our success in developing, introducing and selling new or improved products and product enhancements including specifically our Poly Pro and Presto products the extent of our ability to consummate sales to large accounts with multi-system delivery plans, the degree of our ability to fill orders for our systems, the extent of our ability to continue to increase sales of our systems, ink and consumables, the extent of our ability to leverage our global infrastructure build-out, the development of the market for digital textile printing, the availability of alternative ink, competition, sales concentration, changes to our relationships with suppliers, the extent of our success in marketing, and those additional factors referred to under "Risk Factors" in the Company's Annual Report on Form 20-F for the year ended December 31, 2018, filed with the U.S. Securities and Exchange Commission on March 26, 2019. Any forward-looking statements in this press release are made as of the date hereof, and the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

#### **Non-GAAP Discussion Disclosure**

Non-GAAP financial measures consist of GAAP financial measures adjusted to exclude the impact of share-based compensation expenses, acquisition related expenses, offering costs, excess cost of acquired inventory, foreign exchange differences associated with ASC 842, amortization of acquired intangible assets, deferred tax impact and restructuring expenses and their tax effect. The purpose of such adjustments is to provide an indication of our performance exclusive of non-cash charges and other items that are considered by management to be outside of our core operating results. These Non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Furthermore, the

Non-GAAP measures are regularly used internally to understand, manage and evaluate our business and make operating decisions, and we believe that they are useful to investors as a consistent and comparable measure of the ongoing performance of our business. However, our Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. Additionally, these Non-GAAP financial measures may differ materially from the Non-GAAP financial measures used by other companies.

#### About Kornit

Kornit Digital (NASDAQ: KRNT) develops, manufactures and markets industrial digital printing technologies for the garment, apparel and textile industries. Kornit delivers complete solutions, including digital printing systems, inks, consumables, software and after-sales support. Leading the digital direct-to-garment printing market with its exclusive eco-friendly NeoPigment printing process, Kornit caters directly to the changing needs of the textile printing value chain. Kornit's technology enables innovative business models based on web-to-print, on-demand and mass customization concepts. With its immense experience in the direct-to-garment market, Kornit also offers a revolutionary approach to the roll-to-roll textile printing industry: digitally printing with a single ink set onto multiple types of fabric with no additional finishing processes. Founded in 2003, Kornit Digital is a global company, headquartered in Israel with offices in the USA, Europe and Asia Pacific, and serves customers in more than 100 countries worldwide.

**KORNIT DIGITAL LTD.  
AND ITS SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(U.S. dollars in thousands)**

|  | <u>December 31,<br/>2019</u> | <u>December 31,<br/>2018</u> |
|--|------------------------------|------------------------------|
|  | <u>(Unaudited)</u>           |                              |
| <b>ASSETS</b>                                  |                              |                              |
| CURRENT ASSETS:                                |                              |                              |
| Cash and cash equivalents                      | \$ 40,743                    | \$ 74,132                    |
| Short-term bank deposit                        | 95,000                       | 5,000                        |
| Marketable securities                          | 32,567                       | 3,981                        |
| Trade receivables, net                         | 40,510                       | 21,953                       |
| Inventory                                      | 37,477                       | 30,030                       |
| Other accounts receivable and prepaid expenses | 6,985                        | 5,660                        |
| Total current assets                           | <u>253,282</u>               | <u>140,756</u>               |
| LONG-TERM ASSETS:                              |                              |                              |
| Marketable securities                          | 95,393                       | 44,603                       |
| Deposits and prepaid expenses                  | 356                          | 744                          |
| Severance pay fund                             | 301                          | 351                          |
| Deferred taxes                                 | 9,661                        | 7,272                        |
| Property, plant and equipment, net             | 17,489                       | 14,994                       |
| Operating lease right-of-use assets            | 22,806                       | -                            |
| Intangible assets, net                         | 2,494                        | 1,011                        |
| Goodwill                                       | 5,564                        | 5,092                        |
| Total long-term assets                         | <u>154,064</u>               | <u>74,067</u>                |
| Total assets                                   | <u>\$ 407,346</u>            | <u>\$ 214,823</u>            |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>    |                              |                              |
| CURRENT LIABILITIES:                           |                              |                              |
| Trade payables                                 | \$ 23,449                    | \$ 16,614                    |
| Employees and payroll accruals                 | 9,165                        | 7,932                        |
| Deferred revenues and advances from customers  | 2,688                        | 3,633                        |
| Operating lease liabilities                    | 3,902                        | -                            |
| Other payables and accrued expenses            | 8,253                        | 4,993                        |
| Total current liabilities                      | <u>47,457</u>                | <u>33,172</u>                |
| LONG-TERM LIABILITIES:                         |                              |                              |
| Accrued severance pay                          | 1,035                        | 1,059                        |
| Operating lease liabilities                    | 19,231                       | -                            |
| Other long-term liabilities                    | 1,320                        | 1,456                        |
| Total long-term liabilities                    | <u>21,586</u>                | <u>2,515</u>                 |

|  |    |         |            |
|--|----|---------|------------|
| SHAREHOLDERS' EQUITY                       |    | 338,303 | 179,136    |
| Total liabilities and shareholders' equity | \$ | 407,346 | \$ 214,823 |

**KORNIT DIGITAL LTD.  
AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(U.S. dollars in thousands, except share and per share data)

|  | Year ended<br>December 31, |            | Three Months Ended<br>December 31, |            |
|--|----------------------------|------------|------------------------------------|------------|
|  | 2019                       | 2018       | 2019                               | 2018       |
|  | (Unaudited)                |            | (Unaudited)                        |            |
| Revenues   |                            |            |                                    |            |
| Products   | \$ 156,594                 | \$ 125,729 | \$ 42,247                          | \$ 33,522  |
| Services   | 23,272                     | 16,644     | 6,403                              | 4,264      |
| Total revenues   | 179,866                    | 142,373    | 48,650                             | 37,786     |
| Cost of revenues   |                            |            |                                    |            |
| Products   | 71,057                     | 53,303     | 17,746                             | 14,029     |
| Services   | 26,733                     | 19,201     | 6,870                              | 5,630      |
| Total cost of revenues   | 97,790                     | 72,504     | 24,616                             | 19,659     |
| Gross profit   | 82,076                     | 69,869     | 24,034                             | 18,127     |
| Operating expenses:  |                            |            |                                    |            |
| Research and development   | 22,407                     | 21,912     | 6,021                              | 6,231      |
| Selling and marketing  | 33,573                     | 25,596     | 9,251                              | 6,877      |
| General and administrative   | 18,498                     | 16,436     | 5,454                              | 4,179      |
| Restructuring expenses   | -                          | 321        | -                                  | -          |
| Total operating  | 74,478                     | 64,265     | 20,726                             | 17,287     |
| Operating income   | 7,598                      | 5,604      | 3,308                              | 840        |
| Financial income, net  | 3,313                      | 1,433      | 2,186                              | 341        |
| Income before taxes on income  | 10,911                     | 7,037      | 5,494                              | 1,181      |
| Taxes on income (benefit)  | 744                        | (5,392)    | 738                                | (5,796)    |
| Net income   | 10,167                     | 12,429     | 4,756                              | 6,977      |
| <b>Basic net income per share</b>  | \$ 0.27                    | \$ 0.36    | \$ 0.12                            | \$ 0.20    |
| Weighted average number of shares<br>used in computing basic net<br>income per share   | 38,079,394                 | 34,521,352 | 40,655,404                         | 34,956,121 |
| <b>Diluted net income per share</b>  | \$ 0.26                    | \$ 0.35    | \$ 0.11                            | \$ 0.19    |
| Weighted average number of shares<br>used in computing diluted<br>net income per share | 39,500,305                 | 35,363,704 | 42,210,359                         | 35,986,581 |

**AND ITS SUBSIDIARIES**  
**RECONCILIATION OF GAAP TO NON-GAAP CONSOLIDATED STATEMENTS OF OPERATIONS**

(U.S. dollars in thousands, except share and per share data)

|   | Year ended         |                   | Three Months Ended |                   |
|---|--------------------|-------------------|--------------------|-------------------|
|   | December 31,       |                   | December 31,       |                   |
|   | 2019               | 2018              | 2019               | 2018              |
|   | <u>(Unaudited)</u> |                   | <u>(Unaudited)</u> |                   |
| GAAP cost of revenues   | \$ 97,790          | \$ 72,504         | \$ 24,616          | \$ 19,659         |
| Cost of product recorded for share-based compensation (1)       | (632)              | (494)             | (213)              | (154)             |
| Cost of service recorded for share-based compensation (1)       | (520)              | (398)             | (146)              | (130)             |
| Intangible assets amortization on cost of product (3)           | (100)              | (100)             | (25)               | (25)              |
| Excess cost of product on acquired inventory (a)                | (2,790)            | -                 | -                  | -                 |
| Acquisition related expenses (2)                                | (28)               | -                 | -                  | -                 |
| Non-GAAP cost of revenues                                       | <u>\$ 93,720</u>   | <u>\$ 71,512</u>  | <u>\$ 24,232</u>   | <u>\$ 19,350</u>  |
| GAAP gross profit   | \$ 82,076          | \$ 69,869         | \$ 24,034          | \$ 18,127         |
| Gross profit adjustments  | 4,070              | 992               | 384                | 309               |
| Non-GAAP gross profit   | <u>\$ 86,146</u>   | <u>\$ 70,861</u>  | <u>\$ 24,418</u>   | <u>\$ 18,436</u>  |
| GAAP operating expenses   | \$ 74,478          | \$ 64,265         | \$ 20,726          | \$ 17,287         |
| Share-based compensation (1)                                    | (5,462)            | (4,654)           | (1,671)            | (1,378)           |
| Acquisition related expenses (2)                                | (291)              | -                 | (234)              | -                 |
| Intangible assets amortization (3)                              | (757)              | (964)             | (225)              | (241)             |
| Offering costs (c)  | -                  | (175)             | -                  | (175)             |
| Restructuring expenses  | -                  | (321)             | -                  | -                 |
| Non-GAAP operating expenses                                     | <u>\$ 67,968</u>   | <u>\$ 58,151</u>  | <u>\$ 18,596</u>   | <u>\$ 15,493</u>  |
| GAAP Financial income   | \$ 3,313           | \$ 1,433          | \$ 2,186           | \$ 341            |
| Foreign exchange losses associated with ASC 842                 | 250                | -                 | (530)              | -                 |
| Non-GAAP Financial income                                       | <u>\$ 3,563</u>    | <u>\$ 1,433</u>   | <u>\$ 1,656</u>    | <u>\$ 341</u>     |
| GAAP Taxes on income (benefit)                                  | \$ 744             | \$ (5,392)        | \$ 738             | \$ (5,796)        |
| Tax effect on to the above non-GAAP adjustments                 | 1,021              | 472               | 88                 | 186               |
| Tax benefit (b)   | 388                | 5,941             | (419)              | 5,941             |
| Non-GAAP Taxes on income  | <u>\$ 2,153</u>    | <u>\$ 1,021</u>   | <u>\$ 407</u>      | <u>\$ 331</u>     |
| GAAP net income   | \$ 10,167          | \$ 12,429         | \$ 4,756           | \$ 6,977          |
| Share-based compensation (1)                                    | 6,614              | 5,546             | 2,030              | 1,662             |
| Acquisition related expenses (2)                                | 319                | -                 | 234                | -                 |
| Intangible assets amortization (3)                              | 857                | 1,064             | 250                | 266               |
| Offering costs (c)  | -                  | 175               | -                  | 175               |
| Excess cost of product on acquired inventory (a)                | 2,790              | -                 | -                  | -                 |
| Restructuring expenses  | -                  | 321               | -                  | -                 |
| Foreign exchange losses associated with ASC 842                 | 250                | -                 | (530)              | -                 |
| Tax effect on to the above non-GAAP adjustments                 | (1,021)            | (472)             | (88)               | (186)             |
| Deferred taxes on income (benefit) (b)                          | (388)              | (5,941)           | 419                | (5,941)           |
| Non-GAAP net income   | <u>\$ 19,588</u>   | <u>\$ 13,122</u>  | <u>\$ 7,071</u>    | <u>\$ 2,953</u>   |
| GAAP diluted earning per share                                  | <u>\$ 0.26</u>     | <u>\$ 0.35</u>    | <u>\$ 0.11</u>     | <u>\$ 0.19</u>    |
| Non-GAAP diluted earning per share                              | <u>\$ 0.49</u>     | <u>\$ 0.37</u>    | <u>\$ 0.17</u>     | <u>\$ 0.08</u>    |
| Weighted average number of shares                               |                    |                   |                    |                   |
| Shares used in computing GAAP diluted net earning per share     | <u>39,500,305</u>  | <u>35,363,704</u> | <u>42,210,359</u>  | <u>35,986,581</u> |
| Shares used in computing Non-GAAP diluted net earning per share | <u>39,751,470</u>  | <u>35,626,160</u> | <u>42,710,001</u>  | <u>36,154,121</u> |

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| (1) Share-based compensation  |              |              |              |              |
| Cost of product revenues  | 632          | 494          | 213          | 154          |
| Cost of service revenues  | 520          | 398          | 146          | 130          |
| Research and development  | 1,294        | 1,022        | 360          | 327          |
| Selling and marketing   | 1,689        | 1,240        | 557          | 398          |
| General and administrative  | 2,479        | 2,392        | 754          | 653          |
|   | <u>6,614</u> | <u>5,546</u> | <u>2,030</u> | <u>1,662</u> |
| (2) Acquisition related expenses  |              |              |              |              |
| Cost of product revenues  | 28           | -            | -            | -            |
| Selling and marketing   | 14           | -            | -            | -            |
| General and administrative  | 277          | -            | 234          | -            |
|   | <u>319</u>   | <u>-</u>     | <u>234</u>   | <u>-</u>     |
| (3) Intangible assets amortization  |              |              |              |              |
| Cost of product revenues  | 100          | 100          | 25           | 25           |
| Selling and marketing   | 757          | 964          | 225          | 241          |
|   | <u>857</u>   | <u>1,064</u> | <u>250</u>   | <u>266</u>   |
| (a) Consists of charges to cost of revenues for the difference between the higher carrying cost of the acquired inventory from a distributor purchased on February 8, 2019 which was recorded at fair value and the standard cost of the Company's inventory, which adversely impacts the Company's gross profit. |              |              |              |              |
| (b) Non cash impact related to the recognition of deferred taxes with respect to carryforward losses in Israel.   |              |              |              |              |
| (c) Offering costs related to the secondary offering of the company's shares.   |              |              |              |              |

**KORNIT DIGITAL LTD.  
AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(U.S. dollars in thousands)**

|  | <u>Year ended</u><br><u>December 31,</u> |             | <u>Three Months Ended</u><br><u>December 31,</u> |             |
|--|--|-------------|--|-------------|
|  | <u>2019</u>                              | <u>2018</u> | <u>2019</u>                                      | <u>2018</u> |
|  | <u>(Unaudited)</u>                       |             | <u>(Unaudited)</u>                               |             |

Cash flows from operating activities:

|   |    |          |    |         |    |         |    |         |
|---|----|----------|----|---------|----|---------|----|---------|
| Net income  | \$ | 10,167   | \$ | 12,429  | \$ | 4,756   | \$ | 6,977   |
| Adjustments to reconcile net income to net cash provided by operating activities:       |    |          |    |         |    |         |    |         |
| Depreciation and amortization   |    | 4,441    |    | 4,965   |    | 1,082   |    | 1,362   |
| Fair value of warrants deducted from revenues   |    | 5,094    |    | 4,576   |    | 1,130   |    | 1,386   |
| Share-based compensation  |    | 6,614    |    | 5,546   |    | 2,030   |    | 1,662   |
| Amortization of premium (discount) on marketable securities                             |    | (112)    |    | 388     |    | 7       |    | 49      |
| Realized loss (gain) on sale of marketable securities                                   |    | (271)    |    | 480     |    | -       |    | 480     |
| Decrease (increase) in trade receivables  |    | (18,617) |    | 1,069   |    | 4,727   |    | 8,653   |
| Increase in other receivables and prepaid expenses                                      |    | (1,204)  |    | (3,135) |    | (1,609) |    | (1,026) |
| Decrease (increase) in inventory  |    | (4,183)  |    | 4,037   |    | (3,076) |    | (4,882) |
| Decrease in operating leases right-of-use assets  |    | (571)    |    | -       |    | (623)   |    | -       |
| Increase in deferred taxes, net   |    | (1,885)  |    | (6,665) |    | (1,253) |    | (6,640) |
| Decrease (increase) in other long term assets   |    | 386      |    | (121)   |    | 182     |    | (33)    |
| Increase in trade payables  |    | 6,032    |    | 4,394   |    | 5,585   |    | 4,627   |
| Increase in operating lease liabilities   |    | 898      |    | -       |    | 118     |    | -       |
| Increase in employees and payroll accruals  |    | 1,423    |    | 1,621   |    | 239     |    | 1,100   |
| Increase (decrease) in deferred revenues and advances from customers                    |    | (921)    |    | 1,981   |    | 202     |    | 1,692   |
| Increase (decrease) in other payables and accrued expenses                              |    | 3,588    |    | 548     |    | 1,934   |    | (243)   |
| Increase (decrease) in accrued severance pay, net                                       |    | 26       |    | (1)     |    | (20)    |    | (199)   |
| Increase (decrease) in other long term liabilities                                      |    | (136)    |    | 867     |    | (13)    |    | 712     |
| Loss from sale and disposal of property and Equipment                                   |    | 23       |    | -       |    | 22      |    | -       |
| Foreign currency translation income on inter company balances with foreign subsidiaries |    | 212      |    | 389     |    | (472)   |    | 49      |

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| Net cash provided by operating activities | 11,004 | 33,368 | 14,948 | 15,726 |
|---|--------|--------|--------|--------|

Cash flows from investing activities:

|   |                  |               |                 |               |
|---|------------------|---------------|-----------------|---------------|
| Purchase of property and equipment  | (5,416)          | (7,294)       | (1,351)         | (2,388)       |
| Acquisition of intangible assets and capitalization of software development costs | (1,337)          | -             | (538)           | -             |
| Proceeds from sale of property and equipment                                      | 3                | -             | -               | -             |
| Cash paid in connection with acquisition  | (4,715)          | -             | -               | -             |
| Decrease (increase) in bank deposits  | (90,000)         | (500)         | (1,000)         | 4,500         |
| Proceeds from sale of marketable securities                                       | 34,497           | 40,635        | 3,052           | 40,635        |
| Proceeds from maturity of marketable securities                                   | 3,000            | 6,564         | 1,500           | 3,210         |
| Purchase of marketable securities   | (115,529)        | (22,723)      | (70,930)        | (6,043)       |
| Net cash provided by (used in) investing activities                               | <u>(179,497)</u> | <u>16,682</u> | <u>(69,267)</u> | <u>39,914</u> |

Cash flows from financing activities:

|   |                |              |            |              |
|---|----------------|--------------|------------|--------------|
| Proceeds from secondary offering, net         | 129,710        | -            | -          | -            |
| Exercise of employee stock options            | 5,901          | 6,425        | 501        | 4,428        |
| Payments related to shares withheld for taxes | (177)          | -            | (177)      | -            |
| Payment of contingent consideration           | (303)          | (900)        | -          | -            |
| Net cash provided by financing activities     | <u>135,131</u> | <u>5,525</u> | <u>324</u> | <u>4,428</u> |

|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| Foreign currency translation adjustments on cash and cash equivalents | (27)          | (72)          | 68            | (35)          |
| Increase (decrease) in cash and cash equivalents                      | (33,389)      | 55,503        | (53,927)      | 60,033        |
| Cash and cash equivalents at the beginning of the period              | 74,132        | 18,629        | 94,670        | 14,099        |
| Cash and cash equivalents at the end of the period                    | <u>40,743</u> | <u>74,132</u> | <u>40,743</u> | <u>74,132</u> |

Non-cash investing and financing activities:

|  |       |     |       |     |
|--|-------|-----|-------|-----|
| Purchase of property and equipment on credit                 | 920   | 222 | 920   | 222 |
| Inventory transferred to be used as property and equipment   | -     | 591 | -     | 192 |
| Lease liabilities arising from obtaining right-of-use assets | 9,640 | -   | 8,307 | -   |
| Capitalization of software development costs                 | 112   | -   | 112   | -   |

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