



Kornit  
Digital  
bonding  
matters

# Financial Results

## Third Quarter 2018

November 12, 2018

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# TODAY'S SPEAKERS

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Ronen Samuel  
CEO



Guy Avidan  
CFO



Kornit  
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# Business Overview

## Third Quarter 2018

Ronen Samuel  
Chief Executive Officer

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# STRONG THIRD QUARTER 2018

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- Results above the high end of our guidance for both revenues and operating income (Net of the warrants effect).
- Strong demand for our HD line of products.
- Continued momentum emphasizes the pronounced shift in consumer preferences and the need of the industry to adopt new fulfilment models.
- Gross margin was another highlight of the quarter, which came in at 51.1%. After consideration of the effects of the warrants, this is a quarterly record for Kornit.
- Non-GAAP operating profit of \$4.9 million, up from \$1.6m in prior year.

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# BUSINESS HIGHLIGHTS

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- Active period globally for trade shows across DTG and R2R markets.
- In early October, we unveiled the goals of our strategic plan of *becoming a \$500 million run-rate company at the end of 5-years, with expanding gross margins, while maintaining sustained profitable growth:*
  - Removing market barriers for new customers
  - Maximizing system utilization of existing customers
  - Expanding services and support business
  - Developing adjacent markets

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# BUSINESS HIGHLIGHTS

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- Market supportive of growth plans.
- We are focusing on customer facing functions to seize the market opportunity.
- On a regional basis:
  - Acceleration of demand in North America
  - Higher adoption of industrial systems in EMEA
  - Important future growth area for us in APAC as we sharpen our focus on go-to-market resources

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# BUSINESS HIGHLIGHTS

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- We're busy with new and important product developments:
  - Beta testing on new mass production system has begun and expected to end by the end of the calendar year; general availability planned for early 2019
  - Dark Poly solution that was introduced at our investor day with expected availability in mid 2019
- Three quarters of the way into 2018, things are shaping for a record year for Kornit.





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# Business Overview

## Third quarter 2018

Guy Avidan  
Chief Financial Officer

# GAAP TO NON-GAAP RECONCILIATION\*

	Three Months Ended September 30,	
	2018	2017
	(Unaudited)	
GAAP net income (loss) as reported	\$3,113	(\$124)
Non-GAAP adjustments		
Expenses recorded for share-based compensation		
Cost of product revenues	151	121
Cost of service revenues	116	64
Research and development	293	272
Selling and marketing	366	258
General and administrative	578	530
Intangible assets amortization		
Cost of product revenues	25	25
Selling and marketing	241	266
Restructuring expenses	55	246
Tax effect on to the above Non-GAAP adjustments	(105)	(137)
	<u>1,720</u>	<u>1,645</u>
	\$4,833	\$1,521
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\* All numbers are in thousands

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# QUARTERLY REVENUES

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- Quarterly Non-GAAP revenues of \$37.6 million vs. \$28.4 million in prior year, 32.1% YoY increase; 4.8% QoQ increase

Geographic Segments	Q3-17	Q3-18
Americas	62%	59%
EMEA	25%	32%
Asia Pacific	13%	9%
Total	100%	100%

- 2 largest customers accounted for 19.8% and 17.7% of our revenues.
- 10 largest accounts represented 60.2% of revenues.

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# THIRD QUARTER FINANCIAL RESULTS

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- Quarterly non-GAAP gross margins of 51.1%, increased from 49.2% in previous quarter and decreased from 52% in Q3 2017.
- Operating expenses of \$14.3 million, up 8.4% YoY.

	<u>Q3/18</u>	<u>Q3/17</u>
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- |        |       |       |
|--------|-------|-------|
| • R&D: | 12.8% | 19.6% |
| • S&M: | 15.7% | 16.8% |
| • G&A: | 9.6%  | 10.1% |
- Headcount as of Sept. 30<sup>th</sup>: 432 employees.

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## SEPT. QUARTER – PROFITABILITY

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	<u>Q3/18</u>	<u>Q3/17</u>
• Non-GAAP Operating Income :	\$4.9M	\$1.6M
• Non-GAAP Net Income :	\$4.8M	\$1.5M
• Non-GAAP EPS :	\$0.13	\$0.04
• GAAP Operating Income :	\$3.1M	(\$0.2M)
• GAAP Net Income :	\$3.1M	(\$0.1M)
• GAAP EPS :	\$0.09	\$0.00

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## Q4 2018 GUIDANCE

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- Expected revenues between \$37 million to \$39 million.
- Non-GAAP operating income expected to be between 10% to 14% of revenues.
- Since we currently can't predict the non-cash impact of the warrants, we assume zero impact on revenue and operating margin.
- End of quarter share count expected to be approximately 35 million.

# WARRANTS IMPACT

	Q3 18			Q2' 18			Q3' 17		
	Net of Warrants Impact	Warrants Impact K\$ / BPS / EPS		Net of Warrants Impact	Warrants Impact K\$ / BPS / EPS		Net of Warrants Impact	Warrants Impact K\$ / BPS / EPS	
<b>Revenue</b>	37,591	1,657	39,248	35,876	1,491	37,367	28,447	150	28,597
<b>Gross Profit</b>	19,217		20,874	17,646		19,137	14,806		14,956
<b>Gross Margin</b>	51% <span style="color: green;">▲</span>	206	53%	49% <span style="color: green;">▲</span>	203	51%	52% <span style="color: green;">▲</span>	25	52%
<b>Operating Profit</b>	4,882		6,539	3,174		4,665	1,583		1,733
<b>Operating Margin</b>	13% <span style="color: green;">▲</span>	367	17%	9% <span style="color: green;">▲</span>	364	12%	6% <span style="color: green;">▲</span>	49	6%
<b>Net Profit</b>	4,833		6,490	3,240		4,731	1,521		1,671
<b>Net Margin</b>	13% <span style="color: green;">▲</span>	368	17%	9% <span style="color: green;">▲</span>	363	13%	5% <span style="color: green;">▲</span>	50	6%
<b>EPS</b>	0.13	0.06	0.19	0.09	0.04	0.13	0.04	0.01	0.05



THANK YOU

