



Kornit Digital  
bonding matters

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# KORNIT DIGITAL

(NASDAQ: KRNT)

## Q1 2020 Investor Presentation



# SAFE HARBOR

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# OUR VISION

CREATE A **BETTER WORLD**

WHERE EVERYBODY CAN BOND, DESIGN AND  
EXPRESS THEIR IDENTITIES, ONE IMPRESSION AT A TIME

# KORNIT AT A GLANCE

## TRANSFORMING THE FASHION, APPAREL AND HOME DECOR INDUSTRIES

### DIGITAL TEXTILE GLOBAL LEADER

Transforming the fashion, apparel and home décor industries, fueling transition to on-demand retail and flexible online business models



### FACTS & FIGURES

Founded 2002 | Employees \* 565

Significant customer base of over 1,200 | Highly experienced leadership team



\* As of Mar 31, 2020

### OPPORTUNITY

Huge Addressable Market with significant growth opportunities

\$1.4T<sup>1</sup> Textile market | 15B<sup>2</sup> Yearly DTG Impressions

38B<sup>3</sup> Sqm per Year R2R

(1) Source: Marketline report, December 2018. Represents the value of the global apparel retail market; (2) Company estimates; annualized run rate 2017 (3) Source: WTiN

### CUTTING EDGE TECHNOLOGY

WITH IP PROTECTION

Systems



Ink and Consumables



Value Added Services



Software



### STRENGTH IN NUMBERS

Constant top line growth

24% CAGR 2012-2019

Attractive profitable recurring revenue business model

Gross margin \*

48%

Operating profitability \* 10.1%

Strong balance Sheet \*

\$263.7m

\* FY2019; Non-GAAP, net of warrants impact of 144 BPS

\* FY2019; Non-GAAP, net of warrants impact of 248 BPS

\* As of Dec 31, 2019, reflects short and long-term cash maturities

# WHAT WE DO

## LEAD THE DIGITAL TEXTILE PRINTING REVOLUTION

### LEADING DIRECT-TO-GARMENT (DTG) SOLUTIONS

1st

TO OFFER INDUSTRIAL DTG PRINTING

Decorating textiles and finished apparel with digital printing



### UNIQUE ON-DEMAND DIRECT-TO-FABRIC (DTF) SOLUTIONS

1st

TO DEVELOP SINGLE-STEP DTF PRINTING

Printing images and designs onto rolled fabrics that are converted into finished garments and décor



PROPRIETARY AND FULLY INTEGRATED TECHNOLOGIES THAT INCLUDE DIGITAL PRINTING SYSTEMS, SPECIALTY INK, SOFTWARE AND VALUE-ADDED SERVICES

# MEGA TRENDS CHANGING THE INDUSTRY



## PERSONAL EXPRESSION

- Easy, Fast and Personal



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## SOCIAL MEDIA INFLUENCE

- Ultra Fast Fashion
- On-Demand & Supply
- Immediate Gratification



## E-COMMERCE BOOM

- Shorter Product Lifecycle
- Traditional Retail Meltdown
- Reinventailers



## SUSTAINABILITY

- Rise of Green Consumerism
- Tipping Point



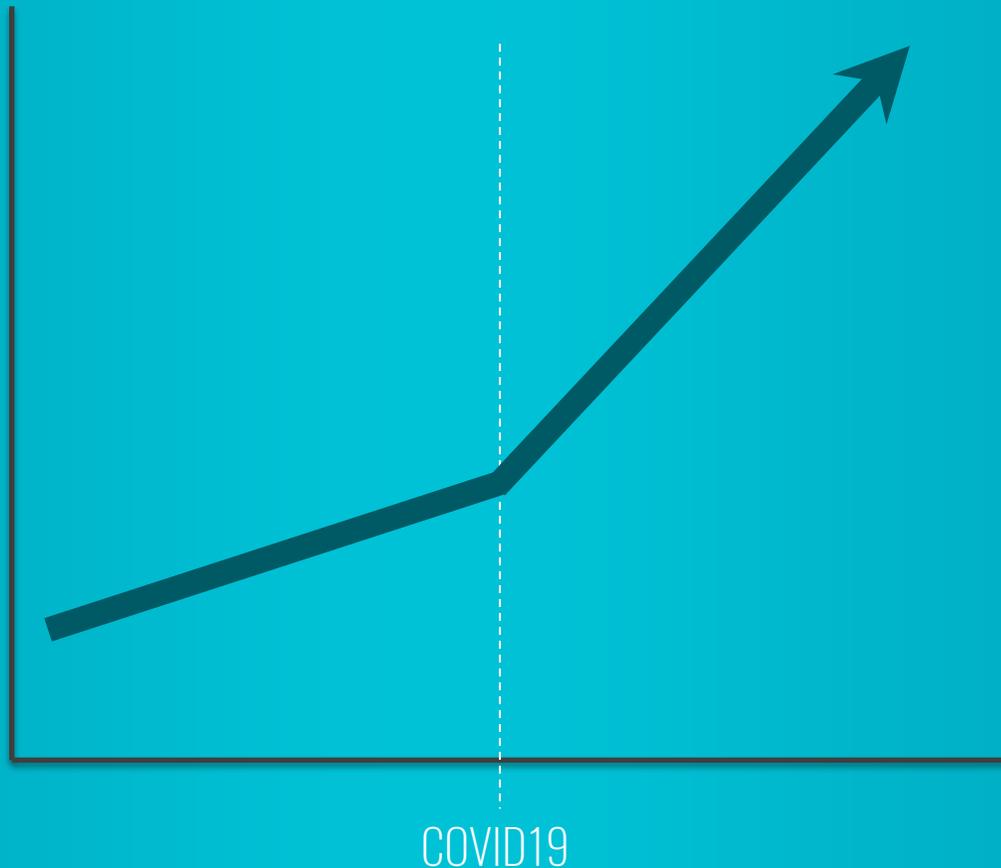
ENVIRONMENT  
Gucci President & CEO Marco Bizzarri Unveils Culture Of Purpose Sustainability Plan



*H&M, a Fashion Giant, Has a Problem: \$4.3 Billion in Unsold Clothes*

# ACCELERATION OF THE MEGA TRENDS

MEGA TRENDS  
INFLUENCE



- ⬢ Social distancing accelerated the penetration of eCommerce with users who never used it before
- ⬢ Traditional retail's meltdown and closure of stores are fueling eCommerce's rapid growth
- ⬢ Clean living and the revive of nature increasing focus on sustainability
- ⬢ Social's media role in our lives increase dramatically due to social distancing and transition to "Remote living"

# THE MARKET GAP



Consumers in the self-expression era want **Easy Fast Personal Sustainable**

Brands and designers want to connect to the consumer and deliver fast

Production methods haven't changed for decades, are based on mass production and have become inefficient

Supply chains are not set up to capitalize on shift in consumer dynamics

High inventory levels damage profitability

# TRADITIONAL METHODS INADEQUATE

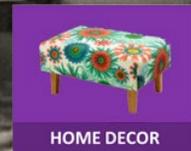
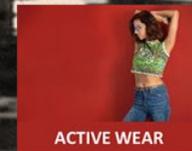
Analogue / Traditional methods:

Long set-ups

Polluting, energy and water consuming

Labor intensive

Design limitations



# TRADITIONAL METHODS WASTE & POLLUTION



**TIME**

BUSINESS • FASHION

Sustainability in Fashion Faces an Uphill Climb  
as the Industry Remains One of the World's  
Largest Polluters



# THE NEED

✓ **SHORT RUNS**

✓ **CUSTOMIZATION**

✓ **ON DEMAND**

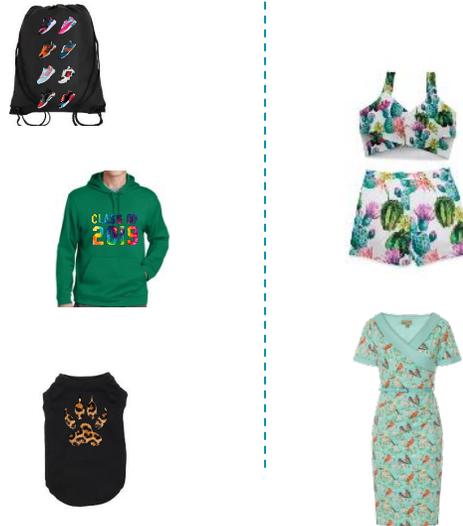
**SUSTAINABLE  
PRODUCTION**

# KORNIT PRODUCTION METHODS

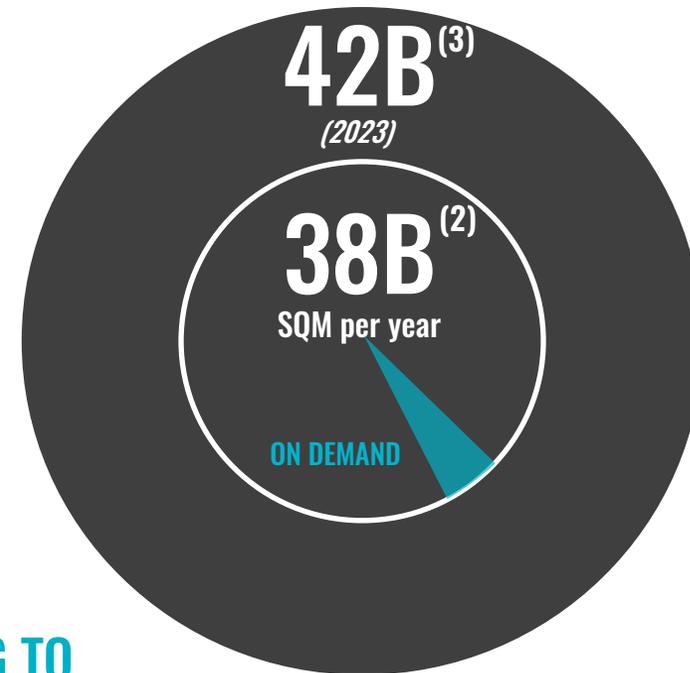


# HUGE AND UNTAPPED MARKET SEGMENTS

## Decorated / DTG Apparel<sup>(1)</sup>



## Direct-to-Fabric



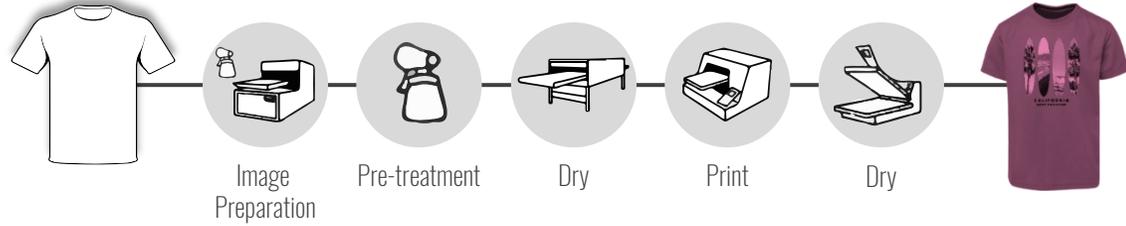
THE MARKETS ARE MOVING TO  
**ON-DEMAND RETAIL**

- (1) Source: Company estimates for apparel impressions (including for example impressions on t-shirts, hoodies, pants, bags, etc.) 15B represents estimated annualized run rate of impressions as of 2017. 25B represents projected annualized run rate of impressions for year-end 2023.
- (2) Source: 2017 Digital Textile Industry Review. 38B represents estimated total volume in SQM of printed fabric output as of 2017.
- (3) Source: Company estimates. 42B represents projected total volume in SQM of printed fabric output.

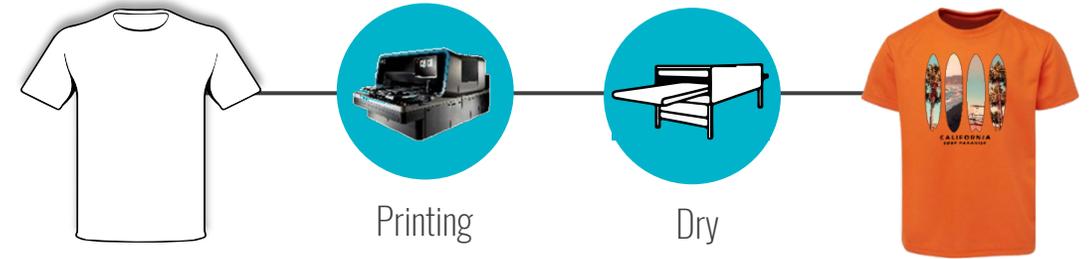
# KORNIT'S PROPRIETARY AND CUTTING EDGE TECHNOLOGIES



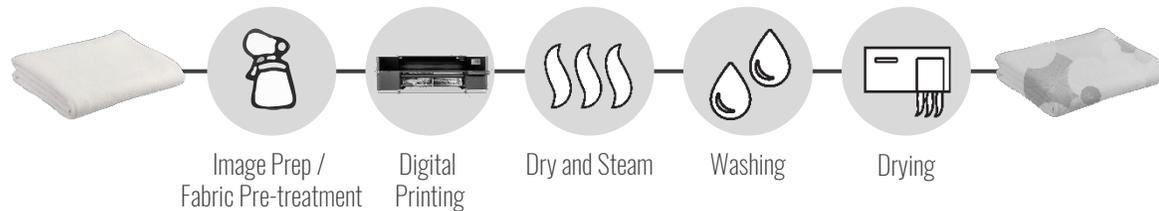
## DTG: TRADITIONAL DIGITAL => 5-STEP SOLUTION



## DTG: Kornit Digital 2-STEP SOLUTION



## DTF: TRADITIONAL DIGITAL => 5-STEP SOLUTION



## DTF: Kornit Digital 1-STEP SOLUTION



# KORNIT'S INNOVATIVE SOLUTIONS

## DTG SYSTEMS

### MASS



### INDUSTRIAL



### SPECIALTY



## DTF SYSTEMS

### ON DEMAND DTF



## INKS AND CONSUMABLES

### Neo Pigment™



- Patented integrated pretreatment process
- DTG ink system
- DTF ink system
- Discharge digital ink
- Fluorescent set

## SOFTWARE



## VALUE-ADDED SERVICES



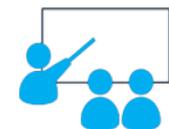
Customer Support



Warranty, maintenance and upgrades



Application Development



Training

# GOAL

A \$500M RUN RATE BUSINESS

Expanding gross  
margin and  
profitability



# CATALYSTS DRIVING OUR EXPANSION

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1

**Removing  
Market and  
Technology  
Barriers**



2

**Entering Key  
Adjacent  
Markets**



3

**Maximizing  
System  
Utilization**



4

**Expanding Our  
GTM and  
Services**



# 1 REMOVING MARKET AND TECHNOLOGY BARRIERS TO DRIVE CONTINUED ORGANIC GROWTH

## Tackling the “Basics”

Retail Quality

Superior Hand Feel

Optimized Cost per Print

Productivity Improvements



Eco Rapid Inks



DTG



DTF

## Providing our Customers with More

Design Creativity

Substrate and Application Variety

Accuracy and Color Management

Workflow Enablement and Data Analytics



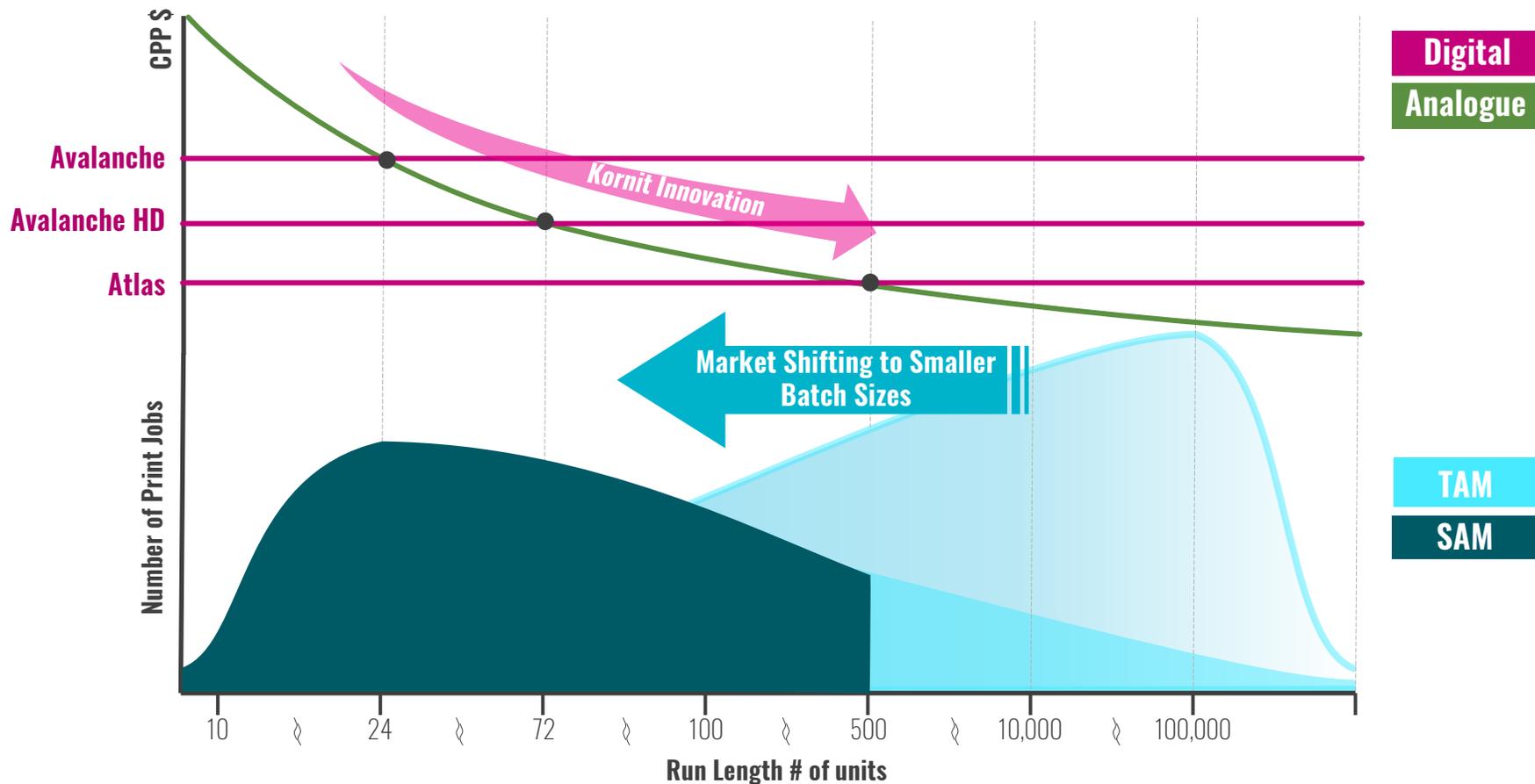
NeoPoly Technology



COLOR

# 1 REMOVING MARKET AND TECHNOLOGY BARRIERS TO DRIVE CONTINUED ORGANIC GROWTH

EXPANDING OUR ADDRESSABLE MARKET BY LOWERING TOTAL COST OF OWNERSHIP



Source: Kornit Analysis.

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# 1 CHANGING THE POLYESTER GAME HIGH QUALITY PRINTING ON DYED POLYESTER

- ✓ Sportswear
- ✓ Athleisure
- ✓ Functional Apparel

Tailored, Proprietary Solution  
for a \$34 Billion Market <sup>(1)</sup>



*New Untapped Market*  
*Kornit is the First Digital  
Industrial Solution*

(1) Source: Credence Research, Global T-Shirts Market 2017. Represents projected 2019 polyester t-shirt market value.

# 2

## ENTERING KEY ADJACENT MARKETS

### DTG MARKETS SHIFTING TO ON DEMAND RETAIL



(\* ) Figures represent estimated number of impressions based on market size as of 2017. Source: Company estimates.

Note: Logos represent both current and prospective customers.

# 2

# ENTERING KEY ADJACENT MARKETS

## MARKET MOVING INTO ON-DEMAND HOME DECOR AND FASHION



Note: Logos represent both current and prospective customers.

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# 3 MAXIMIZING SYSTEM UTILIZATION OF EXISTING CUSTOMERS



Customer empowerment



Application consulting

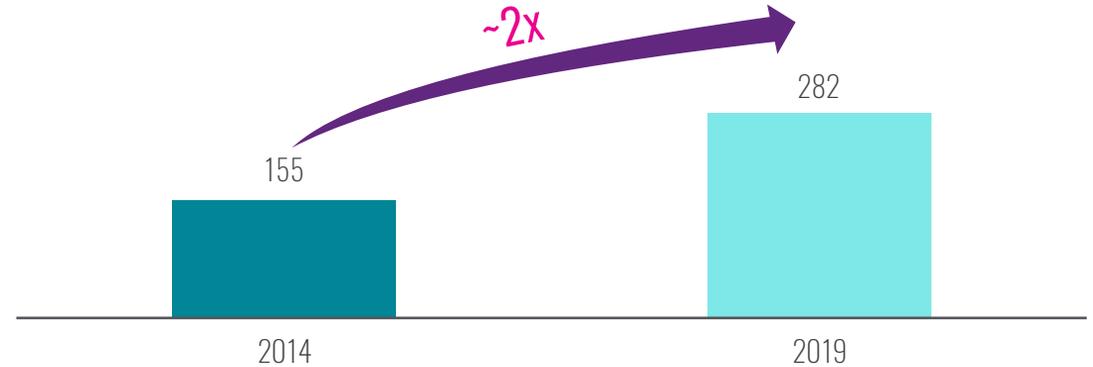


Consumables management and creative business models



Value added services

## No. of Customers with at least 2 Systems



## Illustrative Atlas System 5 Year LTV<sup>(1)</sup>

System Ink and Services



(1) Represents estimated illustrative cumulative spend for ink, services and system for Atlas, on average, over the course of 5 years.

# 4 EXPANDING OUR GTM AND SERVICES BUSINESS



Market reach



Sales coverage and productivity

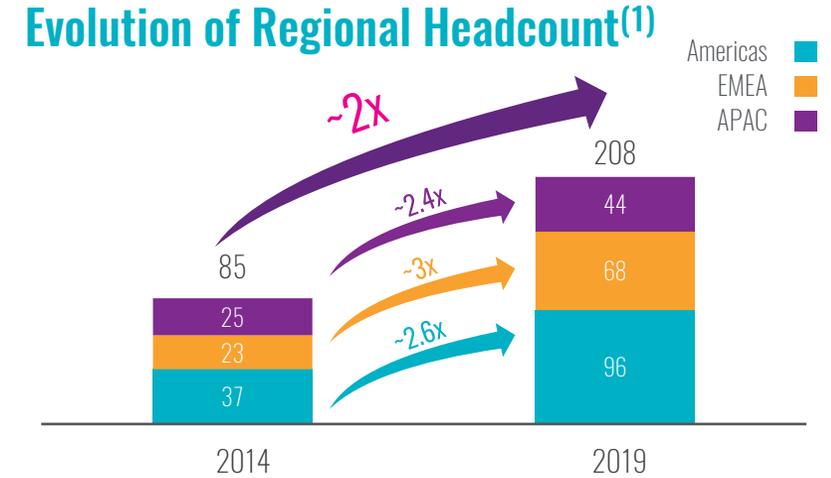


Strategic accounts management

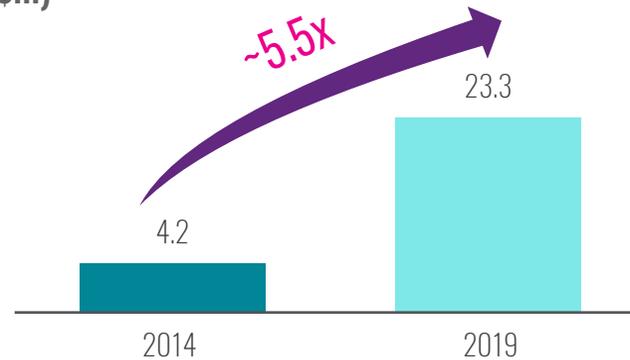


Customer success  
Service contracts

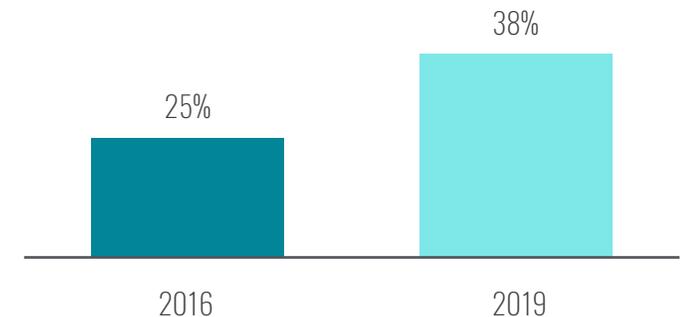
- ✓ Move to direct in US
- ✓ Expand growth in Asia Pacific
- ✓ Expand coverage, sales and support across regions



### Revenue from Services (\$m)



### Service Contract Take Rate<sup>(2)</sup>



(1) Excludes Israel based employees.

(2) Ratio of service contract order entry / total industrial printing systems.

# INORGANIC GROWTH STRATEGIES

## HELPING BRANDS AND RETAILERS WITH THEIR FOCUS ON DIRECT-TO-CONSUMER (DTC)



Disciplined Framework  
for Evaluating  
Opportunities

- ✓ Impact on Financial Profile
- ✓ Defensible IP and technological barriers
- ✓ Compatibility with Kornit's technology and culture
- ✓ Appropriate scale and integration potential

# FINANCIAL HIGHLIGHTS

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Top line growth driven by expanding systems installed base



Shift to higher systems ASP



High ink consumption and services driving recurring revenue model



Improving customer diversification



Expanding gross margin and profitability

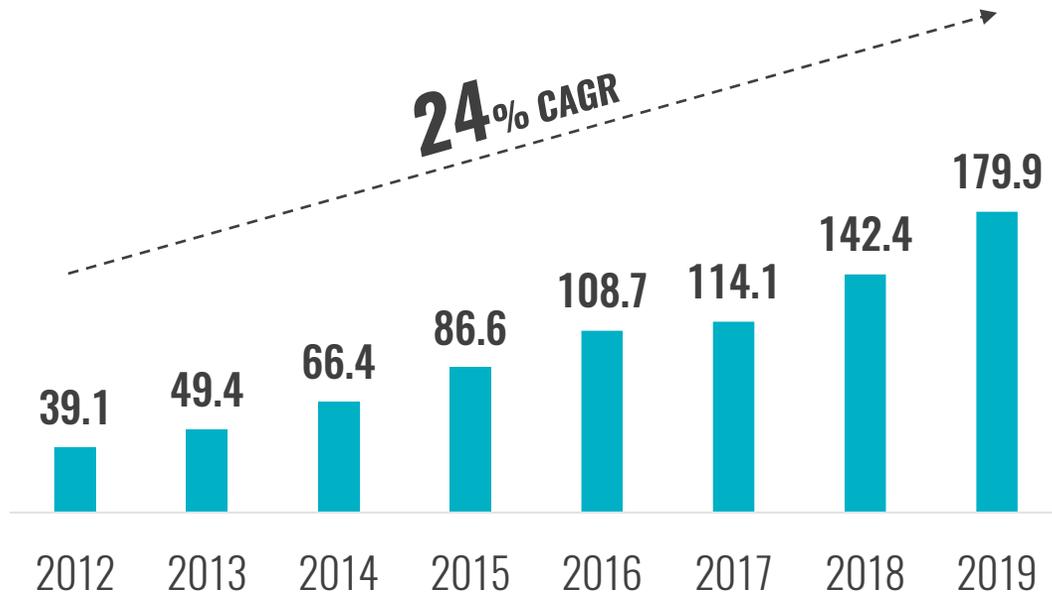


Positive cash from operations and no debt

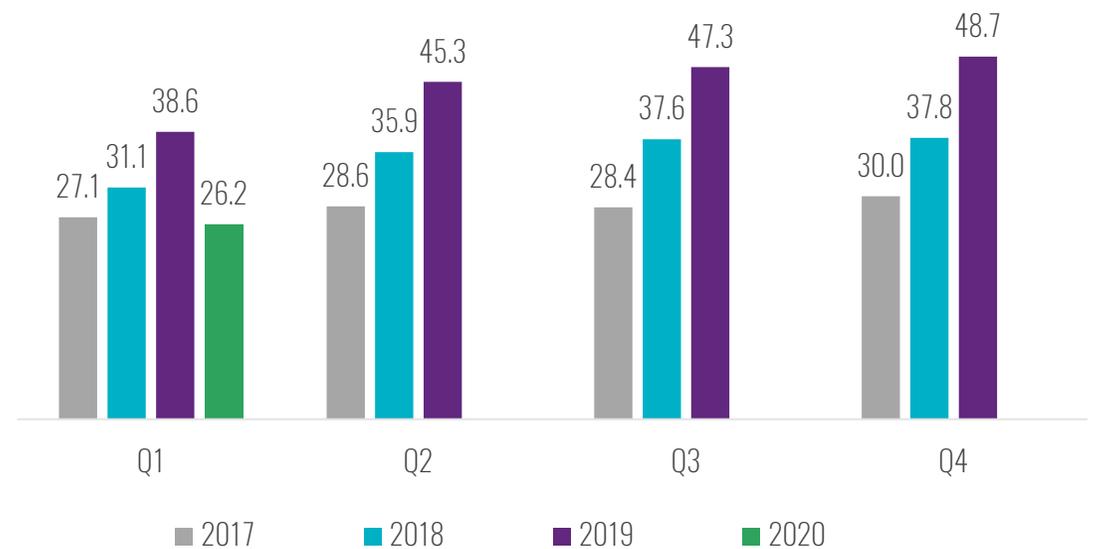


# ATTRACTIVE REVENUE GROWTH

Annual Revenues (\$ millions)\*



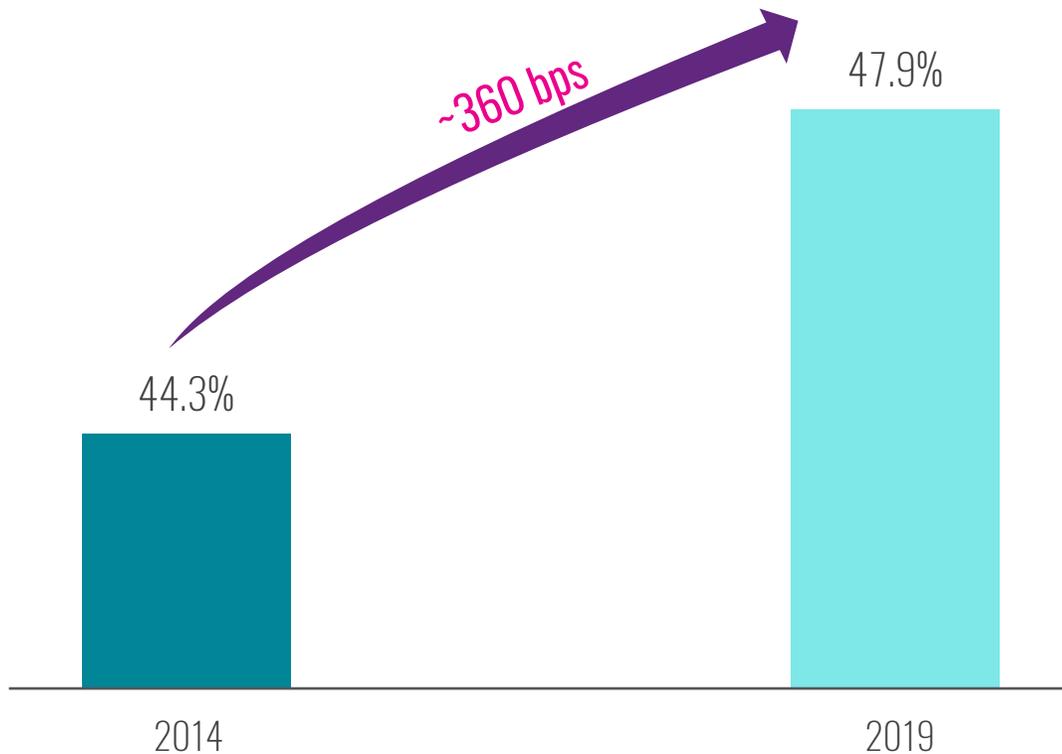
Quarterly Revenues (\$ millions)



- Net of the warrants impact in 2016,,2017, 2018 & 2019 of \$2M, \$2.9M, \$4.6M, 5.1M respectively

# GROSS MARGIN PERFORMANCE

## Non-GAAP Gross Margin (2014-2019)\*



## Looking Forward

### 5 Key Drivers for Gross Margin Expansion

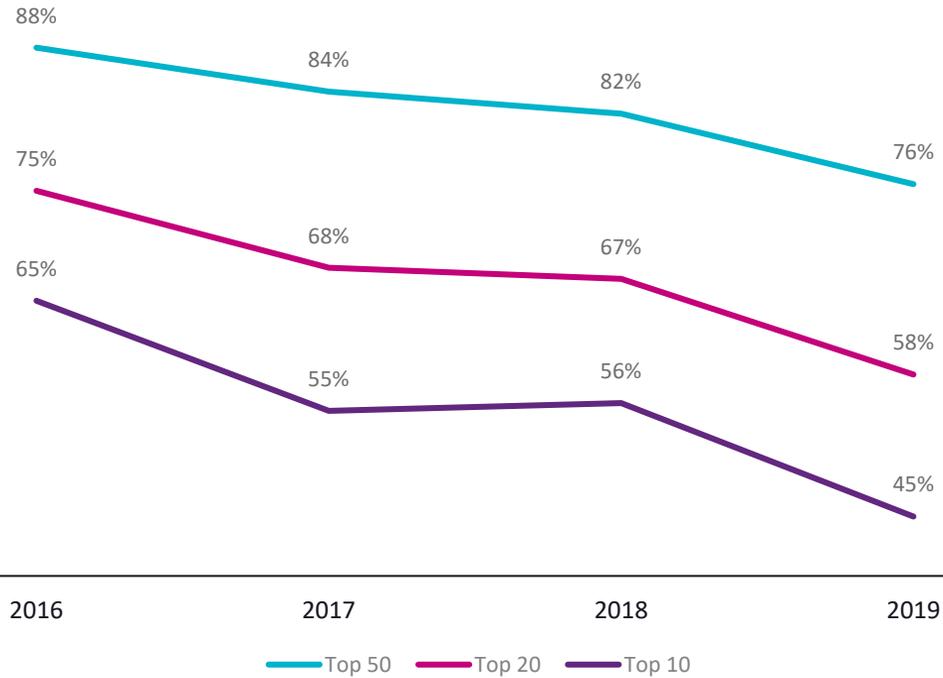
- ⬡ Continued transition to high throughput systems
- ⬡ Higher ink consumption
- ⬡ Turning value-added services into a profitable business
- ⬡ Significant additions of software features & functionality
- ⬡ Continuous reduction of COGS

\*Net of warrant impact on revenues of 144 BPS in 2019.

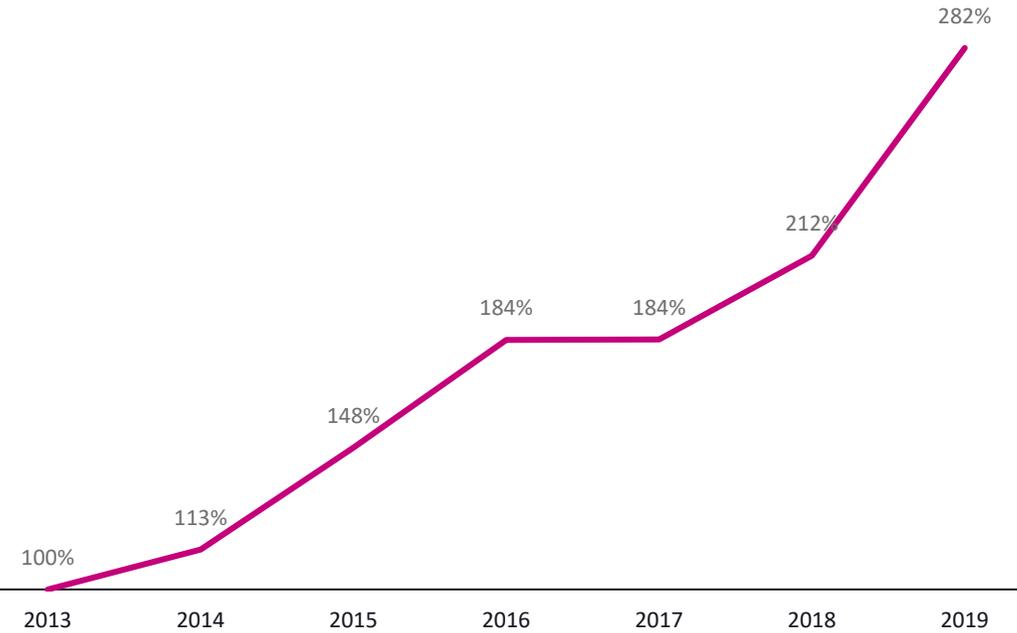
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# EXECUTING TO PLAN

## Top 10/20/50 Customer Revenue Share



## Systems ASP



# Q1 2020 FINANCIAL RESULTS

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## Revenues

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First quarter 2020 revenues decrease 32.1% to \$26.2 million, net of \$0.6 million attributed to the non-cash impact of warrants, compared to \$38.6 million net of \$0.6 million attributed to the non-cash impact of warrants in the prior year period.

## Operating Income

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First quarter 2020 GAAP operating loss of \$13.0 million, or 49.7% of revenues; Non-GAAP operating loss of \$10.5 million, or 40.1% of revenue.

## Net Income

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First quarter 2020 GAAP net loss of \$10.1 million, or loss of \$0.25 per diluted share; Non-GAAP net loss of \$8.9 million, or \$0.22 per diluted share.

## Warrants Impact

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First quarter warrants impact on Non-GAAP Gross margin was 141 BSP, Operating margin 295 BPS and 282 BPS on the Net margin.

# WELL POSITIONED

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- In midst of reaccelerating growth
- Pipeline is getting stronger
- Leadership position has only strengthened
- Irresponsible to provide guidance for second quarter, considering high macro volatility levels:
  - At this point, we expect to do significantly better than consensus revenues estimates, with at least 30% sequential growth in Q2 compared to Q1 2020
  - We expect to deliver high single-digit year-over-year revenues growth in the second half of 2020, with Gross Margin in a similar range to the second half of 2019 and a positive operating profit for the entire year
- Short-term dislocation is an inflection point to the entire textile industry which will adopt flexible inventory management approaches, enabled with on-demand digital production
- We believe the market is now moving more decidedly in our direction and we are ready to execute

# INVESTMENT HIGHLIGHTS



Large Total  
Addressable  
Market



Supportive Mega  
Trends



Established  
Market  
Leadership



Proprietary  
Technology



High Growth  
Recurring  
Revenue Model  
with Expanding  
Gross Margin



Significant  
Growth  
Opportunities

## RIGHT MARKET TRENDS, RIGHT TECHNOLOGY, RIGHT COMPANY



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# THANK YOU

CREATE A **BETTER WORLD** WHERE EVERYBODY CAN  
BOND, DESIGN AND EXPRESS THEIR IDENTITIES,  
ONE IMPRESSION AT A TIME