

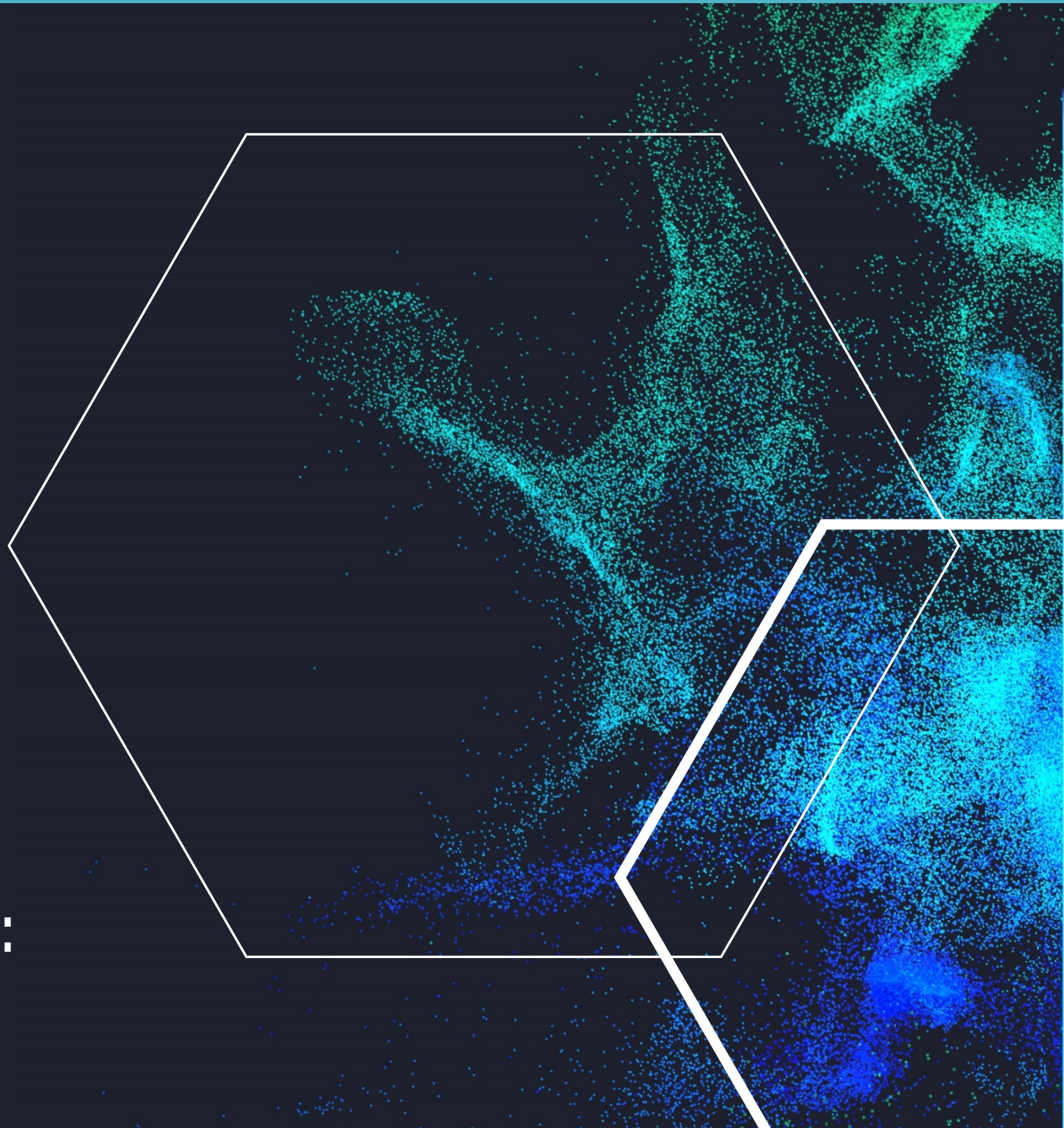


Kornit Digital
bonding matters

KORNIT DIGITAL

(NASDAQ: KRNT)

Q4 and Full Year 2019 Earnings Call:
Supporting Slides





SAFE HARBOR

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SPEAKERS ON TODAY'S CALL



Ronen Samuel
CEO



Guy Avidan
CFO



OUR VISION

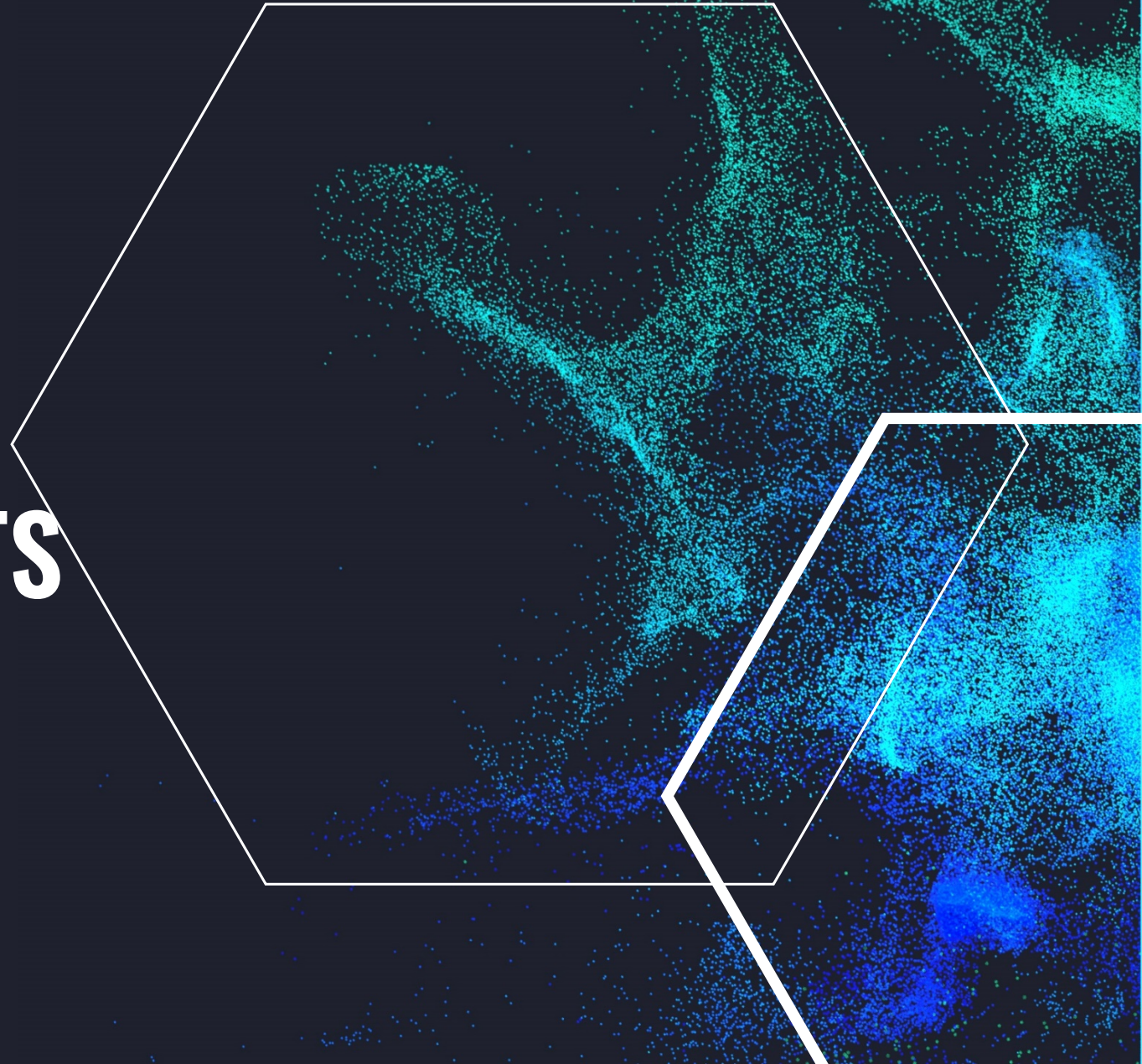
CREATE A **BETTER WORLD**

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



Q4 2019 BUSINESS HIGHLIGHTS

RONEN SAMUEL
CEO



STRONG FINISH TO A SUPERB YEAR

- Phenomenal performance in Q4
- Completion of first year of five-year journey to \$500M sales run rate business
- Industry in need for on-demand textile manufacturing in a sustainable way
- Kornit's leadership position continues to widen
- Time to continue investing and accelerate efforts to capture huge opportunity



NecPoly Technology





2019 KEY EXECUTION ACHIEVEMENTS

- Delivered strong financial performance
- Successfully launched innovative Atlas, Poly Pro, Presto – all experiencing great momentum and opening new markets
- Significant progress with leading brands
- Growth in strategic accounts and creation of many new accounts
- Accelerated our DTF business
- Scaled and professionalized our GTM across regions
- Phenomenal execution on our go-direct sales model in North America



Q4 BUSINESS HIGHLIGHTS

- Delivered revenues of \$48.7 million, net of \$1.1 million of warrants impact
- Business volume grew by 27.1%
 - Outstanding systems sales
 - Growing momentum in DTF business
 - Robust peak season for strategic and regional accounts
- Continued strong adoption of HD, Atlas, Presto and Poly Pro
- Pleased with Presto momentum, opens large market opportunity
- Footprint expansion in strategic accounts and continued engagement with brands



Q4 REGIONAL HIGHLIGHTS

- Strong finish across regions
 - Record systems sales quarter for Americas, and momentum continuing into 2020
 - Chuck Mayo joining Kornit as President of Americas
- Monitoring China situation, sending message of hope and strength to all impacted
 - Do not anticipate material negative impact to top line
 - No manufacturing in China
 - Some supply chain dependency on raw materials, could be reasonably mitigated

STRONG START TO 2020

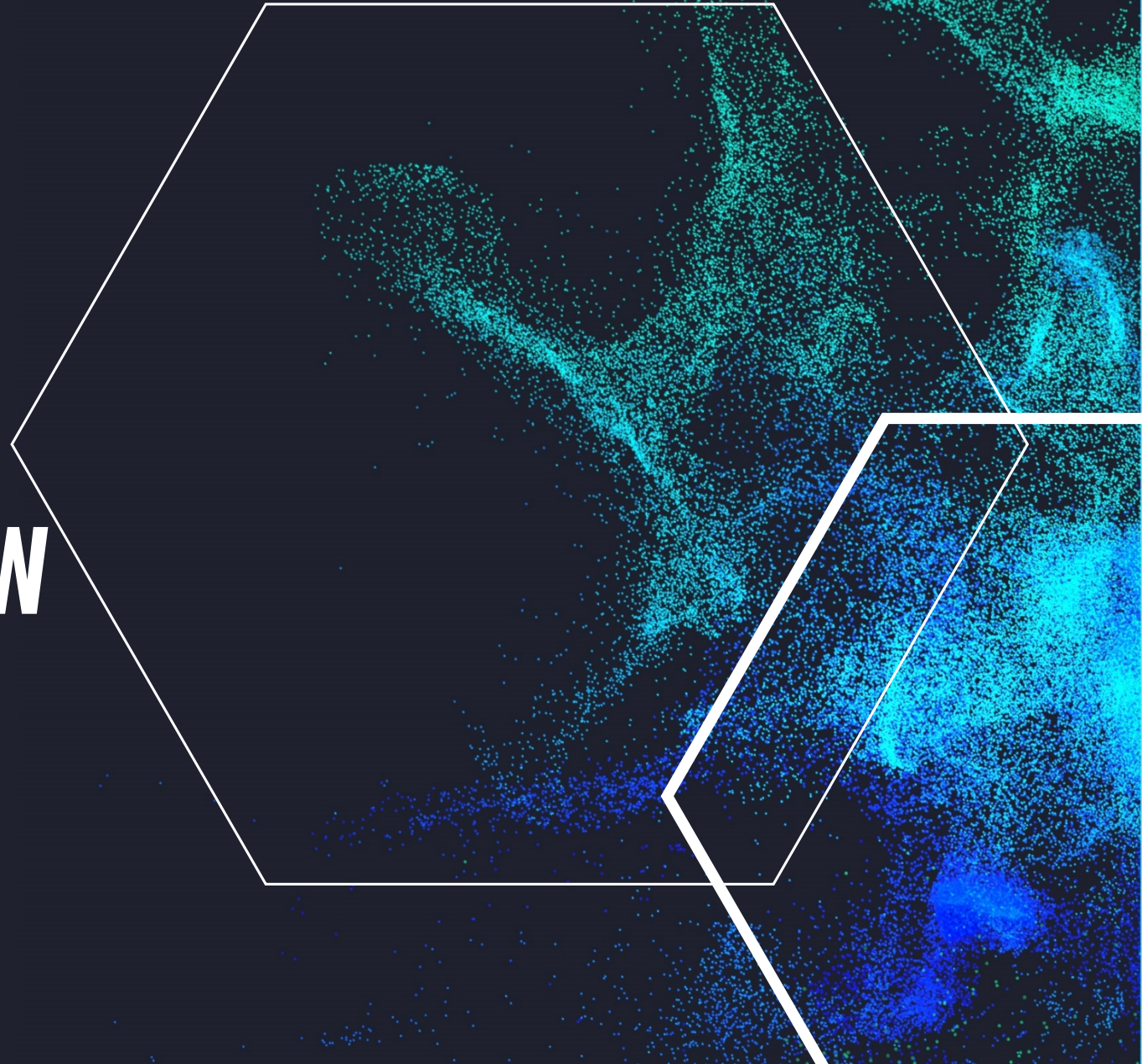
- ISS Long Beach showcased the newly launched Vulcan Plus and Storm Light
- Starting year with a very strong pipeline
- Expecting Q1 business volume to be in the range of Q4, a material and exciting deviation from typical Q4 to Q1 seasonality
- Very good visibility into the rest of the year
- Currently engaged in big expansion projects with some strategic accounts
- Investing in business to realize these expansions
- Anticipating modest operating margins in H1 2020, offset by operating margin improvements in H2 2020, resulting in overall operating margin expansion for full year 2020

Well positioned to meet 5 year / \$500 million sales run rate goal, and with right investments can even accelerate growth on path to goal



Q4 2019 FINANCIAL OVERVIEW

GUY AVIDAN
CFO



Q4 2019 FINANCIAL RESULTS

	GAAP			Non-GAAP		
	Q4 2019	Q4 2018	YoY Change	Q4 2019	Q4 2018	YoY Change
Total Revenue	\$48.7	\$37.8	\$10.9	\$48.7	\$37.8	\$10.9
Gross Profit	\$24.0	\$18.1	\$5.9	\$24.4	\$18.4	\$6.0
Operating Income	\$3.3	\$0.8	\$2.5	\$5.8	\$2.9	\$2.9
Net Income	\$4.8	\$7.0	(\$2.2)	\$7.1	\$3.0	\$4.1
Diluted EPS	\$0.11	\$0.19	(\$0.08)	\$0.17	\$0.08	\$0.09
Diluted Shares (M)	42.2	36.0	6.2	42.7	36.2	6.5

\$ In millions except per share and share amounts

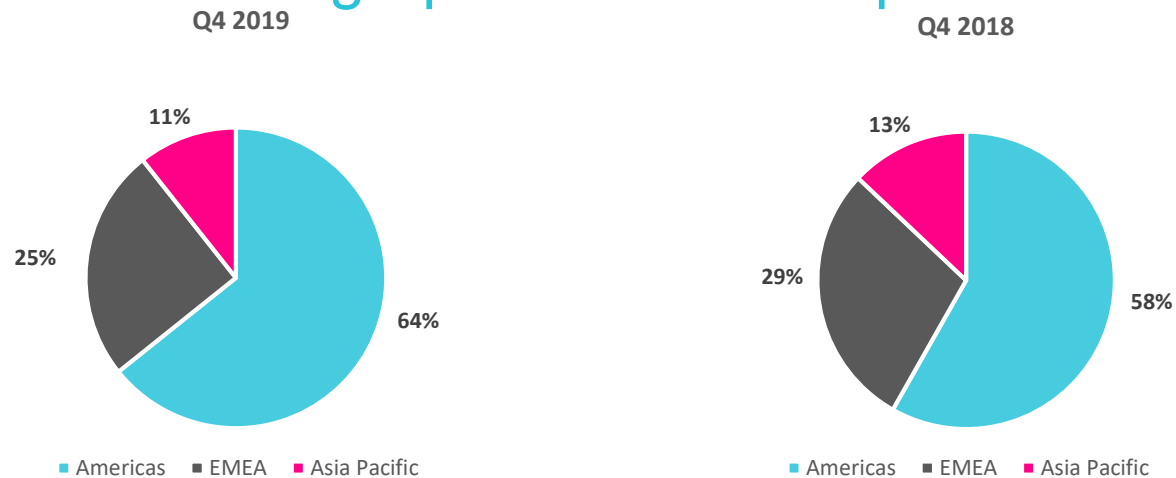
WARRANTS IMPACT change in ASU 2019-08

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019
GAAP prior to adoption of ASU 2019-08	38,161	43,890	44,581	48,649	175,281
Warrants impact prior to adoption of ASU 2019-08	989	2,416	5,143	1,130	9,678
Warrants impact %	2.5%	5.2%	10.3%	2.3%	5.2%
Warrants impact after adoption of ASU 2019-08	560	974	2,429	1,130	5,093
Warrants impact %	1.4%	2.2%	5.2%	2.3%	2.8%
GAAP after adoption of ASU 2019-08	38,590	45,332	47,295	48,649	179,866

QUARTERLY REVENUES

- Revenues of \$48.7 million vs. \$37.8 million in prior year, increase of 28.8% YoY and 2.9% QoQ
- A global customer accounted for 9.1% of revenues compared to 14.0% in previous year
- 10 largest accounts represented 41.6% of revenues compared to 57.4% in the previous year

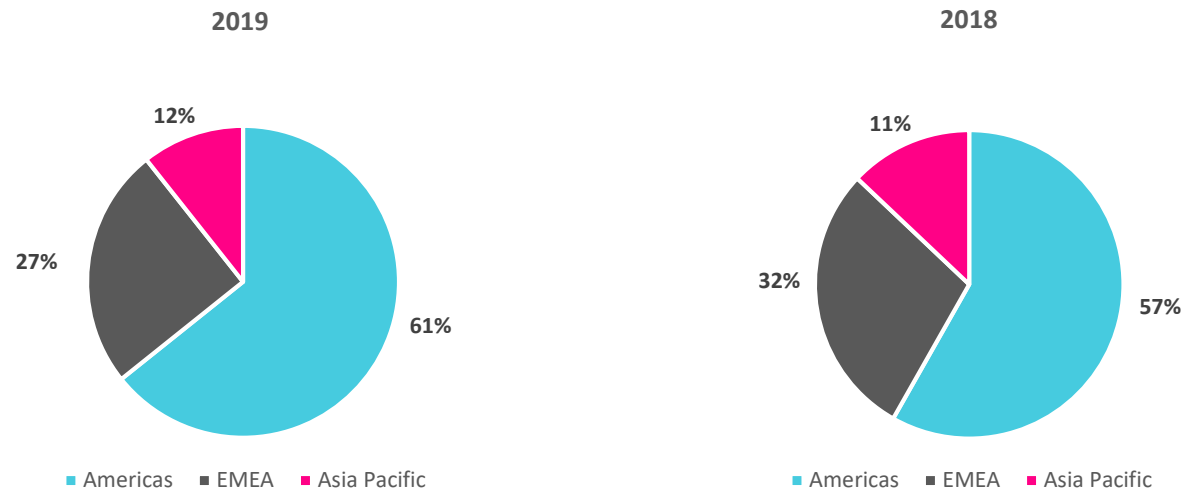
Geographic Revenue Split



ANNUAL REVENUES

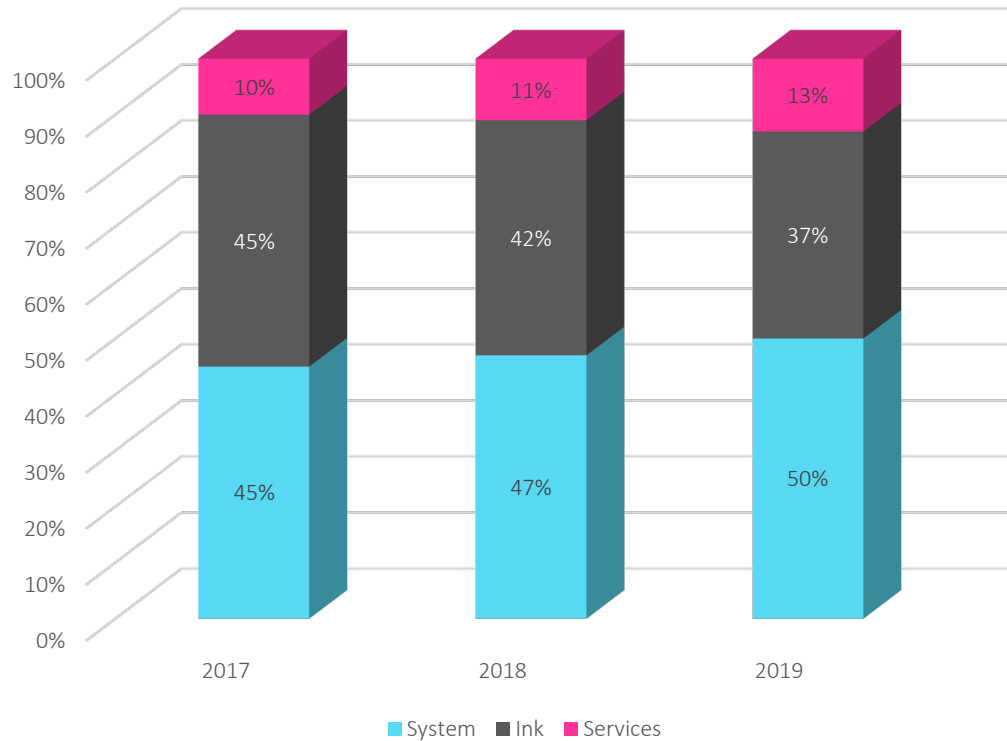
- Revenues of \$179.9 million vs. \$142.4 million in prior year, increase of 26.3%
- A global customer accounted for 12.3% of revenues compared to 17.0% in previous year
- 10 largest accounts represented 40.4% of revenues compared to 53.8% in the previous year

Geographic Revenue Split

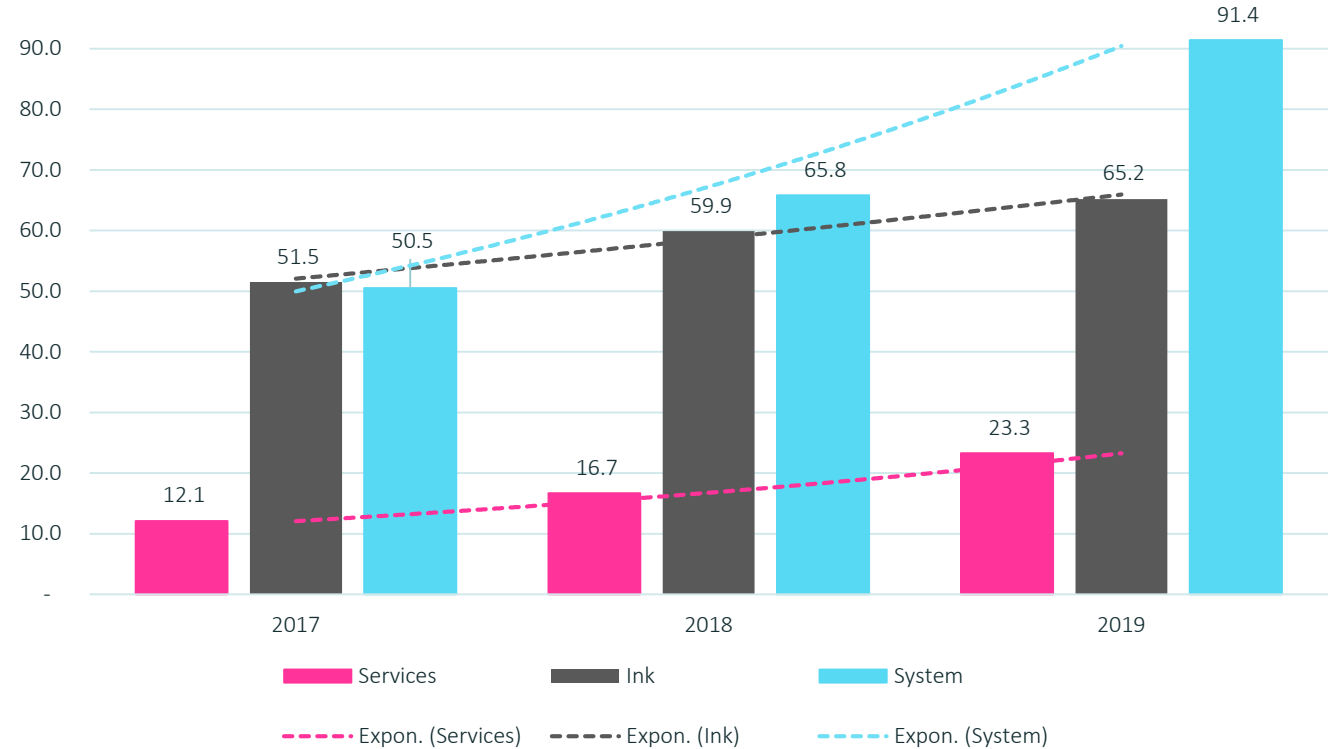


PRODUCT AND SERVICES ANNUAL TRENDS

System / Ink / Services



Trends (in \$M)



QUARTERLY GROSS MARGIN AND OPEX

- Non-GAAP gross margin of 50.2% increased from 48.8% in Q4 2018 attributed to decrease in warrants impact
- Non-GAAP Operating expenses of \$18.6 million increased 20.0% year-over-year

Non GAAP Operating Expenses (% of Revenue)		
	Q4 2019	Q4 2018
Research & Development	11.6%	15.6%
Sales & Marketing	17.4%	16.5%
General & Administrative	9.2%	8.9%
Total Operating Expenses	38.2%	41.0%

ANNUAL GROSS MARGIN AND OPEX

- Non-GAAP gross margin of 47.9% decreased from 49.8% in 2018 due to less favorable product mix.
- Non-GAAP Operating expenses of \$68.0 million increased 16.9% year-over-year

Non GAAP Operating Expenses (% of Revenue)		
	2019	2018
Research & Development	11.7%	14.7%
Sales & Marketing	17.3%	16.4%
General & Administrative	8.8%	9.7%
Total Operating Expenses	37.8%	40.8%

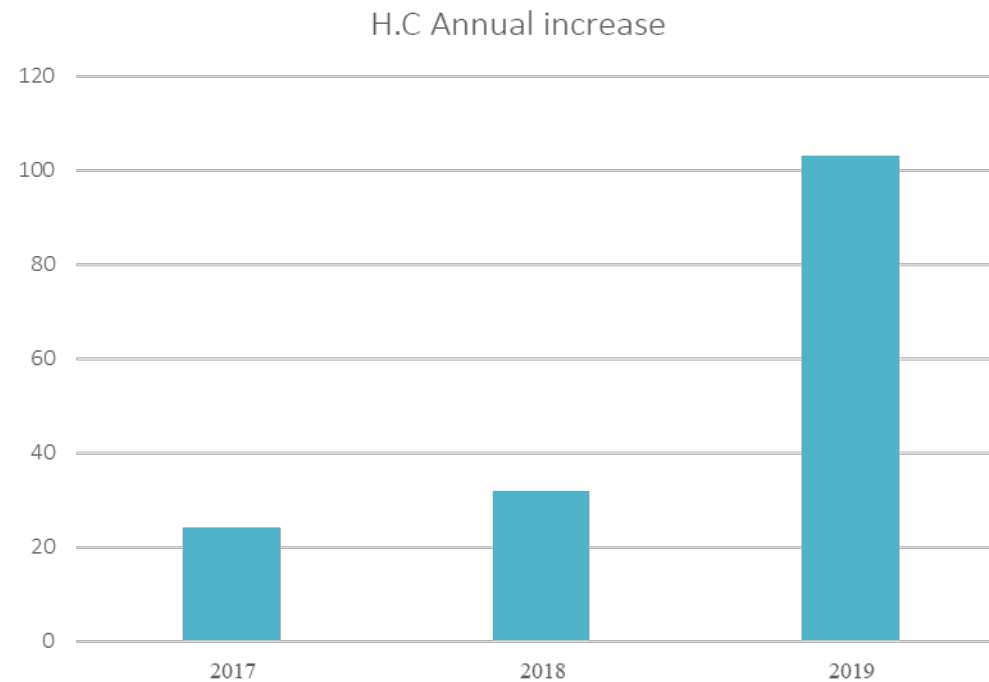
QUARTERLY P&L KPI

	Q4 2019	Q4 2018
Non-GAAP Operating Income	\$5.8	\$2.9
Non-GAAP Net Income	\$7.1	\$3.0
Non-GAAP diluted EPS	\$0.17	\$0.08
GAAP Net Income	\$4.8	\$7.0
GAAP Diluted EPS	\$0.11	\$0.19
Adjusted EBITA	\$8.2	\$5.2

\$ In millions except per share amounts

HEADCOUNT TRENDS

- Headcount as at December 31st headcount was 547 employees compared to 444 at the end of December 2018



QUARTERLY WARRANTS IMPACT

	Q4 19			Q3 19			Q2 19			Q1 19		
	Net of Warrants Impact	Warrants Impact		Net of Warrants Impact	Warrants Impact		Net of Warrants Impact	Warrants Impact		Net of Warrants Impact	Warrants Impact	
Revenues	\$48,650	\$1,131	\$49,781	\$47,293	\$2,429	\$49,722	\$45,332	\$974	\$46,306	\$38,590	\$560	\$39,150
Gross Profit	\$24,418		\$25,549	\$22,570		\$24,999	\$21,601		\$22,575	\$17,556		\$18,116
Gross Margin	50.2%	113	51.3%	47.7%	255	50.3%	47.7%	110	48.8%	45.5%	78	46.3%
Operating Profit	\$5,822		\$6,953	\$6,162		\$8,591	\$4,151		\$5,125	\$2,042		\$2,602
Operating Margin	12.0%	200	14.0%	13.0%	425	17.3%	9.2%	191	11.1%	5.3%	135	6.6%
Net Profit	\$7,071		\$8,202	\$6,591		\$9,020	\$4,311		\$5,285	\$1,614		\$2,174
Net Margin	14.5%	194	16.5%	13.9%	421	18.1%	9.5%	190	11.4%	4.2%	137	5.6%
Diluted EPS	\$0.17	\$0.02	\$0.19	\$0.16	\$0.05	\$0.21	\$0.11	\$0.03	\$0.14	\$0.04	\$0.02	\$0.06

\$ In thousands except per share amounts

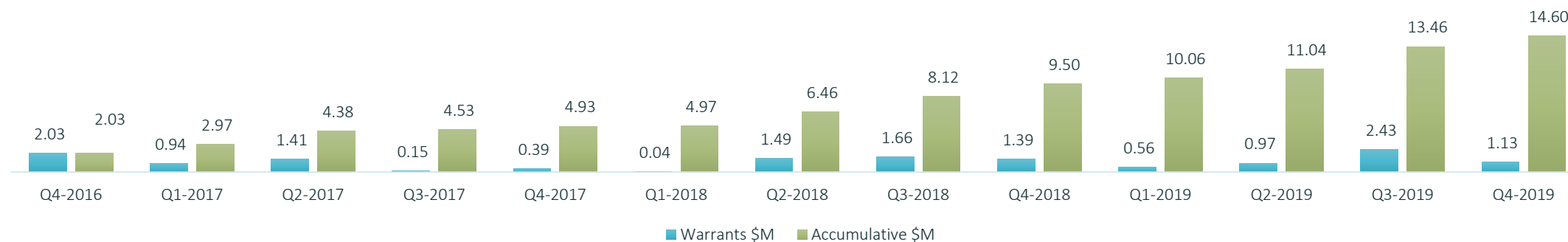
ANNUAL WARRANTS IMPACT

	2019			2018		
	Net of Warrants Impact	Warrants Impact		Net of Warrants Impact	Warrants Impact	
Revenues	\$179,865	\$5,095	\$184,960	\$142,373	\$4,575	\$146,948
Gross Profit	\$86,145	-	\$91,240	\$70,861		\$75,436
Gross Margin	47.9%	144 BPS	49.3%	49.8%	156 BPS	51.3%
Operating Profit	\$18,177	-	\$23,272	\$12,710		\$17,285
Operating Margin	10.1%	248 BPS	12.6%	8.9%	284 BPS	11.8%
Net Profit	\$19,587	-	\$24,682	\$13,122		\$17,697
Net Margin	10.9%	245 BPS	13.3%	9.2%	283 BPS	12.0%
Diluted EPS	\$0.49	\$0.13	\$0.62	\$0.37	\$0.13	\$0.50

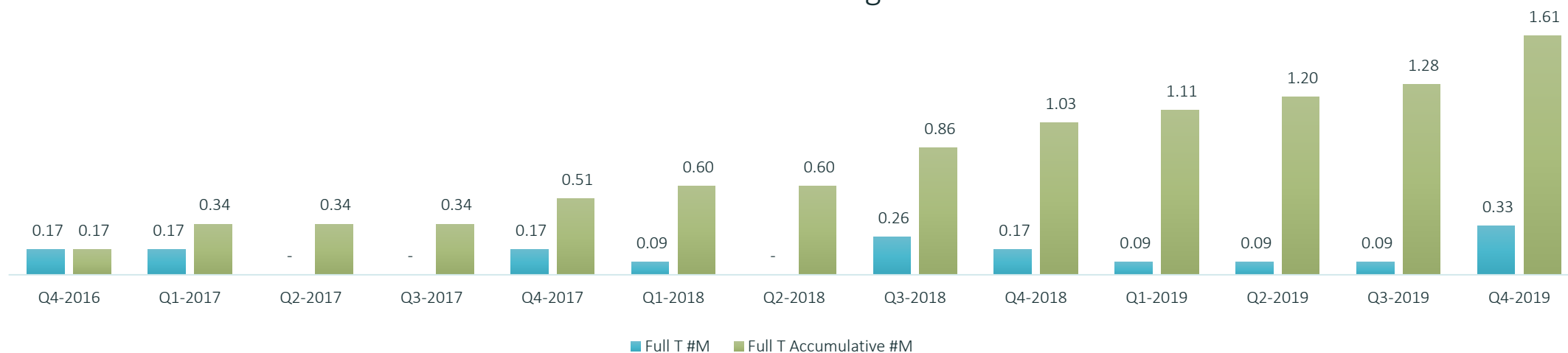
\$ In thousands except per share amounts

WARRANTS IMPACT AND VESTING

Warrants Impact¹



Warrants Vesting²



1 Revenue recognition base impact

2 Collection base impact

QUARTERLY BALANCE SHEET AND CASH FLOW

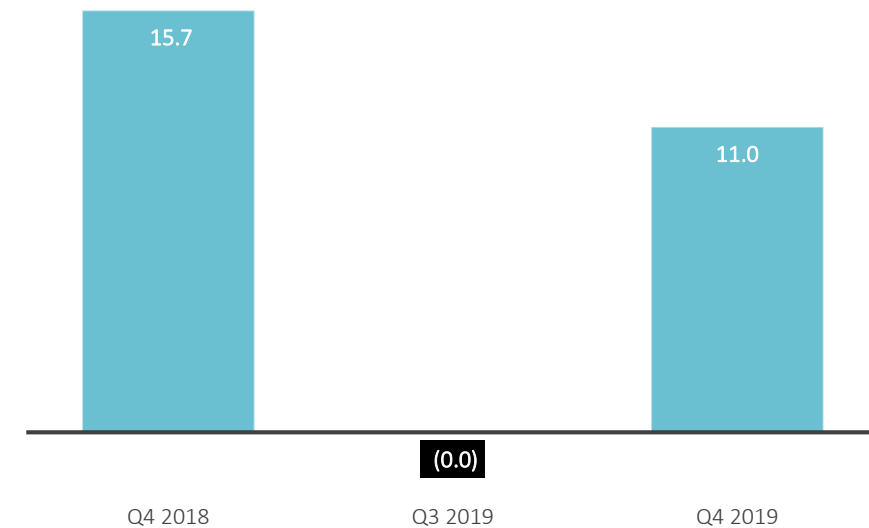
Balance Sheet

	Q4 2019	Q3 2019	Q4 2018
Cash & Cash Equivalents	\$263.7	\$250.4	\$127.7
Accounts Receivable	\$40.5	\$44.9	\$22.0
Inventory	\$37.5	\$34.4	\$30.0
Trade Payable	\$23.4	\$17.3	\$16.6
Net Working Capital	\$205.8	\$259.8	\$179.1

\$ In millions

Cash From Operating Activities

\$ In millions





AMAZON WARRANTS AGREEMENT

- 2,932,176 warrants to purchase ordinary shares of the Company at an exercise price of \$13.04 were issued to Amazon as a customer incentive. The warrants are subject to vesting as a function of payments for purchased products and services of up to \$150 million beginning on May 1, 2016, with the shares vesting incrementally each time Amazon makes a payment totaling \$5 million to the Company. As of December 31, 2019, 1,612,683 warrants are exercisable
- The Company utilized the Monte Carlo simulation approach to estimate the fair value of the warrants. We early adopted the new guidance as of January 1, 2019 and will use the fair value of the unvested warrants on the adoption date rather than upon the later vesting dates in order to determine the reduction of the transaction price.
- The Company recognized a reduction to revenues of \$1.1 million during the fourth quarter and \$5.1 during the year ended December 31, 2019



Q1 2020 GUIDANCE*

- Revenue is expected to be between \$47 million to \$51 million
- Non-GAAP operating income is expected to be between 2.0% to 6.0% of revenue

**we assume zero impact on revenue and operating margin for the purposes of guidance*



OUR VISION

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