



Kornit Digital  
bonding matters

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# KORNIT DIGITAL

(NASDAQ: KRNT)

## Q2 2020 Earnings Call – Supporting Slides

# SAFE HARBOR

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In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. Reconciliation between results on a GAAP and non-GAAP basis is provided in Slide 17.

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# SPEAKERS ON TODAY'S CALL



Ronen Samuel  
CEO



Guy Avidan  
CFO



Amir Shaked Mandel  
EVP Corp Dev



# OUR VISION

CREATE A **BETTER WORLD**

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



# BUSINESS HIGHLIGHTS

**RONEN SAMUEL**  
CEO

# KORNIT DIGITAL ACQUIRES CUSTOM GATEWAY



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CUSTOM **GATEWAY**  
Enabling On Demand



INDUSTRY  
AT AN  
INFLECTION  
POINT

ON-LINE SALES ARE  
**BOOMING** <sup>B2C</sup> <sup>B2B</sup>

WHILE

TRADITIONAL RETAIL  
**MELT DOWN**



EXCESS  
MANUFACTURING  
& OVER PRODUCTION

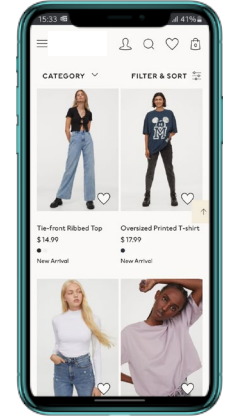
EXCESS INVENTORY

A MAJOR PAIN POINT  
FOR BRANDS AND  
RETAILERS

Inditex Writes Down Inventory,  
Signals Sales Drop as  
Coronavirus Hits

The Zara owner took a nearly €300 million impairment on its inventory and said sales fell 24 percent this month.

# KORNIT DIGITAL ACQUIRES CUSTOM GATEWAY



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CUSTOM **GATEWAY**  
Enabling On Demand

EXPANDING CLOUD SOFTWARE  
WORKFLOW PORTFOLIO FOR  
END-TO-END MANAGEMENT OF  
ON-DEMAND APPAREL AND  
HOME DÉCOR PRODUCTION



# TOGETHER WE WILL ENABLE

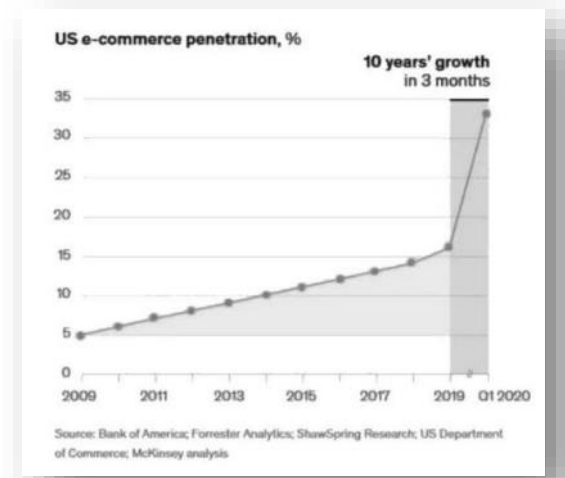
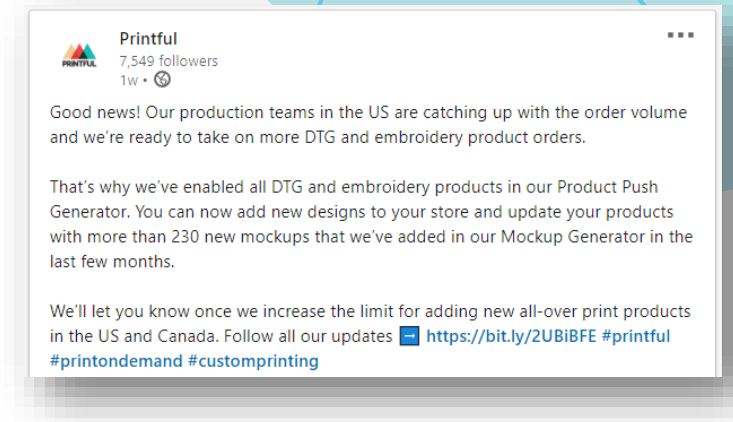
ON-DEMAND  
MANUFACTURING  
FOR BRANDS AND  
RETAILERS

EFFICIENT SCALE  
UP OF ON-DEMAND  
PRODUCTION  
FLOORS

- Bring a unique, end-to-end solution for on-demand production to the market
- Revolutionize how global brands and fulfillers transforming their supply chain in to sustainable on-demand production to meet consumer's needs

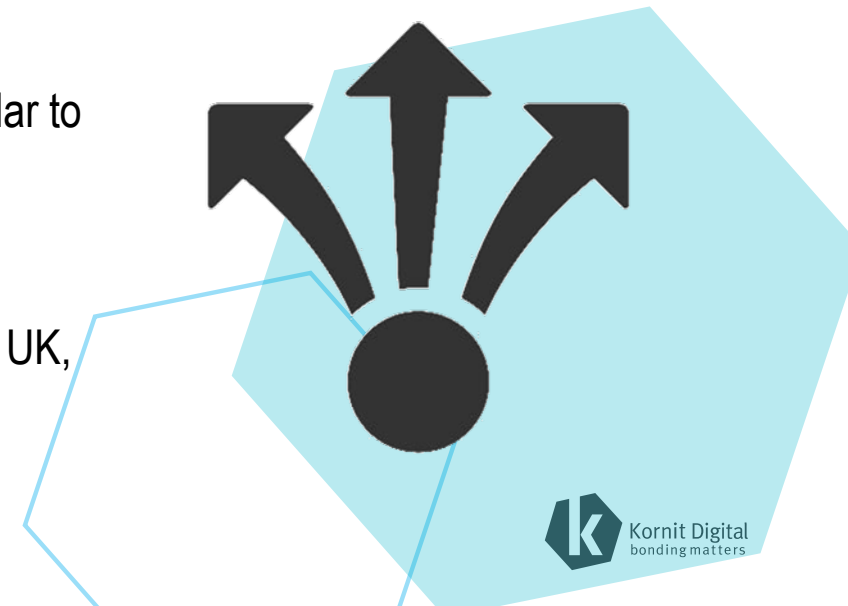
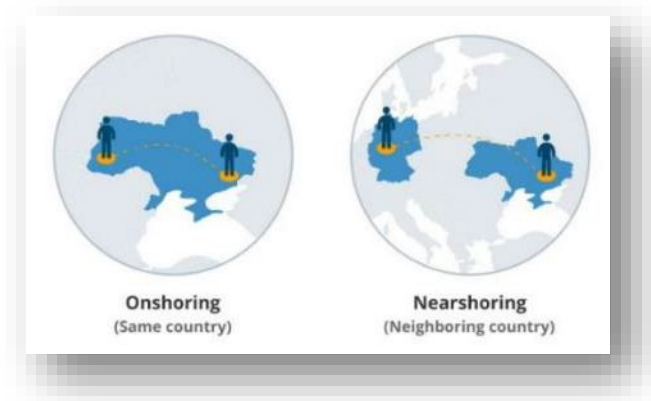
# STRONG Q2 2020 & BUSINESS OUTLOOK

- Total revenue of \$37.4 million, net of \$842 thousand in warrants related to a global strategic account
  - Sequential growth of approximately 44% in Q2 compared to Q1 2020
- Strong results reflect positive momentum starting in late April
  - Production sites re-opened and online channels caused surge in demand
- Confident in business outlook for second half of 2020 and into 2021 as well
- Expect second half 2020 year-over-year revenues growth in the low teens and positive operating profit for the full year
  - An increase to the high single digit year-over-year revenues growth forecasted on first quarter call



# ACTIVITY & BUSINESS MOMENTUM

- Global operations are fully operating in-line with safety guidelines
  - Sales and service personnel supporting customers onsite when needed
  - All our manufacturing and R&D sites in Israel are fully staffed.
- Exceptionally strong performance in North America across both new and existing customers
- Continued growth in Central and Latin America
  - Region will become increasingly strategic in the coming years as brands and retailers look into onshoring and nearshoring as necessary evolution to existing supply chains
- Lingering impact from COVID in Europe and Asia, but mega trends propelling industry similar to those serving as a tailwind in the US
  - Expect increased demand from these regions as we move through the year
  - Accelerating investments in these regions through larger direct touch presence in the UK, Germany and Japan, in conjunction with local partnerships; infrastructure will allow supporting growth of strategic accounts expanding into new territories



# ACTIVITY & BUSINESS MOMENTUM

- Another excellent quarter for the Atlas, a huge success across both new and existing customers
  - Customers making significant investments
  - Projects identified on first quarter call proving to be larger than anticipated
- Demand for Vulcan Plus introduced in Q1 2020 is strong
  - Follow-on orders placed in the quarter
- Technological enhancements to the Poly Pro expected during the first half 2021
  - Encouraged by building pipeline
- Presto performing beyond expectations
  - Believe we have the best technology in the market to capture the huge opportunity for sustainable on-demand manufacturing in the fashion and home décor markets.



# WELL POSITIONED FOR GROWTH

- Our teams globally are focused on customer excellence delivering on the numerous large-scale implementations we have in place
  - Expected to drive revenue for the second half
  - Creating demand for ink and supplies in 2021 and beyond.
- Our partnership with our global strategic account continues to be very strong, and we are successfully working with them on their ambitious growth plans while expanding globally
- Strong progress with leading global brands
  - Transforming supply chains into on-demand production for both B2C and B2B business models
- The market shifting in our direction strongly
- Ready to execute on the massive opportunity ahead of us



# INVESTORS FIRESIDE CHAT



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CUSTOM GATEWAY  
Enabling On Demand

AUGUST 18, 2020

10:30 AM ET

ZOOM

TO REGISTER AND FOR FURTHER INFORMATION  
PLEASE VISIT KORNIT'S INVESTOR RELATIONS  
WEBSITE.

DISCUSS THE VISION BEHIND THE ACQUISITION  
OF CUSTOM GATEWAY IN MORE DETAIL, AS WELL  
AS MORE DETAIL ON OUR EXECUTION PLAN



# Q2 2020 FINANCIAL OVERVIEW

**GUY AVIDAN**  
CFO

# QUARTERLY WARRANTS IMPACT

	Q2 20			Q1 20			Q2 19		
	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>Revenues</b>	<b>\$37,436</b>	\$842	<b>\$38,278</b>	<b>\$26,212</b>	\$564	<b>\$26,776</b>	<b>\$45,333</b>	\$974	<b>\$46,307</b>
<b>Gross Profit</b>	<b>\$16,512</b>		<b>\$17,354</b>	<b>\$8,661</b>		<b>\$9,225</b>	<b>\$21,602</b>		<b>\$22,575</b>
<b>Gross Margin</b>	44.1%	123 BPS	45.3%	33.0%	141 BPS	34.5%	47.7%	110 BPS	48.8%
<b>Operating Profit</b>	<b>-\$2,543</b>		<b>-\$1,701</b>	<b>-\$10,499</b>		<b>-\$9,935</b>	<b>\$4,152</b>		<b>\$5,125</b>
<b>Operating Margin</b>	-6.8%	235 BPS	-4.4%	-40.1%	295 BPS	-37.1%	9.2%	191 BPS	11.1%
<b>Net Profit</b>	<b>-\$1,330</b>		<b>-\$488</b>	<b>-\$8,905</b>		<b>-\$8,341</b>	<b>\$4,312</b>		<b>\$5,285</b>
<b>Net Margin</b>	-3.6%	228 BPS	-1.3%	-34.0%	282 BPS	-31.2%	9.5%	190 BPS	11.4%
<b>Diluted EPS</b>	<b>-\$0.03</b>	\$0.02	<b>-\$0.01</b>	<b>-\$0.22</b>	\$0.02	<b>-\$0.20</b>	<b>\$0.11</b>	\$0.03	<b>\$0.14</b>

\$ in thousands except per share amounts



# Q2 2020 FINANCIAL RESULTS

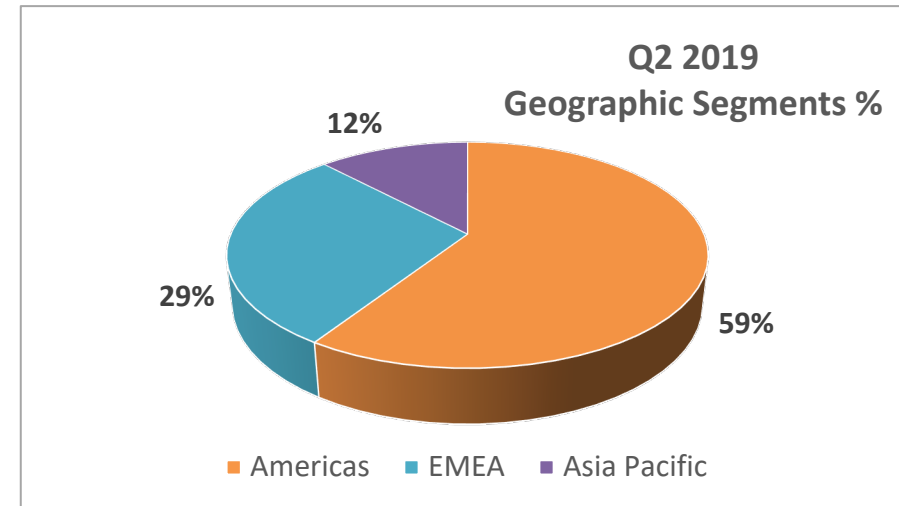
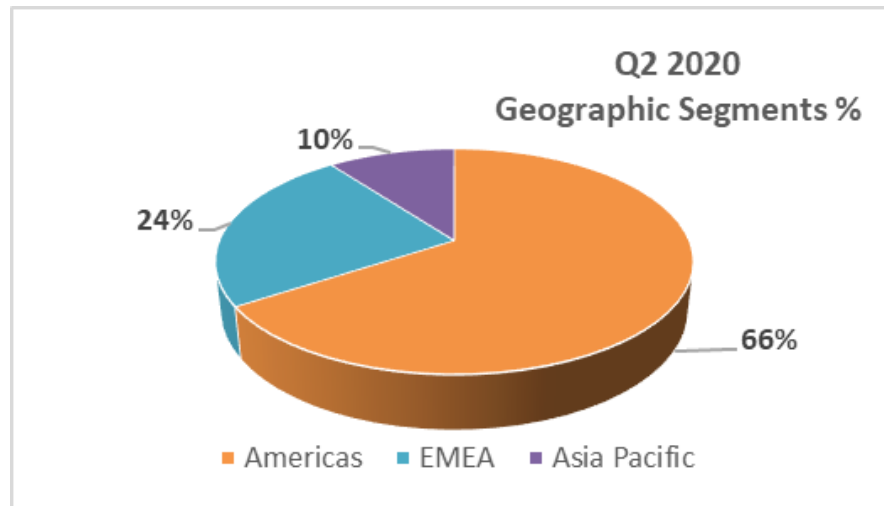
	GAAP			Non-GAAP		
	Q2 2020	Q2 2019	YoY Change	Q2 2020	Q2 2019	YoY Change
Total Revenue	\$37.4	\$45.3	(\$7.9)	\$37.4	\$45.3	(\$7.9)
Gross Profit	\$15.8	\$20.1	(\$4.3)	\$16.5	\$21.6	(\$5.1)
Operating Income (Loss)	(\$5.3)	\$1.3	(\$6.6)	(\$2.5)	\$4.2	(\$6.7)
Net Income (Loss)	(\$4.6)	\$1.9	(\$6.6)	(\$1.3)	\$4.3	(\$5.6)
Diluted EPS	(\$0.11)	\$0.05	(\$0.16)	(\$0.03)	\$0.11	(\$0.14)
Diluted Shares (M)	40.9	37.3	3.6	40.9	37.5	3.4

\$ in millions except per share and share amounts

# QUARTERLY REVENUES

- Revenues of \$37.4 million vs. \$45.3 million in prior year, a decrease of 17.4% YoY and an increase 42.8% QoQ
- A global customer accounted for 8.8% of revenues compared to 11.4% in prior year
- 10 largest accounts represented 59.3% of revenues compared to 44.5% in prior year

## Geographic Revenue Split



# QUARTERLY GROSS MARGIN AND OPEX

- Non-GAAP gross margin of 44.1% decreased from 47.7% in Q2 2019 attributed mainly to decline in top line
- Non-GAAP operating expenses of \$19.1 million increased 9.2% year over year

	Q2 2020	Q2 2019
<b>Research &amp; Development</b>	17.8%	11.0%
<b>Sales &amp; Marketing</b>	19.9%	19.2%
<b>General &amp; Administrative</b>	13.2%	8.3%
<b>Total Operating Expenses</b>	50.9%	38.5%

# QUARTERLY P&L KPI

	Q2 2020	Q2 2019
Non-GAAP Operating Income (Loss)	(\$2.5)	\$4.2
Non-GAAP Net Income (Loss)	(\$1.3)	\$4.3
Non-GAAP Diluted EPS	(\$0.03)	\$0.11
GAAP Net Income (Loss)	(\$4.6)	\$1.9
GAAP Diluted EPS	(\$0.11)	\$0.05
Adjusted EBITDA	(\$0.9)	\$6.5

\$ in millions except per share amounts

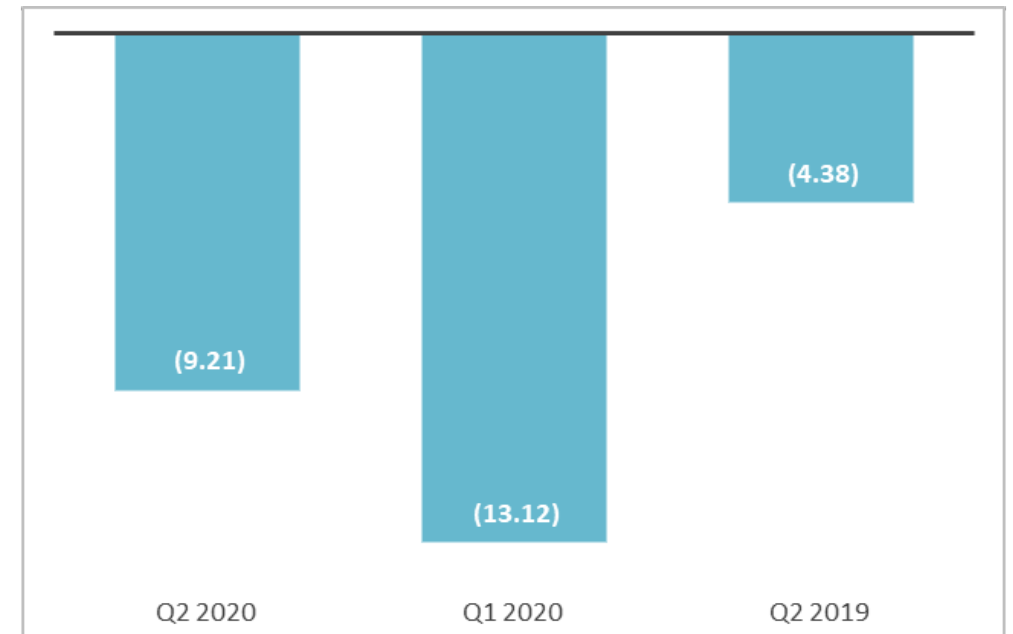
# QUARTERLY BALANCE SHEET AND CASH FLOW

## Balance Sheet

	Q2 2020	Q1 2020	Q2 2019
Cash, Bank Deposits and MK Securities	237.4	247.5	250.1
Accounts Receivables	39.8	32.8	34.1
Inventory	42.1	46.6	34.9
Trade Payable	13.0	23.0	20.9
Net Working Capital	217.7	209.0	246.0

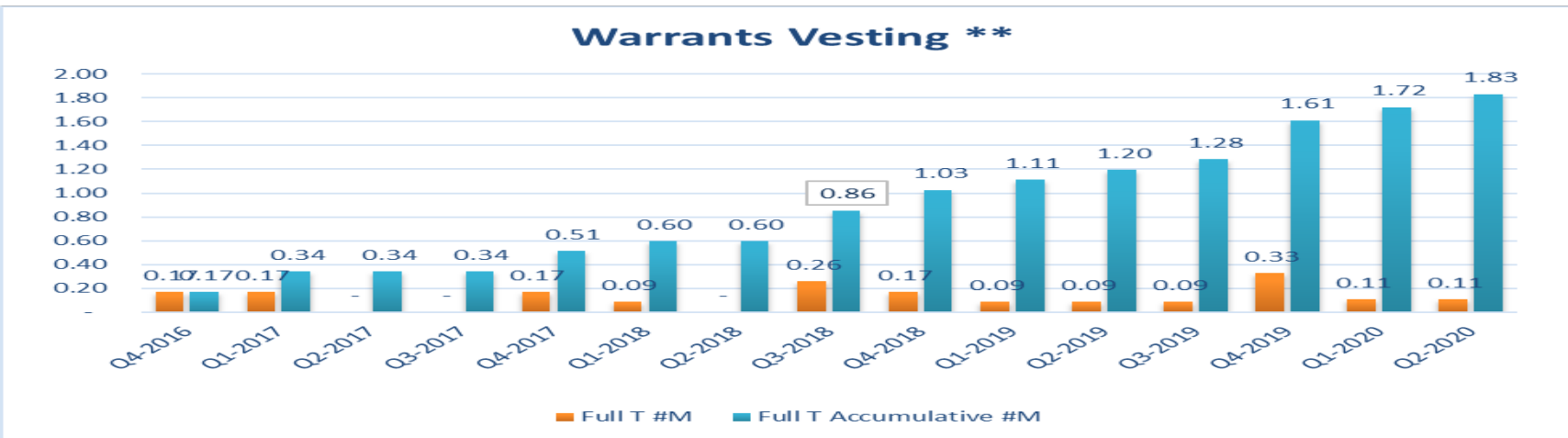
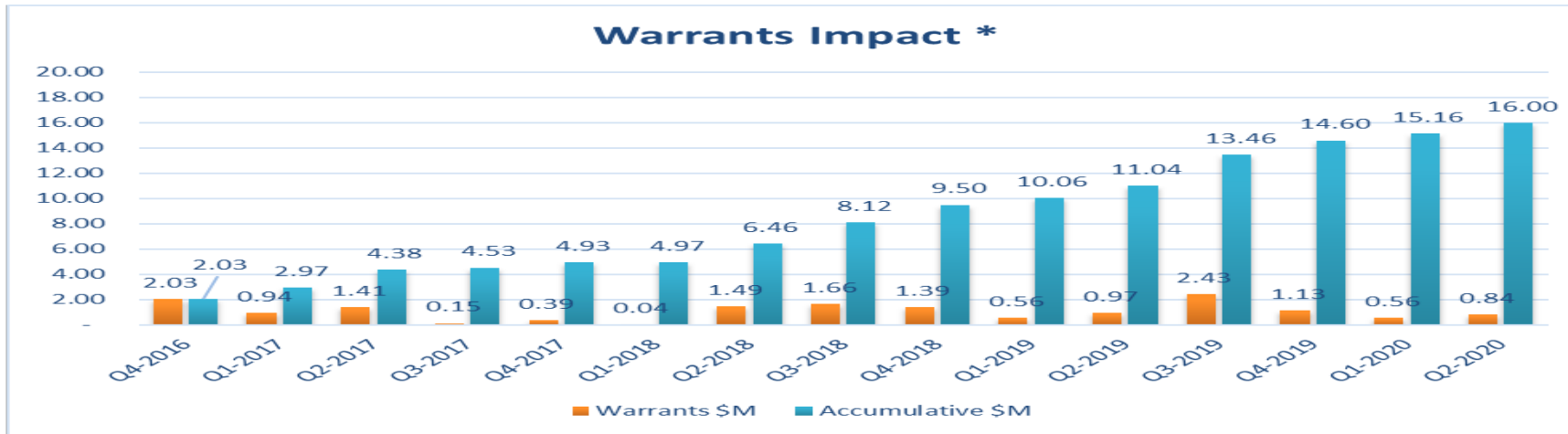
\$ in millions

## Cash from Operating Activities



\$ in millions

# WARRANTS IMPACT AND VESTING



\* Revenue recognition base impact

\*\* Collection base impact

# AMAZON WARRANTS AGREEMENT

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- 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 June 30, 2020, 1,832,595 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 \$0.8 million during the second quarter of 2020 and \$1.0 million during the second quarter of 2019 (\$5.1 million during the year ended December 31, 2019)

# Q3 2020 GUIDANCE\*

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- Revenue is expected to be between \$53.5 million to \$57.5 million
- Non-GAAP operating income is expected to be between 8% to 11% of revenue

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



THANK YOU

OUR VISION

CREATE A **BETTER WORLD**

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



# 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