



Kornit  
Digital  
bonding  
matters

# Enabling the supply chain revolution of the printed textiles market

August 2017



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# INVESTMENT HIGHLIGHTS

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**Large, High Growth Addressable Market**



**Leader in DTG Digital Printing Enabling Textile Market Transition to an Online Business Model**



**Disruptive Proprietary Solutions: Technology, Ink, Services and Software**



**Significant Opportunities for Continued Growth**



**Attractive, Recurring Razor/Razor Blade Revenue Business Model With Increasing Operating Leverage**



T-SHIRTS



ACCESSORIES



BEACH WEAR



STREET WEAR



ACTIVE WEAR



HOME DECOR



FABRICS & MEDIAS

Polluting  
Labor intensive  
Energy and water consuming  
Antiquated technology  
Long lead times  
Inefficient supply chain



# KEY CONSUMER TRENDS DRIVING INDUSTRY CHANGE

## Immediate Gratification

*U.S. Amazon Prime customers willing to pay more to receive products faster – more than doubled between 2013 - 2015*

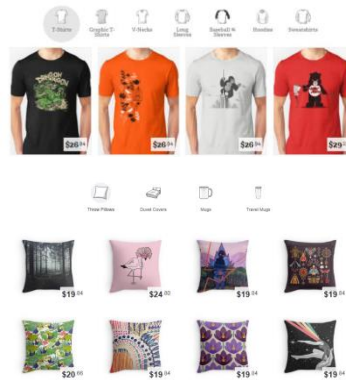
2x



54 MILLION

## Personal Expression

*Consumers increasingly seeking the ability to customize or personalize products*



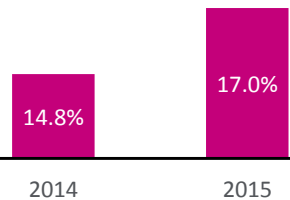
## Influence Through Social Media

*78% of consumers influenced by social media in online shopping behavior in 2015*

## Consumer Preference

*Apparel retailers increasingly leveraging the online channel*

Online Channel Share of Overall Apparel Sales in U.S.



# MOVING TO DIGITAL IS THE ONLY WAY TO GO



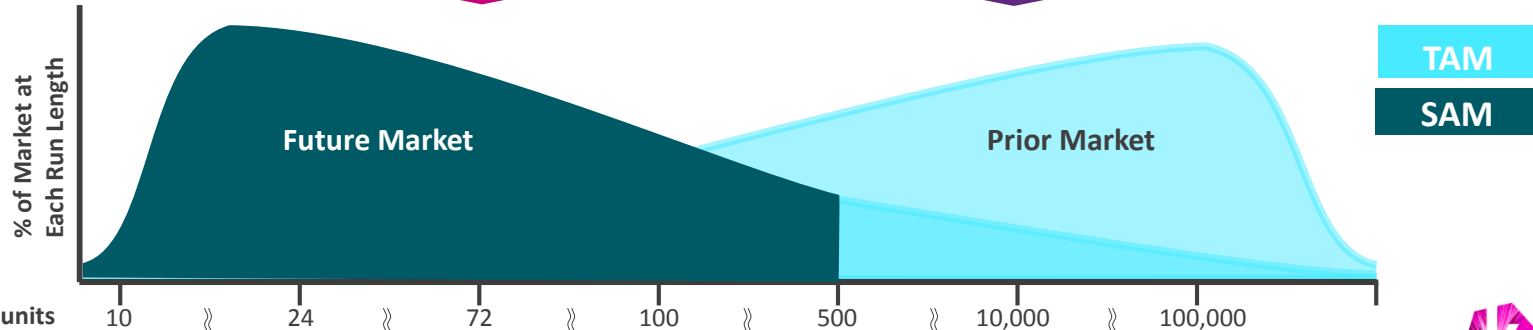
## Digital Textile Printing

- Simple setup
- No setup cost
- Infinite design flexibility
- No minimum order quantity
- Eco-friendly



## Analogue Textile Printing

- Complex setup
- Costly setup
- Limited design flexibility
- Large batch manufacturing
- High pollution



# DIGITAL PRINTING IS ENABLING THE ONLINE REVOLUTION



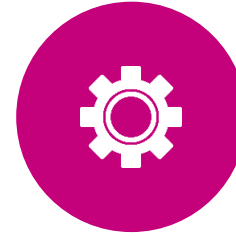
Faster Time to  
Market



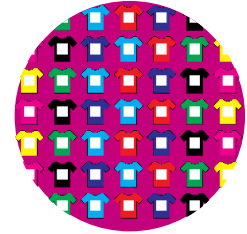
Infinite Design  
Flexibility



Global Fulfillment  
Network



Reduces Fixed  
Cost Element



Reduces  
Inventory

**Self-Fulfillment**

**Hybrid Printers**

**Third Party Fulfillment  
Centers**

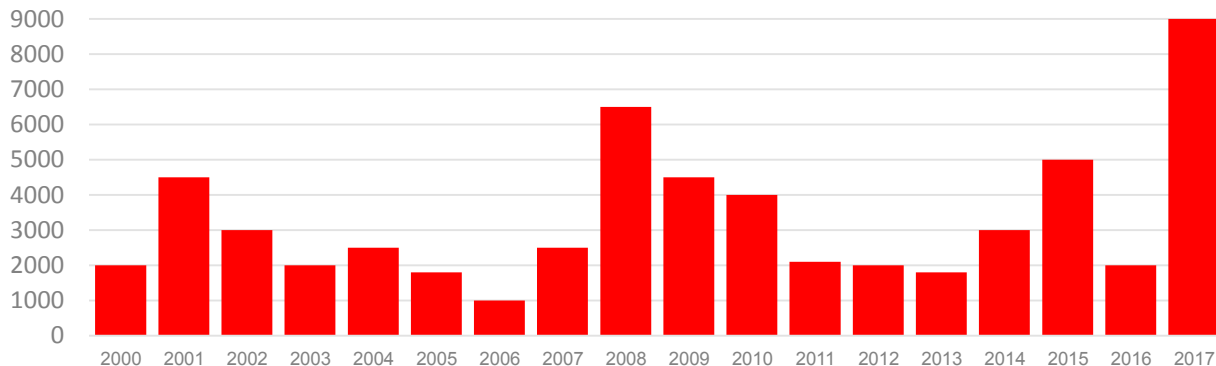
# 2017: THE YEAR OF RETAIL BANKRUPTCIES

## *What in the World Is Causing the Retail Meltdown of 2017?*

### Closing time

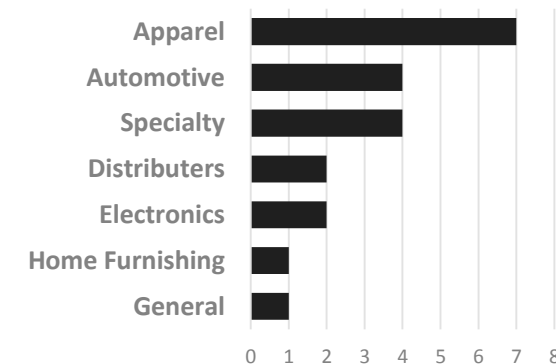
The shuttering of U.S retail stores is on a record pace so far this year

■ Locations targeted for closure



### Closing Time

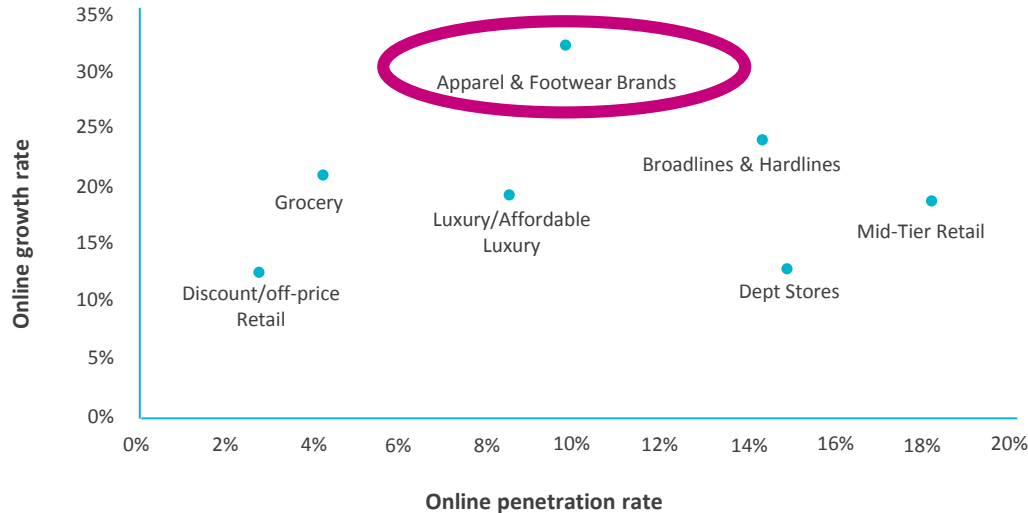
Retail bankruptcies in 2017, by category



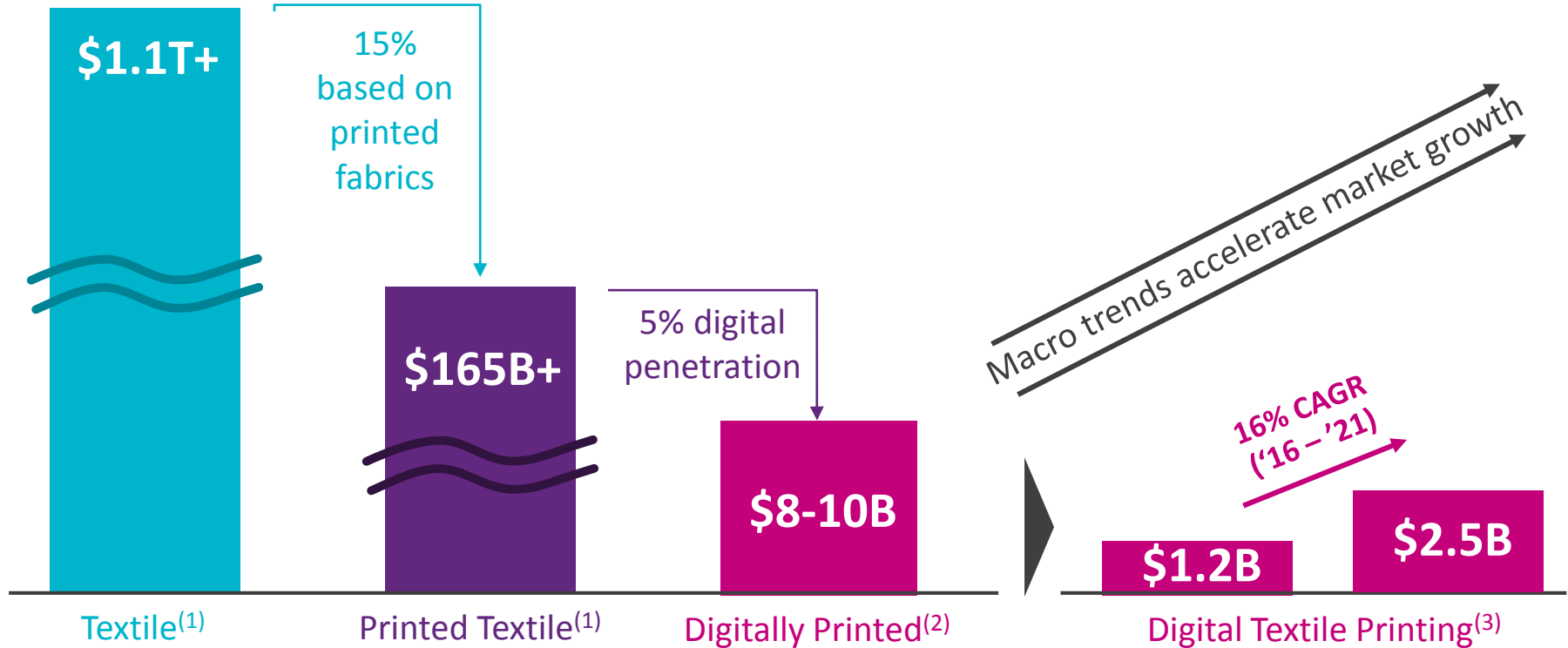


# ONLINE APPAREL MARKET IS BOOMING

## Comparison of Online Sales Penetration and Growth:



# HUGE MARKET IN EARLY TRANSFORMATION



(1) Source: InfoTrends. (2) Estimated based on digital production penetration (adjusted to market prices).  
(3) Market value, based on PIRA 2016 report (EURUSD 1.04 used for FX conversion).

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# A NEW SUPPLY CHAIN IS DEVELOPING

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*SUPPLY AND  
DEMAND*

*DEMAND  
AND SUPPLY*

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# But... printing on textile is challenging

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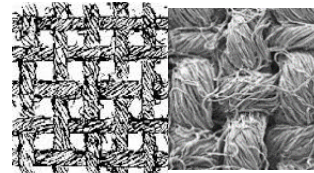
Fabric Variety



Dark & Light Dyes



Wear (Fastness)



Absorptive Media



Stretchable Media



Uneven Surfaces



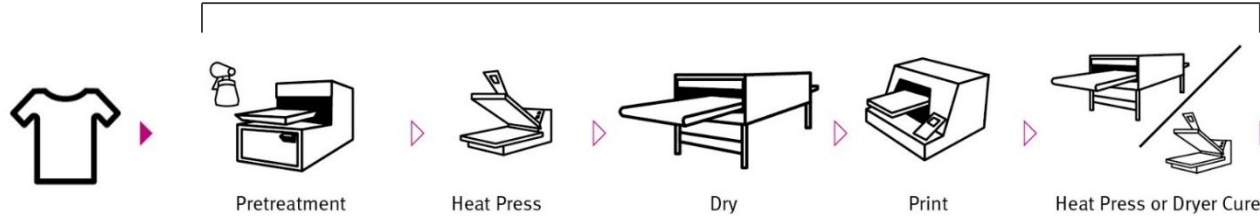
Feel (Hand)



Costly

# OUR PROPRIETARY PROCESS

## Process Steps for Competitive Digital DTG Solutions – 5 Steps



brother.  
aeoon  
TECHNOLOGIES  
EPSON®  
DTG  
DIGITAL  
Anajet®

## Process Steps for Kornit



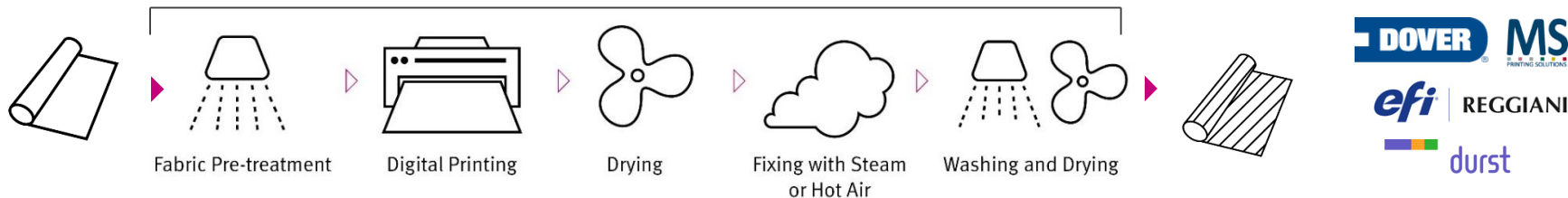
25-40% cost savings  
Saves 5-8 minutes per garment



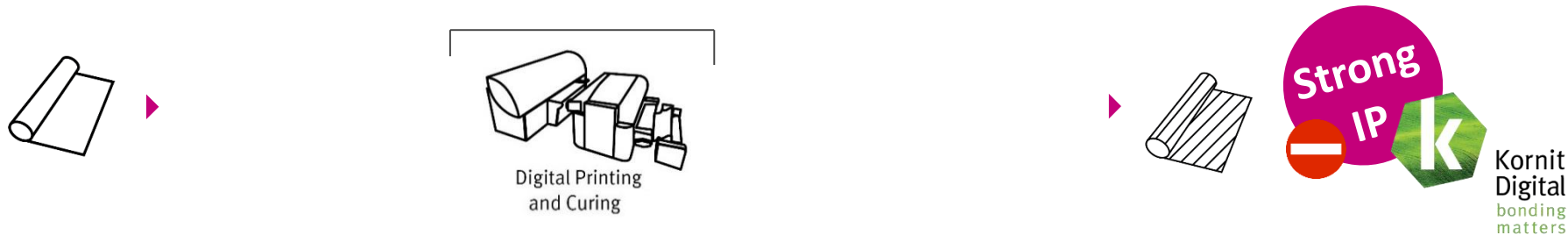
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# OUR PROPRIETARY R2R PRINTING PROCESS

## Conventional digital textile printing process: 5 steps



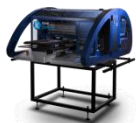
## Kornit Digital printing process – single step, multiple fabric types





# OUR COMPREHENSIVE END-TO-END SOLUTIONS

## ENTRY LEVEL



## ONLINE DTG



## FAST RETAIL



## ON DEMAND TEXTILE



## INKS AND CONSUMABLES



- Patented integrated pretreatment process
- DTG ink system
- R2R ink system
- Discharge digital ink
- Fluorescent set
- Recirculation ink system

## SOFTWARE



- QuickP Production 6.0
- QuickP Designer 2.0
- QuickP Plus 2.0

## VALUE-ADDED SERVICES



Customer Support



Warranty, maintenance and upgrades



Application Development



Training



# GROWTH STRATEGY



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## Enabling a Revolution in the Printed Textiles Market



Increase Sales to Existing Customers



Acquire New High Volume Customers



Capitalize on Growth in Our Targeted Markets



Extend Our SAM by Continuing to Enhance Our Solutions



Extend Our Leadership Position Through Ongoing Investment in R&D, Acquisitions and Strategic Partnerships

# FOCUS ON HIGH VOLUME CUSTOMERS IS PAYING OFF



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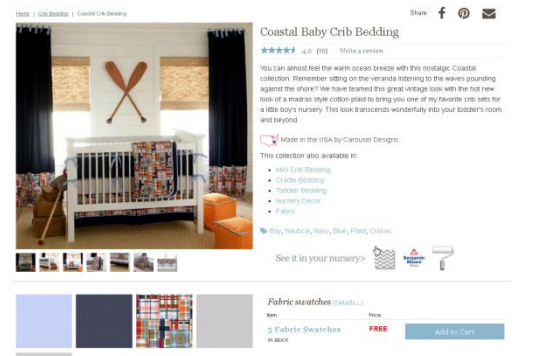
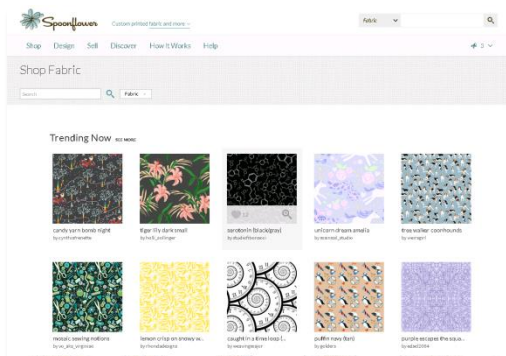
**Expanding On-Demand Production for Personalized Garment Decoration**

- Kornit selected to support Amazon's Merch program
  - Monetization tool for developers that enables the sale of personalized graphic merchandise
- Agreement to purchase systems, ink and services
  - Dozens of systems already running 24x7
  - Granted Amazon warrants to acquire up to 8% of ordinary shares as a function of Amazon's \$150 million purchased products and services over a five year period
- Growing end customer demand for graphic T-shirts, as more developers and content creators join Merch



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# ALLEGRO ENABLING ON-DEMAND TEXTILE PRINTING



## Web to Print

- 4 Allegro systems
- 3 shifts, 7 days/week



## Wholesale Home Furniture Manufacturer

- Shipping to customers that order through retailers



## Baby Bedding Manufacturer

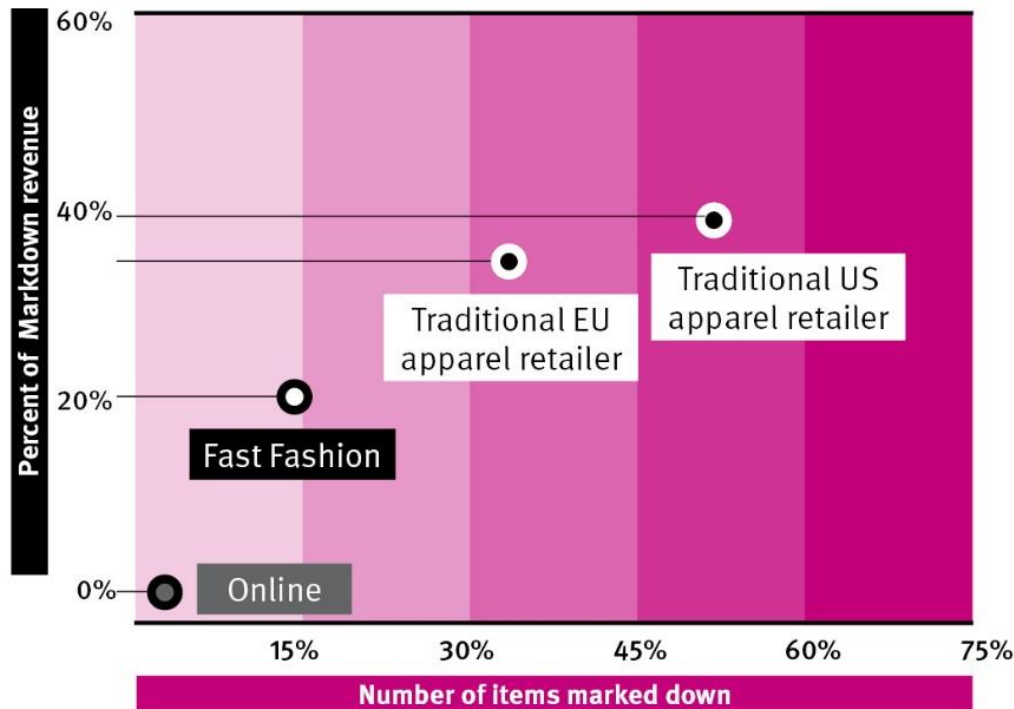
- Customized baby beddings produced on demand
- Started with 1 Allegro system in 2015, added a second system in 2016



# FAST FASHION IS MOVING ONLINE

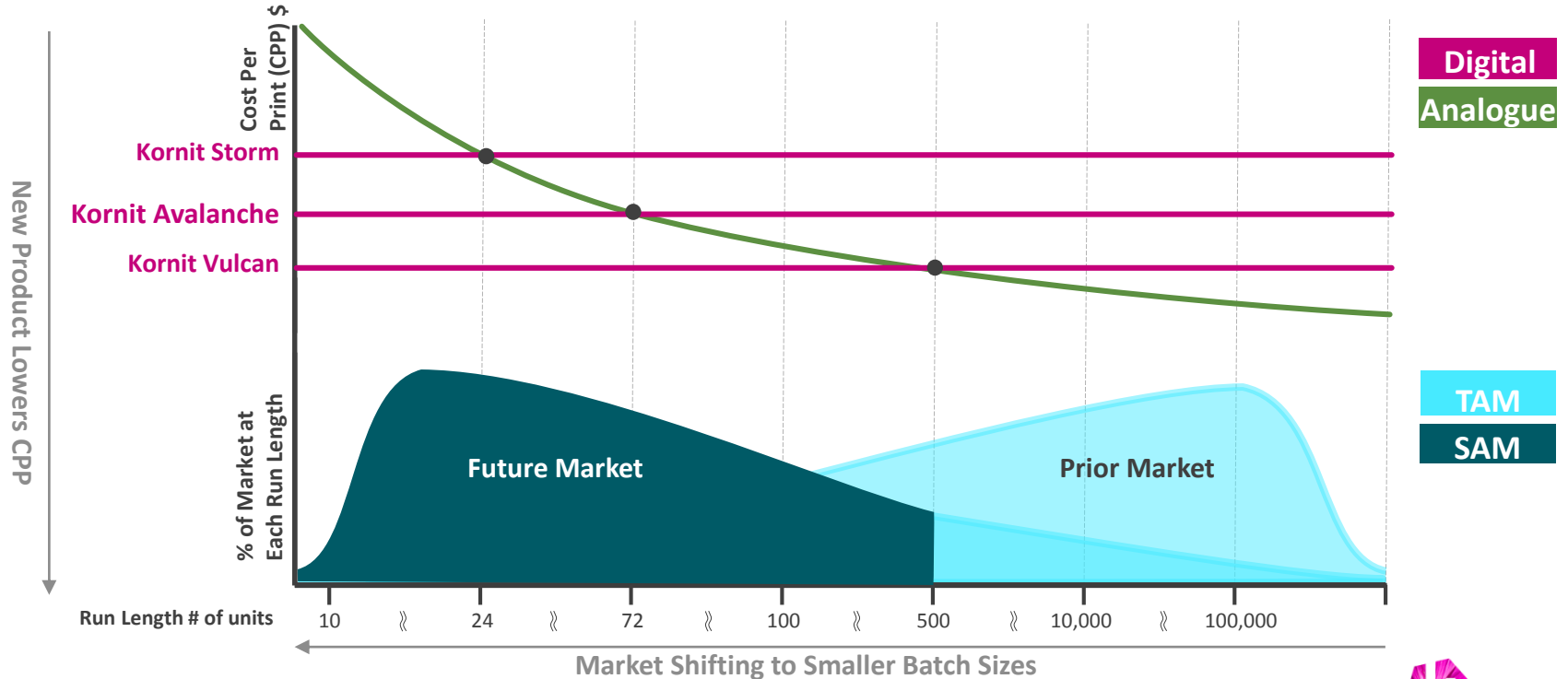
“ *This business is all about reducing response time. In fashion, stock is like food. It goes bad quickly* ”

José María Castellano, former CEO  
and Deputy Chairman of the Inditex Group



# EXPANDING OUR ADDRESSABLE MARKET BY LOWERING CPP

Demand for Smaller Batches + Digital Solutions that Lower CPP at Longer Runs = SAM Expansion for Kornit







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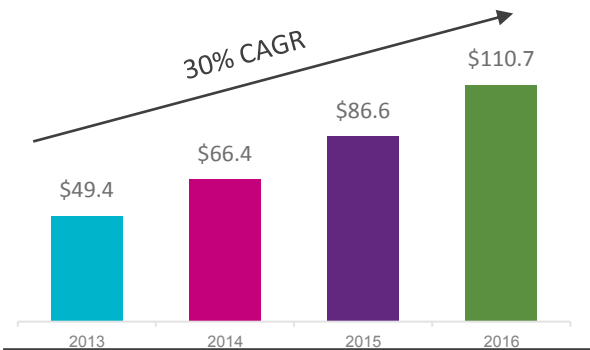
# FINANCIAL HIGHLIGHTS

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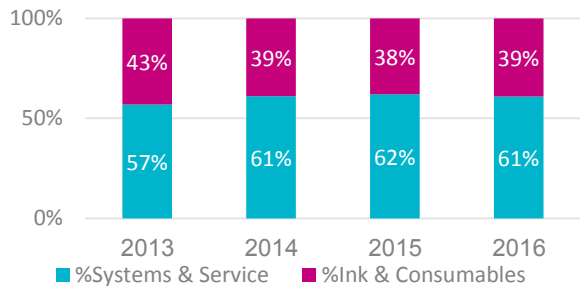
- Attractive business model contributes to significant revenue growth with **substantial recurring revenues**
- **Investment in** research & development and sales & marketing to support **growth**
- **Attractive long-term model**
- **Financial flexibility** driven by debt-free balance sheet, minimal working capital & capex and a long-term favorable tax position
- **High, expanding gross margins**

# HISTORICAL REVENUES ANALYSIS

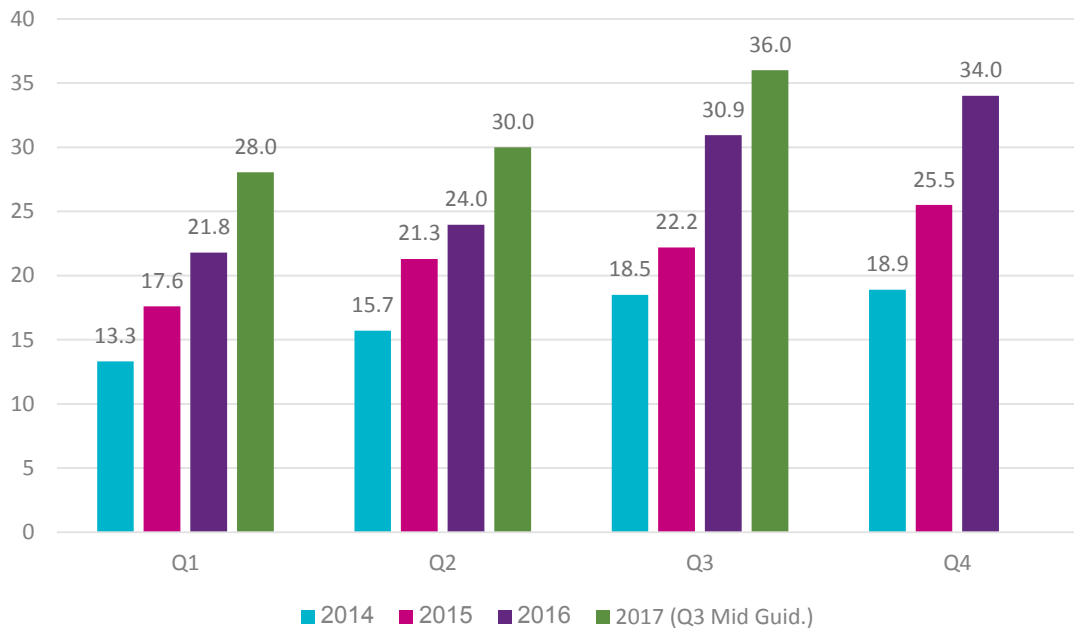
## Annual Revenues (\$ millions)



## Components of business model



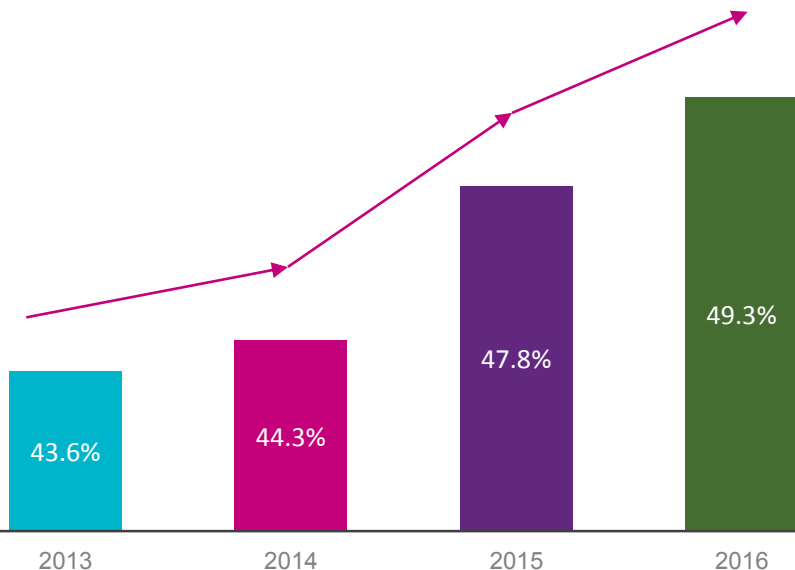
## Quarterly Revenues (\$ millions)



# GROSS MARGIN PERFORMANCE

## Non-GAAP Gross Margin

~570 Bps Improvement



## Looking Forward:

5 key drivers for Gross Margin Expansion

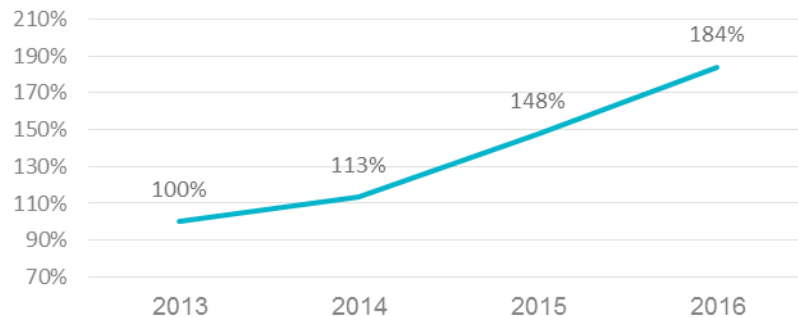
- ▶ Continued transition to high throughput systems
- ▶ Higher ink consumption
- ▶ Turning value-added services into a profitable business
- ▶ Significant additions of software features & functionality
- ▶ Continuous reduction of COGS

# GROSS MARGIN KPI'S

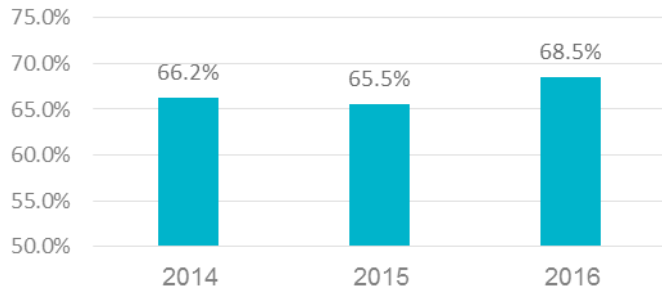
Scale of Installed Base Driving Higher per System Ink Consumption (Avalanche 1000)



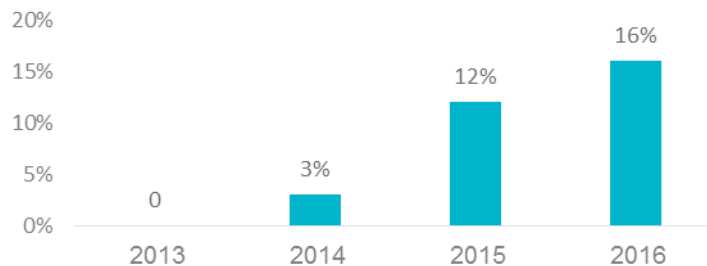
ASP (Average Selling Price)



Revenue from Recurring Customers



Service Contract coverage vs. installed base



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# JUNE QUARTER FINANCIAL RESULTS

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- Quarterly non GAAP revenues of \$30 million VS. \$24 in prior year, 25.3% YoY increase.
- Quarterly non-GAAP gross margins of 49.1%, Increase from 46.4% from the previous quarter and decrease from 49.5% in Q2 2016.
- NON-GAAP Operating income of \$2.7M for the quarter, an Increase from \$1.0M in prior quarter and increase from \$1.0M in Q2 2016
- NON-GAAP net income of \$3M for the quarter, or \$0.09 per diluted share.

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## Q3' 2017 GUIDANCE

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- Expected revenues between \$34 million to \$38 million
- Non GAAP Operating income expected to be between 13% to 17% of revenues
- End of quarter share count expected to be approximately 35.8 million



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THANK YOU

