

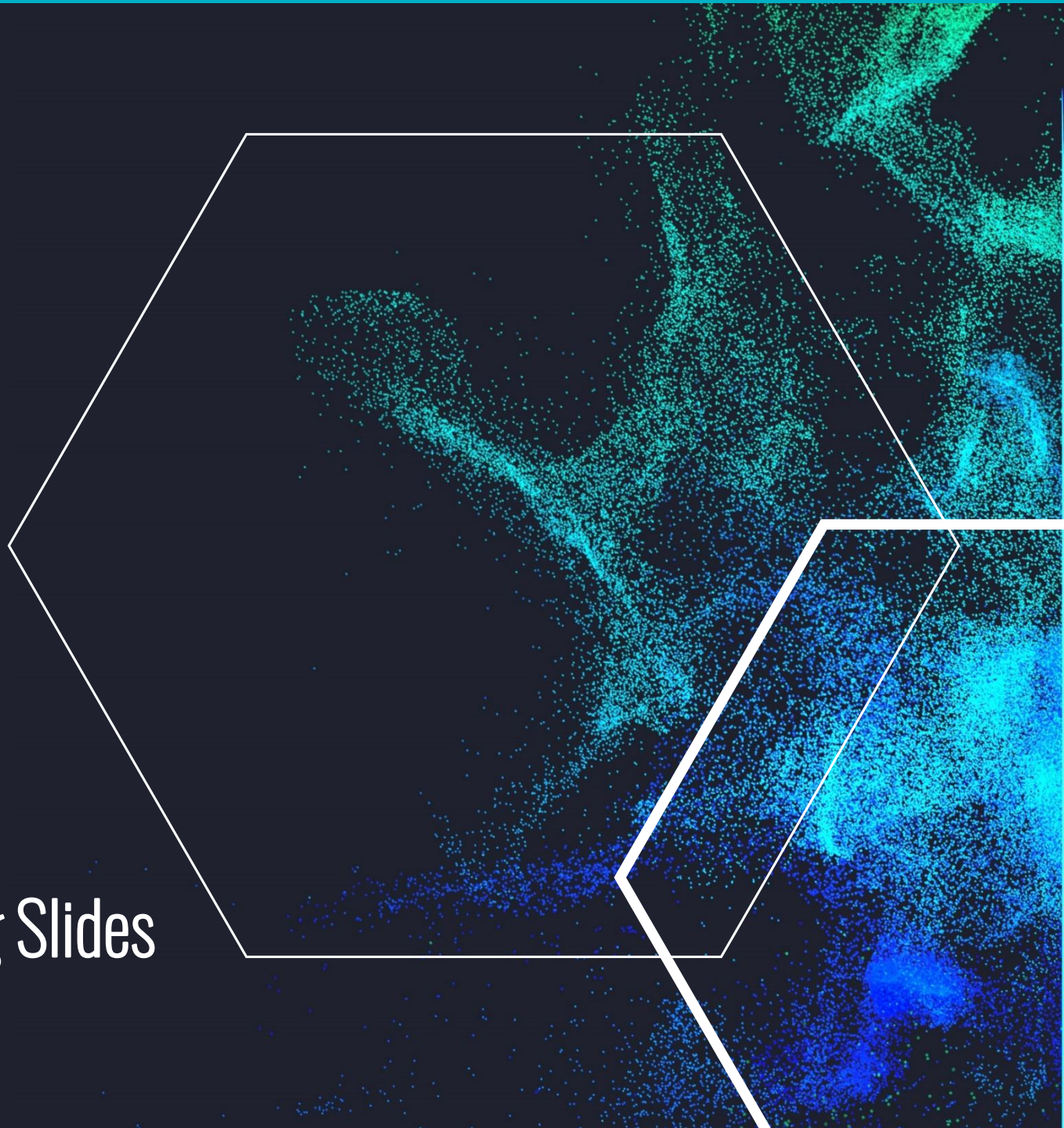


Kornit Digital
bonding matters

KORNIT DIGITAL

(NASDAQ: KRNT)

Q2 2019 Earnings Call – Supporting Slides





SAFE HARBOR

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SPEAKERS ON TODAY'S CALL



Ronen Samuel
CEO



Guy Avidan
CFO

OUR VISION

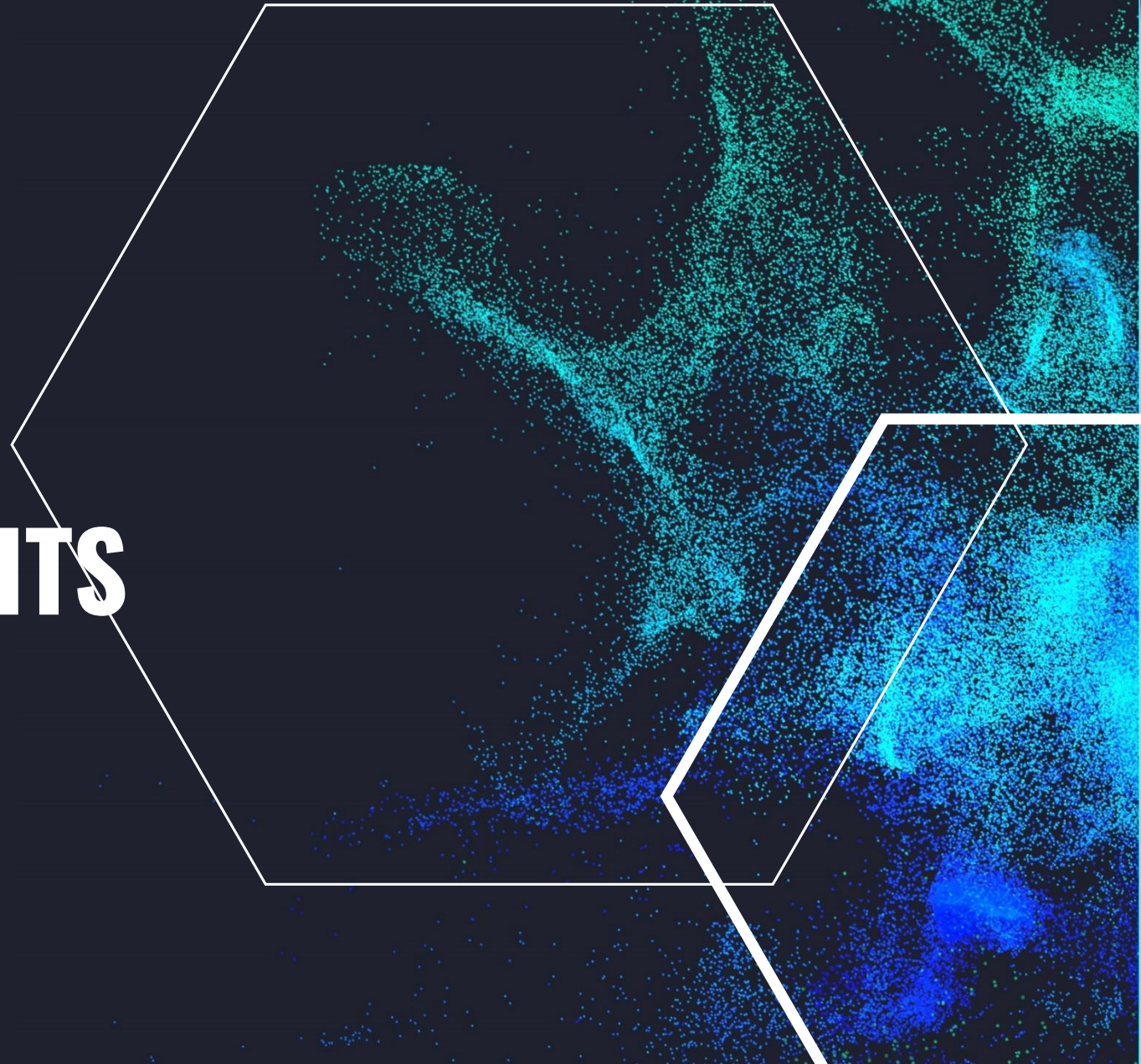


CREATE A WORLD WHERE EVERYBODY CAN
BOND, DESIGN AND EXPRESS THEIR IDENTITIES,
ONE IMPRESSION AT A TIME



Q2 2019 BUSINESS HIGHLIGHTS

**RONEN SAMUEL
CEO**



STRONG FINISH TO H1 2019

REMOVING INDUSTRY
BARRIERS AND ENTERING
ADJACENT MARKETS

- Q2 19 Strong YOY business growth
 - Business growth of 23.9% YOY
- Successful launches of new products and focused execution on GTM
 - Continued high level of demand across HD platforms
 - Atlas demand continues to outpace expectations
 - Material contribution to Poly Pro already this quarter
- Encouraging number of engagements with brands
- Extremely successful ITMA Barcelona
 - Presto launched, with phenomenal feedback from fashion and home décor brands
 - Kornit Konnect introduced, game-changer cloud software analytics platform





EXPANDING OUR GTM AND SERVICES MAXIMIZING SYSTEM UTILIZATION

- Focused execution on GTM across regions
 - Very strong quarter in North America, following first full quarter of direct sales model
 - North American strategic accounts activity continues to grow fast
 - Another solid quarter for EMEA; strong 2nd half pipeline; continued investment in scaling GTM infrastructure
 - Investment in APAC yields another quarter of significant YOY growth
- Customer empowerment service strategy implementation progressing
 - Well received by customers
 - Very strong YOY performance on services revenues

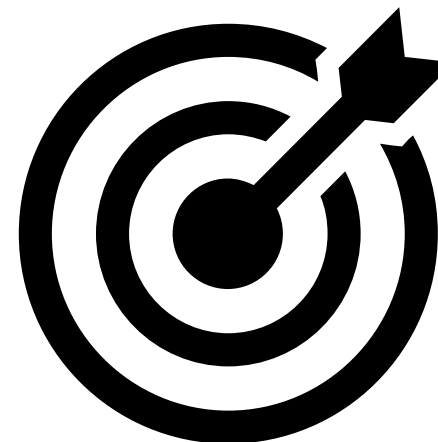


TEAM AND FOCUSED EXECUTION

- We continue onboarding key industry talents across customer facing functions:
 - Hiring will remain elevated for H2 2019 and will moderate in 2020
- Very well positioned to invest for future growth while generating attractive margins:
 - Demonstrated in 2nd quarter Non-GAAP operating margin
- Successful public offering:
 - Strengthens balance sheet by approximately USD \$130 million of cash
 - Allows execution of inorganic opportunities and ensures strategic position as we build and expand our solutions for the world's leading brands

DELIVERED ON OUR H1 2019 GOALS

- Launched numerous new products
- Engaged with leading brands
- Executed regional GTM strategies
- Scaled global operations
- Drove top line growth and profitability

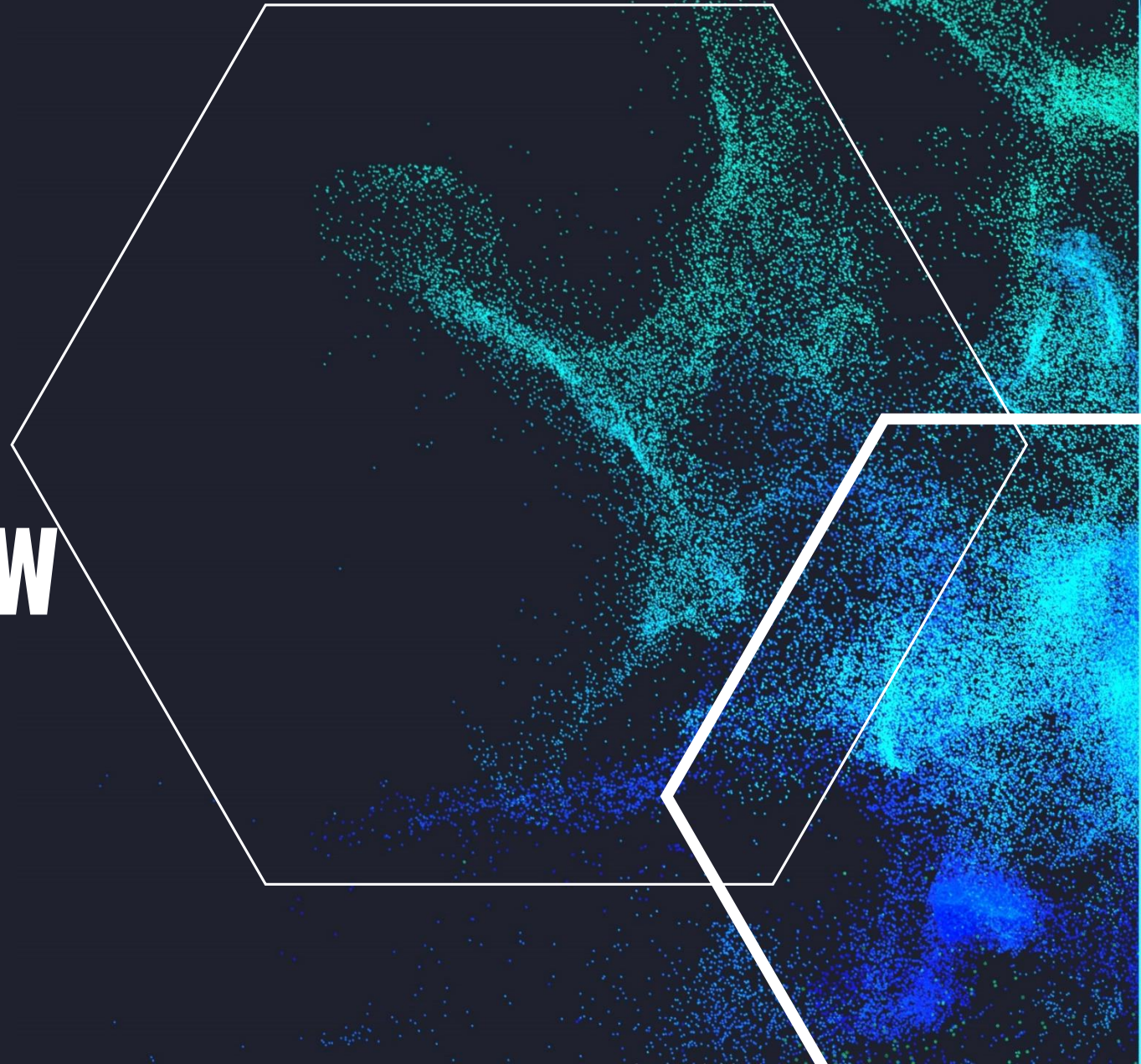


Well positioned to deliver on our goals for the 2nd half of the year



Q2 2019 FINANCIAL OVERVIEW

**GUY AVIDAN
CFO**



FINANCIAL RESULTS

| | GAAP | | | Non-GAAP | | |
|-------------------------|--------------|--------------|-------------------|--------------|--------------|-------------------|
| | <u>Q2-18</u> | <u>Q2-19</u> | <u>YoY Change</u> | <u>Q2-18</u> | <u>Q2-19</u> | <u>YoY Change</u> |
| Total Revenue | \$35.9 | \$43.9 | 22.3% | \$35.9 | \$43.9 | 22.3% |
| Gross Profit | \$17.4 | \$18.7 | \$1.3 | \$17.6 | \$20.2 | \$2.6 |
| % Margin | 48.6% | 42.5% | | 49.2% | 45.9% | |
| Operating Income (Loss) | \$1.6 | -\$0.2 | -\$1.8 | \$3.2 | \$2.7 | -\$0.5 |
| % Margin | 4.5% | -0.4% | | 8.8% | 6.2% | |
| Tax Expenses (Benefit) | \$0.1 | -\$0.1 | -\$0.2 | \$0.2 | \$0.6 | \$0.4 |
| Net Income | \$1.8 | \$0.5 | -\$1.3 | \$3.2 | \$2.9 | -\$0.3 |
| % Margin | 4.9% | 1.0% | | 9.0% | 6.5% | |
| Diluted EPS | \$0.05 | \$0.01 | -\$0.04 | \$0.09 | \$0.08 | -\$0.01 |
| Diluted Shares (M) | 34.3 | 36.0 | 4.8% | 35.3 | 37.5 | 6.2% |

QUARTERLY REVENUES

- Quarterly Non-GAAP revenues of \$43.9 million vs. \$35.9 million in prior year, 22.3% YoY increase; 15.0% QoQ increase
- The 2 largest customers accounted for 8.5% and 4.8% of revenues Vs. 23.9% and 9.9% in previous year
- 10 largest accounts represented 41.8% of revenues Vs. 55.2% in the previous year

| <u>Geographic Split</u> | <u>Q2-18</u> | <u>Q2-19</u> |
|-------------------------|--------------|--------------|
| Americas | 50% | 57% |
| EMEA | 39% | 30% |
| Asia Pacific | 11% | 13% |
| Total | 100% | 100% |

QUARTERLY GROSS MARGIN AND OPEX

- Quarterly Non-GAAP gross margins of 45.9%*, decreased from 49.2% in Q2 2018
- Operating expenses of \$17.5 million, up 20.6% YoY
- Headcount as of Jun 30th : 484 employees

| | <u>Q2-18</u> | <u>Q2-19</u> |
|-----|--------------|--------------|
| R&D | 14.2% | 11.3% |
| S&M | 16.3% | 19.8% |
| G&A | 9.8% | 8.6% |

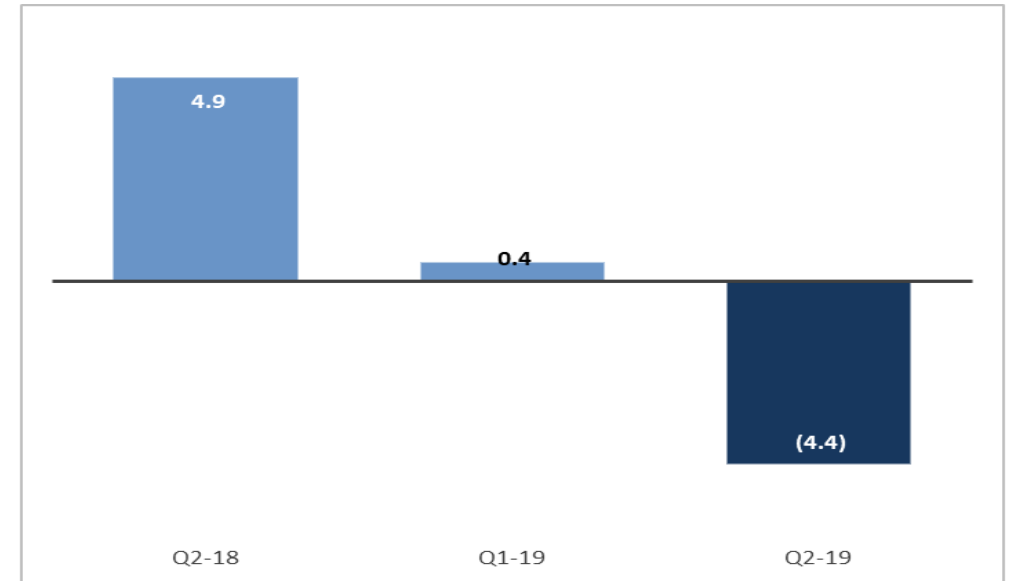
* Mainly due to Warrant impact of 282 basis point.

QUARTERLY P&L KPI

| | | <u>Q2/18</u> | <u>Q2/19</u> |
|-----------------------------|---|--------------|--------------|
| • Non-GAAP Operating Income | : | \$3.2M | \$2.7M |
| • Non-GAAP Net Income | : | \$3.2M | \$2.9M |
| • Non-GAAP diluted EPS | : | \$0.09 | \$0.08 |
| • GAAP Net Income | : | \$1.8M | \$0.5M |
| • GAAP diluted EPS | : | \$0.05 | \$0.01 |
| • Adjusted EBITA | : | \$5.5M | \$6.1M |

QUARTERLY BALANCE SHEET AND CF

| | Q2-18 | Q1-19 | Q2-19 |
|--------------------------------------------|-------|-------|-------|
| Cash, Cash Equivalents, ST deposits and MS | 102.7 | 124.3 | 250.1 |
| Accounts Receivables | 33.2 | 26.0 | 34.1 |
| Inventory | 25.1 | 34.9 | 34.9 |
| Trade Payable | 10.0 | 19.3 | 20.9 |



CF From Operating activity



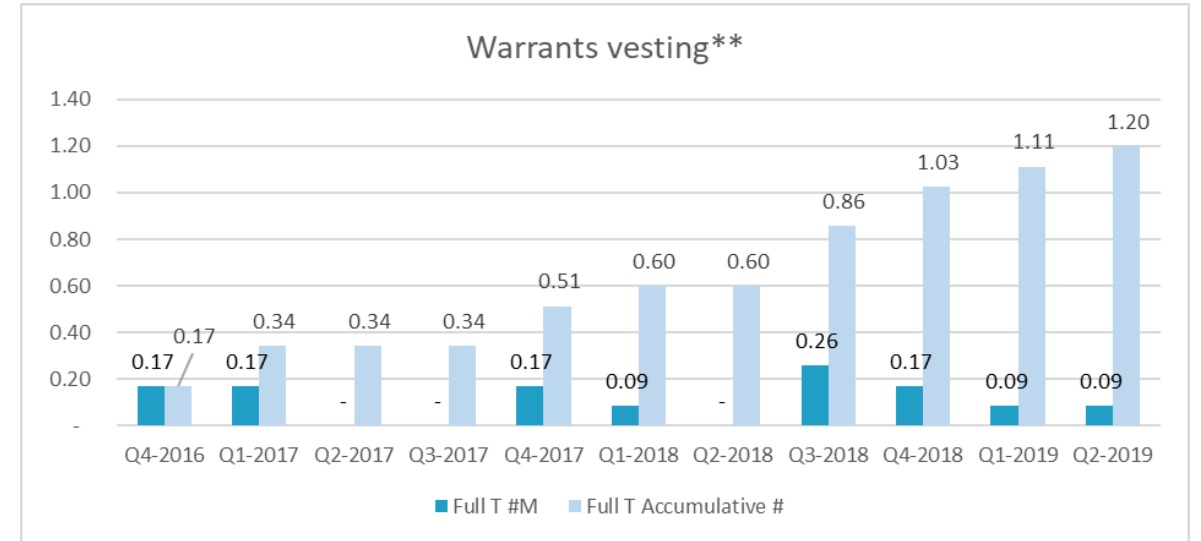
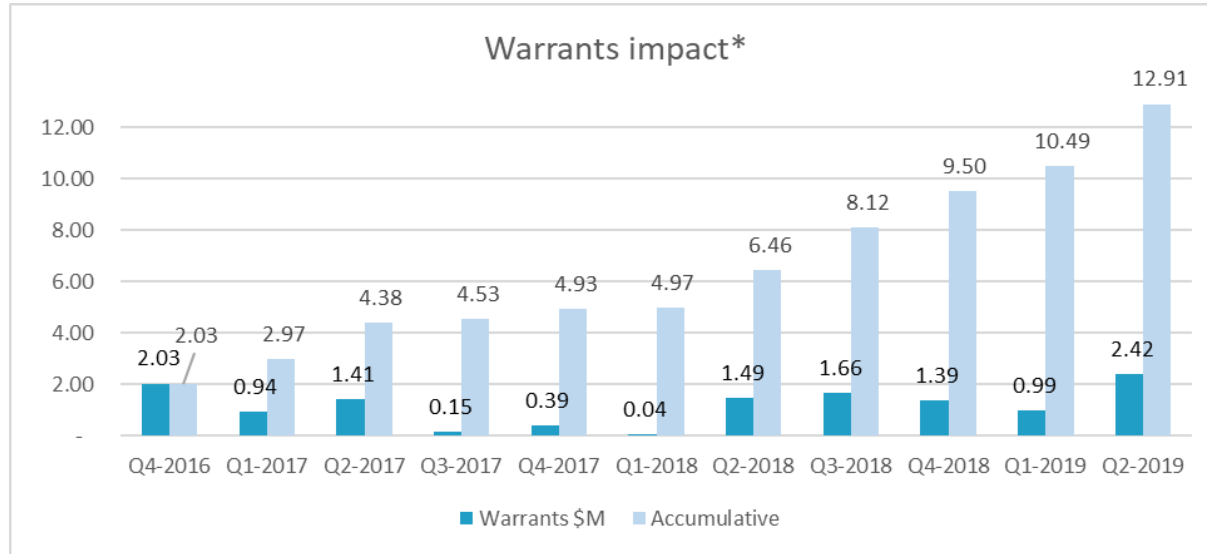
Q3 2019 GUIDANCE

- Expected revenue between \$47 million to \$51 million
- Non-GAAP operating income expected to be between 14.0% to 17.0% of revenue
- Since we currently can't predict the non-cash impact of the warrants, we assume zero impact on revenue and operating margin

QUARTERLY WARRANTS IMPACT

| | Q2 19 | | | Q1 19 | | | Q2' 18 | | |
|-------------------------|---------------------------|---------------------------------------|--------|------------------------------|---------------------------------------|--------|------------------------------|---------------------------------------|--------|
| | 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 | |
| Revenues | 43,890 | 2,416 | 46,306 | 38,161 | 989 | 39,150 | 35,876 | 1,491 | 37,367 |
| Gross Profit | 20,159 | | 22,575 | 17,127 | | 18,116 | 17,646 | | 19,137 |
| Gross Margin | 45.9% | 282 | 48.8% | 44.9% | 139 | 46.3% | 49.2% | 203 | 51.2% |
| Operating Profit | 2,709 | | 5,125 | 1,613 | | 2,602 | 3,174 | | 4,665 |
| Operating Margin | 6.2% | 490 | 11.1% | 4.2% | 242 | 6.6% | 8.8% | 364 | 12.5% |
| Net Profit | 2,869 | | 5,285 | 1,185 | | 2,174 | 3,240 | | 4,731 |
| Net Margin | 6.5% | 488 | 11.4% | 3.1% | 245 | 5.6% | 9.0% | 363 | 12.7% |
| Diluted EPS | 0.08 | 0.06 | 0.14 | 0.03 | 0.03 | 0.06 | 0.09 | 0.04 | 0.13 |

WARRANTS IMPACT AND VESTING



* Revenue recognition base impact

** Collection base impact

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 June 31, 2019, 1,197,294 warrants are exercisable.
- The Company utilizes a Monte Carlo simulation approach to estimate the fair value of the warrants. The Company recognized a reduction to revenues of \$2.4M during the quarter ended June 30, 2019.
- Implemented according to Accounting Standards (ASC) 260 The dilutive effect of outstanding warrants are reflected in diluted EPS by application of the treasury stock method. The incremental shares are included in the denominator of the diluted EPS computation, as of June 30th there are approximately 0.6M shares out of approximately 37.5M.



THANK YOU

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