



Kornit Digital
bonding matters

KORNIT DIGITAL

(NASDAQ: KRNT)

Q1 2020 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

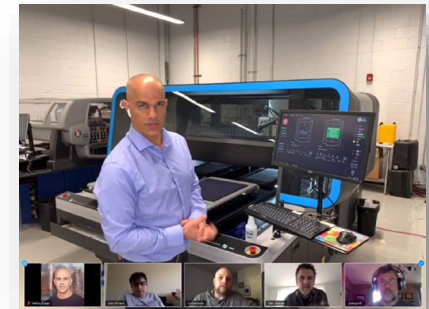


BUSINESS HIGHLIGHTS

RONEN SAMUEL
CEO

Q1 2020 & CURRENT UPDATE

- Enthusiastic to see global progress on lockdown exit strategies and pick-up in business activity
- Acted decisively to ensure safety of our staff, while maintaining business continuity
 - Manufacturing and R&D operated throughout the period (staggered shifts)
 - Service continued working closely with our customers
 - Sales and marketing remained highly engaged with customers, prospects and industry leaders
- Partnered with manufacturers and large brands for PPE, with our inks and systems
- At this point, all manufacturing and R&D sites fully staffed again, experience centers open; operating in-line with safety guidelines of local authorities
- Q1 2020 results reflect immediate short-term impact of COVID-19
- Already witnessing a very strong recovery path back to growth



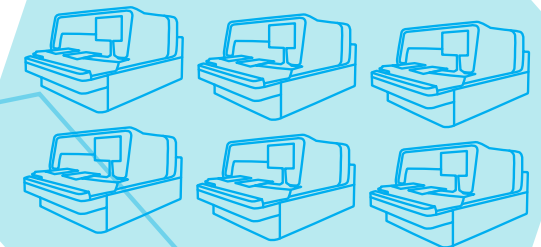
INDUSTRY IN AN INFLECTION POINT

- Crisis fundamentally changing behaviors in textile industry, both on demand and supply side
- We believe this is an inflection point in the continued adoption of digital production of textile
- E-commerce has gone from a growing channel to the only channel of operation
 - We expect this to have a long-lasting effect on consumers
 - Existing supply chains are not adequate to support successful e-commerce business models at scale.
 - The industry needs to adopt agile, digital, sustainable on-demand manufacturing models to succeed on that channel
- Traditional retail will return, but crisis exposed massive inefficiencies associated with the classic supply and demand offshore operating model in place
 - Resulting in massive inventory write-offs and a continued environmental disaster.

***Mega trends that have been fueling our growth
are only going to accelerate once the short-term impacts subside***

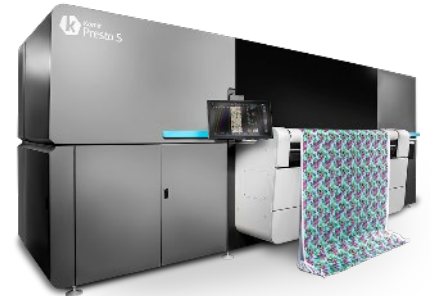
ACTIVITY & BUSINESS MOMENTUM

- Customer sites are reopening and strategic accounts with big projects have reengaged
- Some major orders expected in Q1 2020 have already been received in Q2 2020
- Partners in the online customized design segment, as well as brands/retailers with solid ecommerce on-demand models remain very active
 - Expect summer activity and gear up for holiday season
 - A great example is Printful, experiencing very strong demand through the pandemic; investing in 6 additional Atlas systems as part of a larger planned investment
- Recent developments highlight importance for brands and retailers of embracing flexible digitally enabled on-demand production models
 - One of our accounts in North and Central America working with retailers for flexible inventory management makes strategic investment in 6 new Atlas systems
 - Strong testament to success of go-direct model



ACTIVITY & BUSINESS MOMENTUM

- Pleased with early reception of Vulcan Plus, largest system addressing high volumes of short to mid-run production orders
 - Regional account addressing proximity production needs adding second system, as part of a larger investment
- Interest in Presto continues to be strong
 - Robusto Softener released in March is a game-changer as it allows Kornit Presto users to manufacture on demand for top retail and fashion brands, with no compromise on hand-feel
 - Spoonflower, long-time visionary partner, placed an order for 4 additional Presto systems to respond to the increased demand they are experiencing for their innovative on-demand offerings
- Partnership with global strategic account as strong as ever
 - Investing in preparation, resources planning and operations readiness required to deliver on ambitious growth plans in North America, Europe and Asia



Spoonflower



WELL POSITIONED

- 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 2020 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
- We believe the market is now moving more decidedly in our direction and we are ready to execute



Q1 2020 FINANCIAL OVERVIEW

GUY AVIDAN
CFO

QUARTERLY WARRANTS IMPACT

	Q1 20			Q4 19			Q1 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	
Revenues	\$26,212	\$564	\$26,776	\$48,650	\$1,131	\$49,781	\$38,590	\$560	\$39,150
Gross Profit	\$8,661		\$9,225	\$24,418		\$25,549	\$17,556		\$18,116
Gross Margin	33.0%	141 BPS	34.5%	50.2%	113 BPS	51.3%	45.5%	78 BPS	46.3%
Operating Profit	-\$10,499		-\$9,935	\$5,822		\$6,953	\$2,042		\$2,602
Operating Margin	-40.1%	295 BPS	-37.1%	12.0%	200 BPS	14.0%	5.3%	135 BPS	6.6%
Net Profit	-\$8,905		-\$8,341	\$7,071		\$8,202	\$1,614		\$2,174
Net Margin	-34.0%	282 BPS	-31.2%	14.5%	194 BPS	16.5%	4.2%	137 BPS	5.6%
Diluted EPS	-\$0.22	\$0.02	-\$0.20	\$0.17	\$0.02	\$0.19	\$0.04	\$0.02	\$0.06

\$ In thousands except per share amounts

Q1 2020 FINANCIAL RESULTS

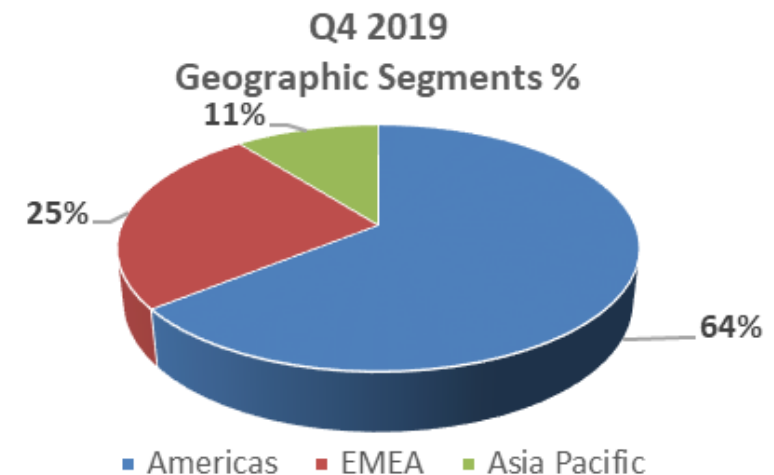
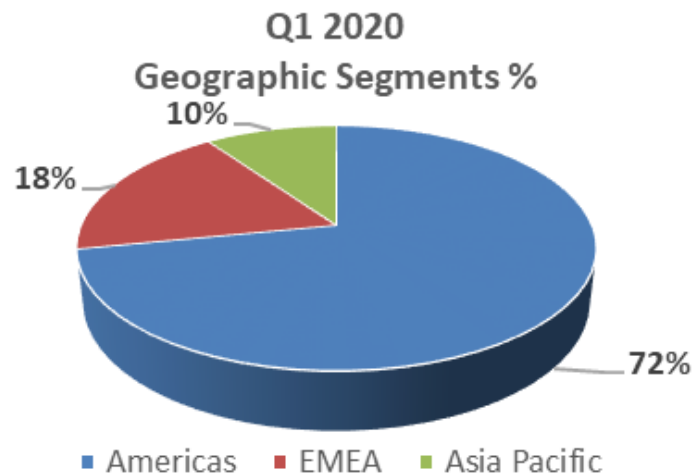
	GAAP			Non-GAAP		
	Q1 2020	Q1 2019	YoY Change	Q1 2020	Q1 2019	YoY Change
Total Revenue	\$26.2	\$38.6	(\$12.4)	\$26.2	\$38.6	(\$12.4)
Gross Profit	\$8.0	\$15.7	(\$7.7)	\$8.7	\$17.6	(\$8.9)
Operating Income (Loss)	(\$13.0)	(\$1.1)	(\$11.9)	(\$10.5)	\$2.0	(\$12.5)
Net Income (Loss)	(\$10.1)	(\$1.2)	(\$8.9)	(\$8.9)	\$1.6	(\$10.5)
Diluted EPS	(\$0.25)	(\$0.03)	(\$0.22)	(\$0.22)	\$0.04	(\$0.26)
Diluted Shares (M)	40.8	35.1	5.7	40.8	36.4	4.4

\$ In millions except per share and share amounts

QUARTERLY REVENUES

- Revenues of \$26.2 million vs. \$38.6 million in prior year, decrease of 32.1% YoY and 46.1% QoQ
- A global customer accounted for 8.5% of revenues compared to 7.7% in prior year
- 10 largest accounts represented 49.0% of revenues compared to 52.9% in prior year

Geographic Revenue Split



QUARTERLY GROSS MARGIN AND OPEX

- Non-GAAP gross margin of 33.0% decreased from 45.5% in Q1 2019 attributed to decline in top line and less favorable product mix
- Non-GAAP operating expenses of \$19.2 million increased 23.5% year over year

	Q1 2020	Q1 2019
Research & Development	23.4%	13.5%
Sales & Marketing	29.4%	17.6%
General & Administrative	20.3%	9.0%
Total Operating Expenses	73.1%	40.1%

QUARTERLY P&L KPI

	Q1 2020	Q1 2019
Non-GAAP Operating Income (Loss)	(\$10.5)	\$2.0
Non-GAAP Net Income (Loss)	(\$8.9)	\$1.6
Non-GAAP Diluted EPS	(\$0.22)	\$0.04
GAAP Net Income (Loss)	(\$10.1)	(\$1.2)
GAAP Diluted EPS	(\$0.25)	(\$0.03)
Adjusted EBITDA	(\$9.2)	\$3.5

\$ In millions except per share amounts

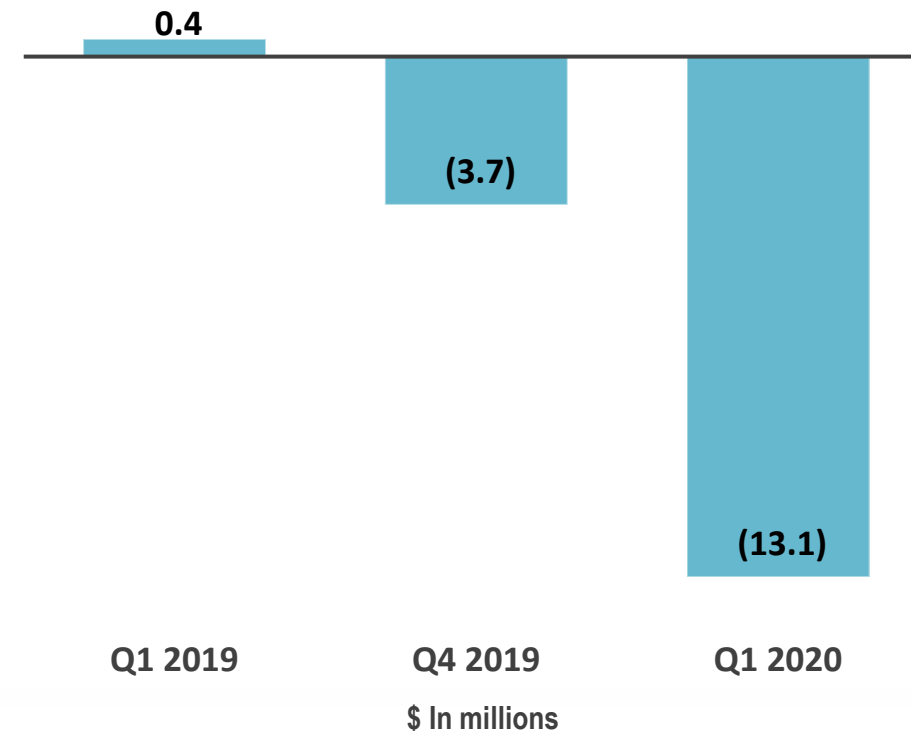
QUARTERLY BALANCE SHEET AND CASH FLOW

Balance Sheet

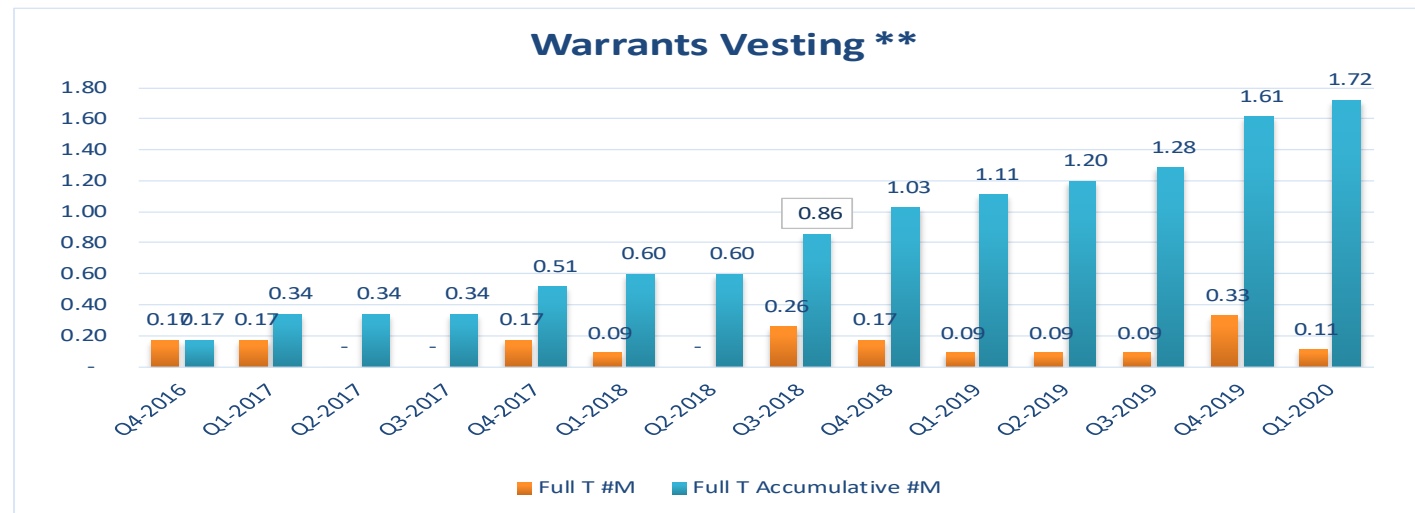
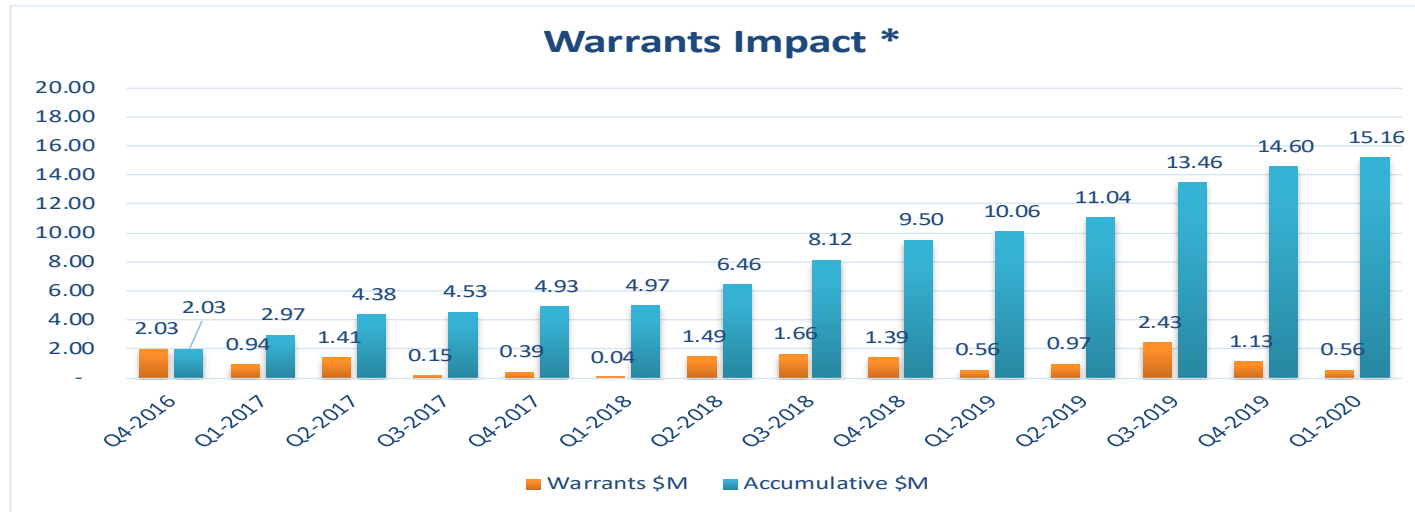
	Q1 2020	Q4 2019	Q1 2019
Cash, Bank Deposits and MK Securities	\$247.5	\$263.7	\$124.3
Trade Recievables	\$32.8	\$40.5	\$26.0
Inventory	\$46.6	\$37.5	\$34.9
Trade Payables	\$23.0	\$23.4	\$19.3
Net Working Capital	\$209.0	\$207.7	\$75.4

\$ In millions

Cash From Operating Activities



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 March 31, 2020, 1,722,639 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 \$0.6 million both during the first quarter of 2020 and the first quarter of 2019 (\$5.1 million during the year ended December 31, 2019)



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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