



Kornit
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Financial Results

Second Quarter 2018

August 6, 2018

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TODAY'S SPEAKERS



Ronen Samuel
CEO



Guy Avidan
CFO



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Business Overview

Second Quarter

2018

Ronen Samuel
Chief Executive Officer

VERY STRONG SECOND QUARTER 2018

- Results above the high end of our guidance for both revenues and operating income
- Strong end market demand and acceleration of shift to digital in textiles
- Robust expansion of gross margin due to favorable mix to high volume industrial systems, and increased ink sales.
- Non-GAAP net income of \$3.2 million, up 118% YoY mainly due to higher revenue, gross margin expansion, and OpEx leverage

MOMENTUM CONTINUES INTO 2H18

- Well positioned to continue our growth trajectory with a strong second half
 - Continued demand for Avalanche HD systems and upgrades
 - The roll out of the Storm HD6 in the 4th quarter
 - Continued growth of services business
- Growth across geographies and customers, along with continued execution on large customer projects
- Strong 2H system demand to produce a fairly even split of sales in the final two quarters; smoothing year-end seasonal uptick in 4Q.

KEY TAKEAWAYS FROM CEO TRANSITION



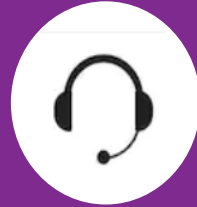
Inflection point with huge opportunities



Strong momentum favoring digital printing



Our HD technology has reached a critical point with large customers



Kornit Service and support is a key differentiator



Passionate team highly focused on customer success



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Business Overview

Second quarter 2018

Guy Avidan
Chief Financial Officer

GAAP TO NON-GAAP RECONCILIATION*

	Three Months Ended	
	June 30,	
	2018	2017
	(Unaudited)	
GAAP net income (loss) as reported	<u>\$1,774</u>	<u>\$215</u>
Non-GAAP adjustments		
Expenses recorded for share-based compensation		
Cost of product revenues	104	101
Cost of service revenues	89	42
Research and development	228	180
Selling and marketing	248	210
General and administrative	506	477
Intangible assets amortization		
Cost of product revenues	25	25
Selling and marketing	241	266
Restructuring expenses	118	93
Tax effect on to the above Non-GAAP adjustment	<u>(93)</u>	<u>(122)</u>
	<u>1,466</u>	<u>1,272</u>
	<u>\$3,240</u>	<u>\$1,487</u>

* All numbers are in thousands

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QUARTERLY REVENUES

- Quarterly Non-GAAP revenues of \$35.9 million vs. \$28.6 million in prior year, 25.5% YoY increase; 15.3% QoQ increase

Geographic Segments	Q2-17	Q2-18
Americas	61%	50%
EMEA	25%	39%
Asia Pacific	14%	11%
Total	100%	100%

- 2 largest customers accounted for 23.9% and 9.9% of our revenues.
- 10 largest accounts represented 55.2% of revenues.

SECOND QUARTER FINANCIAL RESULTS

- Quarterly non-GAAP gross margins of 49.2%, decreased from 50.0% in previous quarter and increased from 46.6% in Q2 2017
- Operating expenses of \$14.5 million, up 20.6% YoY

	<u>Q2/18</u>	<u>Q2/17</u>
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- | | | |
|--------|-------|-------|
| • R&D: | 14.2% | 15.3% |
| • S&M: | 16.3% | 16.8% |
| • G&A: | 9.8% | 9.9% |
- Headcount as of Jun 30th: 412 employees

JUNE QUARTER – EPS

		<u>Q2/18</u>	<u>Q2/17</u>
• Non-GAAP Net Income	:	\$3.2M	\$1.5M
• Non-GAAP EPS	:	\$0.09	\$0.04
• GAAP Net Income	:	\$1.8M	\$0.2M
• GAAP EPS	:	\$0.05	\$0.01

Q3 2018 GUIDANCE

- Expected revenues between \$36 million to \$39 million
- Non-GAAP operating income expected to be between 10% to 14% of revenues
- Since we currently can't predict the non-cash impact of the warrants, we assume zero impact on revenue and operating margin
- End of quarter share count expected to be approximately 35 million

WARRANTS IMPACT

	Q2' 18			Q1' 18			Q2' 17		
	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	
Revenue	35,876	1,491	37,367	31,120	42	31,162	28,589	1,414	30,003
Gross Profit	17,646	1,491	19,137	15,562	42	15,604	13,333	1,414	14,747
Gross Margin	49.2% ▲	203	51%	50.0% ▲	7	50.1%	46.6% ▲	251	49.2%
Operating Profit	3,174	1,491	4,665	1,711	42	1,753	1,332	1,414	2,746
Operating Margin	9% ▲	364	12%	5% ▲	13	6%	5% ▲	449	9%
Net Profit	3,240	1,491	4,731	2,096	42	2,138	1,487	1,414	2,901
Net Margin	9% ▲	363	13%	7% ▲	13	7%	5% ▲	447	10%
EPS	0.09	0.04	0.13	0.06	-	0.06	0.04	0.04	0.08



THANK YOU

