



Financial Results

June Quarter 2016

August 2, 2016



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Today's Speakers



Gabi Seligsohn
CEO



Guy Avidan
CFO



Business Overview

June Quarter 2016

Gabi Seligsohn, Chief Executive Officer



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Continuing growth combined with meaningful transitions

- Revenues of \$24 million representing a 12.6% increase over the prior year
 - SPSI deal closing had a one time effect on revenues
 - Absent this factor reported revenues would have come in toward high end of guidance
 - Despite revenues being on the lower side, non GAAP GM increased 187 basis points to 49.5%
 - Operating profit of 4% at mid point of our guidance
- Early signs of web to print ramp up in the US
 - Trend expected to strengthen significantly during H2/16
- Major management changes
 - Very successful onboarding of Executive VP Global Business and new CTO
 - Measures allow us to combine strong leadership in customer facing organization and the creation of an innovative long term product roadmap
- Acquisition of SPSI's assets to deepen market reach in US and expand SAM to screen printers

Strong marketing focus supports new product introductions

- Open house events generate customer traction
- Allegro open house events at three largest offices generate new business and deeper understanding of market needs
- Vulcan open house attended by 10 customers
- Vulcan evaluations progress – over 70,000 sellable garments printed
 - Customer feedback during evaluation period has been hugely beneficial to product offering towards general availability

Number of large customers continues to expand

- 72% of revenues during the second quarter came from our 10 largest customers
- Recent study shows that large accounts consume five times more ink on average than small and medium players
- With this in mind, we see an increased need to develop deep direct relationships with some customers
- At the same time adding new customers is critical
 - Relying on an expansive network of partners and our own sales people combined with 40 DTG demonstration centers running our systems around the world
 - Our 3 demo sites for Allegro as well as customers willing to host demos are key to growing that business as well

Third quarter and rest of the year outlook look favorable

- As previously communicated, we are expecting a very strong second half
- Strength comes from:
 - Multiple large accounts ramping up in US and some in EU
 - Significant revenues from Vulcan as it crosses general availability milestone
 - Increased momentum with Allegro
 - System upgrades



Financial Overview

June Quarter 2016

Guy Avidan, Chief Financial Officer

August 2, 2016



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June Quarter Financial Results

- Quarterly revenues of \$24 million VS. \$21.3 in prior year, 12.6% YoY increase
- Quarterly non-GAAP gross margins of 49.5%, Increase from 47.6% in Q2 2015
- Operating expenses of \$10.9 million, up 47.5% YoY
 - Research and Development: 16.8% of revenues
 - Sales & Marketing: 17.3% of revenues
- \$66.2M cash balance at end of Q2
- Single major customer accounted for 35% of our revenue.

June Quarter – Geographic distribution

Geographic Segments	Q2-16
Americas	67%
EMEA	23%
Asia Pacific	10%
Total	100%

June Quarter – COGS & OPEX

- Non GAAP Gross margin of 49.5% in Q2/16 vs. 47.6 % in Q2/15, and vs 48.7% Q1/16.
- R&D expenses: 16.8% of sales in Q2/16 vs. 11.9% in Q2/15
- Sales and Marketing expense: 17.3% of sales in Q2/16 vs. 14.9% in Q2/15
- G&A expenses: 11.4% of sales in Q2/16 vs. 7.9% in Q2/15
- Headcount as of June 30th was 374 employees

Q3' 2016 Guidance

- Expected revenues between \$27.1 million to \$30.7 million
- Non GAAP Operating income expected to be between 6.7% to 12.3% of revenues
- End of quarter share count expected to be approximately 32.5M



Than  You!



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