



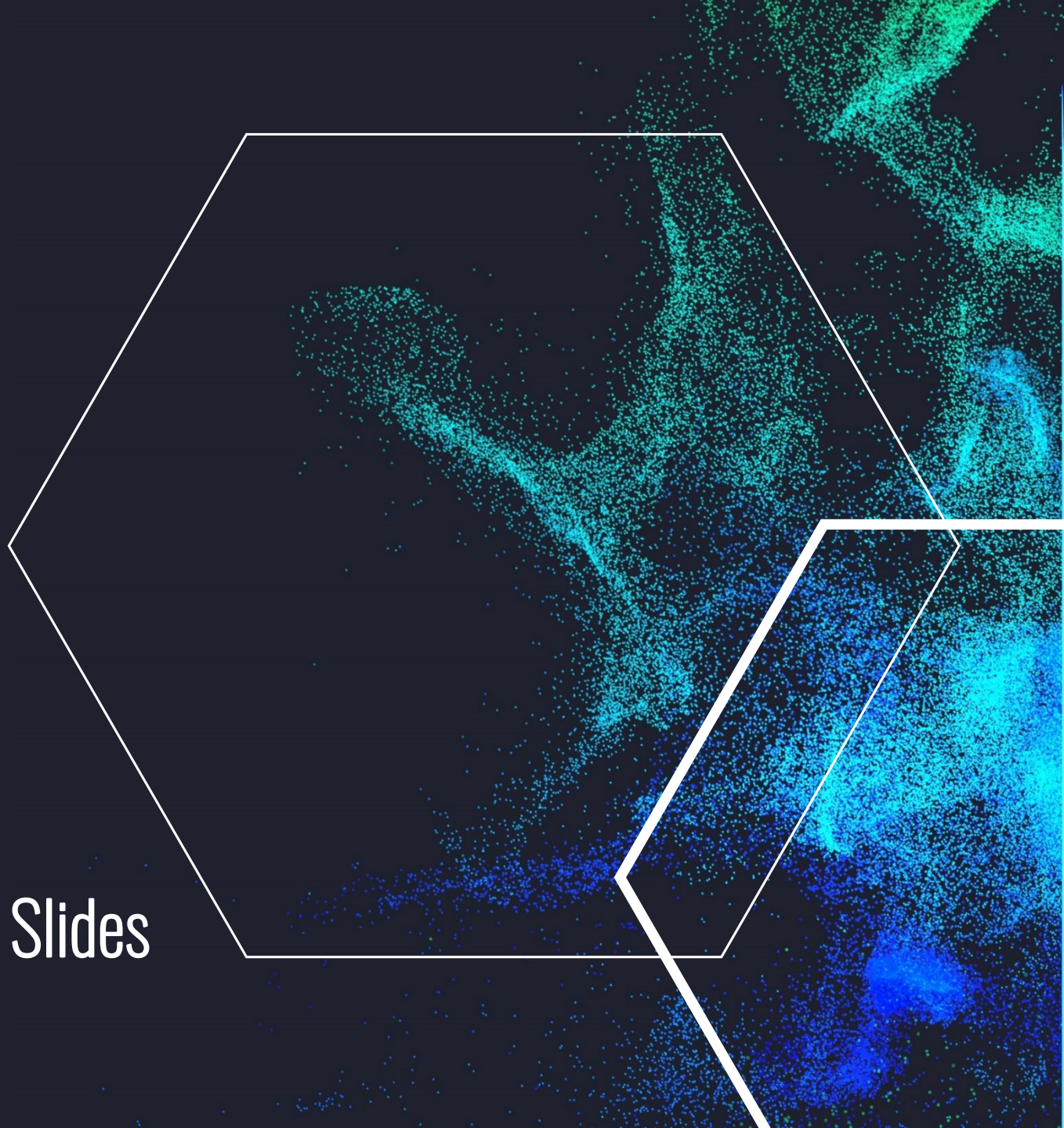
Kornit Digital  
bonding matters

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# **KORNIT DIGITAL**

**(NASDAQ: KRNT)**

Q1 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



# **Q1 2019 BUSINESS HIGHLIGHTS**

**RONEN SAMUEL  
CEO**



# EXCEPTIONAL START TO 2019

- Q119 Strong YOY business growth
  - Strongest quarterly revenues from systems
  - Continued mix shift towards high throughput industrial and mass production stems
  - Exceptionally strong considering one-time impact of move to direct in North America on consumables
- Favorable mega trends continue to fuel industry demand for innovation
- Continued business momentum with HD platforms and roll-out of odorless Eco Rapid consumables
- Remarkable success with new product introduction

# REMOVING INDUSTRY BARRIERS AND ENTERING ADJACENT MARKETS

- Kornit Atlas, a phenomenal start:

- Great feedback
- Double-digit number of customers placed orders
- Strong orders pipeline



- Kornit Avalanche Poly Pro, revolutionizes the industry:

- Massive interest and growing pipeline
- Leading brands testing the technology, with positive feedback
- Opens access to lucrative sportswear; athleisure segments; new adjacencies



- Kornit Presto, revealed:

- Targeting primarily on-demand direct-to-fabric
- Unique process and superior results in combination with new pigment inks
- Environmentally friendly





# EXPANDING OUR GTM AND SERVICES MAXIMIZING SYSTEM UTILIZATION

- Focused execution on expanding our GTM
  - Successful completion of direct model in North America
  - Continued strong performance in EMEA
  - Investments in infrastructure and talent in APAC yields record quarter
- Customer empowerment service strategy implementation on track
  - Positive feedbacks
  - Strong YOY performance on services revenues
- Scaling after-market regional organizations:
  - Customer success focus
  - Drive consumables and value-added services



# AN EXCITING AND ACTIVE Q219





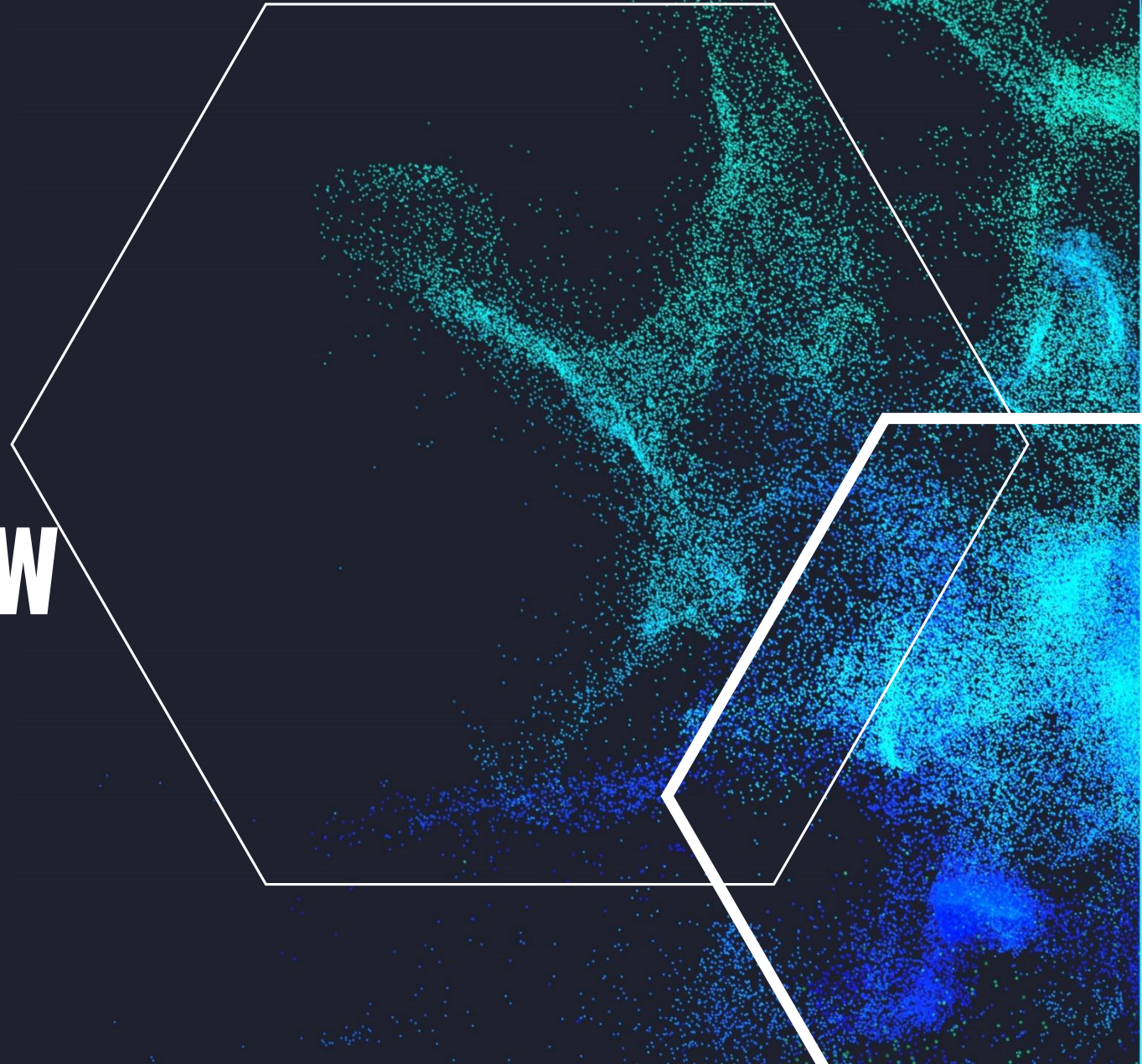
# TEAM AND FOCUSED EXECUTION

- Continued focus on onboarding high caliber talent
  - Strong additions in customer-facing leadership functions globally
  - Industry veteran Steve Nigro joins Kornit as an advisor to management and board
- Team focused execution on strategic business plans aimed to achieve management goal of becoming a \$500m run rate business by the end of 2023
  - Expect pipeline of new business from existing and new customers to remain strong



# **Q1 2019 FINANCIAL OVERVIEW**

**GUY AVIDAN  
CFO**



# FINANCIAL RESULTS

	GAAP			Non-GAAP		
	<u>Q1-18</u>	<u>Q1-19</u>	<u>YoY Change</u>	<u>Q1-18</u>	<u>Q1-19</u>	<u>YoY Change</u>
Total Revenue	\$31.1	\$38.2	22.6%	\$31.1	\$38.2	22.6%
Gross Profit	\$15.4	\$15.3	-\$0.1	\$15.6	\$17.1	\$1.6
% Margin	49.5%	40.1%	-18.9%	50.0%	44.9%	-10.3%
Operating Income (Loss)	\$0.1	-\$1.5	-\$1.6	\$1.7	\$1.6	-\$0.1
% Margin	0.3%	-3.9%		5.5%	4.2%	-23.1%
Pre-Tax Income (Loss)	\$0.6	-\$1.5	-\$2.1	\$2.2	\$1.9	-\$0.3
% Margin	2.0%	-3.9%		7.2%	5.1%	-29.4%
Tax Expenses	\$0.1	\$0.1	\$0.8	\$0.1	\$0.8	\$4.1
Net Income (Loss)	\$0.6	-\$1.6	-\$2.2	\$2.1	\$1.2	-\$0.9
% Margin	1.8%	-4.2%		6.7%	3.1%	-53.9%
Diluted EPS (\$ US)	\$0.02	-\$0.05		\$0.06	\$0.03	-\$0.46
Diluted Shares (M)	\$34.7	\$35.1	1.1%	\$35.0	\$36.4	4.1%

# QUARTERLY REVENUES

- Quarterly Non-GAAP revenues of \$38.2 million vs. \$31.1 million in prior year, 22.6% YoY increase; 1.0% QoQ increase
- 2 large customers accounted for 16.7% and 6.7% of revenues Vs. 6.4% and 7.3% in previous year
- 10 largest accounts represented 52.9% of revenues Vs. 57.2% in the previous year

Geographic Split	Q1-18	Q1-19
Americas	64%	56%
EMEA	27%	29%
Asia Pacific	9%	15%
Total	100%	100%

# QUARTERLY GROSS MARGIN AND OPEX

- Quarterly Non-GAAP gross margins of 44.9%\*, decreased from 50.0% in Q1 2018
- Operating expenses of \$15.5 million, up 12.0% YoY
- Headcount as of Mar 31st: 462 employees

	<u>Q1-18</u>	<u>Q1-19</u>
R&D	16.4%	13.7%
S&M	17.3%	17.8%
G&A	10.8%	9.2%

\* Mainly due to Warrant impact of 139 basis point, and onetime Change in product mix.

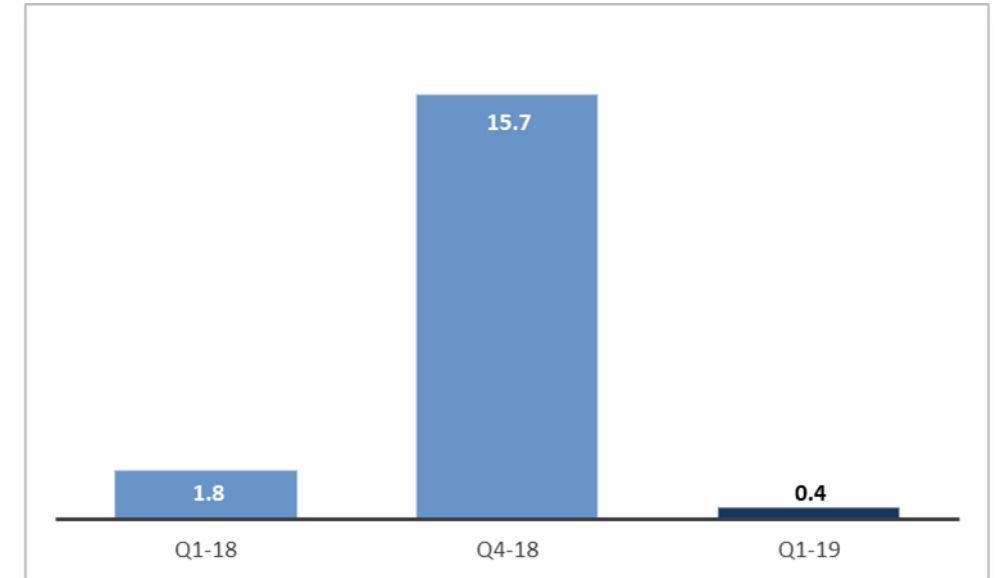


# QUARTERLY EPS

	<u>Q1/18</u>	<u>Q1/19</u>
• Non-GAAP Operating Income :	\$1.7M	\$1.6M
• Non-GAAP Net Income :	\$2.1M	\$1.2M
• Non-GAAP diluted EPS :	\$0.06	\$0.03
• GAAP Net Income (loss) :	\$0.6M	(\$1.6M)
• GAAP diluted EPS :	\$0.02	(\$0.05)

# QUARTERLY BALANCE SHEET AND CF

	Q1-18	Q4-18	Q1-19
Cash and Cash Equivalents	98.2	127.7	124.3
Accounts Receivables	25.7	22.0	26.0
Inventory	29.5	30.0	34.9
Trade Payable	7.3	16.6	19.3



CF From Operating activity





# Q2 2019 GUIDANCE

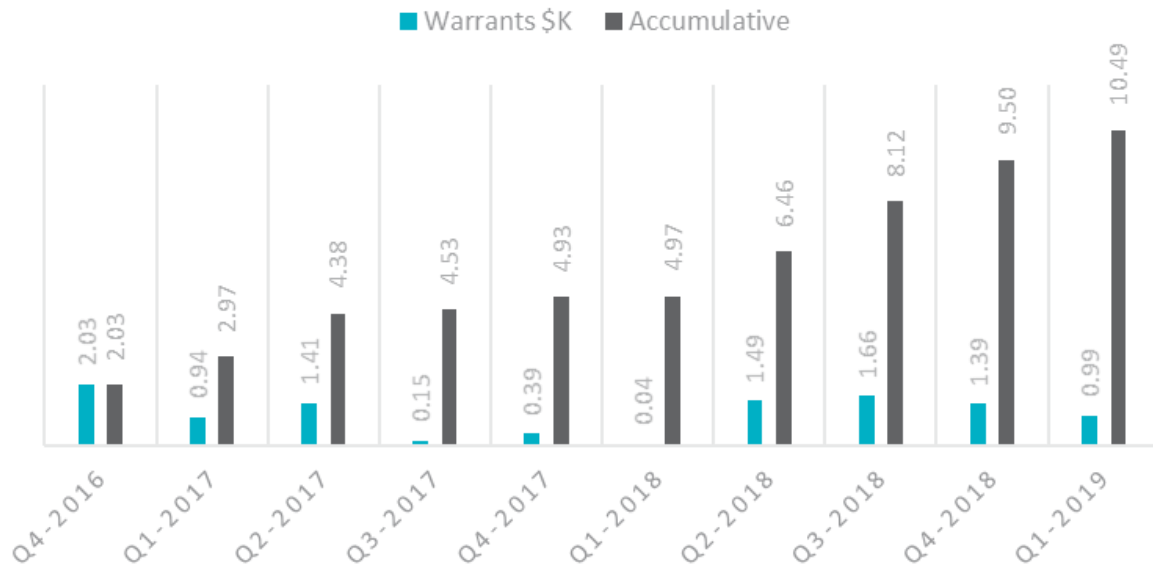
- Expected revenue between \$44 million to \$48 million
- Non-GAAP operating income expected to be between 8.5% to 12.5% of revenue
- Since we currently can't predict the non-cash impact of the warrants, we assume zero impact on revenue and operating margin

# QUARTERLY WARRANTS IMPACT

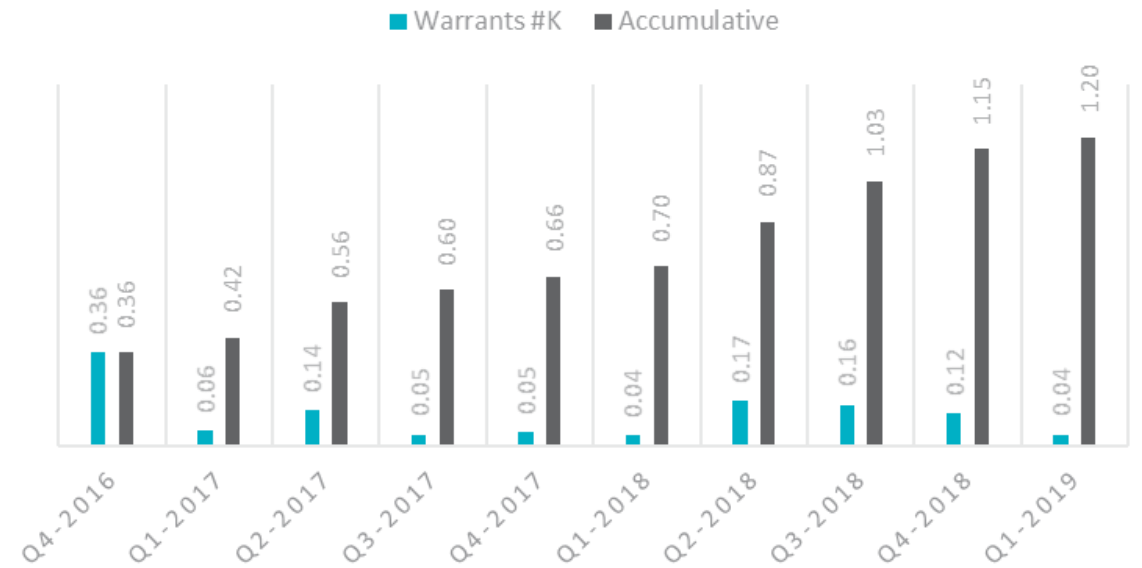
	Q1 19			Q4 18			Q1' 18		
	Net of Warrants Impact	Warrants Impact K\$ / BPS / EPS		Net of Warrants Impact	Warrants Impact K\$ / BPS / EPS		Net of Warrants Impact	Warrants Impact K\$ / BPS / EPS	
<b>Revenues</b>	38,161	989	39,150	37,786	1,385	39,171	31,120	42	31,162
<b>Gross Profit</b>	17,127		18,116	18,436		19,821	15,562		15,604
<b>Gross Margin</b>	44.9%	139	46.3%	48.8%	181	50.6%	50%	7	50%
<b>Operating Profit</b>	1,613		2,602	2,943		4,328	1,711		1,753
<b>Operating Margin</b>	4.2%	242	6.6%	7.8%	326	11.0%	5.5%	13	6%
<b>Net Profit</b>	1,185		2,174	2,953		4,338	2,096		2,138
<b>Net Margin</b>	3.1%	245	5.6%	7.8%	326	11.1%	6.7%	13	7%
<b>Diluted EPS</b>	0.03	0.03	0.06	0.08	0.04	0.12	0.06	-	0.06

# WARRANTS IMPACT AND VESTING

## WARRANTS IMPACT



## WARRANTS VESTING



# 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, 2019, 1,111,773 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 \$1.0M during the quarter ended March 31, 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 March 31<sup>st</sup> there are approximately 0.4M shares out of approximately 36.5M.



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THANK YOU

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BOND, DESIGN AND EXPRESS THEIR IDENTITIES,  
ONE IMPRESSION AT A TIME