



Kornit
Digital
bonding
matters

Enabling the supply chain revolution of the printed textiles market

May 2018

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INVESTMENT HIGHLIGHTS



Large, High Growth Addressable Market



Leader in DTG Digital Printing Enabling Textile Market Transition to an Online Business Model



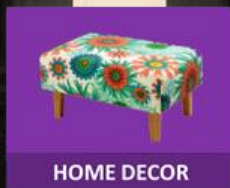
Disruptive Proprietary Solutions: Technology, Ink, Services and Software



Significant Opportunities for Continued Growth



Attractive, Recurring Razor/Razor Blade Revenue Business Model With Increasing Operating Leverage



Polluting
Labor intensive
Energy and water consuming
Antiquated technology
Long lead times
Inefficient supply chain

KEY CONSUMER TRENDS DRIVING INDUSTRY CHANGE

Immediate Gratification

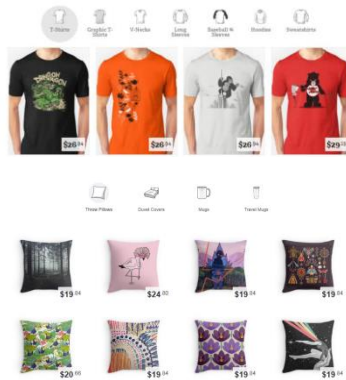
U.S. Amazon Prime customers willing to pay more to receive products faster – as of September 2017



90 MILLION

Personal Expression

Consumers increasingly seeking the ability to customize or personalize products



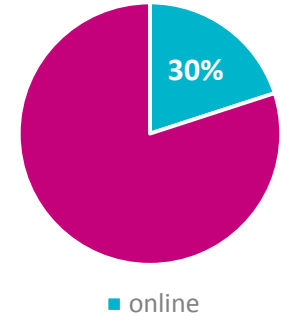
Influence Through Social Media

74% of consumers influenced by social media in online shopping behavior in 2017

Consumer Preference

Apparel retailers increasingly leveraging the online channel

Apparel U.S Online Sales



MOVING TO DIGITAL IS THE ONLY WAY TO GO



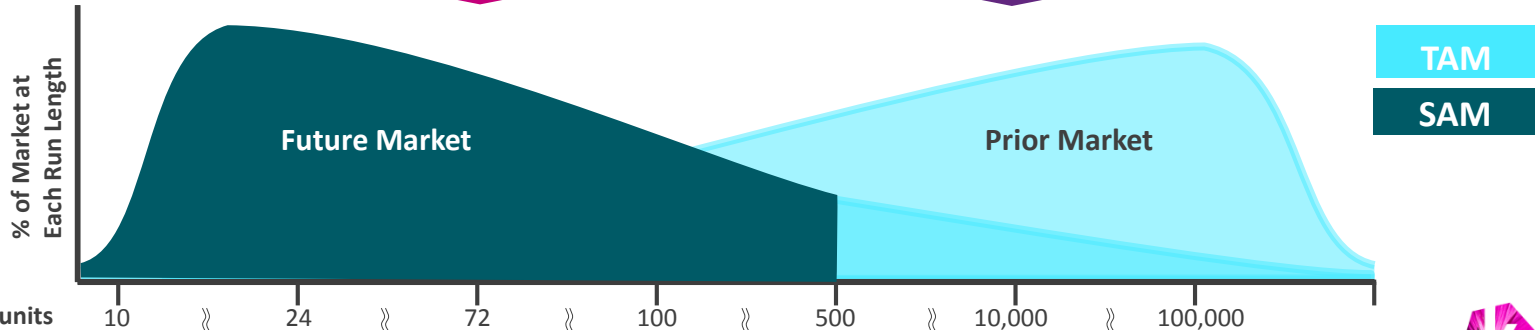
Digital Textile Printing

- Simple setup
- No setup cost
- Infinite design flexibility
- No minimum order quantity
- Eco-friendly



Analogue Textile Printing

- Complex setup
- Costly setup
- Limited design flexibility
- Large batch manufacturing
- High pollution



DIGITAL PRINTING IS ENABLING THE ONLINE REVOLUTION



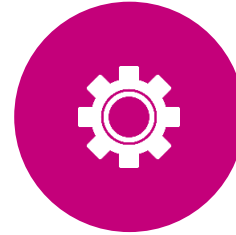
Faster Time to
Market



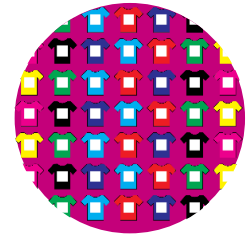
Infinite Design
Flexibility



Global Fulfillment
Network



Reduces Fixed
Cost Element



Reduces
Inventory

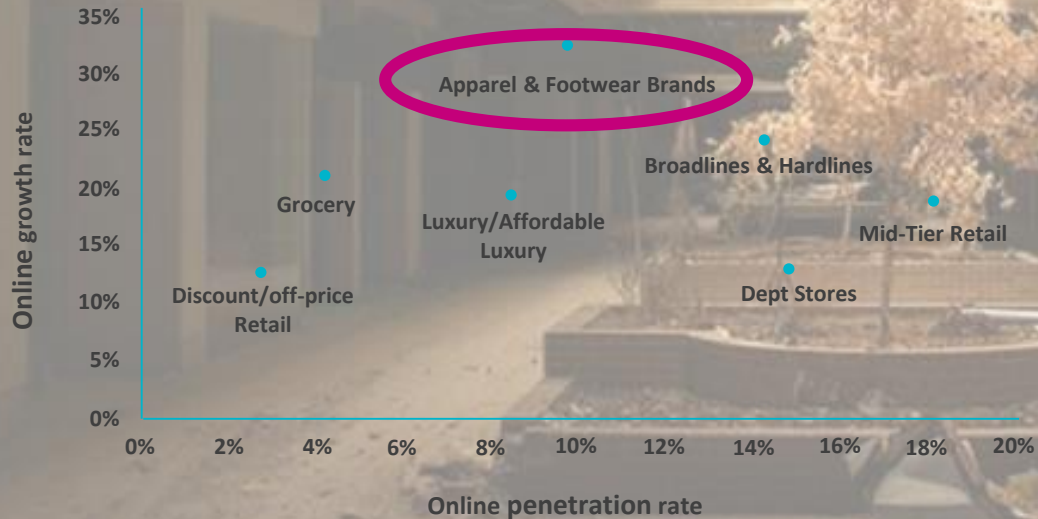
Self-Fulfillment

Hybrid Printers

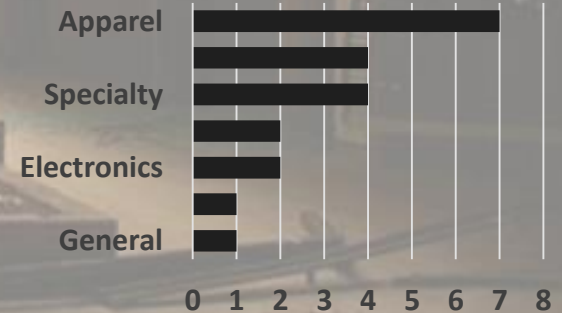
**Third Party Fulfillment
Centers**

2017: THE YEAR OF RETAIL BANKRUPTCIES

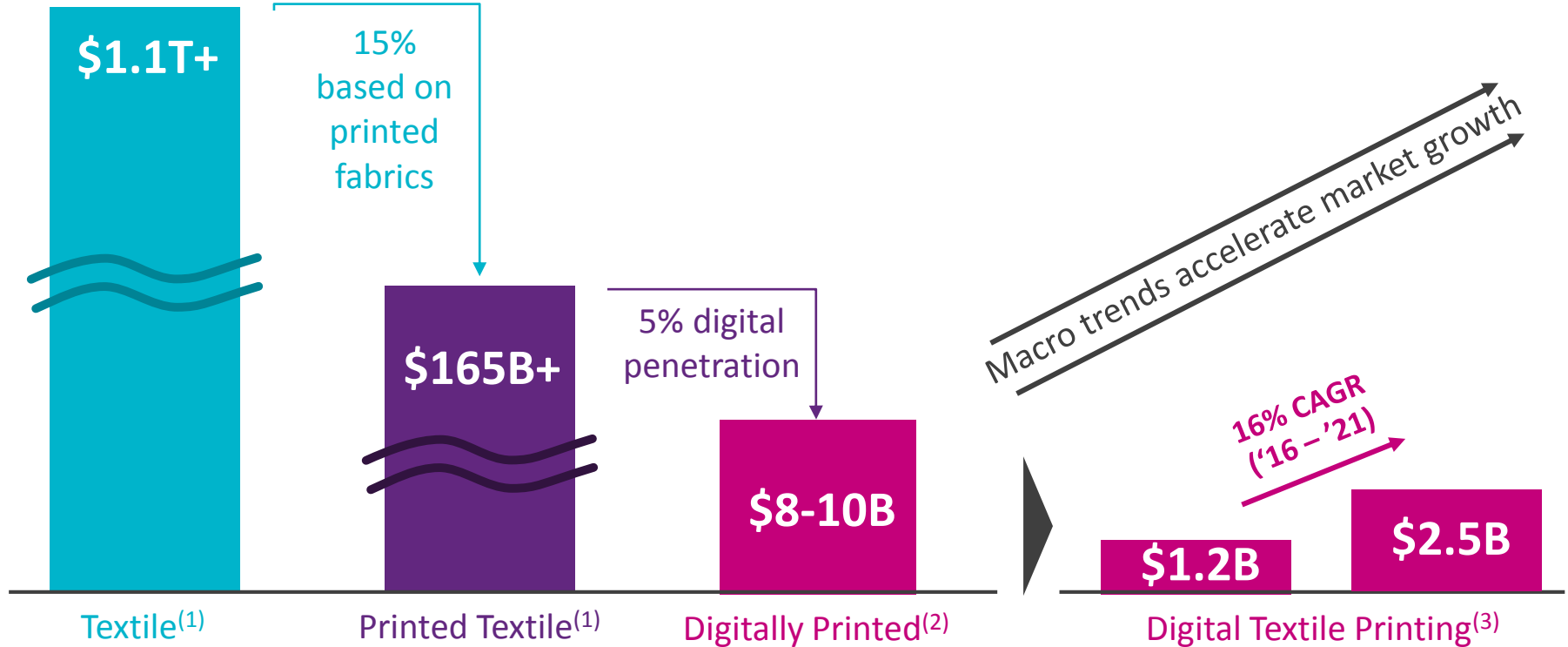
Comparison of Online Sales Penetration and Growth:



Closing Time Retail bankruptcies in 2017, by category



HUGE MARKET IN EARLY TRANSFORMATION



(1) Source: InfoTrends. (2) Estimated based on digital production penetration (adjusted to market prices).
(3) Market value, based on PIRA 2016 report (EURUSD 1.04 used for FX conversion).

A NEW SUPPLY CHAIN IS DEVELOPING

*SUPPLY AND
DEMAND*

*DEMAND
AND SUPPLY*

But... printing on textile is challenging



Fabric Variety



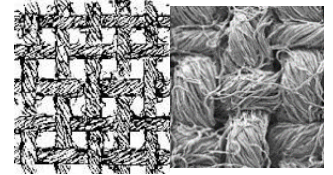
Dark & Light Dyes



Wear (Fastness)



Absorptive Media



Stretchable Media



Uneven Surfaces



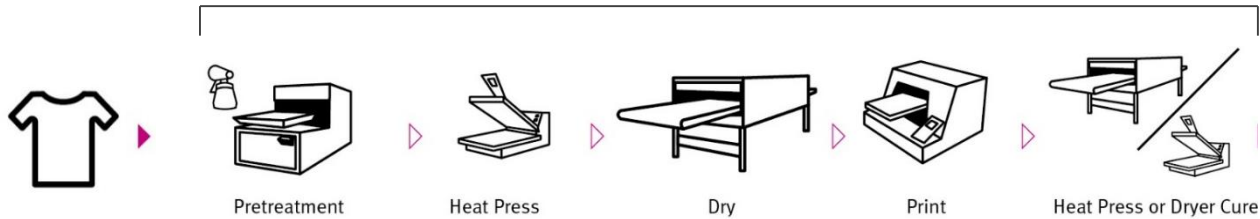
Feel (Hand)



Costly

OUR PROPRIETARY PROCESS

Process Steps for Competitive Digital DTG Solutions – 5 Steps



Process Steps for Kornit



25-40% cost savings

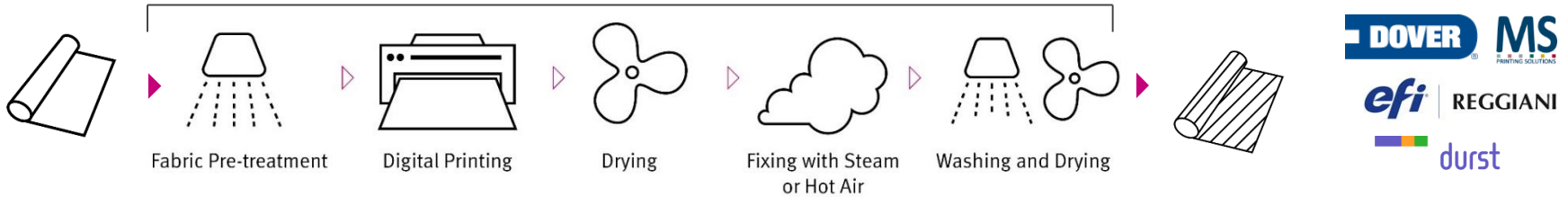
Saves 5-8 minutes per garment

Strong IP

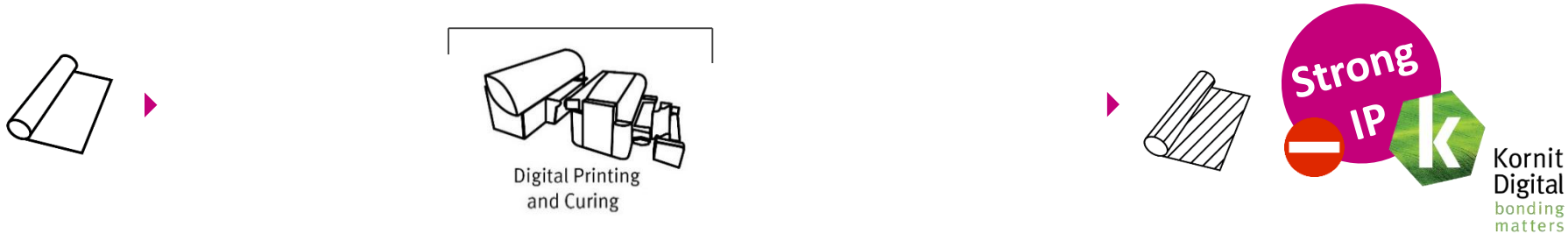
Kornit Digital bonding matters

OUR PROPRIETARY R2R PRINTING PROCESS

Conventional digital textile printing process: 5 steps

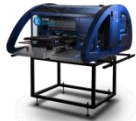


Kornit Digital printing process – single step, multiple fabric types



OUR COMPREHENSIVE END-TO-END SOLUTIONS

ENTRY LEVEL



ONLINE DTG



FAST RETAIL



ON DEMAND TEXTILE



INKS AND CONSUMABLES



- Patented integrated pretreatment process
- DTG ink system
- R2R ink system
- Discharge digital ink
- Fluorescent set
- Recirculation ink system

SOFTWARE



- QuickP Production 6.0
- QuickP Designer 2.0
- QuickP Plus 2.0

VALUE-ADDED SERVICES



Customer Support



Warranty, maintenance and upgrades



Application Development



Training



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bonding matters

GROWTH STRATEGY



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bonding matters

Enabling a Revolution in the Printed Textiles Market



Increase Sales to Existing Customers



Acquire New High Volume Customers



Capitalize on Growth in Our Targeted Markets

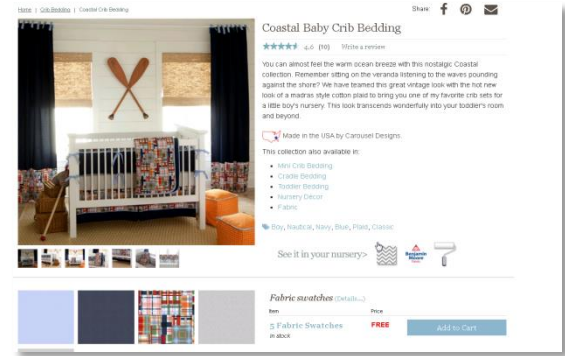
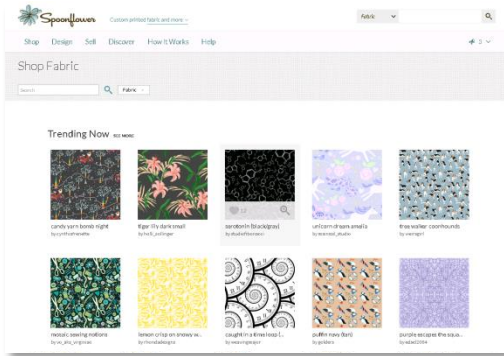


Extend Our SAM by Continuing to Enhance Our Solutions



Extend Our Leadership Position Through Ongoing Investment in R&D, Acquisitions and Strategic Partnerships

ALLEGRO ENABLING ON-DEMAND TEXTILE PRINTING



Web to Print

- 4 Allegro systems
- 3 shifts, 7 days/week



Wholesale Home Furniture Manufacturer

- Shipping to customers that order through retailers



Baby Bedding Manufacturer

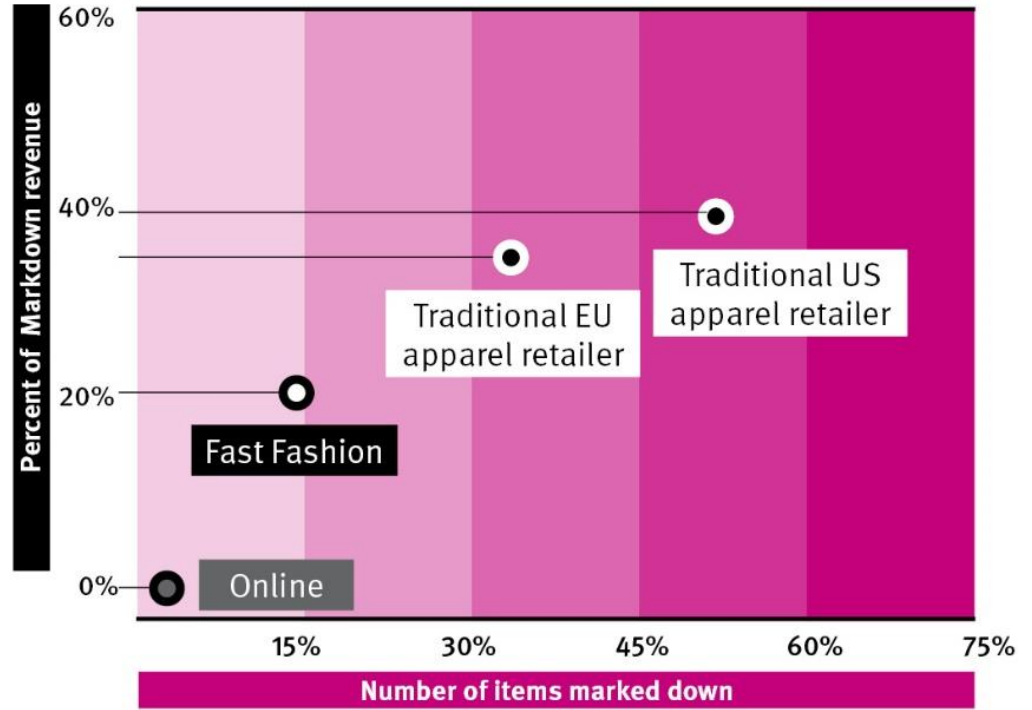
- Customized baby beddings produced on demand
- Started with 1 Allegro system in 2015, added a second system in 2016



FAST FASHION IS MOVING ONLINE

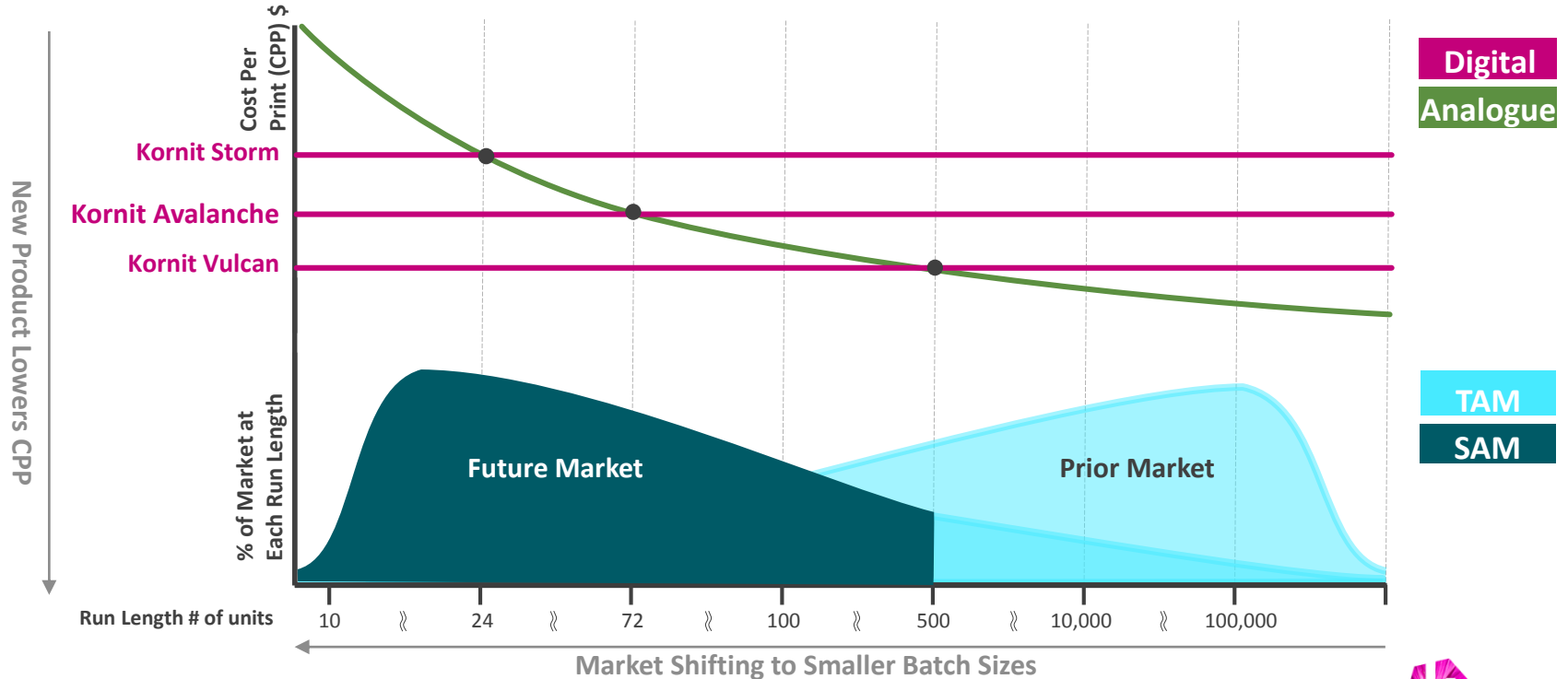
“ *This business is all about reducing response time. In fashion, stock is like food. It goes bad quickly* ”

José María Castellano, former CEO and Deputy Chairman of the Inditex Group



EXPANDING OUR ADDRESSABLE MARKET BY LOWERING CPP

Demand for Smaller Batches + Digital Solutions that Lower CPP at Longer Runs = SAM Expansion for Kornit

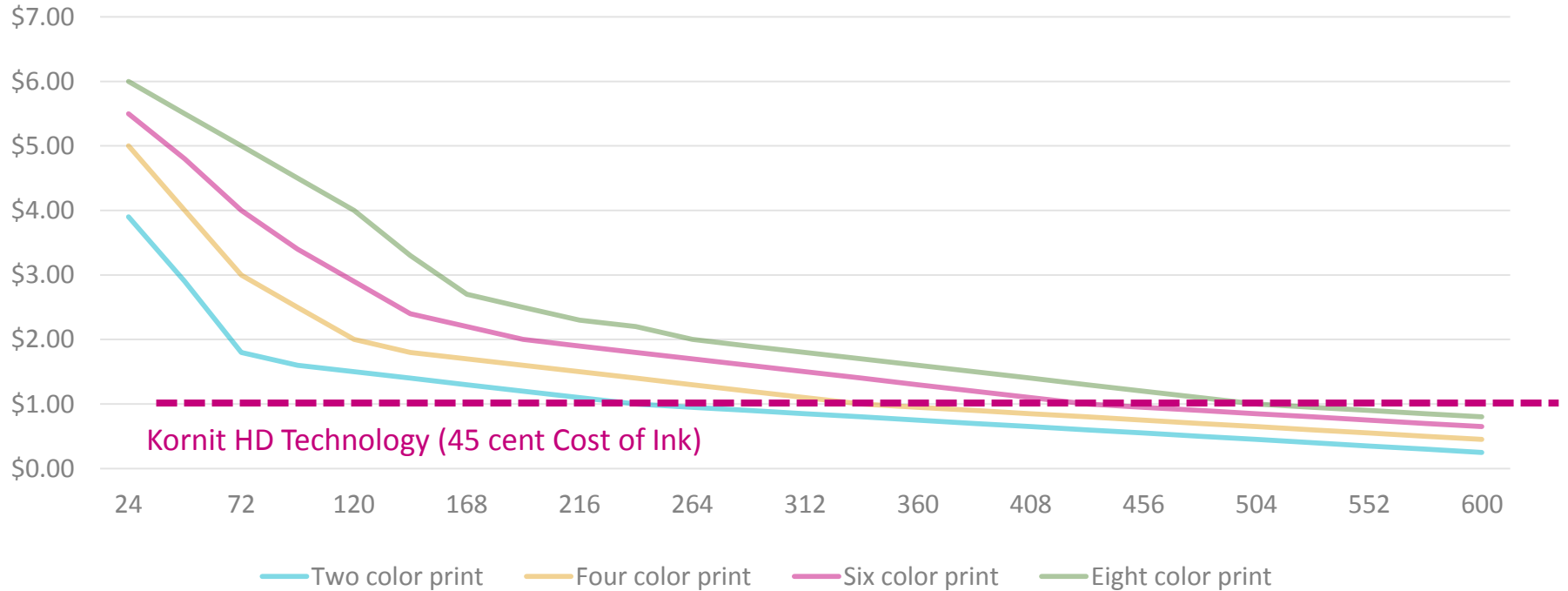


PROFITABILITY
breakthrough for
Digital & Screen
printers

**KORNIT DIGITAL
HD TECHNOLOGY**



COSTING: SCREEN VS. HD \$/UNIT



Cost of unit includes system amortization, Labor, operating expenses and consumables

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SCREEN VS. DIGITAL: 3 COLOR JOB ORDER

Screen printing



24 copies 72 copies 200 copies
\$4.5 per unit **\$2.5 per unit** **\$1.5 per unit**

Kornit HD Technology



1-N copies
\$1 per Unit
(25c-45c cost of ink per print)

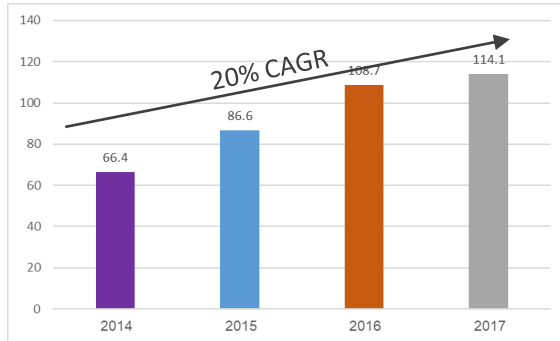


FINANCIAL HIGHLIGHTS

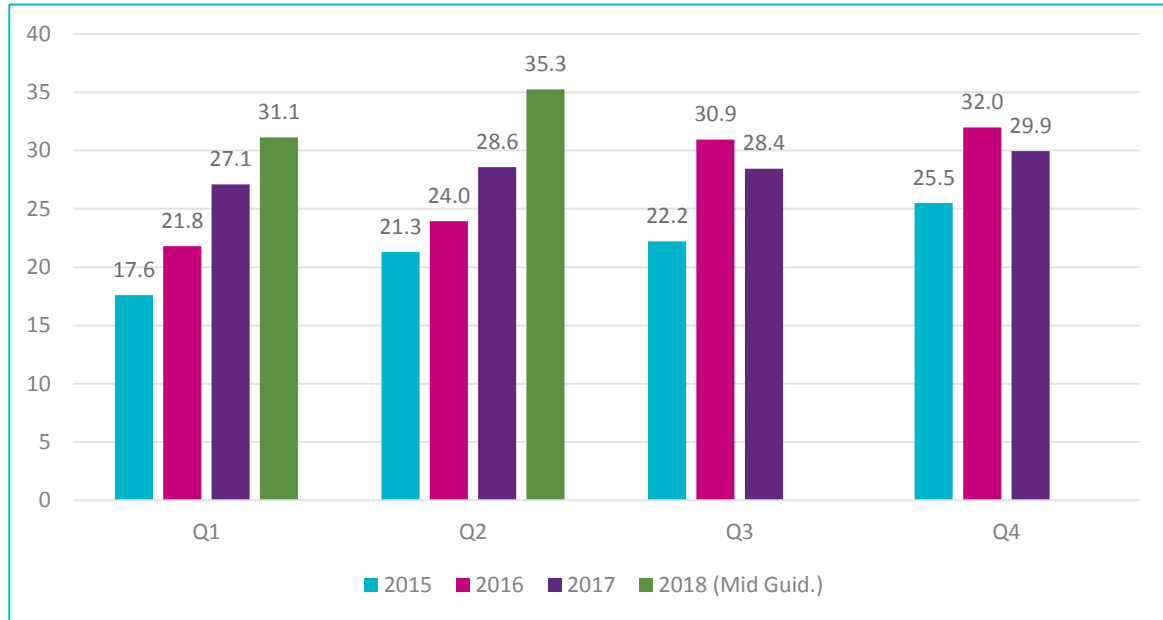
- Attractive business model contributes to significant revenue growth with **substantial recurring revenues**
- **Investment in** research & development and sales & marketing to support **growth**
- **Attractive long-term model**
- **Financial flexibility** driven by debt-free balance sheet, minimal working capital & capex and a long-term favorable tax position
- **High, expanding gross margins**

HISTORICAL REVENUES ANALYSIS

Annual Revenues (\$ millions)*



Quarterly Revenues (\$ millions)*

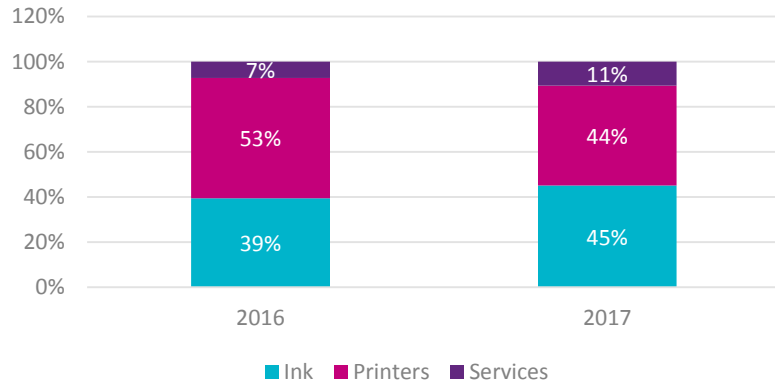


*Including warrants impact in 2016 & 2017 of \$2M and \$2.9M respectively

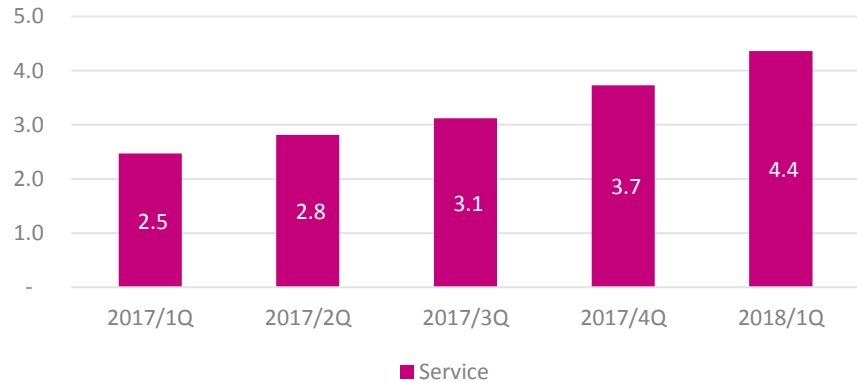
HISTORICAL REVENUES ANALYSIS

Components of business model

2016-2017 Trend

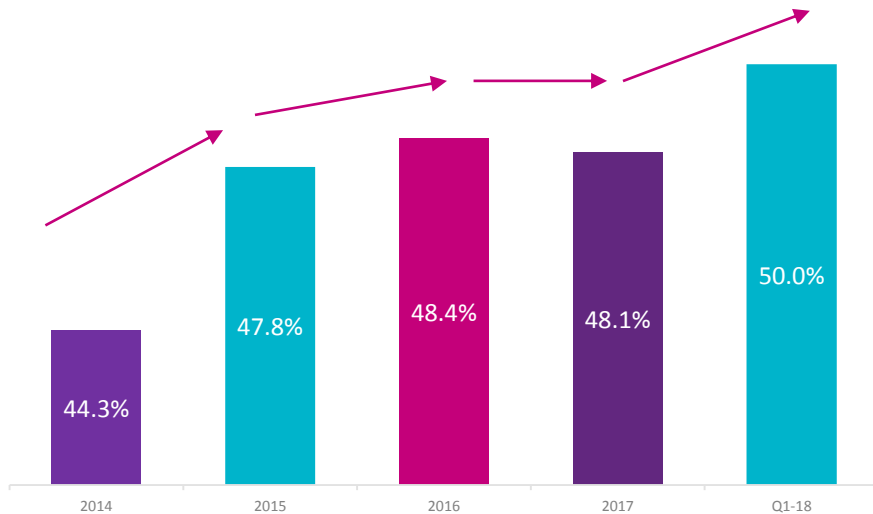


Service Revenue 5Q Trend (\$m)



GROSS MARGIN PERFORMANCE

Non-GAAP Gross Margin (2014-2018/Q1)*



Looking Forward:

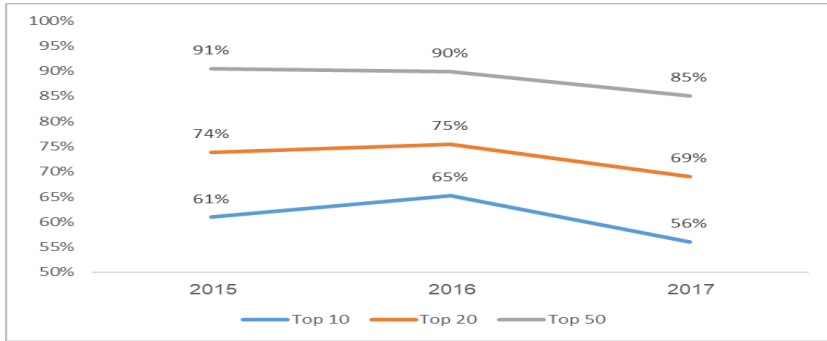
5 key drivers for Gross Margin Expansion

- ▶ Continued transition to high throughput systems
- ▶ Higher ink consumption
- ▶ Turning value-added services into a profitable business
- ▶ Significant additions of software features & functionality
- ▶ Continuous reduction of COGS

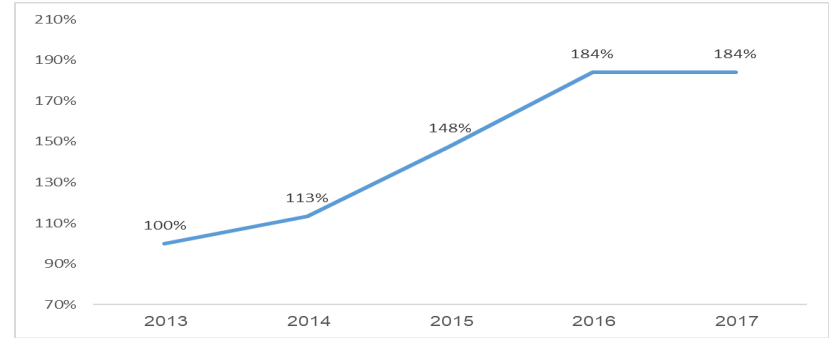
*Including warrants impact on revenues in 2016 & 2017 of \$2M and \$2.9M respectively

COMPANY KPI'S

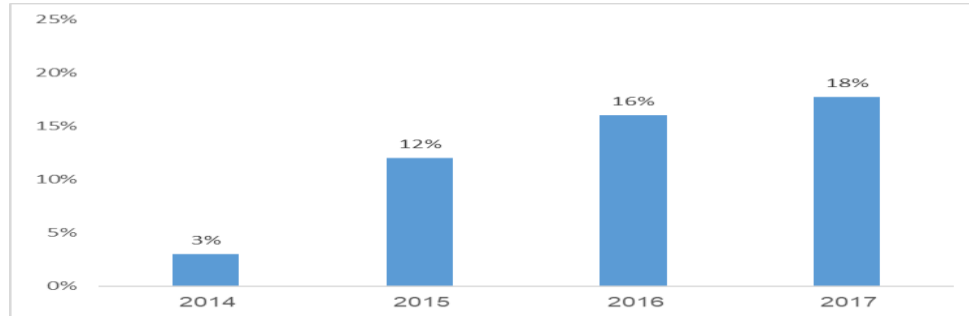
Top 10/20/50 Customer Rev



ASP (Average Selling Price)



Service Contract coverage vs. installed base



MARCH QUARTER FINANCIAL RESULTS

- Quarterly Non-GAAP revenues of \$31.1 million vs. \$27.1 million in prior year, 14.8% YoY increase, 3.9% increase QoQ
- Quarterly non-GAAP gross margins of 50.0%
- Adjusted operating profit of \$1.7 million and Non GAAP net profit of \$2.1 million
- NON-GAAP net income of \$2.1M for the quarter, or \$0.06 per diluted share.

Q2 2018 GUIDANCE

- Expected revenues between \$33.5 million to \$37 million
- Non-GAAP operating income expected to be between 8% to 12% of revenues
- Since we currently can not 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

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Significant Opportunities for Continued Growth



Attractive, Recurring Razor/Razor Blade Revenue Business Model With Increasing Operating Leverage



THANK YOU

