



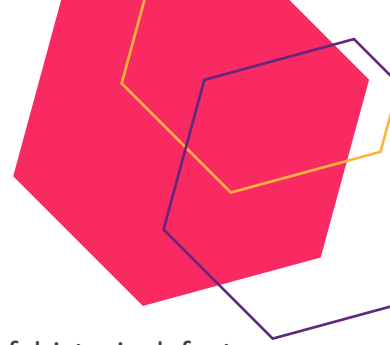
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# KORNIT DIGITAL

(NASDAQ: KRNT)

## Q3 2020 EARNINGS CALL SUPPORTING SLIDES

# SAFE HARBOR



This presentation contains forward-looking statements within the meaning of U.S. securities laws. All statements other than statements of historical fact contained in this presentation are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other comparable terminology. These statements reflect our current views with respect to future events and are subject to known and unknown risks, uncertainties and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from those anticipated by the forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance or events or circumstances described in the presentation will occur or be achieved. You should read the Company’s most recent annual report on Form 20-F and its prospectus supplement to the prospectus contained in its registration statement on Form F-3, filed with the U.S. Securities and Exchange Commission on March 23, 2020 and September 17, 2020, respectively, including the Risk Factors set forth therein, completely and with the understanding that our actual future results may be materially different from what we expect. Specifically, we face the risk that the duration of the global COVID-19 pandemic may continue on for a further significant period of time be extensive, which could continue to impact, in a material adverse manner, our operations, financial position and cash flows, and those of our customers and suppliers. Except as required by law, we undertake no obligation to update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this presentation.

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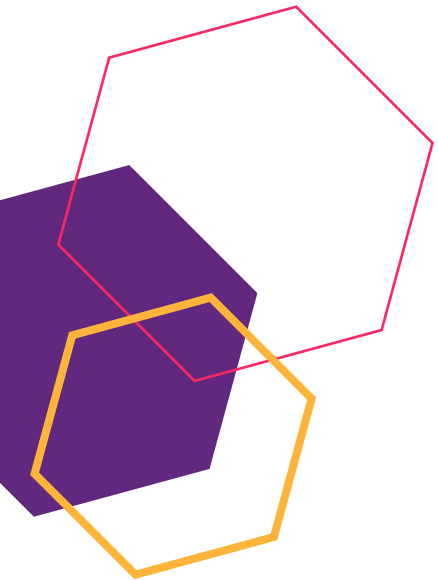


# OUR VISION

CREATE A **BETTER WORLD**  
WHERE EVERYBODY CAN **BOND**, **DESIGN**  
AND **EXPRESS THEIR IDENTITIES**, ONE  
IMPRESSION AT A TIME



# ON TODAY'S CALL



**Ronen Samuel**  
CEO



**Guy Avidan**  
CFO



**Amir Shaked Mandel**  
EVP Corp Dev





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# BUSINESS HIGHLIGHTS

**RONEN SAMUEL**  
**CEO**

# EXCEEDED EXPECTATIONS FOR THIRD QUARTER

## IMPROVING OUTLOOK FOR THE SECOND HALF OF THE YEAR

- Total revenue of \$57.4 million, net of \$2.2 million in warrants related to a global strategic account
  - Sequential growth of approximately 53% in Q3 compared to Q2 2020
  - Year over year growth of approximately 21%
- Strong demand for industrial systems in North America and EMEA
- Extraordinary quarter for consumables and services across all regions
- Important milestone in services business:
  - Sustainable profitability a quarter ahead of plan, while maintaining focus on customer excellence
  - Expect services margins to improve as we continue to scale the business.
- Strong operating margin for the quarter and expect to over-achieve our operating profit objective for 2020

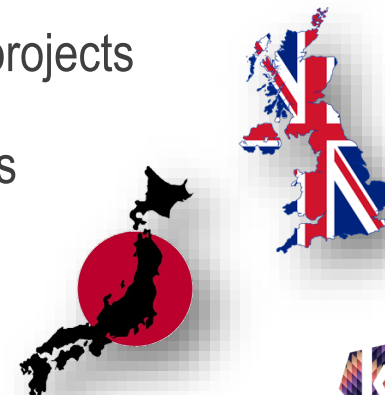
# ACTIVITY AND BUSINESS MOMENTUM

INDUSTRY AT AN INFLECTION POINT, WE ARE FOCUSED ON LEADING THE TRANSFORMATION TO ON-DEMAND

- Partnering with customers to deliver incremental demand for systems, ink and services as we enter holiday season
- Engaged in large scale expansion projects in North America
  - Unique partnership with Delta Apparel and Hot Topics
- EMEA experiencing resurgence
  - UK investments yield immediate results
- Encouraging signs of industry recovery in Asia Pacific
  - Scaling local sales and support infrastructure required to deliver on global expansion projects
  - Welcoming Tokyo-based seasoned executive, to lead Asia Pacific and scale operations



**HOT TOPIC**





# ACTIVITY AND BUSINESS MOMENTUM

- Unprecedented success of the Atlas
  - Record shipment quarter
  - Accelerating R&D efforts for next generation of applications
- Considerable traction for the Vulcan Plus with customers investing in fleets
- Phenomenal momentum for DTF, fueled by transition of fashion industry to sustainable on-demand manufacturing
  - Important deal with Italian digital fulfillment partner to some of the largest fashion brands in the world
- Execution with global strategic account remains very strong
- Custom Gateway acquisition is at the heart of our solution strategy
  - Impact exceeding expectations and pleased with integration progress
  - Generated over 80 opportunities globally since announcement, and received multiple orders



CUSTOM **GATEWAY**  
Enabling On Demand



# EXTREMELY WELL POSITIONED

- Seeing strong momentum and entering 2021 with a very strong backlog
- Increasing outlook for second half of the year:
  - From low double-digit year-over-year revenue growth, to 25% YoY growth
- Welcome to our new shareholders
- Exciting times for Kornit and for the entire textile industry
- Extremely confident to execute on the massive opportunity ahead of us



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# FINANCIALS HIGHLIGHTS

**GUY AVIDAN**  
**CFO**



# QUARTERLY WARRANTS IMPACT

	Q3 20			Q2 20			Q3 2019		
	Net of Warrants Impact	Warrants Impact K\$/BPS/EP S		Net of Warrants Impact	Warrants Impact K\$/BPS/EP S		Net of Warrants Impact	Warrants Impact K\$/BPS/EP S	
<b>Revenues</b>	<b>\$57,392</b>	\$2,158	<b>\$59,550</b>	<b>\$37,436</b>	\$842	<b>\$38,278</b>	<b>\$47,293</b>	\$2,429	<b>\$49,722</b>
<b>Gross Profit</b>	<b>\$27,619</b>		<b>\$29,777</b>	<b>\$16,512</b>		<b>\$17,354</b>	<b>\$22,570</b>		<b>\$24,999</b>
<b>Gross Margin</b>	48.1%	188 BPS	50.0%	44.1%	123 BPS	45.3%	47.7%	255 BPS	50.3%
<b>Operating Profit</b>	<b>\$6,460</b>		<b>\$8,618</b>	<b>-\$2,543</b>		<b>-\$1,701</b>	<b>\$6,162</b>		<b>\$8,591</b>
<b>Operating Margin</b>	11.3%	322 BPS	14.5%	-6.8%	235 BPS	-4.4%	13.0%	425 BPS	17.3%
<b>Net Profit</b>	<b>\$7,729</b>		<b>\$9,887</b>	<b>-\$1,330</b>		<b>-\$488</b>	<b>\$6,591</b>		<b>\$9,020</b>
<b>Net Margin</b>	13.5%	314 BPS	16.6%	-3.6%	228 BPS	-1.3%	13.9%	420 BPS	18.1%
<b>Diluted EPS</b>	<b>\$0.18</b>	\$0.05	<b>\$0.23</b>	<b>-\$0.03</b>	\$0.02	<b>-\$0.01</b>	<b>\$0.16</b>	\$0.05	<b>\$0.21</b>

\$ in thousands except per share amounts

# Q3 2020 FINANCIAL RESULTS

	GAAP			Non-GAAP		
	Q3 2020	Q3 2019	YoY Change	Q3 2020	Q3 2019	YoY Change
Total Revenue	\$57.4	\$47.3	\$10.1	\$57.4	\$47.3	\$10.1
Gross Profit	\$27.0	\$22.2	\$4.8	\$27.6	\$22.6	\$5.0
Operating Income (Loss)	\$2.7	\$4.1	(\$1.4)	\$6.5	\$6.2	\$0.3
Net Income (Loss)	\$3.9	\$4.7	(\$0.8)	\$7.7	\$6.6	\$1.1
Diluted EPS	\$0.09	\$0.11	(\$0.02)	\$0.18	\$0.16	\$0.02
Diluted Shares (M)	42.7	42.2	0.5	43.0	42.2	0.8

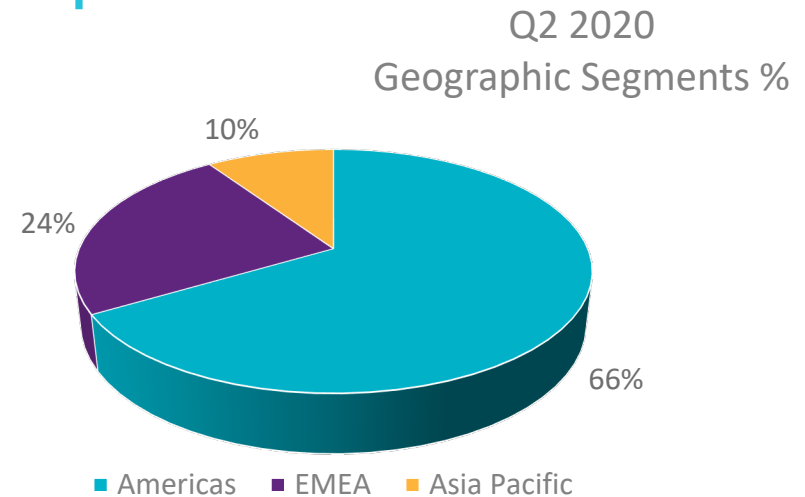
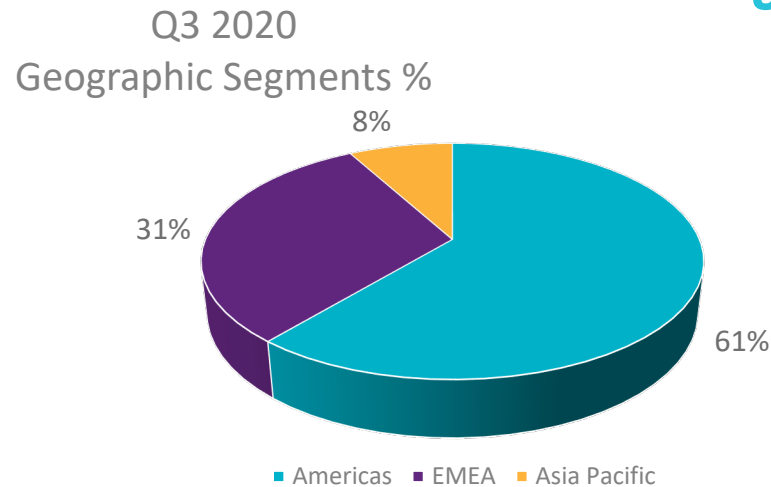
\$ in millions except per share and share amounts



# QUARTERLY REVENUES

- Revenues of \$57.4 million vs. \$47.3 million in prior year, an increase of 21.4% YoY and an increase of 53.3% QoQ
- A global customer accounted for 14.8% of revenues compared to 20.2% in prior year
- 10 largest accounts represented 58.3% of revenues compared to 56.3% in prior year

## Geographic Revenue Split



# QUARTERLY GROSS MARGIN AND OPEX

- Non-GAAP gross margin of 48.1% increased from 47.7% in Q3 2019
- Non-GAAP operating expenses of \$21.2 million increased 29.0% year over year

	Q3 2020	Q3 2019
<b>Research &amp; Development</b>	13.8%	11.2%
<b>Sales &amp; Marketing</b>	13.5%	15.1%
<b>General &amp; Administrative</b>	9.6%	8.5%
<b>Total Operating Expenses</b>	36.9%	34.8%



# QUARTERLY P&L KPI

	Q3 2020	Q3 2019
Non-GAAP Operating Income (Loss)	\$6.5	\$6.2
Non-GAAP Net Income (Loss)	\$7.7	\$6.6
Non-GAAP Diluted EPS	\$0.18	\$0.16
GAAP Net Income (Loss)	\$3.9	\$4.7
GAAP Diluted EPS	\$0.09	\$0.11
Adjusted EBITDA	\$9.4	\$13.1

\$ in millions except per share amounts

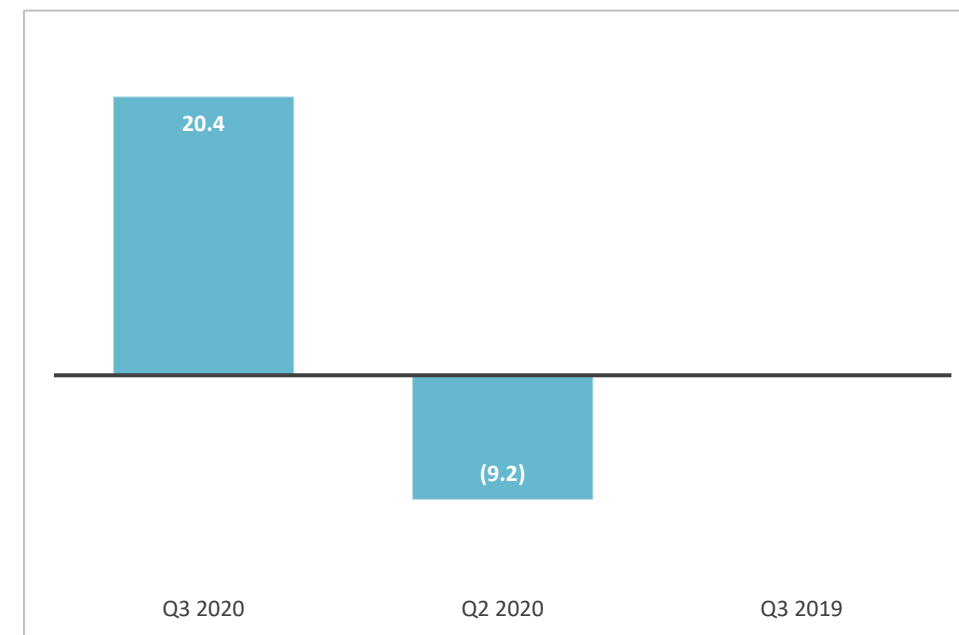
# QUARTERLY BALANCE SHEET AND CASH FLOW

## Balance Sheet

	Q3 2020	Q2 2020	Q3 2019
Cash, Bank Deposits and MK Securities	405.3	237.4	250.4
Accounts Receivables	49.7	39.8	44.9
Inventory	46.3	42.1	34.4
Trade Payable	24.8	13.0	17.3
Net Working Capital	388.7	217.7	259.8

\$ in millions

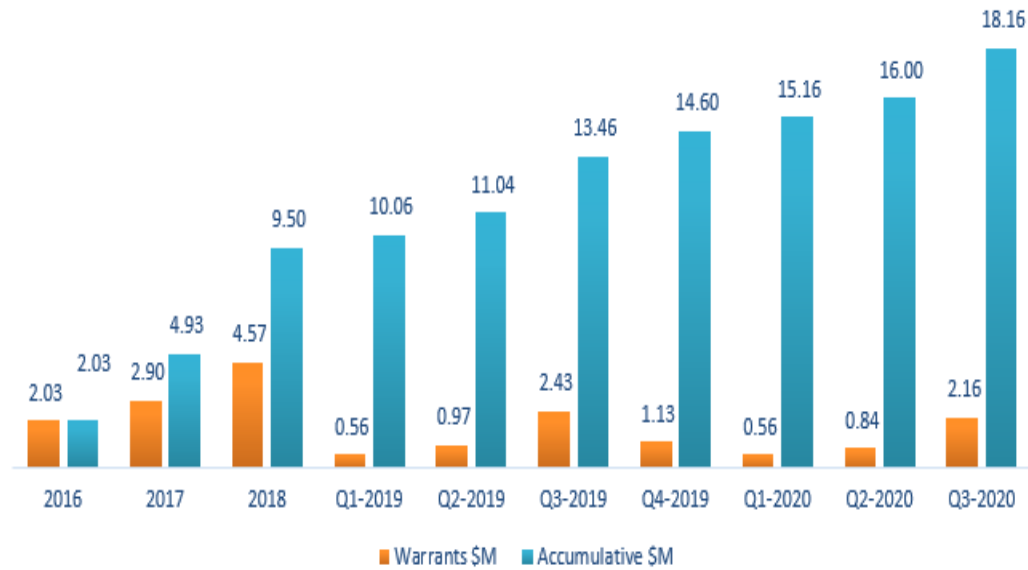
## Cash from Operating Activities



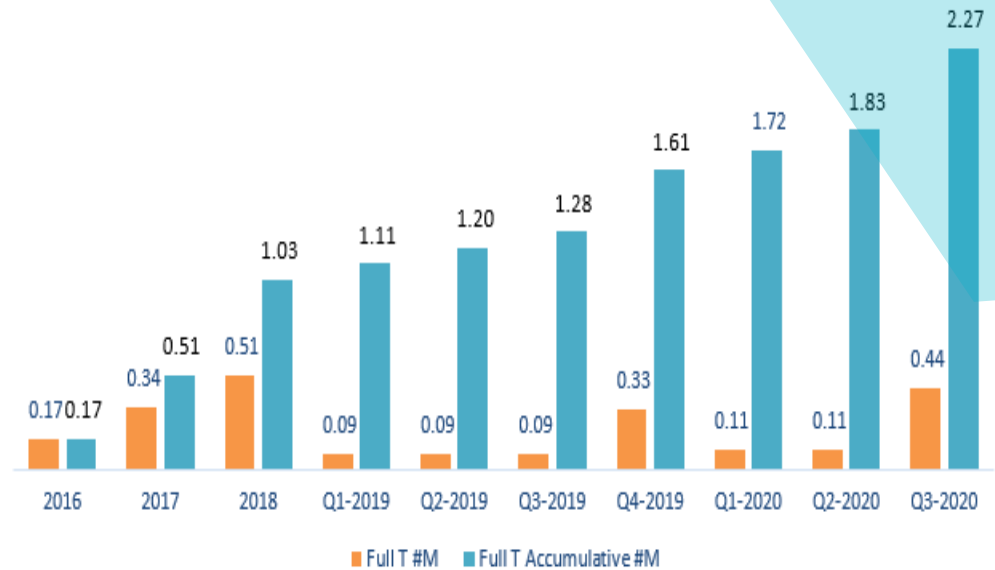
\$ in millions

# WARRANTS IMPACT AND VESTING

### Warrants Impact\*



### Warrants Vesting\*\*



\* Revenue recognition base impact

\*\* Collection base impact

\*\*\* During Q3 2,162,463 of the warrants were exercised



# AMAZON WARRANTS AGREEMENT

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- 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 part of September 16, 2020 secondary public offering, Amazon exercised 2,162,463 warrants by cashless sale of 1,689,942 shares. As of September 30, 2020, 109,956 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 \$2.2 million during the third quarter of 2020 and \$2.4 million during the third quarter of 2019 (\$5.1 million during the year ended December 31, 2019)

# Q4 2020 GUIDANCE\*

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- Revenue is expected to be between \$60.0 million to \$64.0 million
- Non-GAAP operating income is expected to be between 13% to 16% of revenue

*\*we assume zero impact on revenue and operating margin for the purposes of guidance*

THANK YOU

OUR VISION

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EXPRESS THEIR IDENTITIES, ONE IMPRESSION AT A TIME





# 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