



Kornit
Digital
bonding
matters

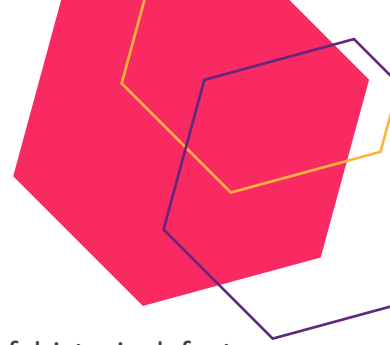
KORNIT DIGITAL

(NASDAQ KRNT)

**TRANSFORMING THE GLOBAL
TEXTILE INDUSTRY**

Q3 2020 INVESTOR PRESENTATION

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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This presentation contains statistical data that we obtained from industry publications and reports generated by third parties. Although we believe that the publications and reports are reliable, we have not independently verified this statistical data.

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OUR VISION

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

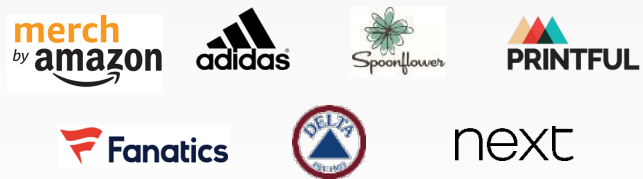
KORNIT AT A GLANCE

Transforming the fashion, apparel and home decor industries

FACTS & FIGURES

Founded 2002

Significant customer base of over **1,300⁽¹⁾**



657 Employees with a global presence ⁽⁵⁾

24% CAGR Top line growth 2012-2019

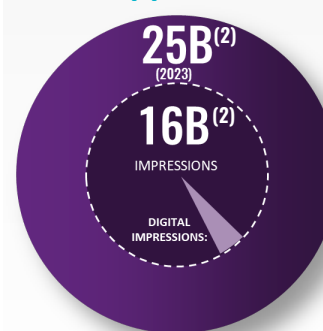
Attractive profitable recurring revenue business model

OPPORTUNITY

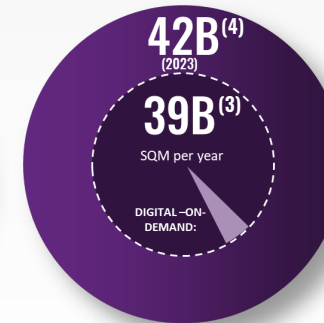
Digital Printing

Small fraction of decorated textiles

Decorated Apparel



Roll-to-Roll



Mega trends



Fueling adoption of on-demand sustainable textile manufacturing

COVID19



Inflection point in eComm and accelerating shift to proximity manufacturing

CUTTING EDGE PROPRIETARY TECHNOLOGY



CUSTOM GATEWAY
Enabling On Demand



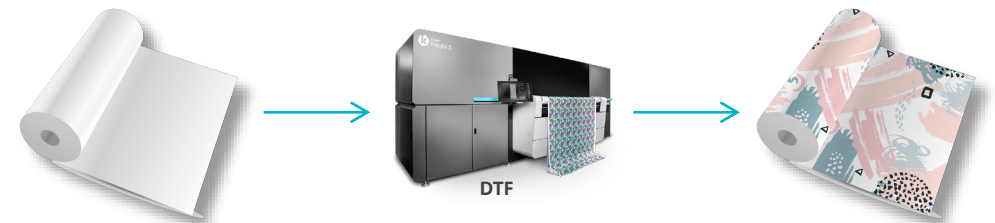
(1) Including Custom-Gateway customers
 (2) Source: Company estimates for apparel impressions (including for example impressions on t-shirts, hoodies, pants, bags, etc.) 16B represents estimated annualized run rate of impressions as of 2018. 25B represents projected annualized run rate of impressions for year-end 2023. Does not include potential COVID19 impact.
 (3) Source: 2018 Digital Textile Industry Review. 39B represents estimated total volume in SQM of printed fabric output as of 2018. Does not include potential COVID19 impact.
 (4) Source: Company estimates. 42B represents projected total volume in SQM of printed fabric output. Does not include potential COVID19 impact.
 (5) As of October 30, 2020

OUR PROPRIETARY TECHNOLOGY

LEADING DIGITAL DIRECT-TO-GARMENT (DTG) SOLUTIONS

INNOVATIVE ON-DEMAND DIRECT-TO-FABRIC (DTF) SOLUTIONS

SINGLE STEP INDUSTRIAL DIGITAL PRINTING ON TEXTILE SOLUTIONS
WITH LEADING PIGMENT INKS



- ✓ Ability to Print on any Media
- ✓ No Pre or Post Treatment
- ✓ Retail Quality and Hand Feel
- ✓ Sustainable



INDUSTRY IS AT AN INFLECTION POINT





CONSUMER HABITS ARE CHANGING

- Self-Expression
- Social Media
- Immediate Gratification



E-COMMERCE IS BOOMING

- B2B
- B2C



RETAIL MELTDOWN

MEGATRENDS ACCELERATED BY COVID19

SELF EXPRESSION

SOCIAL MEDIA

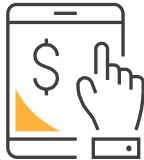


IMMEDIATE
GRATIFICATION



B2B AND B2C E-COMMERCE IS BOOMING

Driving shift to on-demand and proximity production



~\$130
BILLION

US Apparel eCommerce expected to be a ~\$130bn industry by 2024⁽¹⁾



66%
ONLINE

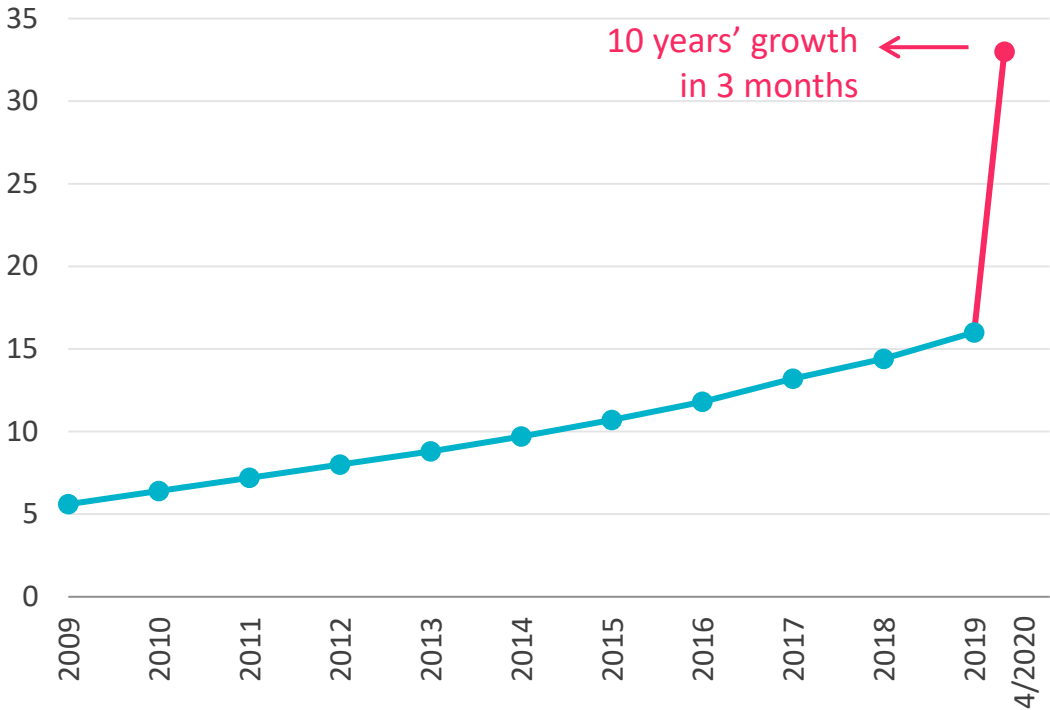
Almost two thirds of pieces of apparel in the US will be purchased online by 2024⁽¹⁾



33%
CAGR

Expected growth of US Direct-to-Consumer eCommerce sales from 2017 to 2021⁽²⁾

US E-Commerce Penetration %⁽³⁾



1. Statista, "Apparel - United States." Accessed September 12, 2020. <https://www.statista.com/outlook/249/109/apparel/united-states>
 2. eMarketer, "US Direct-to-Consumer Ecommerce Sales Will Rise to Nearly \$18 Billion in 2020" (2020).
 3. McKinsey, "The reinvention of retail" (2020).

DIGITAL TRANSFORMATION AND DTC RACE

Digital transformation of the clothing customization industry is no longer an optional solution, but instead an essential trend⁽¹⁾

COVID19 IMMEDIATE IMPACT⁽²⁾

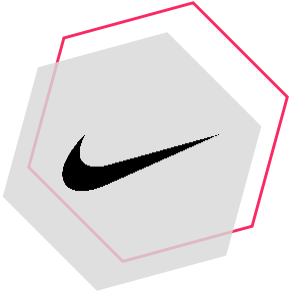


YoY online sales

DIGITAL TRANSFORMATION⁽²⁾



Lululemon acquires at-home digital fitness company Mirror



Nike's CEO, John Donahoe, former eBay CEO, is set to double down on online



Adidas raises 2020 eCommerce targets to more than \$4.7B and shifts organizational focus

(1) MDPI, "Dimensions of Customer Value for the Development of Digital Customization in the Clothing Industry" (2020).
(2) Referenced Company filings, Referenced Company press releases.

TRADITIONAL RETAIL MELTDOWN

Home > Topics > Retail

APRIL 20, 2020 10:36AM ET

100,000 Stores Could Disappear in the Next Five Years

By Vicki M. Young [in](#) [f](#) [t](#) [p](#) [+](#)

MONEY

Is your Sears or Kmart store closing? Here are the 100-plus locations going out of business

Kelly Tyko USA TODAY
Published 7:28 p.m. ET Jan. 31, 2020 | Updated 4:18 p.m. ET Feb. 5, 2020
[f](#) [t](#) [e](#)



Home > Topics > Retail

JUNE 26, 2020 10:42AM ET

H&M Bumps 2020 Store Closures from 130 to 170 After 50% Revenue Plunge

By Glenn Taylor [in](#) [f](#) [t](#) [p](#) [+](#)



Home > Denim > Brands

JUNE 15, 2020 8:45AM ET

Guess to Close 100 Stores in North America and China

By Angela Velasquez [in](#) [f](#) [t](#) [p](#) [+](#)



Home > Topics > Retail

JUNE 5, 2020 10:08AM ET

Penney's Starts Store-Closing Sales at 154 Locations

By Vicki M. Young [in](#) [f](#) [t](#) [p](#) [+](#)



Home > Topics > Retail

JUNE 30, 2020 6:58AM ET

10% of Canadian Retailers May Shutter Stores, Says Real Estate Firm

By Glenn Taylor [in](#) [f](#) [t](#) [p](#) [+](#)

EDITORS' PICK | 127,718 views | Jul 6, 2020, 07:10am EDT

More Than 13,800 Stores Are Closing In 2020 So Far—A Number That Will Surely Rise

Walter Loeb Senior Contributor @ Retail
I cover major developments in the retail industry.

Home > Topics > Retail

JUNE 15, 2020 6:59PM ET

The Children's Place Eyes 300 Store Closures

By Christopher Hall [in](#) [f](#) [t](#) [p](#) [+](#)

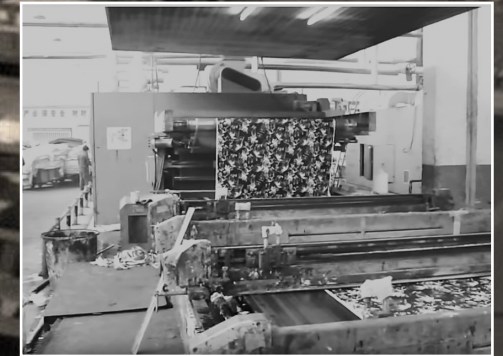


EXCESS INVENTORY IS A MAJOR PAIN POINT FOR BRANDS AND RETAILERS

Inditex Writes Down Inventory, Signals Sales Drop as Coronavirus Hits

The Zara owner took a nearly €300 million impairment on its inventory and said sales fell 24 percent this month.

TRADITIONAL SUPPLY CHAIN AND PRODUCTION METHODS INADEQUATE



SHIFT TO PROXIMITY AND ON-DEMAND SUSTAINABLE PRODUCTION

Reshoring possible as US firms look to shorter, faster supply chains post-pandemic

By Hannah Abdulla | 2 June 2020

Font size Email Print



SUSTAINABILITY THEMES IN FASHION

Growing Awareness of Fashion's Footprint

93B Cubic meters of water used annually⁽¹⁾

20% Contribution to industrial water pollution globally⁽²⁾

92M Tons of waste created per year⁽³⁾

25% Of world carbon budget by 2050⁽¹⁾

Growing Consumer Preference for More Sustainable Options

85% Consumers say it's important that the brands they choose tackle climate change⁽⁴⁾

75% Of consumers view sustainability as important or extremely important⁽⁵⁾

Brands Structurally Changing Strategy

- Sustainability-focused
- Flexible supply chain
- Mass customization

Fast fashion giant H&M appoints former sustainability head as CEO; activists call for a different business model



Solution



Significantly reduces water usage, pollution and water intensity



Enables Brands to offer products on-demand and increase customization, reducing inventory waste

1. Ellen MacArthur Foundation, "A New Textiles Economy Full Report" (2017). 2. National Resource Defense Council, "Encourage Textile Manufacturers to Reduce Pollution" (2016). 3. Global Fashion Agenda, BCG, "Pulse of the Fashion Industry" (2017). 4. Fashion Revolution, "Consumer Survey Report" (2018) – study conducted on European consumers. 5. Global Fashion Agenda, BCG, Sustainable Apparel Coalition, "Pulse of the Fashion Industry – 2019 Update." Countries surveyed: US, UK, FR, CN, BR.

A person in a dark suit is shown from the chest up, holding a rocket launch from their right hand. The rocket is silver and pointed upwards, with a bright orange and yellow flame and a white smoke trail. The background is a dark blue gradient with a white network of nodes and lines. In the upper right, there is a purple polygon and a red line graph. The text 'KORNIT IS READY TO ACCELERATE' is written in large, bold, cyan letters on the left side of the image.

**KORNIT IS
READY TO
ACCELERATE**

WHAT HAPPENED SINCE MID-2019

Industry inflection accelerating our momentum

PERFORMANCE

- Strong performance in 2019 with record revenues
- Successful adoption of new products by the market

SCALE

- Strengthening traction and momentum with strategic accounts and leading brands
- Continued investment in scaling direct go-to-market, R&D, and leadership

SHARP V-SHAPED RECOVERY

- Sharp V-shaped recovery as COVID-19 accelerated megatrends and proximity production

STRATEGIC GROWTH

- Strategic solution expansion with acquisition of Custom Gateway and future M&A pipeline
- New opportunities in strategic relationship with Amazon

STRENGTHENED LEADERSHIP POSITION

NEW OPPORTUNITIES IN STRATEGIC RELATIONSHIP WITH AMAZON

EXISTING WARRANT



SIGNED

January 2017



HISTORICAL CATEGORY

Merch by Amazon



\$150M

Amount to achieve maximum vesting through Amazon's purchase of Kornit goods and services

Max: 8% of Fully Diluted Shares Outstanding

NEW WARRANT



SIGNED

September 2020



POTENTIAL CATEGORIES

Merch by Amazon
Fashion and apparel businesses
Existing and new products



\$400M

Amount to achieve maximum vesting through Amazon's purchase of Kornit goods and services:

\$250mm from existing business
\$150mm in new business

Max: 7% of Fully Diluted Shares Outstanding

- Potential for greater global presence and growth in new products
- Aligns strategic goals

GOAL

A \$500M RUN RATE BUSINESS
BY END OF 2023

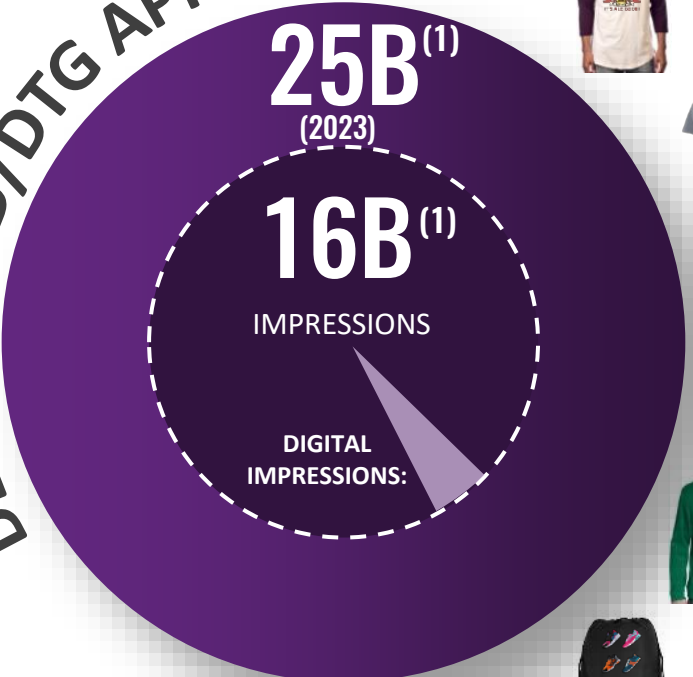


Expanding gross margin
and profitability



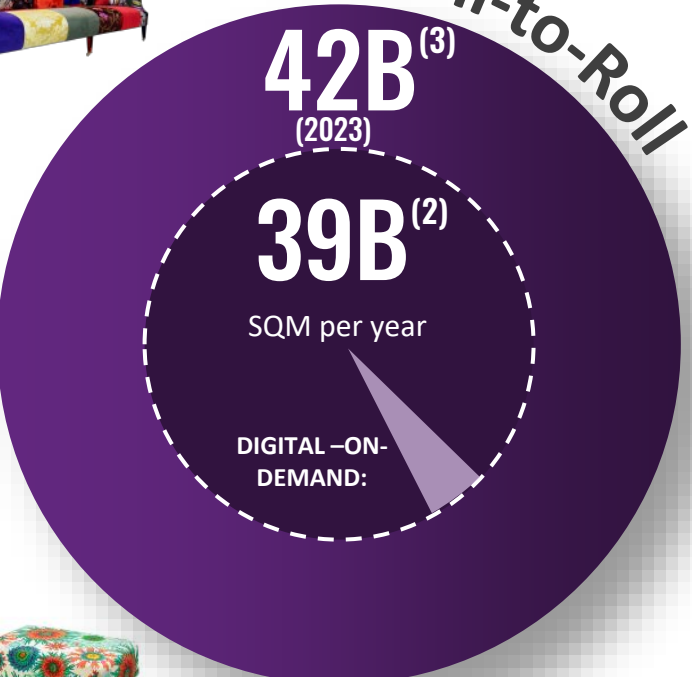
HUGE AND UNTAPPED MARKETS

DECORATED/DTG APPAREL⁽¹⁾



THE MARKETS ARE MOVING TO ON-DEMAND MANUFACTURING

Roll-to-Roll⁽³⁾



(1) Source: Company estimates for apparel impressions (including for example impressions on t-shirts, hoodies, pants, bags, etc.) 16B represents estimated annualized run rate of impressions as of 2018. 25B represents projected annualized run rate of impressions for year-end 2023. Does not include potential COVID19 impact.
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CATALYSTS DRIVING OUR EXPANSION

01

Growing Tech
Leadership and
Solution Offering

02

Expanding in
Key Markets

03

Maximizing
Impressions

04

Expanding
GTM

ON-DEMAND TEXTILE MANUFACTURING SOLUTIONS



WIDE PORTFOLIO OF SOLUTIONS

STRONG IP 

01 02 03 04

DTG SYSTEMS

INDUSTRIAL

 Kornit Storm Lite  Kornit Avalanche HD6



MASS

 Kornit Atlas  Kornit Vulcan Plus



SPECIALTY

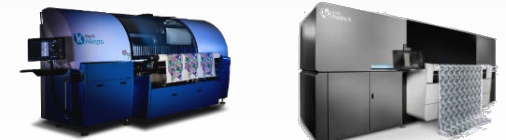
 Neo Poly Technology



DTF SYSTEMS

ON DEMAND DTF

 Kornit Allegro  Kornit Presto



CONSUMABLES

 Neo Pigment™



SOFTWARE & CLOUD WORKFLOWS

 Quick P

CUSTOM GATEWAY
Enabling On Demand



VALUE-ADDED SERVICES



Customer Support

Maintenance and upgrades



Application Development

Training

ANCILLARIES

Via OEM & 3rd parties

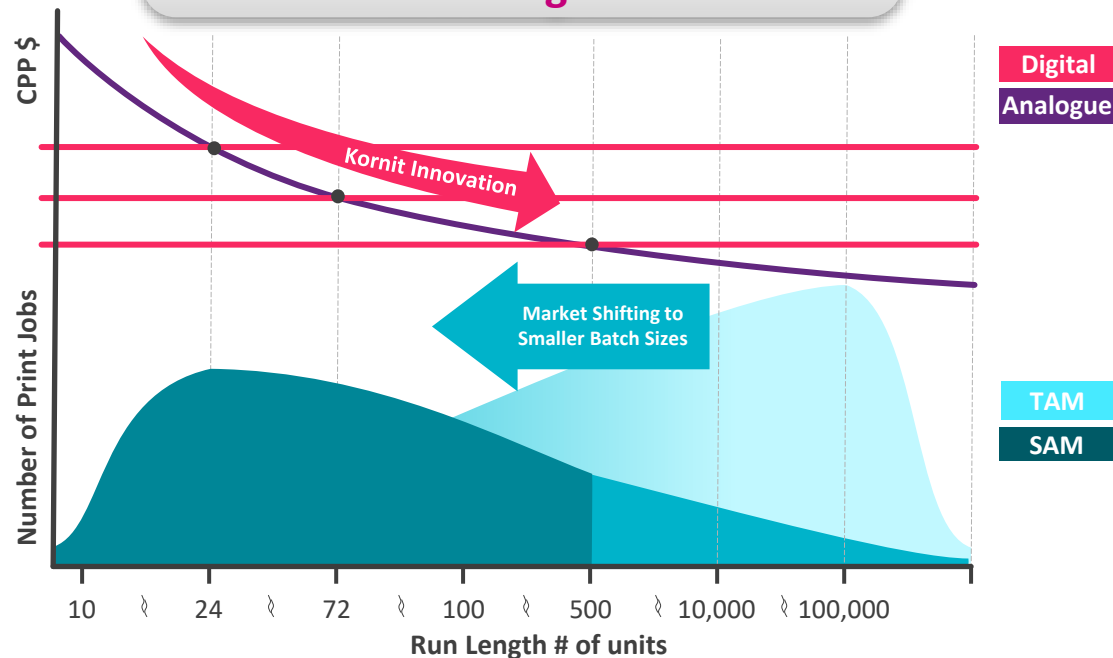
GROWING TECH LEADERSHIP AND SOLUTION OFFERING

Growing Our Digital Printing Tech Leadership

Retail Quality

Productivity

Lowering TCO



Expanding Solution Offering

Additional Applications

Automation

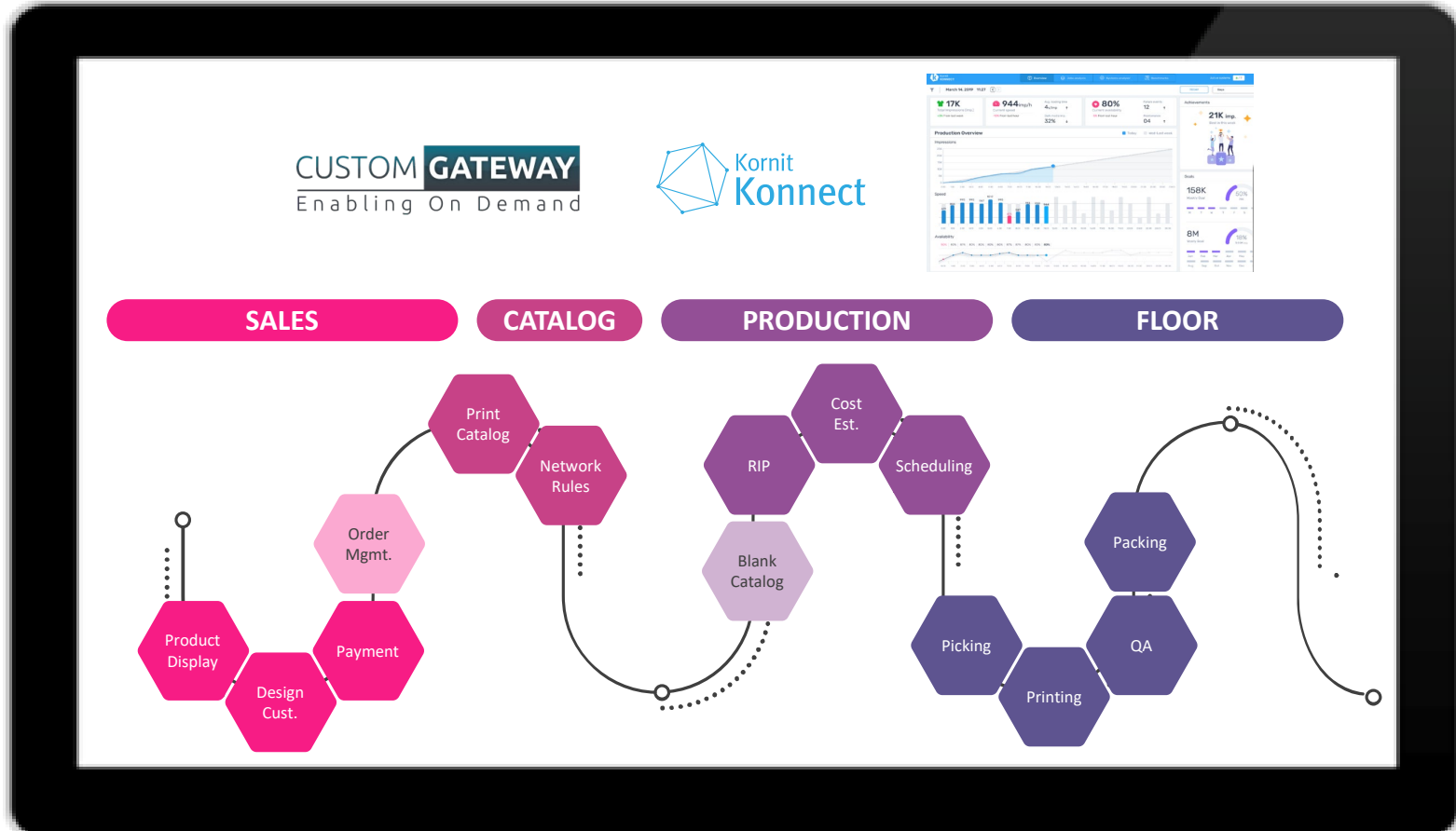
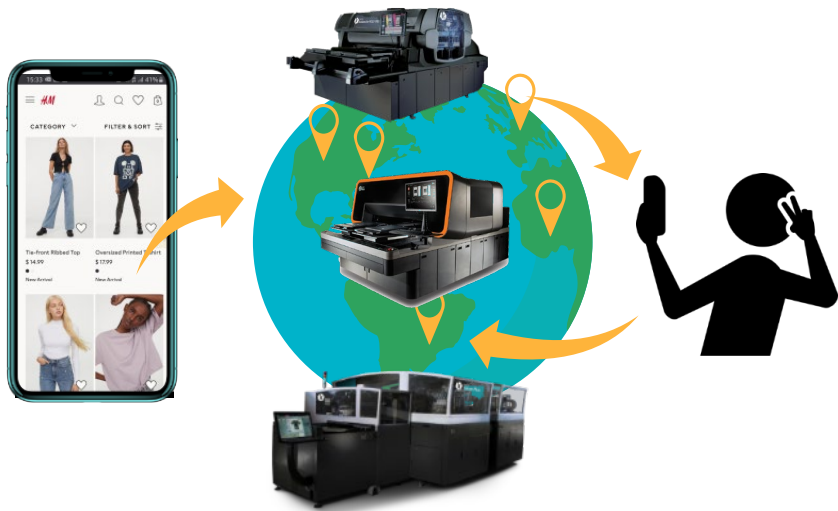
Workflow and Data Analytics

End to End Ancillaries / Process

GROWING TECH LEADERSHIP AND SOLUTION OFFERING

ACQUISITION OF CUSTOM GATEWAY

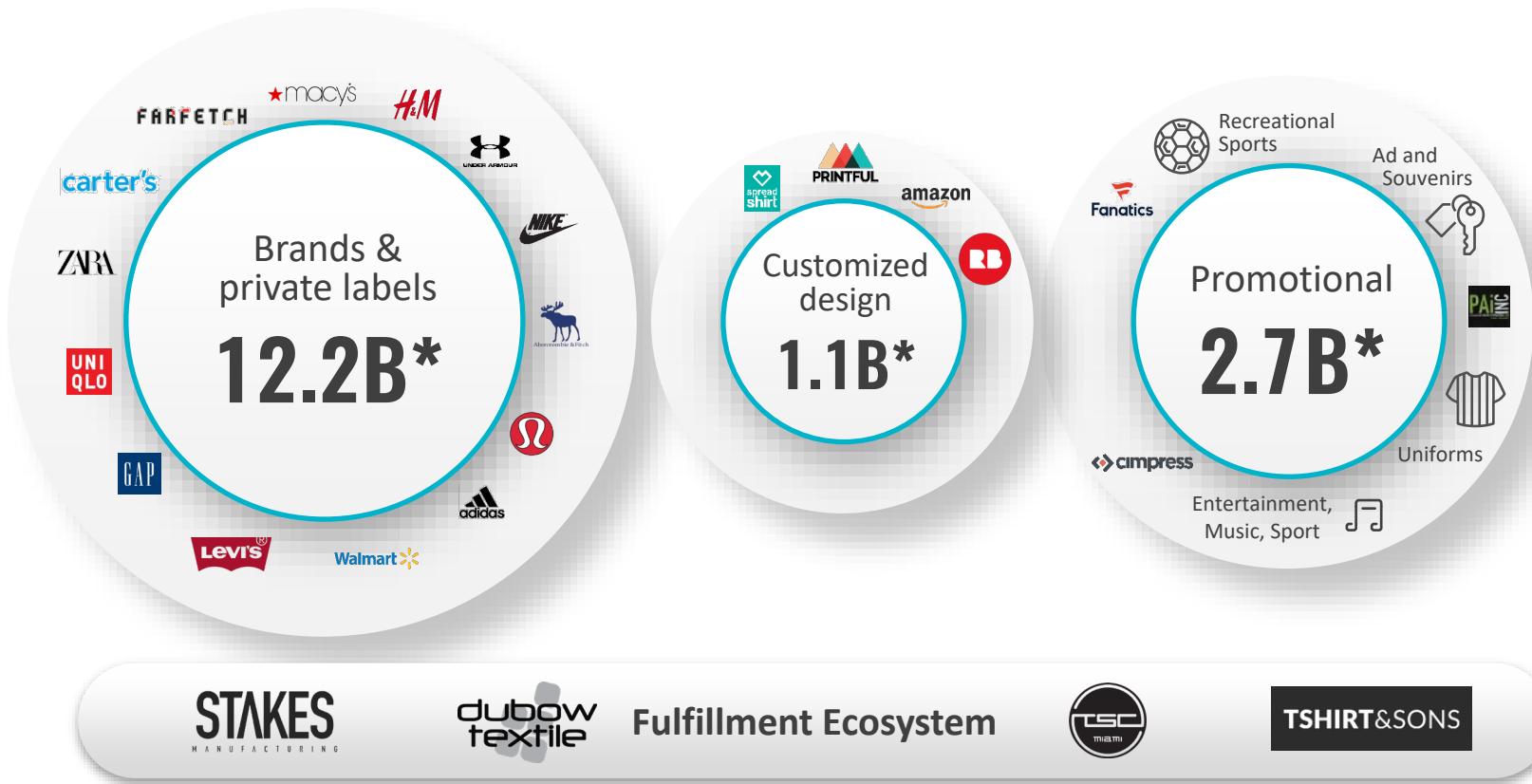
Cloud software workflow for end-to-end management of on-demand apparel and home decor production



EXPANDING IN KEY MARKETS

DTG MARKET

Shifting to on-demand



DTF MARKET

Moving into on-demand home decor and fashion

BRANDS DESIGNERS DIY



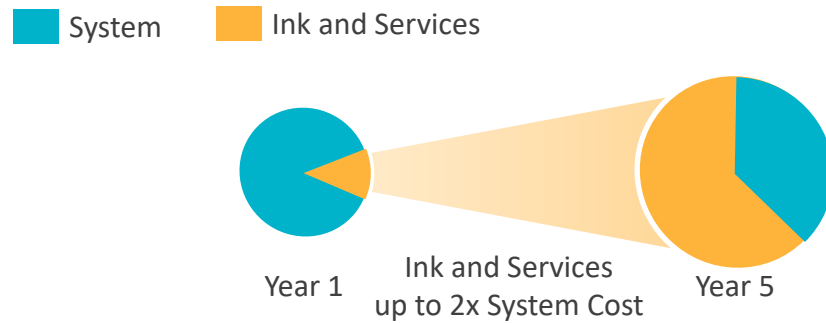
(*) Figures represent estimated number of impressions based on market size as of 2018. Source: Company estimates. Does not include potential COVID19 impact.

Note: Logos represent both current and prospective customers.

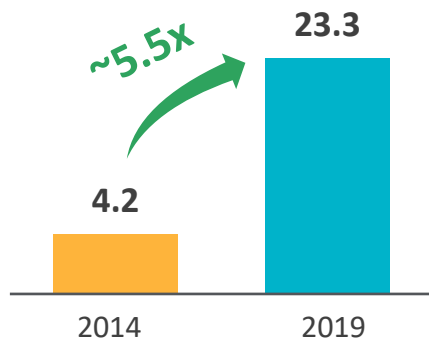
MAXIMIZING IMPRESSIONS



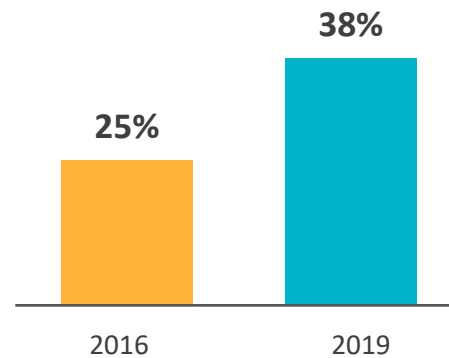
ILLUSTRATIVE ATLAS SYSTEM 5 YEAR LTV⁽¹⁾



REVENUE FROM SERVICES (\$M)



SERVICE CONTRACT TAKE RATE⁽³⁾



(1) Represents estimated illustrative cumulative spend for ink, services and system for Atlas, on average, over the course of 5 years.

(2) Excludes Israel based employees.

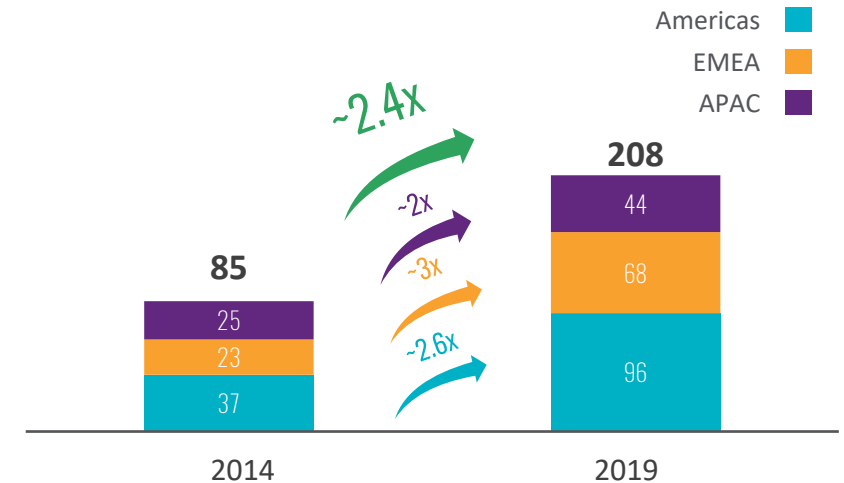
(3) Ratio of service contract order entry / total industrial printing systems.

EXPANDING GTM



EVOLUTION OF REGIONAL HEADCOUNT⁽²⁾

- Move to direct in US
- Direct investment in other territories
- Expand growth in Asia Pacific
- Expand coverage, sales and support across regions



INORGANIC GROWTH STRATEGIES

Helping brands with their focus on direct-to-consumer (DTC)



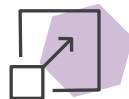
STRENGTHENING EXISTING LEADERSHIP POSITION



Software / Data
Driven Workflow



Scale
GTM



Portfolio
Expansion



Complementary
Add-Ons

DISCIPLINED FRAMEWORK FOR EVALUATING OPPORTUNITIES

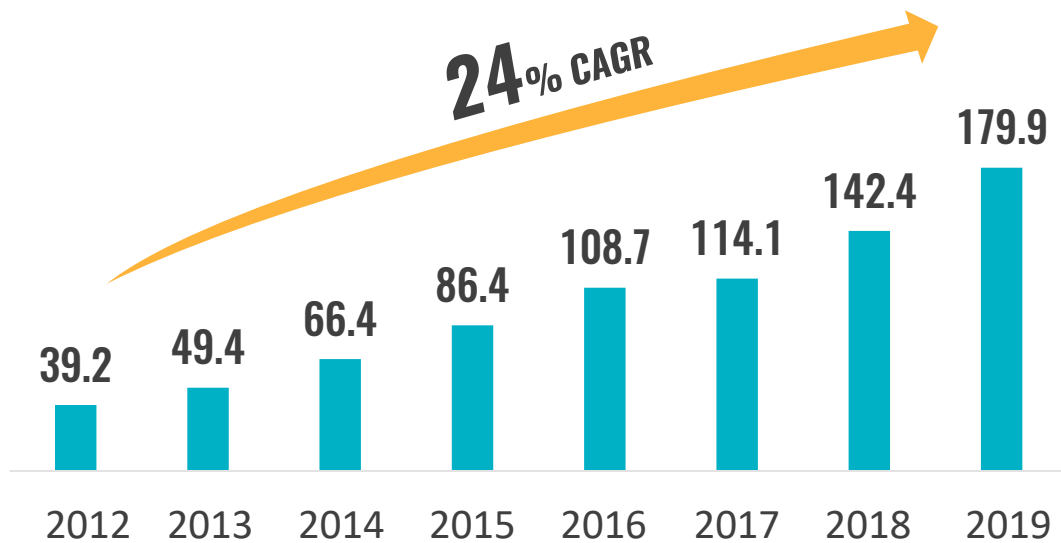
- Impact on Financial Profile
- Defensible IP and technological barriers
- Compatibility with Kornit's technology and culture
- Appropriate scale and integration potential

LONG TERM FINANCIAL HIGHLIGHTS

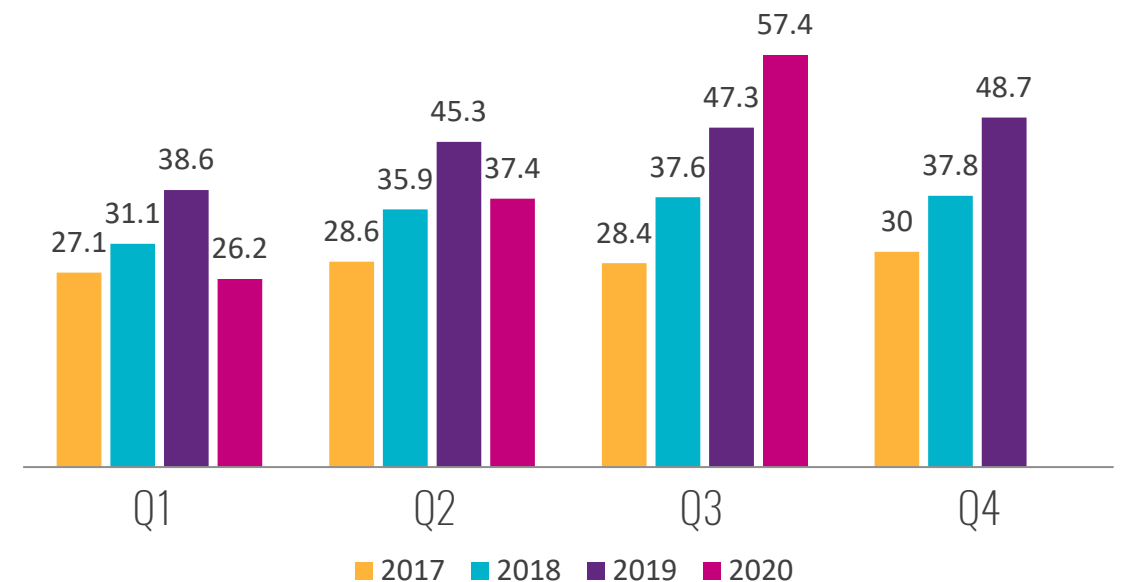
- ✓ Top line growth driven by expanding systems installed base
- ✓ Shift to higher system ASP
- ✓ High ink consumption and services driving recurring revenue model
- ✓ Improving customer diversification
- ✓ Expanding gross margin and profitability
- ✓ Positive cash from operations and no debt

ATTRACTIVE REVENUE GROWTH

Annual Revenues⁽¹⁾ (\$ millions)



Quarterly Revenues⁽²⁾ (\$ millions)

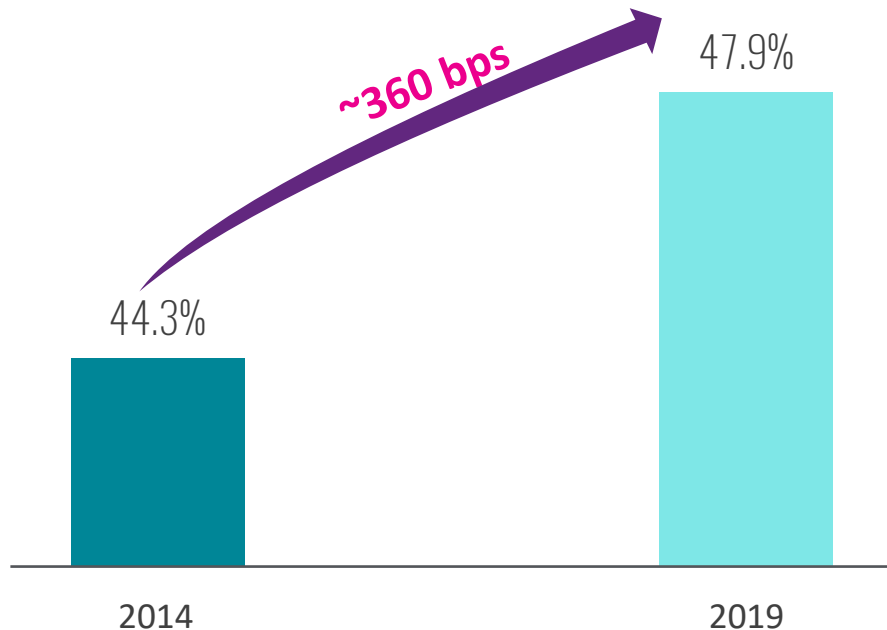


⁽¹⁾ Net Net of the warrants impact in 2016,2017, 2018 & 2019 of \$2M, \$2.9M, \$4.6M, 5.1M respectively

⁽²⁾ Net of warrant impact. Fiscal years 2017 and 2018 do not reflect adoption of ASU 2019-08.

KEY DRIVERS FOR CONTINUED GROSS MARGIN EXPANSION

Non-GAAP Gross Margin (2014-2019)*

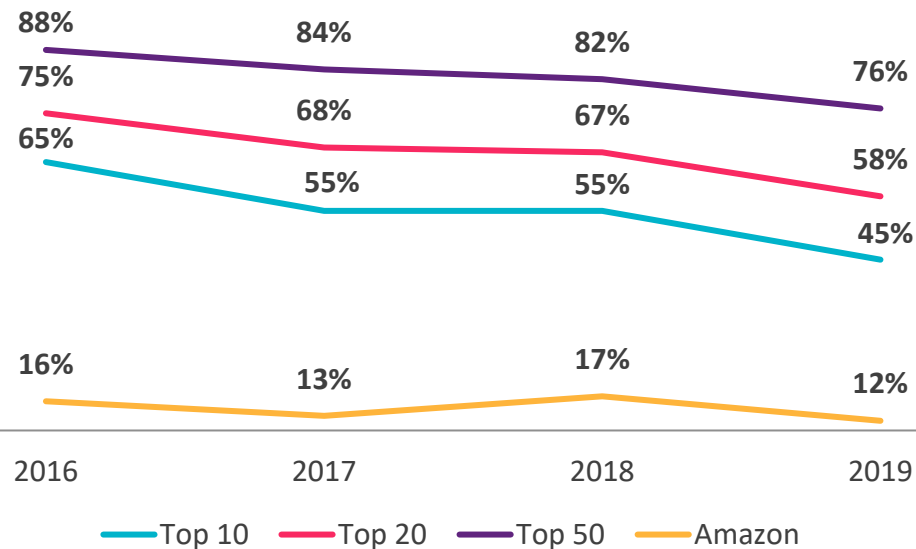


5 KEY DRIVERS FOR CONTINUED GROSS MARGIN EXPANSION

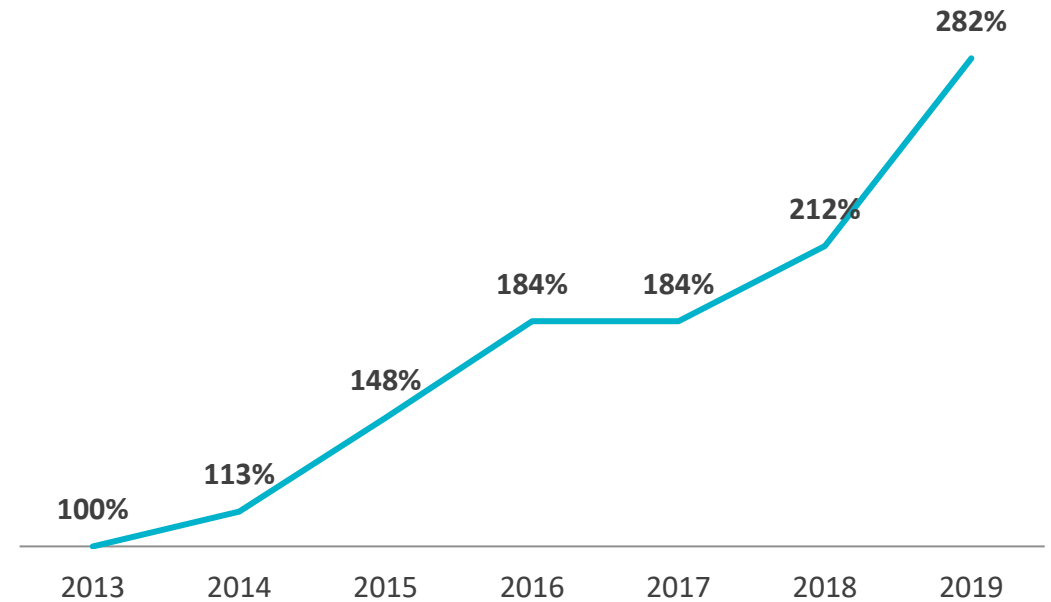
- Continued transition to high throughput systems
- Higher ink consumption
- Turning value-added services into a profitable business
- Significant additions of software features and functionality
- Continuous reduction of COGS

INCREASED DIRECT CUSTOMER DIVERSIFICATION AND SHIFT TO HIGHER ASP SYSTEMS

Top 10/20/50 Customer Revenue Share



Systems ASP



Q3 FINANCIAL UPDATE

Strong Q3 2020 & business outlook



Total revenue of **\$57.4 million**, net of \$2.16 million in warrants related to Amazon strategic relationship

- Sequential growth of approximately **53%** in Q3 compared to Q2 2020

Strong results reflect **positive momentum** starting in late April

- Production sites re-opened and online channels caused surge in demand

Increasing **customer momentum** for second half of 2020 and into 2021

Q3 FINANCIAL RESULTS

Revenues

Third quarter 2020 revenues increase 21.4% to \$57.4 million, net of \$2.2 million attributed to the non-cash impact of warrants, compared to \$47.3 million net of \$2.4 million attributed to the non-cash impact of warrants in the prior year period.

Operating Income

Third quarter 2020 GAAP operating income of \$2.7 million, or 4.6% of revenues; Non-GAAP operating income of \$6.5 million, or 11.3% of revenue.

Net Income

Third quarter 2020 GAAP net income of \$3.9 million, or \$0.09 per diluted share; Non-GAAP net income of \$7.7 million, or \$0.18 per diluted share.

Warrants Impact

Third quarter warrants impact on Non-GAAP Gross margin was 188 BSP, Operating margin 322 BSP and 314 BSP on the Net margin.

Q4 2020 GUIDANCE

- Revenue is expected to be between \$62.0 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*



RIGHT MARKET TRENDS, RIGHT TECHNOLOGY, RIGHT COMPANY



OUR VISION

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