



Kornit
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Financial Results

March quarter 2017

May 9, 2017



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TODAY'S SPEAKERS



Gabi Seligsohn
CEO



Guy Avidan
CFO



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Business Overview

March quarter 2017

Gabi Seligsohn
Chief Executive Officer

A VERY BUSY FIRST QUARTER

- Amazon agreement announcement – multi year positive impact expected
- Successful first follow on - strong demand and an expanded investor base
- Cimpres agreement for global procurement of Avalanche Hexa R
- Non-GAAP revenue growth in all regions topped 28% YoY
- Non-GAAP operating margins grew 53% dollar wise to 3.7%
- Non-GAAP gross margins declined 230 basis points due to less favorable revenue mix vs. year ago quarter which had untypically high proportion of ink
- APAC and EMEA management changes paying off – significant increase in revs.
- Multiple systems supplied to Amazon – expecting continued supply in Q2 and stronger H2/17

ALLEGRO STARTING TO REALLY TAKE OFF

- Multiple systems shipped per quarter in last 3 quarters with continued momentum
- Strong marketing efforts paying off with multiple new customers in both EMEA and APAC:
 - Flyer Alarm, one of Europe's largest printers, became a customer to enable new online business
 - Reasons for choosing Kornit:
 - Versatility of the system, ability to print both cotton and synthetics, production integration scheme avoiding need for pre and post production treatment
 - AFS in Germany focusing on back to school personalized rucksacks
 - Fashion Matrix in India, large scale vertically integrated apparel manufacturer takes second Allegro
- System utilization gradually increasing at all customer sites – ramp up longer than DTG

SYSTEM UPGRADES GAINING MOMENTUM

- Benefitting service revenues
- Added Avalanche R series upgrade – well received by existing customers:
 - Significant reduction in cost per print
 - Improved user experience and reliability
- Rolled out a workflow solution for web to print customers with “Custom Gateway”
 - An effort to increase customer productivity and satisfaction
 - Workflow solution for web to print customers provided by “Custom Gateway”
 - Successfully showcased at trade show in France and this week in Fespa
 - Will announce several such partnerships in coming quarters to create eco-system
- Received patent for ink-jet printing on dyed synthetic fabrics – key for polyester efforts

OFF TO A GOOD SECOND QUARTER

- Fespa taking place this week in Hamburg
- High rate of participation and already received multiple orders for variety of systems
- Announced new platform called Storm Duo for light fabric printing – record breaking speed of 200 garments per hour
- Planning to attend another large trade show in China



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Guy Avidan
Chief Financial Officer

MARCH QUARTER FINANCIAL RESULTS

- Quarterly non GAAP revenues of \$28.0 million VS. \$21.8 in prior year, 28.4% YoY increase
- Quarterly non-GAAP gross margins of 46.4%, Decrease from 48.7% in Q1 2016
- Operating expenses of \$12.0 million, up 20.2% YoY
- Research and Development: 16.6% of revenues
- Sales & Marketing: 17.6% of revenues
- \$97.1M cash balance at end of Q1
- Company generated \$2.5 million from operating activities

GAAP TO NON-GAAP RECONCILIATION*

	Three Months Ended	
	March 31,	
	2017	2016
	(Unaudited)	
GAAP net loss as reported	\$ (1,737)	\$ (226)
Non-GAAP adjustments		
Fair value of warrants deducted from revenues (a)	938	-
Expenses recorded for share-based compensation	938	726
Acquisition related expenses	-	50
Intangible assets amortization	436	56
Total adjustments	<u>2,312</u>	<u>832</u>
Non-GAAP net income	<u>\$ 575</u>	<u>\$ 606</u>

* All numbers are in thousands

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QUARTERLY REVENUES

- Quarterly Non GAAP revenues of \$28.0 million vs. \$21.8 million in prior year, 28.4% YoY increase, 17.6% Decrease QoQ

Geographic Segments	Q1-16	Q1-17
Americas	65%	55%
EMEA	23%	29%
Asia Pacific	12%	16%
Total	100%	100%

- 2 largest customers accounted for 12.8% and 12.1% of our revenue
- 10 largest accounts represented 59% of revenues.

MARCH QUARTER – COGS & OPEX

- Non GAAP Gross margin of 46.4% in Q1/17 vs. 48.7 % in Q1/16, and vs 49.8% Q4/16.
- R&D expenses: 16.6% of sales in Q1/17 and in Q1/16
- Sales and Marketing expense: 17.6% of sales in Q1/17 vs. 19.7% in Q1/16
- G&A expenses: 8.5% of sales in Q1/17 vs. 9.3% in Q1/16
- Headcount as of March 31st was 397 employees

MARCH QUARTER – EPS

- Non GAAP Net Income Q1/17 \$0.6 million - \$0.02 per diluted share, same as Q1 2016
- GAAP Net loss Q1/17 \$1.7 million - \$0.05 net loss per diluted share vs. \$0.2 million net loss or 0.01 net loss per diluted share in Q1 2016

Q2' 2017 GUIDANCE

- Expected revenues between \$28.2 million to \$31.2 million
- Non GAAP Operating income expected to be between 5% to 10% of revenues
- End of quarter share count expected to be approximately 35 million



THANK YOU

