EFI Q1 2011 Earnings Call

Safe Harbor For Forward-Looking Statements

Certain statements in this press release are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements other than statements of historical fact including words such as “anticipate”, “believe”, “estimate”, “expect”, “consider” and “plan” and statements in the future tense are forward looking statements. The statements in this press release that could be deemed forward-looking statements include statements regarding growth prospects, market positioning, short and long term opportunities, and any statements or assumptions underlying any of the foregoing.

Forward-looking statements are subject to certain risks and uncertainties that could cause our actual future results to differ materially, or cause a material adverse impact on our results. Potential risks and uncertainties include, but are not necessarily limited to, inaccurate data or assumptions; unforeseen expenses; the difficulty of aligning expense levels with revenue; our ability to maintain effective cost control measures; management’s ability to forecast revenues, expenses and earnings; the market price of the Company’s common stock; the uncertainty regarding the amount and timing of future share repurchases by the Company; any world-wide financial and economic difficulties and downturns; adverse tax-related matters such as tax audits, changes in our effective tax rate or new tax legislative proposals; changes in, or the failure or inability to comply with governmental regulations, including import/export regulations or duties; failure to retain key employees; a significant decline or delay in demand for our products by any of our important OEM partners; the unpredictability of development schedules and commercialization of our OEM partners’ products; variations in growth rates or declines in the printing and imaging markets across various geographic regions; changes in the mix of products sold; the uncertainty of market acceptance of new product introductions; intense competition in each of our businesses, including competition from products developed by EFI’s customers; challenge of managing assets levels, including inventory and variations in inventory levels; the uncertainty of continued success in technological advances the challenges of obtaining timely, efficient and quality product manufacturing and components supplying; litigation involving intellectual property rights or other related matters; our ability to successfully integrate acquired businesses; the potential that investments in new business strategies and initiatives could disrupt the Company’s ongoing businesses and may present risks not originally contemplated; differences between the financial results as filed with the SEC and the preliminary results included in our earnings or other press releases, among other things, due to the complexity in accounting rules; and any other risk factors that may be included from time to time in the Company’s SEC reports.

The statements in this press release are made as of the date of this presentation. EFI undertakes no obligation to update information contained in this press release. For further information regarding risks and uncertainties associated with EFI’s businesses, please refer to the section entitled “Factors That Could Adversely Affect Performance” in the Company’s SEC filings, including, but not limited to, its annual report on Form 10-K and its quarterly reports on Form 10-Q, copies of which may be obtained by contacting EFI’s Investor Relations Department by phone at 650-357-3828 or by email at investor.relations@efi.com or EFI’s Investor Relations website at www.efi.com.

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About our Non-GAAP Net Income and Adjustments

To supplement our consolidated financial results prepared under generally accepted accounting principles, or GAAP, we use non-GAAP measures of net income (loss) and earnings per diluted share that are GAAP net income (loss) and GAAP earnings per diluted share adjusted to exclude certain recurring and non-recurring costs, expenses and gains.

We believe that the presentation of non-GAAP net income (loss) and non-GAAP earnings per diluted share provides important supplemental information regarding non-cash expenses, significant recurring and non-recurring items that we believe are important to understanding our financial, and business trends relating to our financial condition and results of operations. Non-GAAP net income (loss) and non-GAAP earnings per diluted share are among the primary indicators used by management as a basis for planning and forecasting future periods and by management and our board of directors to determine whether our operating performance has met specified targets and thresholds. Management uses non-GAAP net income (loss) and non-GAAP earnings per diluted share when evaluating operating performance because it believes that the exclusion of the items described below, for which the amounts and/or timing may vary significantly depending upon the Company's activities and other factors, facilitates comparability of the Company's operating performance from period to period. We have chosen to provide this information to investors so they can analyze our operating results in the same way that management does and use this information in their assessment of our business and the valuation of our Company.

We compute non-GAAP net income (loss) and non-GAAP earnings per diluted share by adjusting GAAP net income (loss) and GAAP earnings per diluted share to remove the impact of recurring amortization of acquisition-related intangibles, stock-based compensation expense, as well as restructuring related and non-recurring charges and gains and the tax effect of these adjustments. Such non-recurring charges and gains include end-of-life inventory purchase and related obsolescence, asset impairment charges, acquisition-related transaction costs, and costs to integrate such acquisitions into our business. Examples of these excluded items are:

Recurring charges and gains, including:

- Amortization of acquisition-related intangibles. Intangible assets acquired to date are being amortized on a straight-line basis.
- Stock-based compensation expense is recognized in accordance with FASB Accounting Standards Codification, Topic 718, Stock Compensation.

Non-recurring charges and gains, including:

- Excess solvent inventories and related end-of-life purchases.
- Acquisition-related transaction costs associated with the acquisition of privately held Streamline Development, LLC ("Streamline"), which closed on February 16, 2011. Streamline is the provider of PrintStream PMIS software focused on mailing and fulfillment services for the printing industry.
- Restructuring and Other consists of:
  - Restructuring related charges. We have incurred restructuring charges as we reduce the number and size of our facilities and the size of our workforce.
  - Asset impairment costs consist primarily of a facility closure, and the write-off of a private minority investment.
  - Expenses incurred to integrate Streamline.

Tax effect of non-GAAP adjustments. After removing the non-GAAP items, we apply the principles of ASC 740, Income Taxes, to estimate the non-GAAP income tax provision in each jurisdiction in which we operate.

These non-GAAP measures are not in accordance with or an alternative to GAAP and may be materially different from other non-GAAP measures, including similarly titled non-GAAP measures, used by other companies. The presentation of this additional information should not be considered in isolation from, as a substitute for, or superior to, net income (loss) or earnings per diluted share prepared in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect certain items that may have a material impact upon our reported financial results. We expect to continue to incur expenses of a nature similar to the non-GAAP adjustments described above, and exclusion of these items from our non-GAAP net income (loss) and non-GAAP earnings per diluted share should not be construed as an inference that these costs are unusual, infrequent or non-recurring.

For more information on the non-GAAP adjustments, please see the table captioned "Reconciliation of GAAP Net Income to non-GAAP Net Income" included in this presentation.

Key Takeaways

- 26% year-over-year revenue growth, highest Q1 revenue since 2007
- Significant improvement in Gross Margin – up 3.1 Pts year-over-year and 2.5 Pts sequentially
- $0.28 Non-GAAP EPS is the Highest Q1 Non-GAAP EPS since Q1 2007
- 2nd consecutive quarter of double digit Operating Margins
- Cash flow from operating activities of $11.6M
- Q1 marked the return to $70M+ revenue level for Fiery with revenue up 30% year-over-year and 10% sequentially
- Inkjet gross margin of 36.1% represents the 5th consecutive quarter of increasing margin
- 45% year-over-year revenue growth for the APPS business

Q1 2011 Results Summary

	Q1 2011	Q4 2010	% Change	Q1 2010	% Change
Revenue	$140.1M	$145.0M	(3.4%)	$110.8M	26.4%
Non-GAAP Net Income (Loss)	$13.5M	$13.3M	1.5%	($0.1M)	N/M
Non-GAAP Operating Profit %	11.1%	10.6%	0.5 Pts	1.9%	9.2 Pts
Non- GAAP EPS	$0.28	$0.28	N/M	($0.00)	N/M
GAAP Net Income (Loss)*	$6.2M	$8.0M	(22.5%)	($11.4M)	N/M
GAAP EPS *	$0.13	$0.17	(23.5%)	($0.25)	N/M

* See GAAP to Non-GAAP reconciliation on later slide.

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Reconciliation of GAAP to Non-GAAP Net Income Q1 2011 *

(in millions, except per share data)	Three Months Ended March 31, 2011	2010
GAAP Net Income (Loss)	$6.2	$(11.4)
Amortization of identified intangibles	3.4	2.9
Stock-based compensation expense	5.2	4.0
Acquisition-related transaction costs	0.6	0.6
Restructuring and Other	1.3	2.0
Tax effect of non-GAAP adjustments	(3.3)	1.7
Non-GAAP Net Income (Loss)	$13.5	($0.1)

* A description of EFI's use of non-GAAP measures is provided on slide 3 "About our non-GAAP Net Income and Adjustments."

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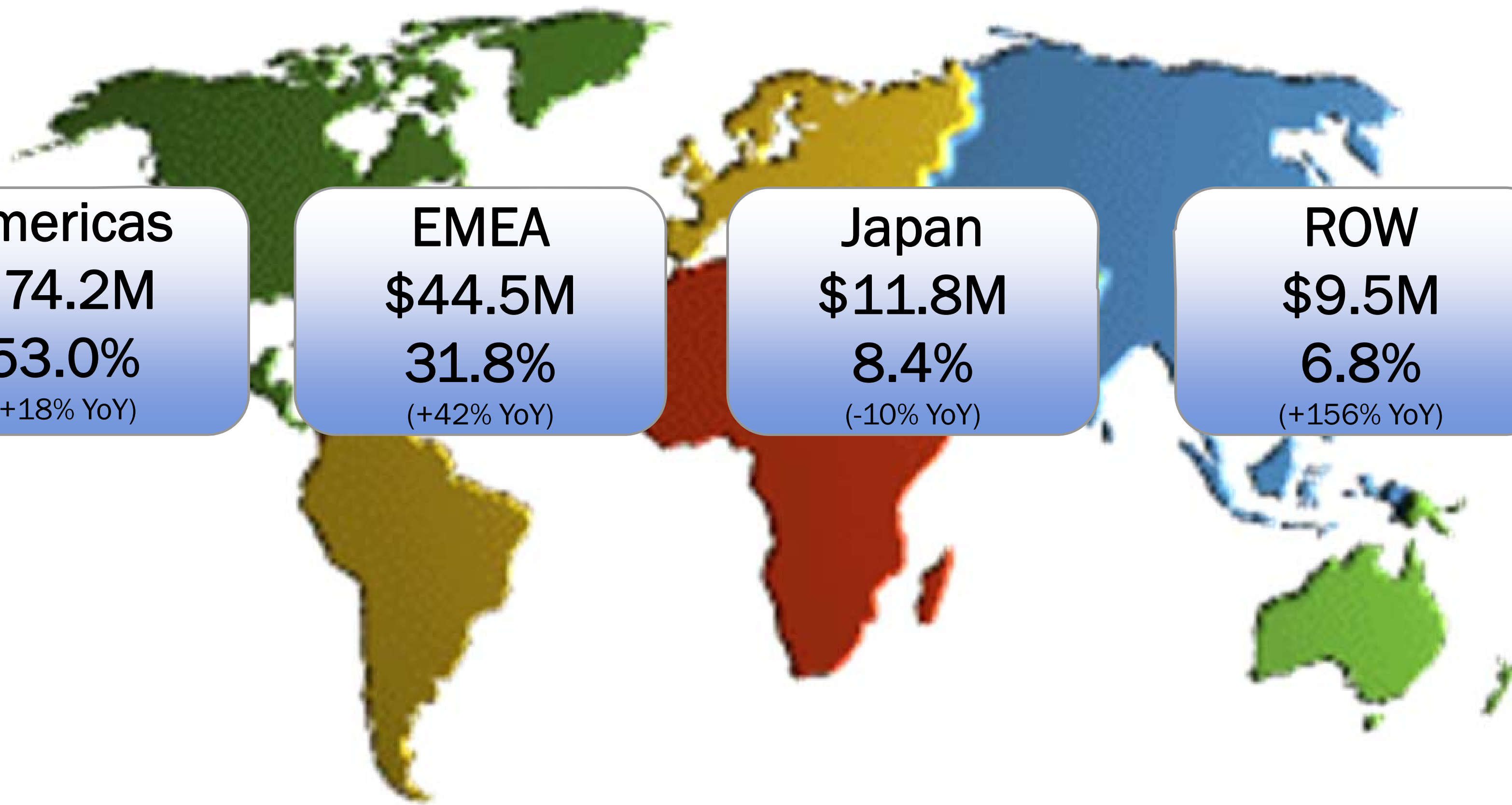
Geographical Revenue
Q1 2011: $140.1M



Americas	EMEA	Japan	ROW
$74.2M	$44.5M	$11.8M	$9.5M
53.0%	31.8%	8.4%	6.8%
(+18% YoY)	(+42% YoY)	(-10% YoY)	(+156% YoY)

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2011 Revenue by Business Segment

Business Segment	Q1 2011	Q2 2011	Q3 2011	Q4 2011	YTD 2011
Fiery	$72.4M (+30% YoY)				$72.4M
Inkjet	$51.0M (+16% YoY)				$51.0M
APPS (Advanced Professional Print Software)	$16.7M (+45% YoY)				$16.7M
Total Revenue	$140.1M (+26% YoY)				$140.1M

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2010 Revenue* by Business Segment

Business Segment	Q1 2010	Q2 2010	Q3 2010	Q4 2010	YTD 2010
Fiery	$55.5M (+9% YoY)	$56.4M (+35% YoY)	$61.0M (+36% YoY)	$65.7M (+19% YoY)	$238.6M (+24% YoY)
Inkjet	$43.8M (+37% YoY)	$50.2M (+38% YoY)	$52.2M (+18% YoY)	$61.4M (+31% YoY)	$207.7M (+30% YoY)
APPS (Advanced Professional Print Software)	$11.5M (-12% YoY)	$12.5M (+6% YoY)	$15.8M (+37% YoY)	$17.9M (+50% YoY)	$57.7M (+19% YoY)
Total Revenue*	$110.8M (+15% YoY)	$119.1M (+32% YoY)	$129.0M (+28% YoY)	$145.0M (+27% YoY)	$504.0M (+26% YoY)

*Previously reported revenue in the Fiery and APPS operating segments for the three months ended March 31 and June 30, 2010 has been revised to conform to the presentation used for September 30 and December 31, 2010 reflecting the reclassification of Proofing software revenue from the APPS operating segment to the Fiery operating segment. Total revenue reported for the three months ended March 31 and June 30, 2010 has not changed.

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2009 Revenue* by Business Segment

Business Segment	Q1 2009	Q2 2009	Q3 2009	Q4 2009	YTD 2009
Fiery	$51.0M (-29% YoY)	$41.8M (-44% YoY)	$44.9M (-36% YoY)	$55.3M (-24% YoY)	$193.0M (-33% YoY)
Inkjet	$32.1M (-40% YoY)	$36.5M (-37% YoY)	$44.3M (-27% YoY)	$46.8M (-2% YoY)	$159.7M (-27% YoY)
APPS (Advanced Professional Print Software)	$13.0M (+12% YoY)	$11.8M (+4% YoY)	$11.6M (-12% YoY)	$11.9M (-21% YoY)	$48.4M (-6% YoY)
Total Revenue*	$96.1M (-30% YoY)	$90.1M (-37% YoY)	$100.9M (-30% YoY)	$114.0M (-16% YoY)	$401.1M (-28% YoY)

* Previously reported revenue in the Fiery and APPS operating segments for each of the periods presented has been revised to conform to the presentation used for March 31, 2011, reflecting the reclassification of Proofing software revenue from the APPS operating segment to the Fiery operating segment. Total revenue reported for each of the periods presented herein has not changed.

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2011 Gross Margin by Business Segment

Business Segment	Q1 2011	Q2 2011	Q3 2011	Q4 2011	YTD 2011
Fiery	68.0% (+0.8 Pts YoY)				68.0%
Inkjet	36.1% (+3.7 Pts YoY)				36.1%
APPS (Advanced Professional Print Software)	68.1% (+2.7 Pts YoY)				68.1%
Total Gross Margin	56.4% (+3.1 Pts YoY)				56.4%

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2010 Gross Margin* by Business Segment

Business Segment	Q1 2010	Q2 2010	Q3 2010	Q4 2010	YTD 2010
Fiery	67.2% (-1.9 Pts YoY)	67.4% (+0.2 Pts YoY)	68.3% (+2.3 Pts YoY)	67.3% (+1.8 Pts YoY)	67.6% (+0.6 Pts YoY)
Inkjet	32.4% (+3.3 Pts YoY)	33.6% (+3.6 Pts YoY)	34.5% (+0.8 Pts YoY)	34.8% (+1.7 Pts YoY)	33.9% (+2.1 Pts YoY)
APPS (Advanced Professional Print Software)	65.4% (-0.4 Pts YoY)	69.1% (+1.4 Pts YoY)	67.2% (-0.4 Pts YoY)	70.0% (+1.6 Pts YoY)	68.1% (+0.8 Pts YoY)
Total Gross Margin*	53.3% (-2.0 Pts YoY)	53.3% (+1.1 Pts YoY)	54.5% (+2.5 Pts YoY)	53.9% (+1.4 Pts YoY)	53.8% (+0.8 Pts YoY)

*Previously reported gross margin in the Fiery and APPS operating segments for the three months ended March 31 and June 30, 2010 has been revised to conform to the presentation used for September 30 and December 31, 2010, reflecting the reclassification of Proofing software gross margin from the APPS operating segment to the Fiery operating segment. Total gross margin reported for the three months ended March 31 and June 30, 2010 has not changed.

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2009 Gross Margin* by Business Segment

Business Segment	Q1 2009	Q2 2009	Q3 2009	Q4 2009	YTD 2009
Fiery	69.1% (+1.1 Pts YoY)	67.2% (-0.2 Pts YoY)	66.0% (-2.9 Pts YoY)	65.5% (-3.4Pts YoY)	67.0% (-1.3 Pts YoY)
Inkjet	29.1% (-13.6 Pts YoY)	30.0% (-13.5 Pts YoY)	33.7% (-7.8 Pts YoY)	33.1% (-1.4 Pts YoY)	31.8% (-9.0 Pts YoY)
APPS (Advanced Professional Print Software)	65.8% (+8.2 Pts YoY)	67.7% (+5.6 Pts YoY)	67.6% (+1.3 Pts YoY)	68.4% (+0.4 Pts YoY)	67.3% (-3.4 Pts YoY)
Total Gross Margin*	55.3% (-1.9 Pts YoY)	52.2% (-5.1 Pts YoY)	52.0% (-5.1 Pts YoY)	52.5% (-4.1 Pts YoY)	53.0% (-4.0 Pts YoY)

*Previously reported gross margin in the Fiery and APPS operating segments for each of the periods presented has been revised to conform to the presentation used for March 31, 2011, reflecting the reclassification of Proofing software gross margin from the APPS operating segment to the Fiery operating segment. Total gross margin reported for each of the periods presented has not changed.

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Non-GAAP Operating Expenses

	Q1 2011	Q4 2010	Q1 2010
Non-GAAP Operating Expenses*	$63.3M	$62.7M	$56.9M
Research & Development	$26.6M (19.0% of rev.)	$26.6M (18.3% of rev.)	$25.0M (22.6% of rev.)
Sales & Marketing	$27.4M (19.5% of rev.)	$28.1M (19.4% of rev.)	$24.2M (21.8% of rev.)
General & Administrative	$9.4M (6.7% of rev.)	$8.1M (5.6% of rev.)	$7.7M (7.0% of rev.)

* Non-GAAP operating expenses exclude the impact of recurring amortization of acquisition-related intangibles, stock-based compensation expense, as well as restructuring related and non-recurring charges and gains and the tax effect of these adjustments. Such non-recurring charges and gains include asset impairment charges, acquisition-related transaction costs, and costs to integrate such acquisitions into our business.

Key Balance Sheet Figures

	Q1 2011	Q4 2010	Q1 2010
Cash Flow from Operating Activities	$11.6M	$25.0M	$0.0M
Total Cash & Investments *	$225.2M	$229.7M	$204.8M
Accounts Receivable (net)	$92.6M	$85.5M	$71.7M
DSO	59.5	54.2	58.2
Inventory, net	$44.9M	$46.2M	$43.4M
Total Assets	$719.6M	$706.6M	$646.2M

* Excludes $56.9 million long term restricted investments

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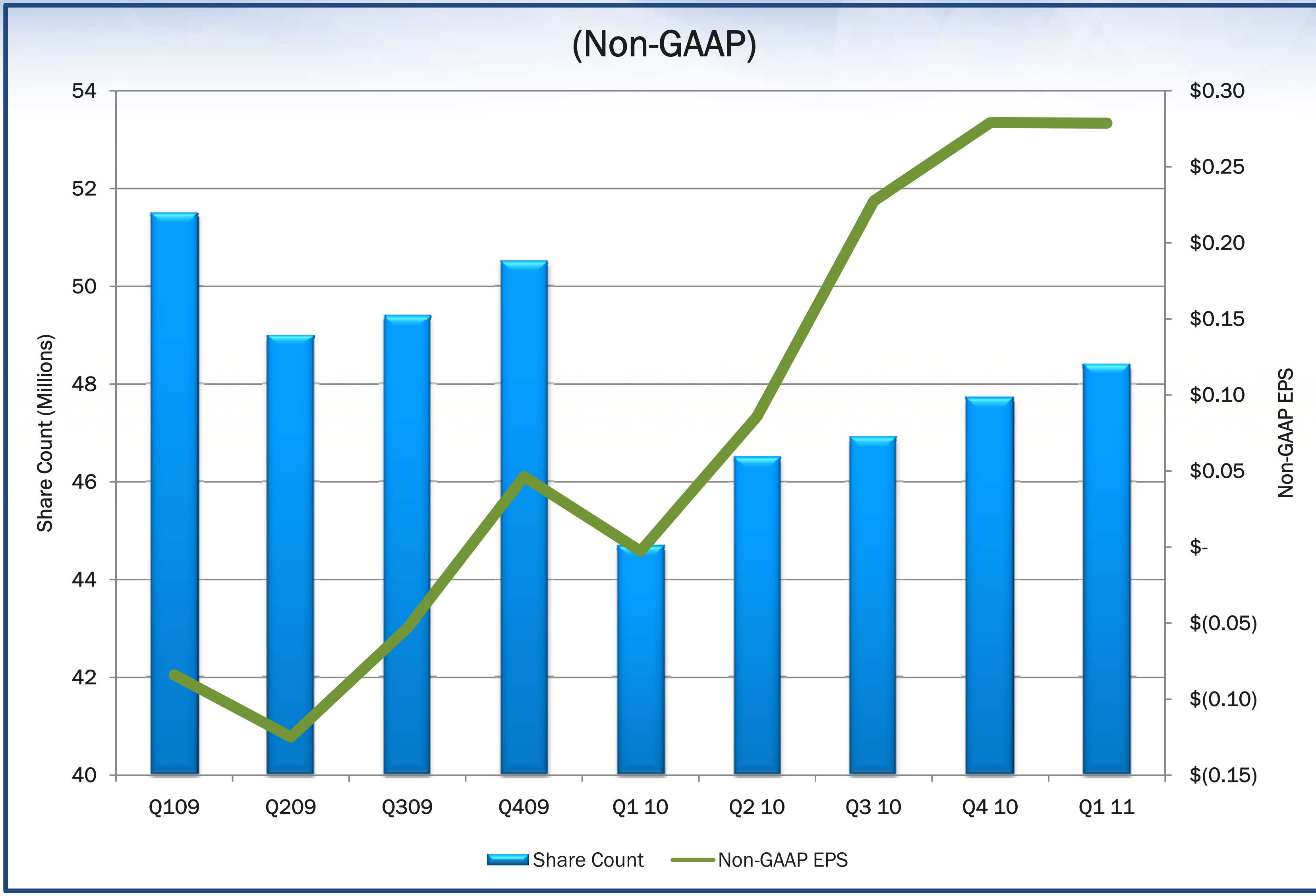
Fully Diluted Share Count & EPS



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