

EFI Q2 2011 Earnings Call

July 21, 2011



Safe Harbor For Forward-Looking Statements

Certain statements in this presentation 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 presentation 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, unforeseen expenses; the difficulty of aligning expense levels with revenue; management’s ability to forecast revenues, expenses and earnings; 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; the unpredictability of development schedules and commercialization of our OEM partners’ products and declines or delays in demand for our related products; 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; and any other risk factors that may be included from time to time in the Company’s SEC reports.

The statements in this presentation are made as of the date of this presentation. EFI undertakes no obligation to update information contained in this presentation. 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.



Q2 Key Takeaways

- \$141M revenue, up 19% Year-over-Year (YoY)
- Double-digit revenue growth across all segments and regions
- Record recurring revenue of \$34M driven by record results for ink and software maintenance
- Significant improvement in Gross Margin (+260 bps YoY) driven by scale and operational efficiencies
- 3rd consecutive quarter of double-digit Operating Margins
- 156% YoY growth in non-GAAP EPS of \$0.23
- Cash flow from operations of \$20.8M, up 73% YoY
- Q311 Guidance
 - Revenue of \$143-146M or 11-13% YoY Growth
 - Non-GAAP EPS of \$0.24-0.26

Notes:

- This information is current as of July 21, 2011 and is not subject to update.
- Detailed GAAP to Non-GAAP reconciliation and information provided on slides 5 and 17.



Q2 2011 Results Summary

	Q2 2011	Q1 2011	% Change	Q2 2010	% Change
Revenue	\$141.2M	\$140.1M	1%	\$119.1M	19%
Non-GAAP Net Income	\$11.3M	\$13.5M	(16%)	\$4.0M	183%
Non-GAAP Operating Profit %	10.0%	11.1%	(110 bps)	6.0%	400 bps
Non- GAAP EPS	\$0.23	\$0.28	(18%)	\$0.09	156.0%
GAAP Net Income (Loss)	\$3.6M	\$6.2M	(42%)	(\$2.5M)	n/a
GAAP EPS	\$0.07	\$0.13	(46%)	(\$0.06)	n/a

Notes:

- This information is current as of July 21, 2011 and is not subject to update.
- Detailed GAAP to Non-GAAP reconciliation and information provided on slides 5 and 17.



Q2 2011 Net Income

Reconciliation of GAAP to Non-GAAP

Three Months Ended		Six Months Ended	
June 30,		June 30,	
2011	2010	2011	2010

(in millions, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
GAAP Net Income (Loss)	<u>\$ 3.6</u>	<u>\$ (2.5)</u>	<u>\$ 9.9</u>	<u>\$ (13.9)</u>
Excess solvent inventories and related end-of-life purchases	—	2.3	—	2.3
Amortization of identified intangibles	3.0	2.9	6.4	5.9
Stock-based compensation expense	7.1	3.3	12.3	7.2
Acquisition-related transaction costs	0.3	0.5	0.9	1.1
Restructuring and other	<u>0.4</u>	<u>1.0</u>	<u>1.7</u>	<u>3.0</u>
Tax effect of non-GAAP adjustments	<u>(3.0)</u>	<u>(3.4)</u>	<u>(6.3)</u>	<u>(1.7)</u>
Non-GAAP Net Income	<u><u>\$ 11.3</u></u>	<u><u>\$ 4.0</u></u>	<u><u>\$ 24.8</u></u>	<u><u>\$ 3.9</u></u>

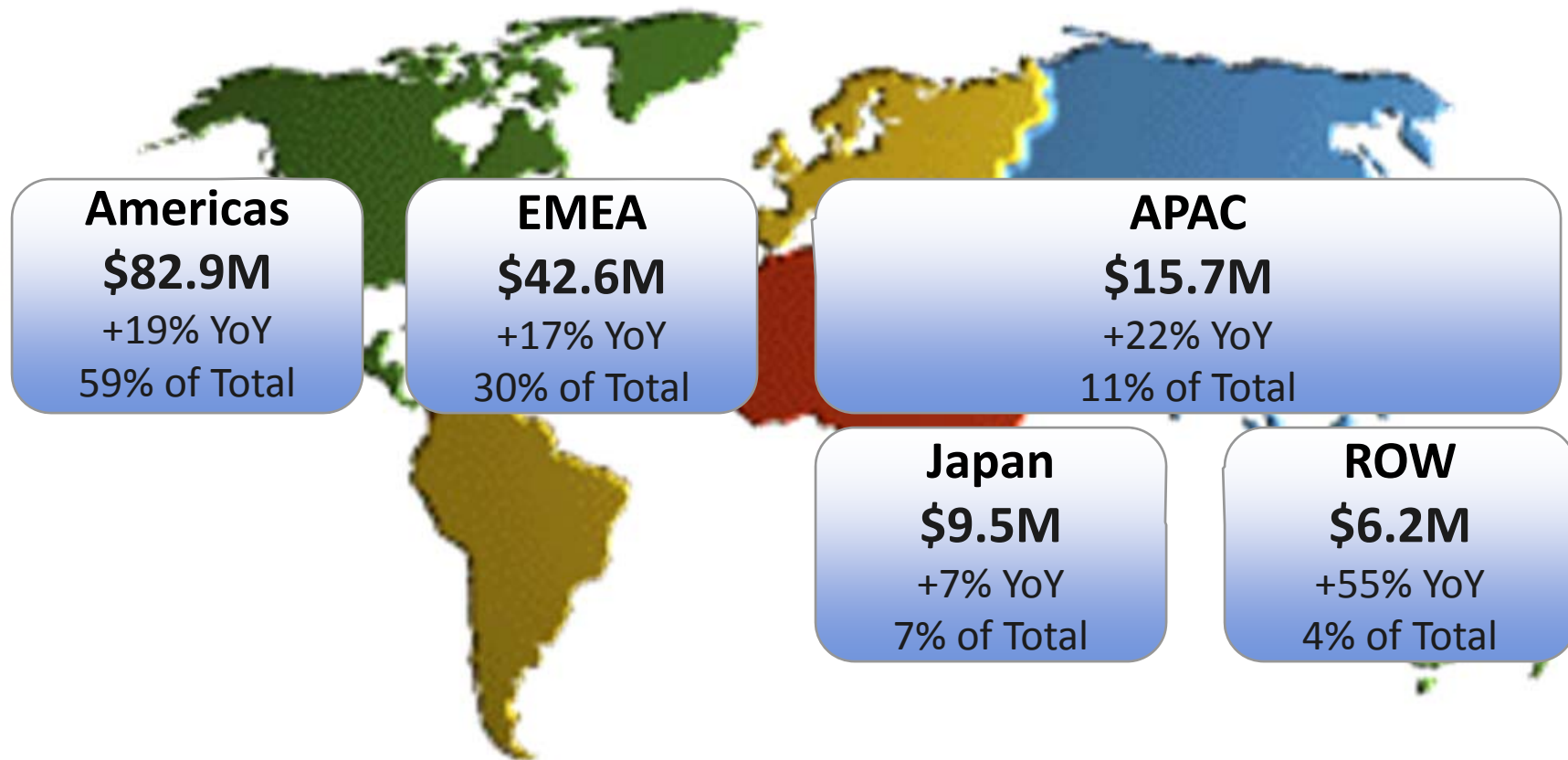
Notes:

- This information is current as of July 21, 2011 and is not subject to update.
- Detailed GAAP to Non-GAAP reconciliation and information provided on slides 5 and 17.



Geographical Revenue

Q2 2011: \$141.2M



Notes:

- This information is current as of July 21, 2011 and is not subject to update.
- Detailed GAAP to Non-GAAP reconciliation and information provided on slides 5 and 17.

2011 Revenue by Business Segment

Business Segment	Q1 2011	Q2 2011	Q3 2011	Q4 2011	YTD 2011
Fiery	\$72.4M (+30% YoY)	\$64.6M (+15% YoY)			\$137.0M (+22% YoY)
Inkjet	\$51.0M (+16% YoY)	\$57.2M (+14% YoY)			\$108.3M (+15% YoY)
APPS (Advanced Professional Print Software)	\$16.7M (+45% YoY)	\$19.3M (+54% YoY)			\$36.0M (+50% YoY)
Total Revenue	\$140.1M (+26% YoY)	\$141.2M (+19% YoY)			\$281.2M (+22% YoY)

Notes:

- This information is current as of July 21, 2011 and is not subject to update.
- Detailed GAAP to Non-GAAP reconciliation and information provided on slides 5 and 17.



2011 Non-GAAP Gross Margin by Business Segment

Business Segment	Q1 2011	Q2 2011	Q3 2011	Q4 2011	YTD 2011
Fiery	68.0% (+0.8 Pts YoY)	68.1% (+0.7 Pts YoY)			68.0% (+0.7 Pts YoY)
Inkjet	36.1% (+3.7 Pts YoY)	37.5% (+3.9 Pts YoY)			36.9% (+3.8 Pts YoY)
APPS (Advanced Professional Print Software)	68.1% (+2.7 Pts YoY)	70.1% (+1.0 Pts YoY)			69.2% (+1.8 Pts YoY)
Total Gross Margin	56.4% (+3.1 Pts YoY)	56.0% (+2.6 Pts YoY)			56.2% (+2.9 Pts YoY)

Notes:

- This information is current as of July 21, 2011 and is not subject to update.
- Detailed GAAP to Non-GAAP reconciliation and information provided on slides 5 and 17.



Non-GAAP Operating Expenses

	Q2 2011	Q1 2011	Q2 2010
Non-GAAP Operating Expenses	\$64.9M (46.0% of rev.)	\$63.3M (45.2% of rev.)	\$56.4M (47.3% of rev.)
Research & Development	\$27.0M (19.1% of rev.)	\$26.6M (19.0% of rev.)	\$24.1M (20.2% of rev.)
Sales & Marketing	\$28.5M (20.2% of rev.)	\$27.4M (19.5% of rev.)	\$25.2M (21.1% of rev.)
General & Administrative	\$9.4M (6.7% of rev.)	\$9.4M (6.7% of rev.)	\$7.1M (6.0% of rev.)

Notes:

- This information is current as of July 21, 2011 and is not subject to update.
- Detailed GAAP to Non-GAAP reconciliation and information provided on slides 5 and 17.



Key Balance Sheet Figures

	Q2 2011	Q1 2011	Q2 2010
Cash Flow from Operating Activities	\$20.8M	\$11.1M	\$12.0M
Total Cash & Investments *	\$231.9M	\$225.2M	\$213.2M
Working Capital Days	57.4	58.6	60.7
Accounts Receivable (net)	\$87.5M	\$92.6M	\$75.8M
DSO	56.4	59.5	57.9
Inventory, net	\$46.7M	\$44.9M	\$41.0M
Inventory Turns	5.4	5.4	5.3
Total Assets	\$721.4M	\$719.6M	\$652.5M

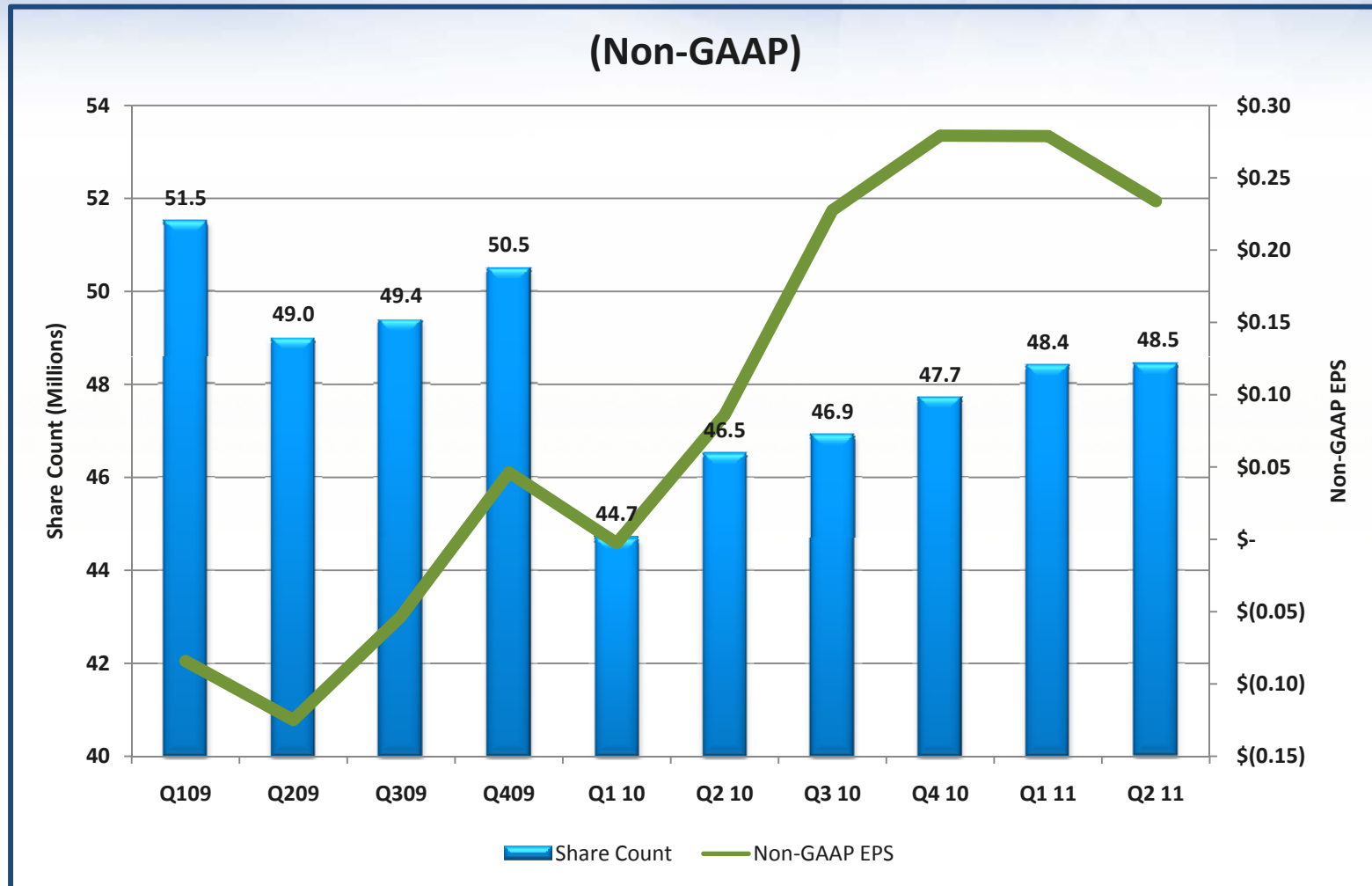
* Excludes \$56.9 million long term restricted investments

Notes:

- This information is current as of July 21, 2011 and is not subject to update.
- Detailed GAAP to Non-GAAP reconciliation and information provided on slides 5 and 17.



Fully Diluted Share Count & EPS



Notes:

- This information is current as of July 21, 2011 and is not subject to update.
- Detailed GAAP to Non-GAAP reconciliation and information provided on slides 5 and 17.



Appendix

2010 Revenue* by Business Segment

Business Segment	Q1 2010	Q2 2010	Q3 2010	Q4 2010	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 and six months ended June 30, 2010 has been revised to conform to the presentation used for the three and six months ended June 30, 2011 reflecting the reclassification of Proofing software revenue from the APPS operating segment to the Fiery operating segment. Total revenue reported for the three and six months ended June 30, 2010 has not changed.

Notes:

- This information is current as of July 21, 2011 and is not subject to update.
- Detailed GAAP to Non-GAAP reconciliation and information provided on slides 5 and 17.



2009 Revenue* by Business Segment

Business Segment	Q1 2009	Q2 2009	Q3 2009	Q4 2009	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 June 30, 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.

Notes:

- This information is current as of July 21, 2011 and is not subject to update.
- Detailed GAAP to Non-GAAP reconciliation and information provided on slides 5 and 17.



2010 Non-GAAP Gross Margin* by Business Segment

Business Segment	Q1 2010	Q2 2010	Q3 2010	Q4 2010	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 each of the periods presented has been revised to conform to the presentation used for June 30, 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.

Notes:

- This information is current as of July 21, 2011 and is not subject to update.
- Detailed GAAP to Non-GAAP reconciliation and information provided on slides 5 and 17.



2009 Non-GAAP Gross Margin* by Business Segment

Business Segment	Q1 2009	Q2 2009	Q3 2009	Q4 2009	2009
Fiery	69.1% (+1.1 Pts YoY)	67.2% (-0.2 Pts YoY)	66.0% (-2.9 Pts YoY)	65.5% (-3.4 Pts 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 June 30, 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.

Notes:

- This information is current as of July 21, 2011 and is not subject to update.
- Detailed GAAP to Non-GAAP reconciliation and information provided on slides 5 and 17.



About our Non-GAAP Net Income and Adjustments

Use of Non-GAAP Financial Information

To supplement our condensed consolidated financial results prepared under generally accepted accounting principles, or GAAP, we use non-GAAP measures of net income 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 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 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 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.

Use and Economic Substance of Non-GAAP Financial Measures used by EFI

We compute non-GAAP net income 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 businesses acquired during the periods reported and anticipated transactions.
 - 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 businesses acquired during the periods reported.
- Tax effect of non-GAAP adjustments. After adjusting to exclude the items described above, we apply the principles of ASC 740, Income Taxes, to estimate the non-GAAP income tax provision in each jurisdiction in which we operate.

Usefulness of Non-GAAP Financial Information to Investors

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 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.

