EFI Q3 2011 Earnings Call

October 20, 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 our projections and estimates, including but not limited to projections of revenue and earnings per share, 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.

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Q3 2011 Summary

- $147M revenue, up 14% Year-over-Year (YoY)
- Record recurring revenue of $36M, up 12% YoY
  - Record results for ink and software maintenance
- Gross Margin of 56.6%, up +210 bps YoY driven by operational efficiencies and growing sales volumes
  - Inkjet gross margin of 39.6%, up 510 bps YoY, near its business target of 40%
- Operating profit of $16.5M, up 49% YoY resulting in 11.2% operating margin
  - Highest operating margin percentage since Q3 2007
  - 4th consecutive quarter of double-digit operating margins
- Non-GAAP EPS of $0.25 including $0.03 non-operational loss from currency
- Cash flow from operations of $11M, up 59% YoY
  - YTD cash flows from operations of $43M, up 127% YoY
- Q411 Guidance
  - Revenue of $155 to 160M or 7 to 10% YoY Growth
  - Non-GAAP EPS of $0.31 to $0.34

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Q3 2011 P&L Summary

$M	Q3 2011	Q2 2011	% Change	Q3 2010	% Change
NON-GAAP					
Revenue	$ 147.3	$ 141.2	4%	$ 129.0	14%
Operating Profit	16.5	14.1	17%	11.1	49%
Operating Profit %	11.2%	10.0%	1.2 pts	8.6%	2.6 pts
Net Income	11.6	11.3	3%	10.7	8%
EPS	$ 0.25	$ 0.23	9%	$ 0.23	9%
GAAP					
GAAP Net Income	6.1	3.6	69%	13.4	(54%)
GAAP EPS	$ 0.13	$ 0.07	86%	$ 0.29	(55%)

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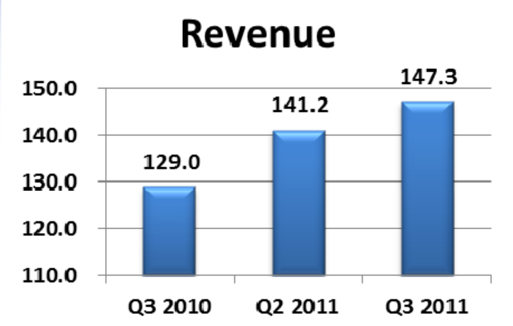
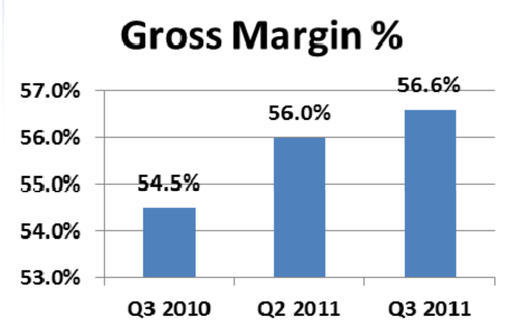
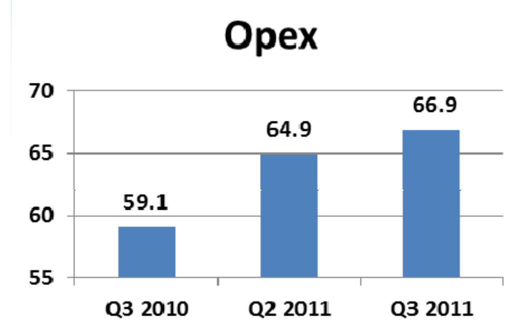
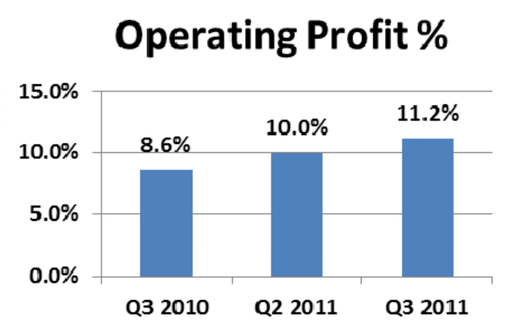
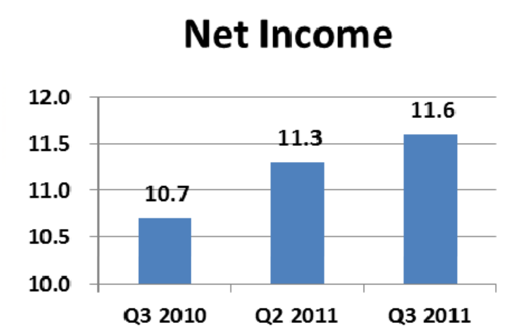
Q3 2011 Non-GAAP Key Performance Metrics

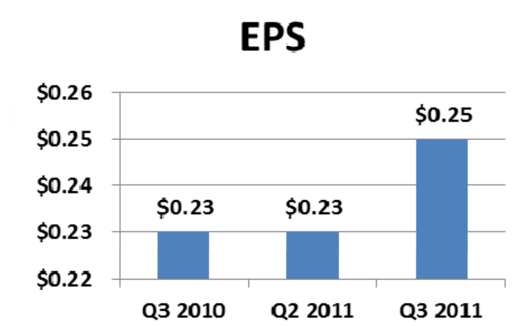


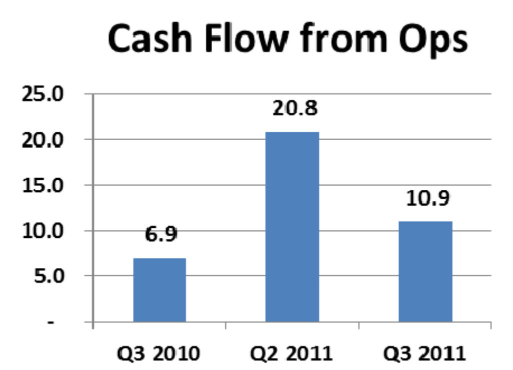


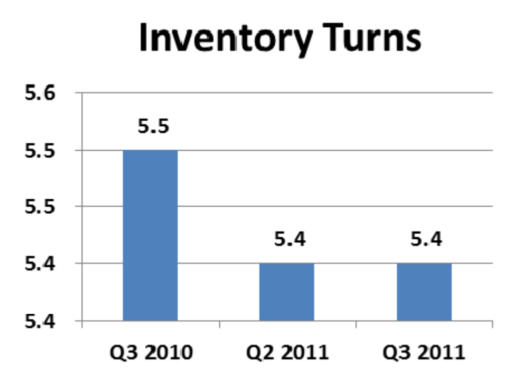


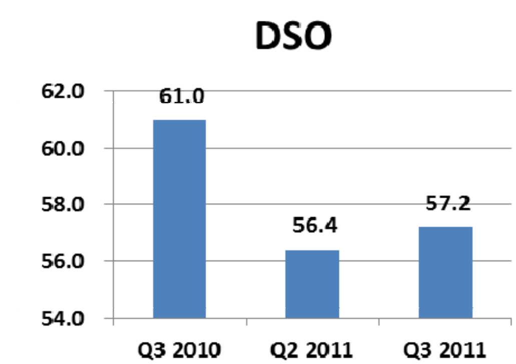












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- Revenue and Cash from Ops are determined in accordance with GAAP.

Revenue by Segment & Geography

Revenue ($M)	Q3 2011	Q2 2011	% Change	Q3 2010	% Change
Fiery	66.4	64.6	3%	61.0	9%
% of Total	*45%*	*46%*		*47%*	
Inkjet	59.4	57.3	4%	52.2	14%
% of Total	*40%*	*40%*		*41%*	
APPS	21.5	19.3	11%	15.8	36%
% of Total	*15%*	*14%*		*12%*	
Americas	84.9	82.9	2%	75.7	12%
% of Total	*58%*	*59%*		*59%*	
EMEA	46.6	42.6	9%	37.5	24%
% of Total	*31%*	*30%*		*29%*	
APAC	15.8	15.7	1%	15.8	-
% of Total	*11%*	*11%*		*12%*	
Japan	*7.3*	*9.5*	*(23%)*	*11.0*	*(34%)*
% of Total	*5%*	*7%*		*8%*	
ROW	*8.5*	*6.2*	*37%*	*4.8*	*77%*
% of Total	*6%*	*4%*		*4%*	
EFI	**$ 147.3**	**$ 141.2**	**4%**	**$ 129.0**	**14%**

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Gross Margin by Business Segment

Non-GAAP

Non-GAAP Gross Margin %	Q3 2011	Q2 2011	% Change	Q3 2010	% Change
Fiery	67.5%	68.1%	(60 pts)	68.3%	(80 pts)
Inkjet	39.6%	37.5%	210 pts	34.5%	510 pts
APPS	70.5%	70.1%	40 pts	67.2%	330 pts
EFI	56.6%	56.0%	60 pts	54.5%	210 pts

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Operating Expenses

Non-GAAP

Non-GAAP Operating Expenses ($M)	Q3 2011	Q2 2011	% Change	Q3 2010	% Change
Research & Development	28.2	27.0	4%	26.0	8%
% of Revenue	*19.1%*	*19.1%*		*20.1%*	
Sales & Marketing	29.1	28.5	2%	26.2	11%
% of Revenue	*19.8%*	*20.2%*		*20.3%*	
General & Administrative	9.6	9.4	2%	6.9	39%
% of Revenue	*6.5%*	*6.7%*		*5.4%*	
EFI	**66.9**	**64.9**	**3%**	**59.1**	**13%**
% of Revenue	*45.4%*	*46.0%*		*45.8%*	

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Consolidated P&L

Non-GAAP

Non-GAAP Consolidated P&L ($M)	Q3 2011	Q2 2011	% Change	Q3 2010	% Change
Revenue	$ 147.3	$ 141.2	4%	$ 129.0	14%
GM %	56.6%	56.0%	60 pts	54.5%	210 pts
Operating Expenses	66.9	64.9	3%	59.1	13%
Operating Profit	16.5	14.1	17%	11.1	49%
Operating Profit %	11.2%	10.0%	1.2 pts	8.6%	2.6 pts
Other Income/Expense	(1.5)	0.8	(288%)	3.1	(148%)
Tax Rate	23%	24%	(1 pts)	25%	(2 pts)
Net Income	11.6	11.3	3%	10.7	8%
EPS	$ 0.25	$ 0.23	9%	$ 0.23	9%
Diluted Sharecount (000's)	47,307	48,458	(2%)	46,856	1%

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Q3 2011 GAAP to Non-GAAP P&L Bridge

GAAP to Non-GAAP Bridge ($M)	GAAP	Stock Based Comp Exp	Amort of Identitifed Intangibles	Acquisition Related Transaction Costs	Restructuring and Other	Special Items*	Non-GAAP
Revenue	$ 147.3						$ 147.3
Cost of Sales	64.5	(0.7)					63.8
GM %	56.2%						56.6%
Operating Expenses	76.6	(4.6)	(2.3)	(0.7)	(0.6)	(1.5)	66.9
Operating Profit %	4.2%						11.2%
Other Income/Expense	1.4					(2.9)	(1.5)
Pre-Tax Income	7.5	5.3	2.3	0.7	0.6	(1.4)	15.0
Tax Rate	19%						23%
Net Income	6.1						11.6
EPS	**$0.13**						**$ 0.25**
Diluted Sharecount (000's)	**47,307**						**47,307**

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Special Items:
- Change in Fair Value of Contingent Consideration of $1.5M
- Gain on Sale of Minority Investment in a Privately-Held Company of $2.9M

Key Balance Sheet Figures

Key Balance Sheet Figures	Q3 2011	Q2 2011	Q3 2010
Total Cash & Investments*	$202.9M	$231.9M	$207.0M
Cash Flow from Operations	$10.9M	$20.8M	$6.9M
Cash Conversion Cycle (CCC)	59.2	57.4	61.0
Accounts Receivable (net)	$91.5	$87.5	$85.6
DSO	57.2	56.4	61.0
Inventory, net	$47.3	$46.7	$45.2
Inventory Turns	5.4	5.4	5.5
Total Assets	$720.0M	$721.4M	$684.9M

* Excludes $56.9 million long term restricted investments

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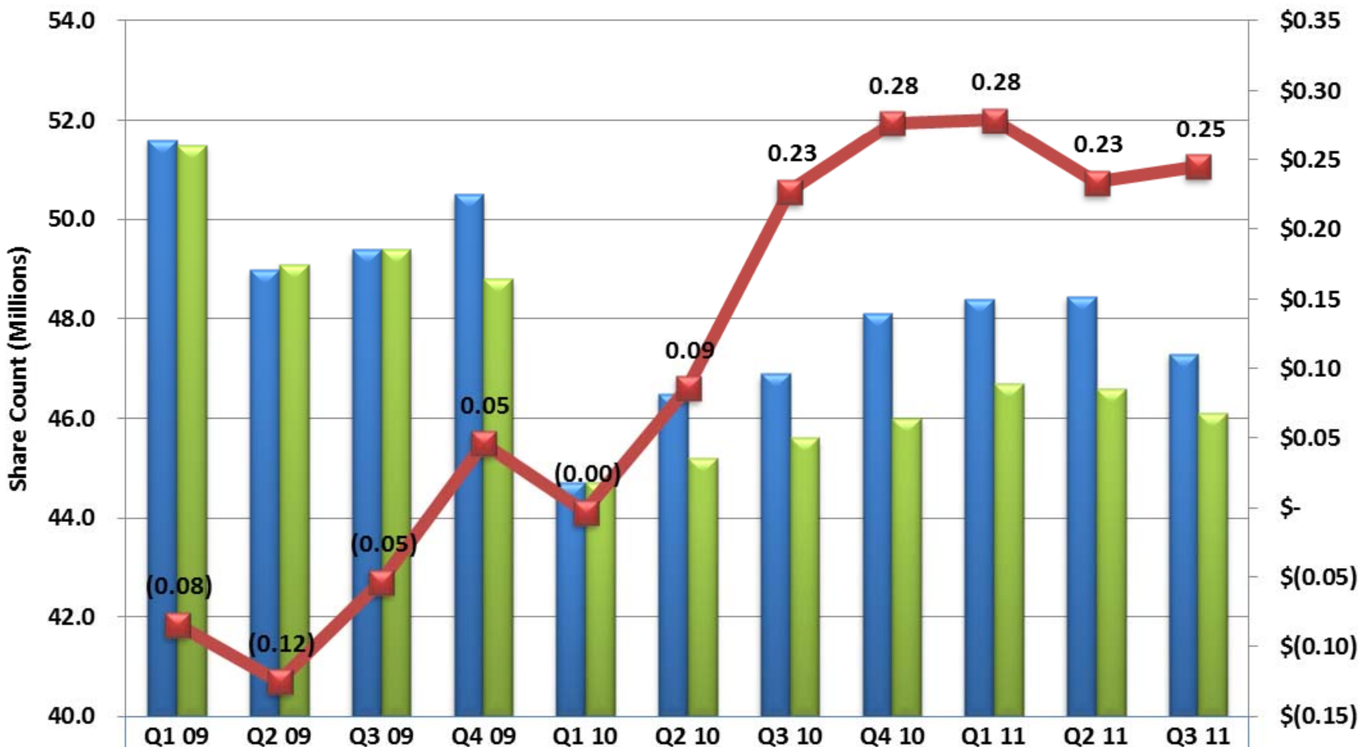
Share Count & Non-GAAP EPS



	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11
Diluted Sharecount	51.6	49.0	49.4	50.5	44.7	46.5	46.9	48.1	48.4	48.5	47.3
Basic Sharecount	51.5	49.1	49.4	48.8	44.7	45.2	45.6	46	46.7	46.6	46.1
Diluted EPS	(0.08)	(0.12)	(0.05)	0.05	(0.00)	0.09	0.23	0.28	0.28	0.23	0.25
Basic EPS	(0.08)	(0.12)	(0.05)	0.05	(0.00)	0.09	0.23	0.29	0.29	0.24	0.25

Diluted Sharecount Basic Sharecount Diluted EPS

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Appendix

2010 Revenue by Business Segment

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

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2009 Revenue by Business Segment

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

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2010 Gross Margin by Business Segment

Non-GAAP

Non-GAAP Gross Margin %	Q1 2010	Q2 2010	Q3 2010	Q4 2010	2010
Fiery YoY Change	67.2% -1.9 Pts	67.4% +0.2 Pts	68.3% +2.3 Pts	67.3% +1.8 Pts	67.6% +0.6 Pts
Inkjet YoY Change	32.4% +3.3 Pts	33.6% +3.6 Pts	34.5% +0.8 Pts	34.8% +1.7 Pts	33.9% +2.1 Pts
APPS YoY Change	65.4% -0.4 Pts	69.1% +1.4 Pts	67.2% -0.4 Pts	70.0% +1.6 Pts	68.1% +0.8 Pts
Total Gross Margin YoY Change	53.3% -2.0 Pts	53.3% +1.1 Pts	54.5% +2.5 Pts	53.9% +1.4 Pts	53.8% +0.8 Pts

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2009 Gross Margin by Business Segment

Non-GAAP

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

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Reconciliation of GAAP to Non-GAAP

GAAP to Non-GAAP Reconciliation ($M)	Q110	Q210	Q310	Q410	FY10	Q111	Q211	Q311	Q411	FY11
GAAP										
Net Income (Loss)	**(11.4)**	**(2.5)**	**13.4**	**8.0**	**7.5**	**6.2**	**3.6**	**6.1**		**15.9**
EPS	**$ (0.25)**	**$ (0.06)**	**$ 0.29**	**$ 0.17**	**$ 0.16**	**$ 0.13**	**$ 0.07**	**$0.13**		**$ 0.33**
ADJUSTMENTS										
COGS: Excess Solvent Inventories & End of Life Purchases	-	2.3	-	-	2.3	-	-	$ -		-
COGS: Stock Based Compensation Expense	0.3	0.3	0.3	0.2	1.0	0.2	0.4	$ 0.7		1.3
OPEX: Stock Based Compensation Expense	3.7	3.0	4.6	3.6	14.9	5.0	6.7	$ 4.6		16.3
OPEX: Amortization of Identified Intangibles	2.9	2.9	3.4	3.2	12.4	3.4	3.0	$ 2.3		8.7
OPEX: Acquisition-Related Transaction Costs	0.6	0.5	0.1	-	1.2	0.6	0.2	$ 0.7		1.5
OPEX: Change in Fair Value of Contingent Consideration	-	-	-	-	-	-	-	$ 1.5		1.5
OPEX: Restructuring and Other	2.0	1.0	1.0	0.3	4.3	1.4	0.4	$ 0.6		2.4
OI&E: Gain on Sale of Minority Investment in a Privately-Held Company	-	-	-	-	-	-	-	$ (2.9)		(2.9)
Tax Effect of Non-GAAP Adjustments	1.7	(3.4)	(12.0)	(2.0)	(15.7)	(3.3)	(3.0)	$ (2.0)		(8.3)
NON-GAAP										
Non-GAAP Net Income (Loss)	**$ (0.1)**	**$ 4.0**	**$ 10.7**	**$ 13.3**	**$ 27.9**	**$ 13.5**	**$ 11.3**	**$ 11.6**		**$ 36.4**
Non-GAAP EPS	**$ -**	**$ 0.09**	**$ 0.23**	**$ 0.28**	**$ 0.59**	**$ 0.28**	**$ 0.23**	**$0.25**		**$ 0.76**

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About our Non-GAAP Net Income and Adjustments

Use of Non-GAAP Financial Information

To supplement our consolidated financial results prepared in accordance with 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 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

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 and 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, sale of a non-strategic minority investment in a private company, acquisition-related transaction costs, and costs to integrate such acquisitions into our business.

- 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 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.
  - Restructuring and other consists of:
    - Restructuring related charges. We have incurred restructuring charges as we reduced 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.
  - Acquisition-related transaction costs associated with businesses acquired during the periods reported and anticipated transactions.
  - Change in fair value of contingent consideration. Our management has determined that when analyzing the operating results of an acquired entity, we should focus on the total return provided by the investment (i.e., operating profit generated from the acquired entity compared to the purchase price paid, including the final amounts paid for contingent consideration) without taking into consideration any expenses recognized post-acquisition related to the change in the fair value of the contingent consideration. Our management determined that because the final purchase price paid for an acquisition necessarily reflects the accounting value assigned to both contingent consideration and to the intangible assets, when analyzing the operating results of an acquisition in subsequent periods, we should exclude the GAAP impact of any adjustments to the fair value of acquisition-related contingent consideration to its financial results. We believe this approach is useful in understanding the long-term return provided by an acquisition and that investors benefit from a supplemental non-GAAP financial measure that excludes the impact of this adjustment. For the quarter ended September 30, 2011, we have excluded approximately $1.5 million from our non-GAAP results related to the change in the fair value of the Radius acquisition contingent consideration.
  - Gain on sale of minority investment in a privately held company. Other investments, included within other assets, consist of equity and debt investments in privately-held companies that develop products, markets, and services that are considered to be strategic to us. Each of these investments had been fully impaired in prior years. On September 1, 2011, we sold one of these investments for $2.9 million because it was no longer considered to be strategic.
- Tax effect of non-GAAP adjustments.
  - After excluding the items described above, we apply the principles of ASC 740 to estimate the non-GAAP income tax provision in each jurisdiction in which we operate.
  - We have excluded interest accrued on prior year tax reserves of $0.1 and $0.4 million for the three and nine months ended September 30, 2011, respectively, and $0.1 and $0.4 million for the three and nine months ended September 30, 2010, respectively, as well as other tax benefits of $0.4 million for the three and nine months ended September 30, 2011.
  - We have excluded the recognition of previously unrecognized tax benefits of $8.4 million from our non-GAAP net income for the three and nine months ended September 30, 2010 to facilitate comparability of our operating performance between the periods. These tax benefits primarily resulted from the release of previously unrecognized tax benefits resulting from the expiration of U.S. federal statutes of limitations

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.

Notes:
- This information is current as of October 20, 2011 and is not subject to update.
- Non-GAAP numbers have been adjusted to exclude certain items. See GAAP to Non-GAAP reconciliation & our description of our use of non-GAAP information.