

EFI Q1 2012 Earnings Call

April 19, 2012



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 EFI’s strategy, plans, expectations regarding its revenue growth and new technology, 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 products by the leading printer manufacturers 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 asset 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 “Risk Factors” 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.

Notes:

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Q1 2012 Summary

- \$160M revenue, up 14% Year-over-Year (YoY)
 - Ninth consecutive quarter of double-digit growth
 - Record revenue for March quarter, Industrial Inkjet, Software, and Recurring Revenue
- Non-GAAP Gross Margin of 55.0%, down 140 bps YoY driven by expected shift in revenue mix
 - Non-GAAP Industrial Inkjet gross margin of 39.3%, up 320 bps YoY
- Non-GAAP Operating profit of \$18.1M, up 16% YoY driven by operating leverage offset by revenue mix
 - Non-GAAP Operating profit margin of 11.3%, up 20 bps YoY
- Non-GAAP EPS of \$0.30 compared to \$0.28 in Q1 2011 (which included \$0.03 of non-operational currency gain)
 - Excluding the currency impact on Other Income & Expense, EPS growth of 20% YoY
- Cash flow from operating activities of \$10M
- Q2 2012 Guidance
 - Revenue increase of ~15% YoY
 - Non-GAAP EPS of \$0.29-0.30 or ~30% growth YoY
 - Assumes relatively neutral currency fluctuation

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Q1 2012 P&L Summary

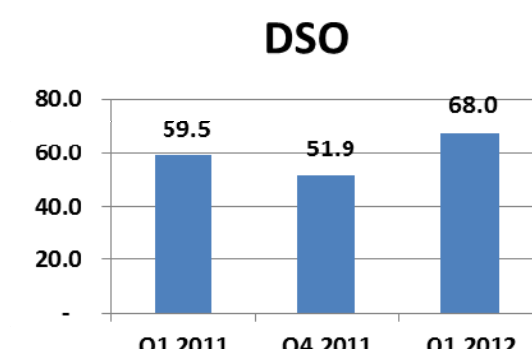
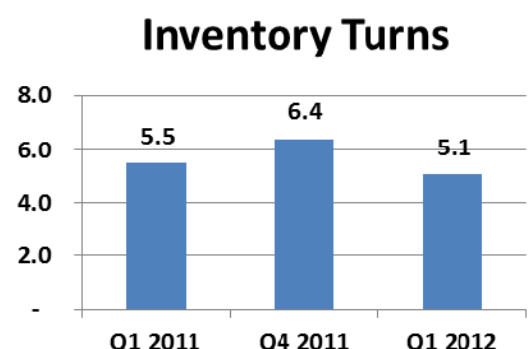
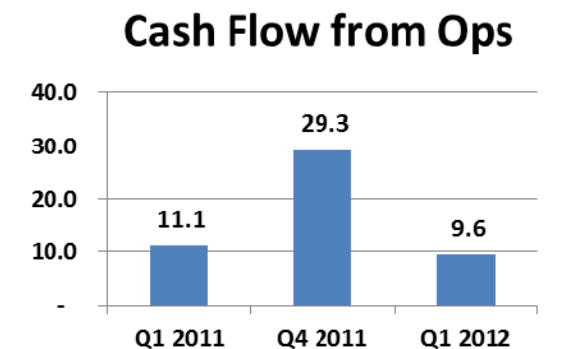
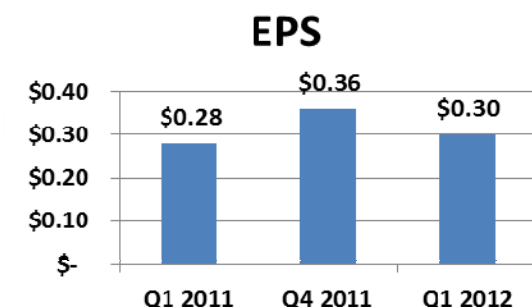
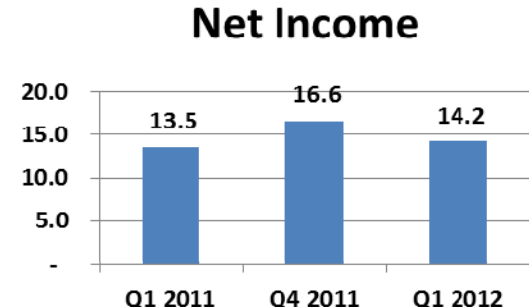
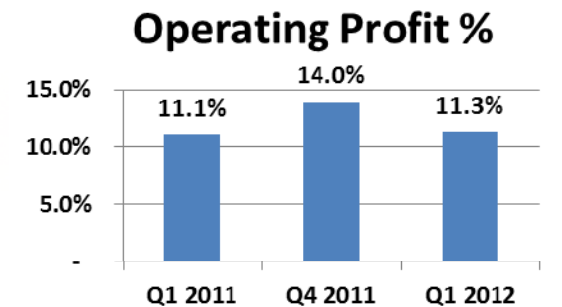
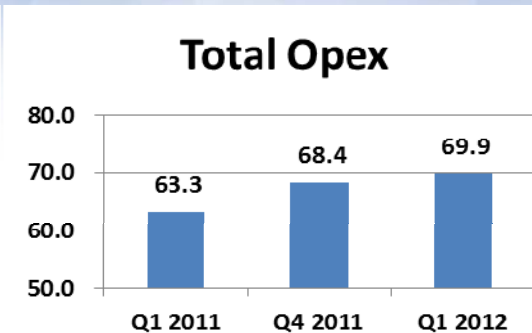
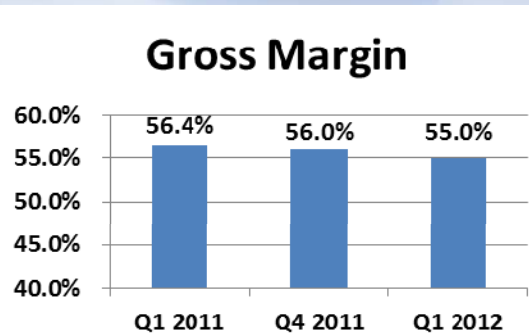
\$M	Q1 2012	Q4 2011	QoQ %	Q1 2011	YoY %
NON-GAAP					
Revenue	\$ 160.1	\$ 163.1	(2%)	\$ 140.1	+14%
Operating Profit	18.1	22.8	(21%)	15.6	+16%
Operating Profit %	11.3%	14.0%	-2.7 pts	11.1%	+0.2 pts
Net Income	14.2	16.6	(14%)	13.5	+5%
EPS	\$ 0.30	\$ 0.36	(17%)	\$ 0.28	+7%
GAAP					
GAAP Net Income	6.2	11.5	(46%)	6.2	-
GAAP EPS	\$ 0.13	\$ 0.25	(48%)	\$ 0.13	-

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Q1 2012 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)	Q1 2012	Q4 2011	QoQ %	Q1 2011	YoY %
Industrial Inkjet <i>% of Total</i>	75.1 47%	72.6 45%	+3%	51.0 36%	+47%
Productivity Software* <i>% of Total</i>	24.1 15%	23.7 15%	+2%	16.7 12%	+43%
Fiery <i>% of Total</i>	60.9 38%	66.8 41%	(9%)	72.4 52%	(16%)
Americas <i>% of Total</i>	82.2 51%	103.3 63%	(20%)	74.2 53%	+11%
EMEA <i>% of Total</i>	55.1 34%	44.7 27%	+23%	44.6 32%	+24%
APAC <i>% of Total</i>	22.7 14%	15.1 9%	+50%	21.3 15%	+7%
Japan <i>% of Total</i>	7.0 4%	7.1 4%	(1%)	11.8 8%	(41%)
ROW <i>% of Total</i>	15.8 10%	8.0 5%	+98%	9.5 7%	+65%
EFI	\$ 160.1	\$ 163.1	(2%)	\$ 140.1	+14%

* Previously referred to as "APPS." In Q1 2012 we changed the name of our APPS operating segment to "Productivity Software."

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Gross Margin by Business Segment

Non-GAAP

Non-GAAP Gross Margin %	Q1 2012	Q4 2011	QoQ %	Q1 2011	YoY %
Industrial Inkjet	39.3%	40.4%	-110 bps	36.1%	+320 bps
Productivity Software*	71.3%	70.9%	+40 bps	68.1%	+320 bps
Fiery	67.8%	67.6%	+20 bps	68.0%	-20 bps
EFI	55.0%	56.0%	-100 bps	56.4%	-140 bps

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Operating Expenses

Non-GAAP

Non-GAAP Operating Expenses (\$M)	Q1 2012	Q4 2011	QoQ %	Q1 2011	YoY %
Research & Development <i>% of Revenue</i>	29.3 <i>18.3%</i>	28.3 <i>17.4%</i>	+4% <i>+95 bps</i>	26.6 <i>19.0%</i>	+10% <i>-69 bps</i>
Sales & Marketing <i>% of Revenue</i>	30.2 <i>18.9%</i>	30.4 <i>18.6%</i>	(1%) <i>+22 bps</i>	27.4 <i>19.6%</i>	+10% <i>-69 bps</i>
General & Administrative <i>% of Revenue</i>	10.4 <i>6.5%</i>	9.7 <i>5.9%</i>	+7% <i>+55 bps</i>	9.4 <i>6.7%</i>	+11% <i>-21 bps</i>
EFI <i>% of Revenue</i>	69.9 <i>43.7%</i>	68.4 <i>41.9%</i>	+2% <i>+172 bps</i>	63.4 <i>45.3%</i>	+10% <i>-159 bps</i>

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Q1 2012 GAAP to Non-GAAP Opex Bridge

Non-GAAP Operating Expenses (\$M)	GAAP	Stock Based Comp Exp	Acquisition Related Transaction Costs	Amort of Identified Intangibles	Restructuring and Other	Non-GAAP
Research & Development <i>% of Revenue</i>	30.9 19.3%	(1.6) (1.0%)	- -	- -	- -	29.3 18.3%
Sales & Marketing <i>% of Revenue</i>	30.9 19.3%	(0.8) (0.5%)	- -	- -	- -	30.2 18.9%
General & Administrative <i>% of Revenue</i>	12.9 8.1%	(2.0) (1.2%)	(0.5) (0.3%)	- -	- -	10.4 6.5%
Amortization of Intangibles <i>% of Revenue</i>	4.2 2.6%	- -	- -	(4.2) (2.6%)	- -	- -
Restructuring & Other <i>% of Revenue</i>	1.1 0.7%	- -	- -	- -	(1.1) (0.7%)	- -
EFI <i>% of Revenue</i>	80.0 50.0%	(4.4) (2.7%)	(0.5) (0.3%)	(4.2) (2.6%)	(1.1) (0.7%)	69.9 43.7%

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Consolidated P&L

Non-GAAP

Non-GAAP Consolidated P&L (\$M)	Q1 2012	Q4 2011	QoQ %	Q1 2011	YoY %
Revenue	\$ 160.1	\$ 163.1	(2%)	\$ 140.1	+14%
GM %	55.0%	56.0%	-100 bps	56.4%	-140 bps
Operating Expenses	69.9	68.4	+2%	63.4	+10%
Operating Profit	18.1	22.8	(21%)	15.6	+16%
Operating Profit %	11.3%	14.0%	-2.7 pts	11.1%	+0.2 pts
Other Income/Expense	0.6	(1.5)	(140%)	2.4	(75%)
Tax Rate	24%	22%	+2.0 pts	25%	-1.0 pts
Net Income	14.2	16.6	(14%)	13.5	+5%
EPS	\$ 0.30	\$ 0.36	(17%)	\$ 0.28	+7%
Diluted Sharecount (000's)	47,359	46,765	+1%	48,445	(2%)

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Q1 2012 GAAP to Non-GAAP P&L Bridge

GAAP to Non-GAAP Bridge (\$M)	GAAP	Stock Based Comp Exp	Amort of Identified Intangibles	Acquisition Related Transaction Costs	Restructuring and Other	Non-GAAP
Revenue	\$ 160.1	-	-	-	-	\$ 160.1
Cost of Sales	72.4	(0.3)	-	-	-	72.1
GM %	54.8%					55.0%
Operating Expenses	80.0	(4.4)	(4.2)	(0.4)	(1.1)	69.9
Operating Profit %	4.8%					11.3%
Other Income/Expense	0.6					0.6
Pre-Tax Income	8.3	4.7	4.2	0.4	1.1	18.6
Tax Rate	24.4%					24.0%
Net Income	6.2					14.2
EPS	\$ 0.13					\$ 0.30
Diluted Sharecount (000's)	47,359					47,359

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Key Balance Sheet Figures

Key Balance Sheet Figures	Q1 2012	Q4 2011	Q1 2011
Total Cash & Investments*	\$203.4M	\$219.2M	\$225.2M
Cash Flow from Operations	\$9.6M	\$29.4M	\$11.1M
Cash Conversion Cycle (CCC)**	64.5	49.1	57.5
Accounts Receivable (net)	\$119.5	\$91.9	\$92.6
DSO	68.0	51.9	59.5
Inventory, net	\$56.5	\$44.8	\$44.9
Inventory Turns**	5.1	6.4	5.5
Total Assets	\$818.9M	\$739.7M	\$719.6M

• Excludes \$56.9 million long term restricted investments and \$0.9 million restricted cash.

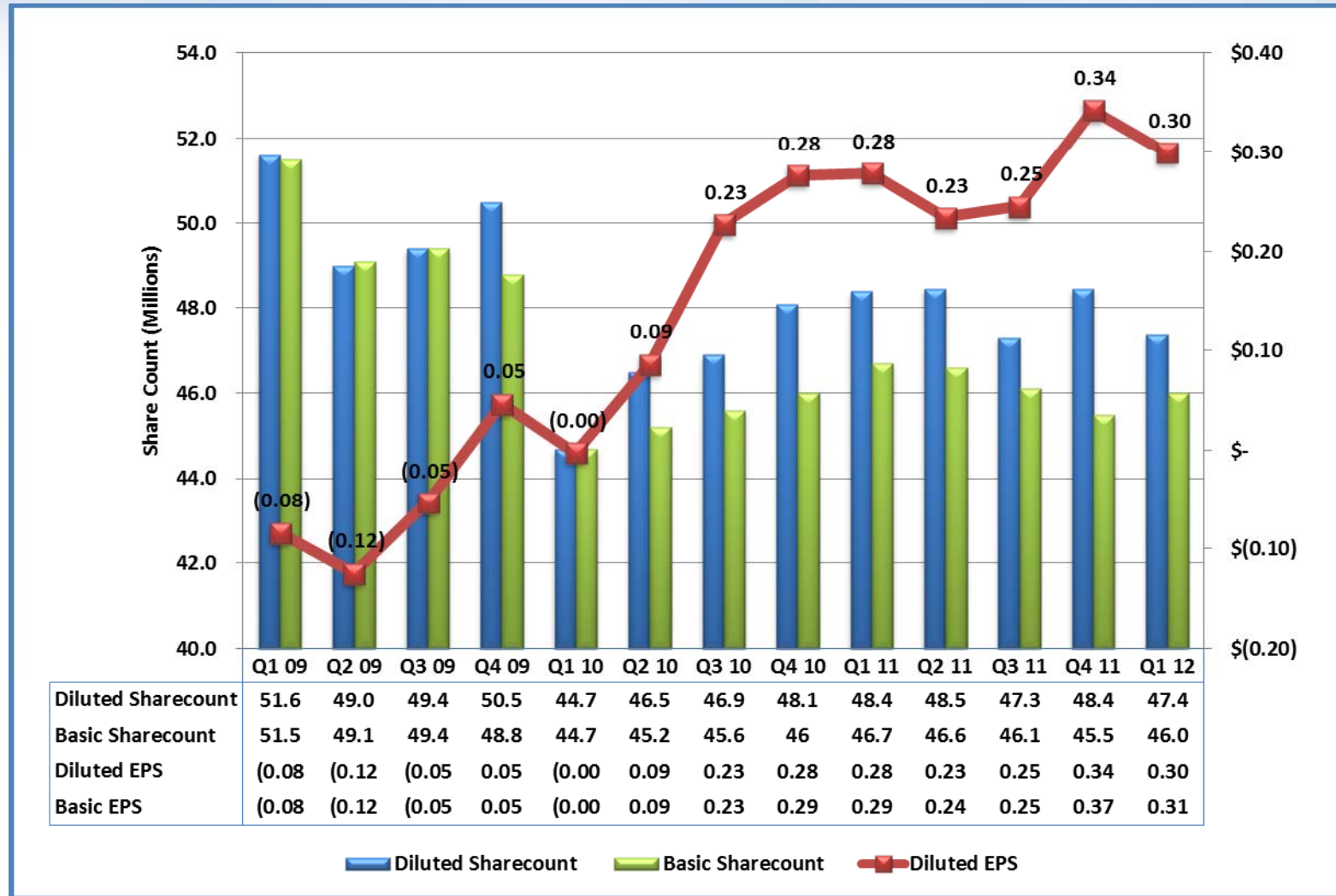
** CCC and Inventory Turns calculations changed effective Q1 2012 to conform to industry standard calculations. Inventory turns calculated using ending inventory rather than average inventory. CCC is calculated DSO + DOI – DPO. Prior periods have been revised to conform to the new calculation method.

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Share Count & Non-GAAP EPS



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Appendix

2011 Revenue by Business Segment

Revenue (\$M)	Q1 2011	Q2 2011	Q3 2011	Q4 2011	2011
Industrial Inkjet	\$ 51.0	\$ 57.3	\$ 59.4	\$ 72.6	\$ 240.3
<i>YoY Change</i>	<i>16%</i>	<i>14%</i>	<i>14%</i>	<i>18%</i>	<i>16%</i>
Productivity Software*	16.7	19.3	21.5	23.7	81.2
<i>YoY Change</i>	<i>45%</i>	<i>54%</i>	<i>36%</i>	<i>33%</i>	<i>41%</i>
Fiery	72.4	64.6	66.4	66.8	270.1
<i>YoY Change</i>	<i>30%</i>	<i>15%</i>	<i>9%</i>	<i>2%</i>	<i>13%</i>
Total Revenue	\$ 140.1	\$ 141.2	\$ 147.3	\$ 163.1	\$ 591.6
<i>YoY Change</i>	<i>26%</i>	<i>19%</i>	<i>14%</i>	<i>12%</i>	<i>17%</i>

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2010 Revenue by Business Segment

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

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2011 Gross Margin by Business Segment

Non-GAAP

Non-GAAP Gross Margin %	Q1 2011	Q2 2011	Q3 2011	Q4 2011	2011
Industrial Inkjet	36.1%	37.5%	39.6%	40.4%	38.6%
YoY Change	+370 bps	+390 bps	+510 bps	+560 bps	+470 bps
Productivity Software*	68.1%	70.1%	70.5%	70.9%	70.0%
YoY Change	+270 bps	+100 bps	+330 bps	+90 bps	+190 bps
Fiery	68.0%	68.1%	67.5%	67.6%	67.8%
YoY Change	+80 bps	+70 bps	-80 bps	+30 bps	+20 bps
Total Gross Margin	56.4%	56.0%	56.6%	56.0%	56.2%
YoY Change	+310 bps	+267 bps	+210 bps	+210 bps	+240 bps

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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
Industrial Inkjet	32.4%	33.6%	34.5%	34.8%	33.9%
YoY Change	+330 bps	+360 bps	+80 bps	+170 bps	+210 bps
Productivity Software*	65.4%	69.1%	67.2%	70.0%	68.1%
YoY Change	-40 bps	+140 bps	-40 bps	+160 bps	+80 bps
Fiery	67.2%	67.4%	68.3%	67.3%	67.6%
YoY Change	-190 bps	+20 bps	+230 bps	+180 bps	+60 bps
Total Gross Margin	53.3%	53.3%	54.5%	53.9%	53.8%
YoY Change	-200 bps	+113 bps	+250 bps	+140 bps	+80 bps

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Reconciliation of GAAP to Non-GAAP

GAAP to Non-GAAP Reconciliation (\$M)	Q111	Q211	Q311	Q411	FY11	Q112	Q212	Q312	Q412	FY12
GAAP										
Net Income (Loss)	6.2	3.6	6.1	11.5	27.4	6.2				6.2
EPS	\$ 0.13	\$ 0.07	\$0.13	\$ 0.25	\$ 0.58	\$ 0.13				\$ 0.13
ADJUSTMENTS										
COGS: Excess Solvent Inventories & End of Life Purchases	-	-	-	-	-	-				-
COGS: Stock Based Compensation Expense	0.2	0.4	0.7	0.3	1.6	0.3				0.3
OPEX: Stock Based Compensation Expense	5.0	6.7	4.6	5.5	21.8	4.4				4.4
OPEX: Amortization of Identified Intangibles	3.4	3.0	2.3	2.5	11.2	4.2				4.2
OPEX: Acquisition-Related Transaction Costs	0.6	0.2	0.7	0.8	2.4	0.4				0.4
OPEX: Change in Fair Value of Contingent Consideration	-	-	1.5	-	1.5	-				-
OPEX: Restructuring and Other	1.4	0.4	0.6	0.9	3.3	1.1				1.1
OI&E: Gain on Sale of Minority Investment in a Privately-Held Company	-	-	(2.9)	-	(2.9)	-				-
Tax Effect of Non-GAAP Adjustments	(3.3)	(3.0)	(2.0)	(4.9)	(13.2)	(2.4)				(2.4)
NON-GAAP										
Non-GAAP Net Income (Loss)	\$ 13.5	\$ 11.3	\$ 11.6	\$ 16.6	\$ 53.1	\$ 14.2	\$ -	\$ -	\$ -	\$ 14.2
Non-GAAP EPS	\$ 0.28	\$ 0.23	\$0.25	\$ 0.30	\$ 1.12	\$ 0.30				\$ 0.30

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About our Non-GAAP Net Income and Adjustments

Use of Non-GAAP Financial Information

To supplement our condensed consolidated financial results prepared in accordance with GAAP, we use non-GAAP measures of net income and earnings per diluted share that are GAAP net income 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 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 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.
 - Other acquisition-related expenses, which are included within Restructuring and other.
 - Stock-based compensation expense recognized in accordance with FASB Accounting Standards Codification ("ASC"), Topic 718, Stock Compensation.
- Non-recurring charges and gains consists of:
 - Restructuring related charges.
 - We have incurred Restructuring and other charges as we reduced the number and size of our facilities and the size of our workforce.
 - 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.
- Tax effect of non-GAAP adjustments.
 - After excluding 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. The expected annual non-GAAP income tax rate assumes that the U.S. federal research and development tax credit will be retroactively re-enacted in 2012.
 - We have excluded the recognition of interest expense accrued on prior year tax reserves of \$0.1 million from our non-GAAP net income for the three months ended March 31, 2012 and 2011 to facilitate comparability of our operating performance from period to period.

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 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.

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