

Xerox and EFI: Taking 25 Years of Working Together to the Next Level



February 2, 2017



EFI / Xerox Announcement Summary



- EFI acquires Xerox FreeFlow Print Server DFE business
- The two companies are strategically aligned to deliver a single, best-in-class DFE
 - DFE based on the Fiery platform, integrating key FFPS functionality
- Reduces duplicate efforts, and frees up both companies to invest in customer-driven innovation in their respective focus areas
- Simplifies Xerox offerings, customer engagement and support



Deal Structure



- Specific transaction terms not disclosed
- EFI will continue to support Xerox FFPS customers at the same quality and service level as EFI does for Fiery today
- EFI will make a series of payments totaling \$22m over 18 months to Xerox
- Xerox committed to an annual minimum DFE purchase level
- EFI has entered into a new agreement with HCL, prior supplier to Xerox, to cover development, QA and support



EFI Financial Implications



- Expected Q1 revenue to increase by approximately \$1 Million
- New Q1'17 Guidance –
 - Revenue of \$236M to \$241M
 - Non-GAAP Operating Margin 13-15%
 - No change to non-GAAP or GAAP EPS guidance
 - Update Fiery Segment Q1 guidance – high single digit decline
- FY'17 Guidance –
 - Fiery full year revenue forecasted to grow low to mid single digit
 - Break-even impact to non-GAAP and GAAP EPS for the first year as unique FFPS functionality is integrated into Fiery; accretive FY'18 and beyond



Reconciliation of GAAP to Non-GAAP Q1 2017 Guidance

| Guidance (\$M) | Q1 2017 (Using Current FX Rates) |
|--|---|
| Gross Margin | approx 51 - 53% |
| Non-GAAP Gross Margin | approx 51 - 53% |
| Operating Margin | 3% - 5% of revenue |
| Non-GAAP Operating Margin | 13% - 15% of revenue |
| GAAP net income per diluted common share | \$0.03 - \$0.07 |
| Non-GAAP net income per diluted common share | \$0.53 - \$0.57 |
| Shares used in diluted per share calculation | 47,440 |