EFI Q1 2010 Earnings Call

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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 our innovation, growth momentum, Radius Solution’s acquisition and its impact on our 2010 results, completion of the acquisition, interim Chief Financial Officer, 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 changes; execution of actions to reduce our operational costs and ability to maintain effective cost control measures; unexpected declines in revenues or increases in expenses; management’s ability to forecast revenues, expenses and earnings, especially on a quarterly basis; the market prices of the Company’s common stock; the uncertainty regarding the amount and timing of future share repurchases by the Company and the origin of funds used for such repurchases; any world-wide financial and economic difficulties and downturns, including contraction in credit markets, and adverse variations in foreign exchange rates, that could affect demand for our products, and increase the volatility of our profitability, as well as the risk of bank failures, insolvency or illiquidity of other financial institutions and other adverse conditions in financial markets that could cause a loss of our cash deposits and invested cash and cash equivalents; uncertainty to accurately predict the outcome of foreign tax audits and determine our tax provisions; uncertainty regarding our effective tax rate in the future that may be impacted by various factors, including but not limited to new U.S. tax legislative proposals; failure to retain key employees; product cancellation costs; 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 the products manufactured and sold by our OEM partners; variations in growth rates or declines in the printing and imaging markets across various geographic regions; changes in historic customer order patterns, including changes in customer and channel inventory levels; changes in the mix of products sold leading to variations in operating results; the uncertainty of market acceptance of new product introductions; delays in product deliveries that cause quarterly revenues and income to fall significantly short of anticipated levels; competition and/or market factors, which may adversely affect margins; competition in each of our businesses, including competition from products internally developed by EFI’s customers; challenge of managing assets levels, including inventory and variations in inventory valuation; intense competition in the industrial and commercial digital inkjet market; the uncertainty of continued success in technological advances, including development and implementation of new processes and strategic products; 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, without operational disruption to our existing 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; the potential loss of sales, unexpected costs or adverse impact on relations with customers or suppliers as a result of acquisitions; differences between the financial results as filed with the SEC and the preliminary results included in our earnings or other press releases 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 press release. 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.

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 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 to management and investors 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.

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, 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 project abandonment costs, asset impairment charges, certain legal settlements, our sale of certain real estate assets, and acquisition-related transaction costs and legal expenses. Examples of these excluded items are described below:

- 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:
  - 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 of equipment and non-cancellable purchase orders incurred relating to a planned product that was cancelled and a facility closure.
  - Gain on sale of building and land. On January 29, 2009, we sold a portion of the Foster City, California campus for a final amount of $137.3 million to Gilead Sciences, Inc., resulting in a gain on sale of approximately $79.4 million as of March 31, 2009.
  - Acquisition-related transaction costs and legal expenses. In line with our previously disclosed acquisition strategy, we have identified targets for potential acquisition and have incurred expenses of $0.6 million related thereto in the first quarter of 2010.
- Tax effect of these 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 for 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.

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 the press release and information provided in this slide presentation.

Q1 2010 Results Summary

	03/31/10	12/31/09	% Change	03/31/09	% Change
Revenues	$110.8M	$114.0M	(2.8%)	$96.2M	15.3%
GAAP Net Income (Loss) *	$(11.4M)	$(3.4M)	(234.0%)	$26.7M	(142.6%)
GAAP EPS*	$(0.25)	$(0.07)	(264.3%)	$0.52	(149.0%)
Non-GAAP Net Income (Loss)	$(0.1M)	$2.3M	(105.2%)	$(4.3M)	97.2%
Non-GAAP EPS	$(0.00)	$0.05	(105.9%)	$(0.08)	96.8%

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

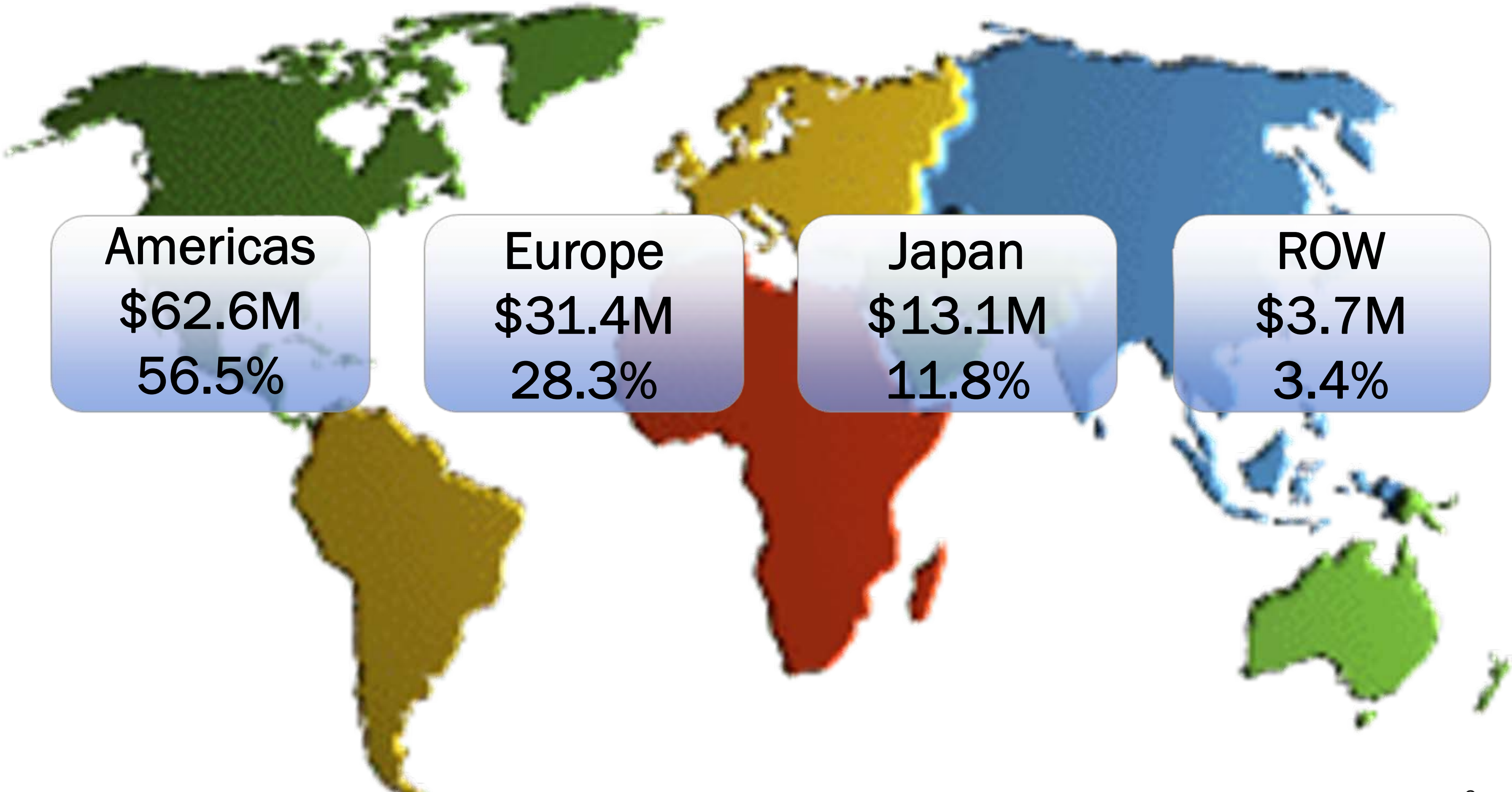
This information is current as of April 29, 2010 and is not subject to update

Reconciliation of GAAP to Non-GAAP Net Income Q1 2010 *

GAAP Net Loss	**$(11.4)**
Amortization of identified intangibles	**$ 2.9**
Stock-based compensation expense	**$ 4.0**
Acquisition-related transaction costs	**$ 0.6**
Restructuring and other	**$ 2.0**
Tax effect of non-GAAP adjustments	**$ 1.7**
Non-GAAP Net Income	**$(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."

Geographical Revenue
Q1 2010: $110.8M



Americas	Europe	Japan	ROW
$62.6M	$31.4M	$13.1M	$3.7M
56.5%	28.3%	11.8%	3.4%

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2010 Revenue By Business Segment

Business Segment	Q1 2010	Q2 2010	Q3 2010	Q4 2010	YTD 2010
Fiery	$53.0M				$53.0M
Inkjet	$43.8M				$43.8M
APPS (Advanced Professional Print Software)	$14.0M				$14.0M
Total Revenue	$110.8M				$110.8M

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2009 Revenue By Business Segment

Business Segment	Q1 2009	Q2 2009	Q3 2009	Q4 2009	YTD 2009
Fiery	$49.1M	$40.2M	$42.0M	$53.1M	$184.4M
Inkjet	$32.1M	$36.5M	$44.3M	$46.8M	$159.7M
APPS (Advanced Professional Print Software)	$14.9M	$13.4M	$14.6M	$14.1M	$57.0M
Total Revenue	$96.1M	$90.1M	$100.9M	$114.0M	$401.1M

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2008 Revenue By Business Segment

Business Segment	Q1 2008	Q2 2008	Q3 2008	Q4 2008	YTD 2008
Fiery	$68.3M	$72.2M	$68.0M	$70.2M	$278.7M
Inkjet	$53.4M	$58.0M	$60.8M	$47.8M	$220.0M
APPS (Advanced Professional Print Software)	$14.9M	$13.7M	$15.8M	$17.3M	$61.7M
Total Revenue	$136.6M	$143.8M	$144.7M	$135.3M	$560.4M

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2007 Revenue By Business Segment

Business Segment	Q1 2007	Q2 2007	Q3 2007	Q4 2007	YTD 2007
Fiery	$86.6M	$91.6M	$86.3M	$66.9M	$331.4M
Inkjet	$48.1M	$54.8M	$57.1M	$69.3M	$229.3M
APPS (Advanced Professional Print Software)	$13.1M	$16.0M	$14.9M	$15.8M	$59.9M
Total Revenue	$147.8M	$162.4M	$158.3M	$152.0M	$620.6M

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Gross Margin by Business Segment (Non-GAAP)

	Q1 2010	Q4 2009	Q1 2009
Fiery	66.1%	64.6%	68.5%
Inkjet *	32.4%	33.1%	29.1%
APPS	69.8%	71.7%	68.1%
EFI Consolidated	53.3%	52.5%	55.3%

* Includes VUTEk, Jetrion and Rastek product lines

Non-GAAP Operating Expenses

	Q1 2010	Q4 2009	Q1 2009
Non-GAAP Operating Expenses*	$56.9M	$57.0M	$59.4M
Research & Development	$25.0M (22.6% of rev.)	$24.7M (21.6% of rev.)	$28.0M (29.1% of rev.)
Sales & Marketing	$24.2M (21.8% of rev.)	$25.3M (22.3% of rev.)	$23.5M (24.4% of rev.)
General & Administrative	$7.7M (7.0% of rev.)	$7.0M (6.1% of rev.)	$7.9M (8.2% of rev.)

* Non-GAAP operating expenses exclude the impact of 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 project abandonment costs, asset impairment charges, certain legal settlements, our sale of certain real estate assets, and acquisition-related transaction costs and legal expenses.

Q1 2010 Key Balance Sheet Figures

Net cash generated (excluding $5M tax payment related to 2009 real estate sale)	$5.6 million
Total Cash and Investments *	$ 204.8 million
Accounts Receivable, net	$ 71.7 million
DSO	58.2 days
Inventory, net	$ 43.4 million
Total Assets	$ 646.2 million

* Excludes $56.9 million long term restricted investments

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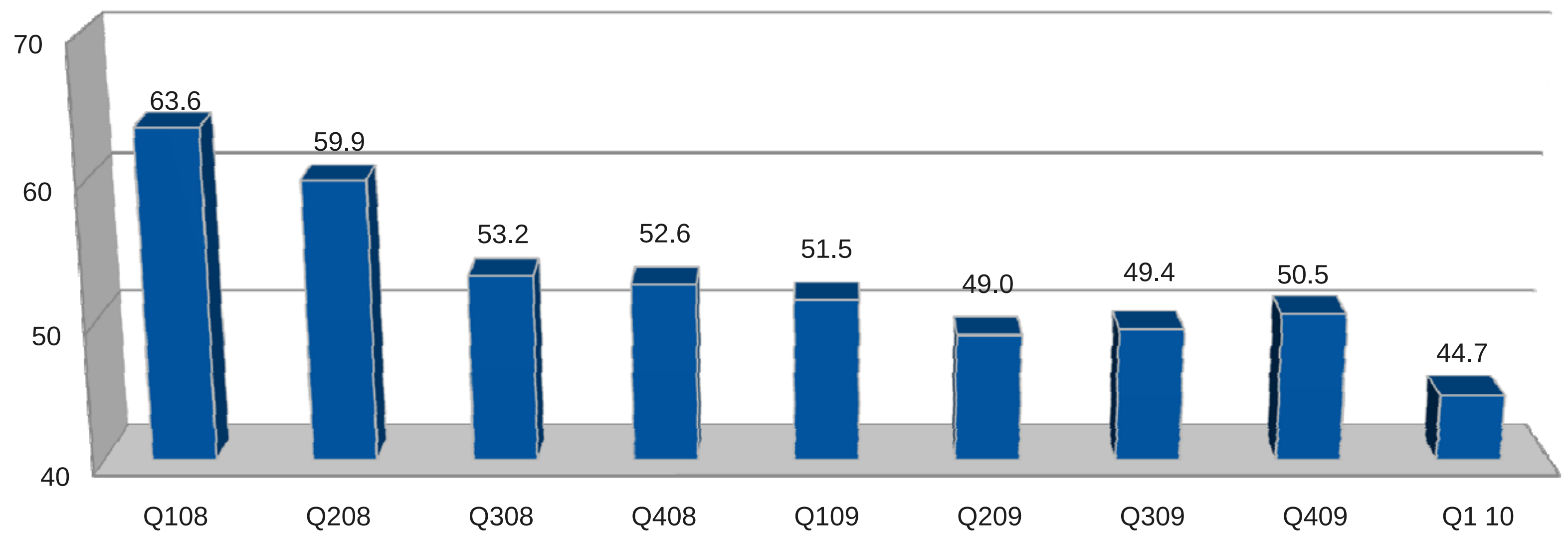
EFI Share Count
(Non-GAAP)



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Key Takeaways

- Inkjet revenue up 37% year-over-year on strong demand for our industry-leading products
- Fiery business had a very strong Q1 with revenues up 8% year-over-year
- Delivered on commitment to be breakeven on Non—GAAP EPS on our seasonally weakest quarter
- Generated $5.6M in net cash from operations (excluding $5M tax payment related to the 2009 real estate sale), thereby exceeding our goal to be cash flow neutral in Q1 10
- 6 day improvement in DSO
- Net inventory decreased by $5.4M or 11% compared to Q4 09