
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): October 29, 2018

Electronics For Imaging, Inc.

(Exact name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation)

000-18805
(Commission
File Number)

94-3086355
(I.R.S. Employer
Identification No.)

**6750 Dumbarton Circle
Fremont, California 94555**
(Address of Principal Executive Offices)

(650) 357-3500
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company []

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. []

Item 2.02. Results of Operations and Financial Condition.

On October 29, 2018 Electronics For Imaging, Inc. announced preliminary financial results for the three and nine months ended September 30, 2018 and 2017. A copy of the press release relating to the foregoing is attached hereto as Exhibit 99.1.

The information provided pursuant to Item 2.02 above, including Exhibit 99.1, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release Dated October 29, 2018 – EFI Reports Record Third Quarter Revenue For 2018

The information included in Exhibit 99.1 is intended to be furnished and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act, or the Exchange Act, except as expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Date: October 29, 2018

ELECTRONICS FOR IMAGING, INC.

By: /s/Marc Olin

Name: Marc Olin

Title: Chief Financial Officer

**INDEX TO EXHIBITS FILED WITH
THE CURRENT REPORT ON FORM 8-K DATED October 29, 2018**

Exhibit No.	Description
99.1	<u>Press Release Dated October 29, 2018 – EFI Reports Record Third Quarter Revenue For 2018</u>

For more information:

Marc Olin
Chief Financial Officer
EFI
650-357-3500

Investor Relations:

JoAnn Horne
Market Street Partners
415-445-3235

EFI Reports Record Third Quarter Revenue For 2018

Fremont, Calif. - October 29, 2018 - Electronics For Imaging, Inc. (Nasdaq: EFII), a world leader in customer-focused digital printing innovation, today announced its results for the third quarter of 2018.

For the three months ended September 30, 2018, the Company reported record third quarter revenue of \$257.1 million, up 4% compared to third quarter 2017 revenue of \$248.4 million. GAAP net income was \$1.9 million compared to GAAP net income of \$3.5 million for the same period in 2017 or \$0.04 per diluted share compared to \$0.07 per diluted share for the same period in 2017. Non-GAAP net income was \$22.6 million, down 11% compared to non-GAAP net income of \$25.4 million for the same period in 2017 or \$0.50 per diluted share, down 7% compared to \$0.54 per diluted share for the same period in 2017. Cash flow from operating activities was \$12.9 million compared to \$3.4 million during the same period in 2017.

For the nine months ended September 30, 2018, the Company reported revenue of \$758.1 million, up 5% year-over-year compared to \$724.1 million for the same period in 2017. GAAP net income was \$2.1 million or \$0.05 per diluted share, compared to \$11.0 million or \$0.23 per diluted share for the same period in 2017. Non-GAAP net income was \$62.4 million or \$1.38 per diluted share, compared to non-GAAP net income of \$76.7 million or \$1.63 per diluted share for the same period in 2017. Cash flow from operating activities for the nine months ended September 30, 2018 was \$50.2 million compared to \$42.4 million during the same period in 2017.

“EFI’s reputation for developing innovative, industry-leading technology was a key factor in my decision to join the Company,” said Bill Muir, CEO of EFI. “The Nozomi platform and its early success in transforming corrugated packaging from analog to digital is just one example of how EFI is accelerating the digital transformation of industries where colorful images matter. I am excited to partner with the talented and passionate team at EFI to fully realize the significant opportunities in front of us and provide increasing value to our customers and shareholders.”

Conference Call

EFI will discuss the Company’s financial results by conference call at 5:00 pm ET/2:00 pm PT today. Instructions for listening to the conference call over the Web are available on the Investor Relations portion of EFI’s website at www.efi.com.

About EFI

EFI™ is a global technology company, based in Silicon Valley, and is leading the worldwide transformation from analog to digital imaging. We are passionate about fueling customer success with products that increase competitiveness and boost productivity. To do that, we develop breakthrough technologies for the manufacturing of signage, packaging, textiles, ceramic tiles, and personalized documents, with a wide range of printers, inks, digital front ends, and a comprehensive business and production workflow suite that transforms and streamlines the entire production process. (www.efi.com)

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 "accelerate", "address", "ahead", "anticipate", "believe", "consider", "continue", "develop", "estimate", "expect", "further", "intend", "look", "plan", "progress" and "will" 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 EFI's strategy, plans, expectations regarding its revenue growth, introduction of new products, product portfolio, productivity, future opportunities for EFI and its customers, demand for products, the CEO transition, 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, intense competition in each of our businesses, including competition from products developed by EFI's customers; our ability to remediate the material weaknesses identified in EFI's internal control over financial reporting; the uncertainty of the outcome of the pending securities lawsuits against EFI; unforeseen expenses; fluctuations in currency exchange rates; the difficulty of aligning expense levels with revenue; management's ability to forecast revenues, expenses and earnings; our ability to successfully integrate acquired businesses; changes in the mix of products sold; the uncertainty of market acceptance of new product introductions; 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 supply of components; 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; the impact of changing consumer preferences on demand for our textile products; litigation involving intellectual property rights or other related matters; the uncertainty regarding the amount and timing of future share repurchases by EFI and the origin of funds used for such repurchases; the market prices of EFI's common stock prior to, during and after the share repurchases; 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 and are subject to revision until the Company will have filed its Quarterly Report on Form 10-Q for the period ended September 30, 2018. EFI undertakes no obligation to update information contained in this press release. Amounts are subject to rounding.

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.

Impact of the Tax Cuts and Jobs Act of 2017

On December 22, 2017, the Tax Cuts and Jobs Act, which has wide-ranging impacts on EFI including, but not limited to, a Deemed Repatriation Transition Tax and the revaluation of current U.S. deferred tax assets and liabilities, was enacted. We recorded a \$27.3 million charge in the fourth quarter of 2017 as a provisional estimate related to the aforementioned items. In the first quarter of 2018, we also recorded an additional \$1.2 million charge related to the state tax impact associated with the Deemed Repatriation Transition Tax. In the third quarter of 2018, we recorded a benefit of \$0.7 million, consisting of an additional U.S. tax charge of \$0.4 million and a reduction of the anticipated state tax charge of \$1.1 million. The SEC staff issued Staff Accounting Bulletin ("SAB") 118, which allows companies to record a provisional estimate of the income tax effects in the quarter in which it can make reasonable estimates of the effects of the new law. While we have calculated a reasonable estimate of the impact of the U.S. tax rate reduction and the amount of the Deemed Repatriation Transition Tax, we are still gathering additional information to refine and finalize our calculation of the impacts of the new tax law on our U.S. deferred tax assets and liabilities, the Deemed Repatriation Transition Tax, and other provisions associated with the Tax Cuts and Jobs Act. As we obtain additional information, we may record material adjustments in the fourth quarter of 2018, and will finalize the income tax effects in the fourth quarter of 2018 when our analysis is complete.

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, operating income, and earnings per diluted share that are GAAP net income, GAAP operating income, and GAAP earnings per diluted share adjusted to exclude certain costs, expenses, and gains. A reconciliation of the adjustments to GAAP results for the three and six months ended June 30, 2018 and 2017 is provided below. In addition, an explanation of how management uses non-GAAP financial information to evaluate its business, the substance behind management's decision to use this non-GAAP financial information, the material limitations associated with the use of non-GAAP financial information, the manner in which management compensates for those limitations, and the substantive reasons management believes that this non-GAAP financial information provides useful information to investors is included under "About our Non-GAAP Net Income and Adjustments" after the tables below.

Our non-GAAP measures, including ex-currency 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, revenue, gross profit, operating expenses, 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.

Electronics For Imaging, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue	\$ 257,134	\$ 248,359	\$ 758,072	\$ 724,097
Cost of revenue	131,615	120,902	384,858	345,858
Gross profit	125,519	127,457	373,214	378,239
Operating expenses:				
Research and development	40,341	39,585	119,701	118,201
Sales and marketing	44,661	42,269	137,448	129,018
General and administrative	24,466	25,075	57,093	67,239
Amortization of identified intangibles	11,137	12,299	34,801	34,829
Restructuring and other	2,799	832	10,477	5,421
Total operating expenses	123,404	120,060	359,520	354,708
Income from operations	2,115	7,397	13,694	23,531
Interest expense	(4,796)	(4,912)	(14,739)	(14,538)
Interest income and other income, net	336	1,760	1,270	2,802
Income (loss) before income taxes	(2,345)	4,245	225	11,795
Benefit from (Provision for) income taxes	4,265	(791)	1,868	(795)
Net income	\$ 1,920	\$ 3,454	\$ 2,093	\$ 11,000

Diluted Earnings Per Share

Net income per diluted common share	\$ 0.04	\$ 0.07	\$ 0.05	\$ 0.23
Shares used in diluted per-share calculation	45,354	46,937	45,388	47,102

Electronics For Imaging, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Ex-Currency 2018	2018	2017	Ex-Currency 2018
Net income	\$ 1,920	\$ 3,454	\$ 1,920	\$ 2,093	\$ 11,000	\$ 2,093
Cost of revenue related to fair value inventory adjustments	7	77	7	31	1,260	31
Ex-currency adjustment	—	—	1,189	—	—	576
Amortization of intangibles assets	11,137	12,299	11,137	34,801	34,829	34,801
Stock based compensation – Cost of revenue	904	486	904	2,715	1,985	2,715
Stock based compensation – Research and development	3,649	1,640	3,649	9,517	7,556	9,517
Stock based compensation – Sales and marketing	2,377	1,108	2,377	6,767	5,176	6,767
Stock based compensation – General and administrative	4,993	1,414	4,993	11,479	7,824	11,479
Restructuring and other	2,799	833	2,799	10,477	5,422	10,477
General and administrative:						
Acquisition-related transaction costs	164	637	164	931	1,820	931
Changes in fair value of contingent consideration	812	410	812	(11,860)	2,187	(11,860)
Revenue recognition accounting review costs and litigation and other settlements	(88)	4,825	(88)	1,671	5,102	1,671
Interest income and other income (expense), net:						
Non-cash interest expense related to our convertible notes	3,477	3,293	3,477	10,289	9,713	10,289
Foreign exchange fluctuation related to contingent consideration	8	131	8	8	45	8
Balance sheet currency remeasurement impact	—	—	(672)	—	—	(1,644)
Tax effect of non-GAAP adjustments	(9,565)	(5,175)	(9,664)	(16,508)	(17,201)	(16,305)
Non-GAAP net income	<u>\$ 22,594</u>	<u>\$ 25,432</u>	<u>\$ 23,012</u>	<u>\$ 62,411</u>	<u>\$ 76,718</u>	<u>\$ 61,546</u>
Non-GAAP net income per diluted common share	\$ 0.50	\$ 0.54	\$ 0.51	\$ 1.38	\$ 1.63	\$ 1.36
Shares used in diluted per share calculation	45,354	46,937	45,354	45,388	47,102	45,388

Electronics For Imaging, Inc.
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 180,942	\$ 170,345
Short-term investments	112,986	148,697
Accounts receivable, net of allowances of \$30.2 million and \$32.2 million, respectively	240,150	244,416
Inventories	121,290	125,813
Income taxes receivable	13,958	4,565
Assets held for sale	3,143	4,200
Other current assets	47,814	41,799
Total current assets	720,283	739,835
Property and equipment, net	79,495	98,762
Restricted cash equivalents	39,809	32,531
Goodwill	394,372	403,278
Intangible assets, net	86,246	123,008
Deferred tax assets	43,265	45,083
Other assets	34,369	15,504
Total assets	\$ 1,397,839	\$ 1,458,001
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 118,703	\$ 123,935
Accrued and other liabilities	74,797	98,090
Deferred revenue	65,181	55,833
Convertible senior notes, net – current	330,367	—
Income taxes payable	6,762	5,309
Total current liabilities	595,810	283,167
Convertible senior notes, net – non-current	—	318,957
Imputed financing obligation related to build-to-suit lease	—	13,944
Noncurrent contingent and other liabilities	17,307	28,801
Deferred tax liabilities	6,151	11,652
Noncurrent income taxes payable	18,305	20,169
Total liabilities	637,573	676,690
Total stockholders' equity	760,266	781,311
Total liabilities and stockholders' equity	\$ 1,397,839	\$ 1,458,001

Electronics For Imaging, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 2,093	\$ 11,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,094	48,029
Deferred taxes	(248)	(9,149)
Provisions for bad debt and sales-related allowances	2,424	10,868
Provision for inventory obsolescence	4,488	3,642
Stock-based compensation expense	30,478	22,541
Non-cash accretion of interest expense on convertible notes and imputed financing obligation	11,304	11,211
Change in fair value of contingent consideration	(11,573)	974
Net change in derivative assets and liabilities	(2,431)	737
Other non-cash charges	88	1,543
Changes in operating assets and liabilities, net of effect of acquired businesses	(36,562)	(58,955)
Net cash provided by operating activities	50,155	42,441
Cash flows from investing activities:		
Purchases of short-term investments	—	(87,623)
Proceeds from sales and maturities of short-term investments	35,129	164,979
Purchases of restricted investments*	—	(15,775)
Purchases, net of proceeds from sales, of property and equipment	(9,785)	(8,745)
Proceeds from sale of held-for-sale building and land	1,137	—
Businesses purchased, net of cash acquired	696	(16,739)
Net cash provided by investing activities*	27,177	36,097
Cash flows from financing activities:		
Proceeds from issuance of common stock	10,165	11,730
Purchases of treasury stock and net share settlements	(52,500)	(56,937)
Repayment of debt assumed through business acquisitions	(11,956)	(10,786)
Contingent consideration payments related to businesses acquired	(3,116)	(9,512)
Net cash used for financing activities	(57,407)	(65,505)
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash equivalents	(2,050)	4,168
Increase in cash, cash equivalents, and restricted cash equivalents*	17,875	17,201
Cash, cash equivalents, and restricted cash equivalents at beginning of period*	202,876	165,455
Cash, cash equivalents, and restricted cash equivalents at end of period*	\$ 220,751	\$ 182,656

***Restricted Cash.** ASU 2016-18, Statement of Cash Flows: Restricted Cash, which we adopted in Q1 2018, requires that the statement of cash flows explain the change in cash, cash equivalents, and restricted cash equivalents. Therefore, restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown above. This presentation is required to be presented retrospectively to prior periods.

Electronics For Imaging, Inc.
Revenue by Operating Segment and Geographic Area
(in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue by Operating Segment				
Industrial Inkjet	\$ 154,902	\$ 142,930	\$ 453,545	\$ 407,886
Productivity Software	40,452	37,171	125,839	111,292
Fiery	61,780	68,258	178,688	204,919
Total	\$ 257,134	\$ 248,359	\$ 758,072	\$ 724,097
Revenue by Geographic Area				
Americas	\$ 134,491	\$ 129,488	\$ 374,170	\$ 353,397
EMEA	88,879	85,089	271,064	274,635
APAC	33,764	33,782	112,838	96,065
Total	\$ 257,134	\$ 248,359	\$ 758,072	\$ 724,097
Revenue Ex-Currency Adjustment				
	\$ 901	\$ —	\$ (15,867)	\$ —
Total	\$ 258,035	\$ 248,359	\$ 742,205	\$ 724,097

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 costs, expenses, gains, and losses.

We believe that the presentation of non-GAAP net income, non-GAAP operating income, and non-GAAP earnings per diluted share provides important supplemental information regarding certain costs, expenses, gains, and significant items that we believe are important to understanding financial and business trends relating to our financial condition and results of operations. Non-GAAP net income, non-GAAP operating 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, non-GAAP operating income, and non-GAAP earnings per diluted share when evaluating operating performance because it believes the exclusion of the items described below, for which the amounts and/or timing may vary significantly depending on our activities and other factors, facilitates comparability of our 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, non-GAAP operating income, and non-GAAP earnings per diluted share by adjusting GAAP net income, non-GAAP operating income, and GAAP earnings per diluted share to remove the impact of amortization of intangible assets, stock-based compensation expense, restructuring and other expenses, acquisition-related transaction costs, costs to integrate such acquisitions into our business, incremental cost of revenue due to the fair value adjustment to inventories acquired in business acquisitions, changes in the fair value of contingent consideration including the related foreign exchange fluctuation impact, revenue recognition and accounting review costs, litigation settlements and non-cash interest expense related to our 0.75% convertible senior notes ("Notes"). We use a constant non-GAAP tax rate of 19%, which we believe reflects the long-term average tax rate based on our international structure and geographic distribution of revenue and profit.

Ex-Currency. To better understand trends in our business, we believe it is helpful to adjust our statement of operations to exclude the impact of year-over-year changes in the translation of foreign currencies into U.S. dollars. This is a non-GAAP measure that is calculated by adjusting revenue, gross profit, and operating expenses by using historical exchange rates in effect during the comparable prior year period and removing the balance sheet currency re-measurement impact from interest income and other income, net of expenses, including removal of any hedging gains and losses. We refer to these adjustments as "ex-currency". Management believes the ex-currency measures provide investors with an additional perspective on year-over-year financial trends and enables investors to analyze our operating results in the same way management does. The year-over-year currency impact can be determined as the difference between year-over-year actual growth rates and year-over-year ex-currency growth rates.

These excluded items are described below:

- Cost of revenue related to fair value adjustment of the Free Flow Print Server business ("FFPS"). Inventory acquired in an acquisition must be recorded at fair value rather than historical cost in accordance with ASC 805, *Business Combinations*. The fair value of FFPS inventory reflects the manufacturing cost plus a portion of the expected gross profit. In 2017, we adjusted our cost of revenue to reflect the expected gross profit that was included in the inventory valuation under ASC 805. We believe this adjustment is useful to investors to understand the gross profit trends of our ongoing business.
- Amortization of intangible assets. Intangible assets acquired to date are being amortized on a straight-line basis.

About our Non-GAAP Net Income and Adjustments

- Stock-based compensation expense recognized in accordance with ASC 718, *Stock Compensation*.
- Restructuring and other consists of:
 - Restructuring charges incurred as we consolidate the number and size of our facilities and reduce the size of our workforce.
 - Integration-related expenses were \$0.9 and \$3.2 million for the three and nine months ended September 30, 2018, respectively, and \$0.2 and \$1.0 million for the three and nine months ended September 30, 2017, respectively. We have acquired 18 businesses in the last 5 years, which have required significant information technology investment to integrate them into our business.
- Acquisition-related transaction costs associated with businesses acquired during the periods reported and anticipated transactions of \$0.2 and \$0.9 million for the three and nine months ended September 30, 2018, respectively, and \$0.6 and \$1.8 million for the three and nine months ended September 30, 2017, respectively.
- Changes in fair value of contingent consideration. Our management determined that we should analyze the total return provided by the investment when evaluating operating results of an acquired entity. The total return consists of operating profit generated from the acquired entity compared to the purchase price paid, including the final amounts paid for contingent consideration without considering any post-acquisition adjustments related to changes in the fair value of the contingent consideration. Because our management believes the final purchase price paid for the acquisition reflects the accounting value assigned to both contingent consideration and to the intangible assets, we exclude the GAAP impact of any adjustments to the fair value of acquisition-related contingent consideration from the operating results of an acquisition in subsequent periods, including the related foreign exchange fluctuation impact. We believe this approach is useful in understanding the long-term return provided by our acquisitions and that investors benefit from a supplemental non-GAAP financial measure that excludes the impact of this adjustment.
- Non-cash interest expense on our Notes. Our Notes may be settled in cash on conversion. We are required to separately account for the liability (debt) and equity (conversion option) components of the Notes in a manner that reflects our non-convertible debt borrowing rate. Accordingly, for GAAP purposes, we are required to amortize a debt discount equal to the fair value of the conversion option as interest expense on our \$345 million of 0.75% convertible senior notes that were issued in a private placement in September 2014 over the term of the Notes.
- Revenue recognition accounting review costs and litigation and other settlements. As described in "Item 9A, Controls and Procedures" of our annual report on Form 10-K, for the year ended December 31, 2017, as amended, our management concluded that we had material weaknesses in our internal control over financial reporting as of December 31, 2017 related to revenue recognition practices and the valuation of certain textile digital inkjet printer inventories. Therefore, we did not maintain effective internal control over financial reporting or effective disclosure controls and procedures, both of which are requirements of the Securities Exchange Act of 1934, as of that date. The review of our revenue recognition practices has required that we expend significant management time and incur significant accounting, legal, and other expenses (credits) of \$(0.1) and \$1.7 million during the three and nine months ended September 30, 2018, respectively. We expect to incur additional costs in future periods.
- Tax effect of non-GAAP adjustments. We use a constant non-GAAP tax rate of 19%, which we believe reflects the long-term average tax rate based on our international structure and geographic distribution of revenue and profit. The long-term average tax rate is calculated in accordance with the principles of ASC 740, *Income Taxes*, to estimate the non-GAAP income tax provision in each jurisdiction in which we operate after excluding the tax effect of the non-GAAP items described above, and \$(0.7), \$1.2 and \$27.5 million of tax charges (benefits) recognized in Q3 18, Q1 18, and Q4 17, respectively, as a result of the 2017 Tax Act, which was enacted on December 22, 2017.