Zebra Technologies
Fourth-Quarter and Full-Year 2019 Results

February 13, 2020

Safe Harbor Statement

Statements made in this presentation which are not statements of historical fact are forward-looking statements and are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Actual results may differ from those expressed or implied in the company's forward-looking statements. Zebra may elect to update forward-looking statements but expressly disclaims any obligation to do so, even if the company's estimates change. These forward-looking statements are based on current expectations, forecasts and assumptions and are subject to the risks and uncertainties inherent in Zebra's industry, market conditions, general domestic and international economic conditions, and other factors. These factors include customer acceptance of Zebra's hardware and software products and competitors' product offerings, and the potential effects of technological changes. The continued uncertainty over future global economic conditions, the availability of credit, capital markets volatility, may have adverse effects on Zebra, its suppliers and its customers. In addition, a disruption in our ability to obtain products from vendors as a result of supply chain constraints, natural disasters or other circumstances could restrict sales and negatively affect customer relationships. Profits and profitability will be affected by Zebra's ability to control manufacturing and operating costs. Because of its debt, interest rates and financial market conditions will also have an impact on results. Foreign exchange rates will have an effect on financial results because of the large percentage of our international sales. The outcome of litigation in which Zebra may be involved is another factor. The success of integrating acquisitions could also affect profitability, reported results and the company's competitive position in it industry. These and other factors could have an adverse effect on Zebra's sales, gross profit margins and results of operations. Descriptions of the risks, uncertainties and other factors that could affect the company's future operations and results can be found in Zebra's filings with the Securities and Exchange Commission. In particular, please refer to Zebra's latest filing of its Form 10-K and Form 10-Q. This presentation includes certain non-GAAP financial measures and we refer to the reconciliations to the comparable GAAP financial measures and related information.

Agenda

01 2019 Highlights
Anders Gustafsson, CEO

02 4Q19 Financials and 2020 Outlook
Olivier Leonetti, CFO

03 Progress on our Enterprise Asset Intelligence Vision
Anders Gustafsson, CEO

04 Q&A
Anders Gustafsson, CEO | Olivier Leonetti, CFO | Joe Heel, SVP Global Sales

Highlights

4Q19

+4.8% NET SALES GROWTH +4.6%[1] Organic	**21.4%** ADJUSTED EBITDA MARGIN +30bps YOY Improvement	**$3.56** NON-GAAP DILUTED EPS +14.8% from 4Q18	**Cortexica** ACQUISITION Transaction closed Nov. 5

FY19

+6.3% NET SALES GROWTH +5.5%[1] Organic	**21.6%** ADJUSTED EBITDA MARGIN +90bps YOY Improvement	**$12.94** NON-GAAP DILUTED EPS +17.5% from FY18	**$624M** FREE CASH FLOW

[1] Assumes constant FX to prior year period and excludes revenue from acquisitions for the 12 months following each respective acquisition date

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Fourth-Quarter P&L Summary[1]

In millions, except per share data	4Q19	4Q18	Growth
Net Sales	$1,192	$1,137	+4.8%
Organic Net Sales Growth[2,3]			+4.6%
Adjusted Gross Profit	$546	$542	+0.7%
Adjusted Gross Margin	45.8%	47.7%	(190) bps
Adjusted Operating Expenses	$308	$320	(3.8)%
Adjusted EBITDA	$255	$240	+6.3%
Adjusted EBITDA Margin	21.4%	21.1%	+30 bps
Non-GAAP Diluted EPS	$3.56	$3.10	+14.8%

(1) Refer to the appendix of this presentation for reconciliations of GAAP to non-GAAP financial results
(2) Assumes constant FX to prior-year period
(3) Excludes revenue from acquisitions for the 12 months following each respective acquisition date

SEGMENT ORGANIC SALES GROWTH[2,3]

EVM Segment +6.3%

AIT Segment +1.2%

REGIONAL ORGANIC SALES GROWTH[2,3]

North America +8%

EMEA +4%

Asia Pacific (8)%

Latin America 0%

EBITDA IMPROVEMENT

Lower operating expenses; partially offset by lower gross margin due to $10M tariffs (net impact) and unfavorable business mix

SOLID EPS GROWTH

Lower interest costs

Lower tax rate

Balance Sheet and Cash Flow Highlights

Cash Flow

- $624M free cash flow FY 2019
- Higher use of working capital primary driver of $97M lower free cash flow vs FY 2018
- $47M share repurchases FY 2019 under the authorization announced on July 30
- Debt paydown of $312M in FY 2019 after funding business acquisitions and venture investments

Liquidity and Debt

- $30M in cash & cash equivalents as of year-end 2019
- $1.3B total debt on balance sheet as of year-end 2019
- Net-debt-to-adjusted-EBITDA ratio of 1.3x

On Track to Mitigate Sec 301 Tariffs by Mid-2020

- Zebra has been manufacturing the majority of products in China, like many other tech companies
- Sec 301 tariffs (customs duties) impact the U.S. imports of Chinese-sourced goods
- Zebra continues to move forward with global product sourcing diversification plans, regardless of the fluid tariff situation
  - Working with our contract manufacturing partners to replicate production lines, in order to move most of our U.S. imports to broader Asia
  - Expect up to an additional $25M of one-time charges (pre-tax) in 1H20, plus $10-15M capex investment
- List 4: Expect to substantially mitigate by mid-2020
  - Effective Feb. 15: 7.5% tariff on printers and non-cellular mobile computers; reduced from 15% which has been in effect since Sep. 1
  - $2M and $10M negative gross profit net impact from tariffs 3Q19 and 4Q19, respectively
  - ~ $10M negative gross profit net impact in 1Q20, moderating to ~ $5M in 2Q20 as we launch alternate sources of supply outside of China
    - Will begin to avoid tariffs as new production lines ramp up during first half of 2020
    - Impacts noted above are net of our modest market pricing adjustments on selected products
- Lists 1-3: Mitigation actions complete; tariffs impacted certain Zebra scanners, components, and accessories

Outlook & Assumptions

1Q20

- Net sales growth 4-7% assumes ~ 1 percentage point additive impact from recently acquired businesses[(1)] and ~ 1 percentage point negative impact from FX
- Adjusted EBITDA margin ~ 20%
- Adjusted diluted EPS range $2.90 to $3.10
- *~ $10M gross profit net impact from List 4 tariffs*
- *~ $4M gross profit impact from increased freight associated with anticipated coronavirus supply chain impacts*

FY20

- Net sales growth of 4-6% vs. 2019; assumes ~ 30 basis point additive impact from recently acquired businesses [(1)] and ~ 1 percentage point negative impact from FX
- Adjusted EBITDA margin slightly higher than 22%
- Free cash flow of at least $700M
- Capital expenditures ~ 1.50-1.75% of sales (including ~ $10-15M related to our global product sourcing diversification initiative)
- Depreciation ~ $72-74M and Amortization ~ $65M
- Stock-based compensation expense $55-60M
- Pre-tax cost of debt slightly above 3%
- Non-GAAP tax rate ~ 16%
- *~ $15M gross profit net impact in 1H20 from List 4 tariffs*
- *Up to $25M of one-time charges (pre-tax) in 1H20 related to our global product sourcing diversification initiative*

Potential $0-$50M negative incremental impact to sales if Coronavirus situation becomes significantly different than current expectations

(1) Refers to additive impact to growth rate for the 12 months following each respective acquisition date; Cortexica Vision Systems Ltd. acquired on November 5, 2019; Profitect Inc. acquired on May 31, 2019; Temptime Corporation acquired on February 21, 2019

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Transforming Workflows at the Enterprise Edge

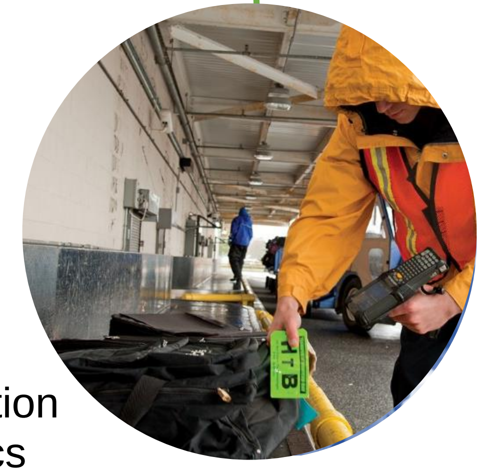
Megatrends

- On-Demand Economy
- IoT
- Cloud Computing
- Enterprise Mobility
- Intelligent Automation

Healthcare

Other Markets

Manufacturing



Transportation & Logistics

Retail & Ecommerce

Enabling Intelligent Retail

Showcased our Innovative Solutions at the National Retail Federation Trade Show

Improved Labor Efficiencies

Increased Employee Collaboration

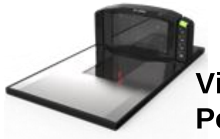
Better Business Insights

Timely Shelf Replenishing

Hybrid Point-of-Sale

Zebra SmartLens® Retail
Powered by Zebra Savanna™

Zebra Workforce Connect™
Powered by Zebra Savanna™



Vision Point-of-Sale

Zebra Prescriptive Analytics™
Powered by Zebra Savanna™

CORTEXICA

Zebra FulfillmentEdge™
Powered by Zebra Savanna™

Zebra SmartSight™

Accurate Inventory Management

Enhanced Asset Protection

Faster Enhanced Checkout

Accurate Shelf Pricing

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Q&A

Appendix

Use of Non-GAAP Financial Information

This press release contains certain Non-GAAP financial measures, consisting of “adjusted net sales,” “adjusted gross profit,” “EBITDA,” “Adjusted EBITDA,” “Non-GAAP net income,” “Non-GAAP earnings per share,” “free cash flow,” “organic net sales growth,” and “adjusted operating expenses.” Management presents these measures to focus on the on-going operations and believes it is useful to investors because they enable them to perform meaningful comparisons of past and present operating results. The company believes it is useful to present Non-GAAP financial measures, which exclude certain significant items, as a means to understand the performance of its ongoing operations and how management views the business. Please see the “Reconciliation of GAAP to Non-GAAP Financial Measures” tables and accompanying disclosures at the end of this press release for more detailed information regarding non-GAAP financial measures herein, including the items reflected in adjusted net earnings calculations. These measures, however, should not be construed as an alternative to any other measure of performance determined in accordance with GAAP.

The company does not provide a reconciliation for non-GAAP estimates on a forward-looking basis (including the information under “Outlook” above) where it is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that have not yet occurred, are out of the company’s control and/or cannot be reasonably predicted, and that would impact diluted net earnings per share, the most directly comparable forward-looking GAAP financial measure. For the same reasons, the company is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures provided without the most directly comparable GAAP financial measures may vary materially from the corresponding GAAP financial measures.

As a global company, Zebra's operating results reported in U.S. dollars are affected by foreign currency exchange rate fluctuations because the underlying foreign currencies in which the company transacts change in value over time compared to the U.S. dollar; accordingly, the company presents certain organic growth financial information, which includes impacts of foreign currency translation, to provide a framework to assess how the company’s businesses performed excluding the impact of foreign currency exchange rate fluctuations. Foreign currency impact represents the difference in results that are attributable to fluctuations in the currency exchange rates used to convert the results for businesses where the functional currency is not the U.S. dollar. This impact is calculated by translating, for certain currencies, current period results at the currency exchange rates used in the comparable period in the prior year, rather than the exchange rates in effect during the current period. In addition, the company excludes the impact of its foreign currency hedging program in the prior year period. The company believes these measures should be considered a supplement to and not in lieu of the company’s performance measures calculated in accordance with GAAP.

GAAP to Non-GAAP Organic Net Sales Growth Reconciliation

(Unaudited)

	Three Months Ended December 31, 2019		
	AIT	EVM	Consolidated
Reported GAAP Consolidated Net sales growth	3.3%	5.6%	4.8%
Adjustments:			
Impact of foreign currency translation(1)	1.0%	1.1%	1.1%
Impact of acquisitions(2)	(3.1)%	(0.4)%	(1.3)%
Organic Net sales growth	1.2%	6.3%	4.6%

	Twelve Months Ended December 31, 2019		
	AIT	EVM	Consolidated
Reported GAAP Consolidated Net sales growth	3.9%	7.5%	6.3%
Adjustments:			
Impact of foreign currency translation(1)	1.0%	1.1%	1.1%
Impact of acquisitions(2)	(2.7)%	(1.4)%	(1.9)%
Organic Net sales growth	2.2%	7.2%	5.5%

(1) Operating results reported in U.S. Dollars are affected by foreign currency exchange rate fluctuations. Foreign currency translation impact represents the difference in results that are attributable to fluctuations in the currency exchange rates used to convert the results for businesses where the functional currency is not the U.S. Dollar. This impact is calculated by translating the current period results at the currency exchange rates used in the comparable prior year period, inclusive of the Company's foreign currency hedging program.

(2) For purposes of computing Organic Net sales growth, amounts directly attributable to acquisitions are excluded for twelve months following their respective acquisition dates.

GAAP to Non-GAAP Gross Margin Reconciliation

(In millions)
(Unaudited)

	Three Months Ended					
	December 31, 2019			December 31, 2018		
	AIT	EVM	Consolidated	AIT	EVM	Consolidated
GAAP						
Reported Net sales	$ 379	$ 813	$ 1,192	$ 367	$ 770	$ 1,137
Reported Gross profit (1)	183	362	544	182	359	539
Gross Margin	48.3%	44.5%	45.6%	49.6%	46.6%	47.4%
Non-GAAP						
Adjusted Net sales	$ 379	$ 813	$ 1,192	$ 367	$ 770	$ 1,137
Adjusted Gross profit (2)	183	363	546	182	360	542
Adjusted Gross Margin	48.3%	44.6%	45.8%	49.6%	46.8%	47.7%

	Twelve Months Ended					
	December 31, 2019			December 31, 2018		
	AIT	EVM	Consolidated	AIT	EVM	Consolidated
GAAP						
Reported Net sales	$ 1,479	$ 3,006	$ 4,485	$ 1,423	$ 2,795	$ 4,218
Reported Gross profit (1)	736	1,371	2,100	710	1,274	1,981
Gross Margin	49.8%	45.6%	46.8%	49.9%	45.6%	47.0%
Non-GAAP						
Adjusted Net sales	$ 1,479	$ 3,006	$ 4,485	$ 1,423	$ 2,795	$ 4,218
Adjusted Gross profit (2)	737	1,374	2,111	711	1,277	1,988
Adjusted Gross Margin	49.8%	45.7%	47.1%	50.0%	45.7%	47.1%

(1) Consolidated results include corporate eliminations related to business acquisitions and product sourcing diversification costs that are not reported in segment results.
(2) Adjusted Gross profit excludes purchase accounting adjustments, product sourcing diversification costs, and share-based compensation expense.

GAAP to Non-GAAP Net Income Reconciliation

(In millions, except share data)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net income	$ 169	$ 115	$ 544	$ 421
Adjustments to Cost of sales[1]				
Purchase accounting adjustments	—	2	6	3
Share-based compensation	1	1	4	4
Product sourcing diversification initiative	1	—	1	—
Total adjustments to Cost of sales	2	3	11	7
Adjustments to Operating expenses[1]				
Amortization of intangible assets	19	26	103	97
Acquisition and integration costs	2	—	22	8
Legal Settlement	—	—	—	13
Share-based compensation	16	12	56	49
Exit and restructuring costs	8	2	10	11
Product sourcing diversification initiative	3	—	4	—
Total adjustments to Operating expenses	48	40	195	178
Adjustments to Other expenses, net[1]				
Debt extinguishment costs	—	—	3	—
Amortization of debt issuance costs and discounts	1	2	7	15
Investment gain	—	(9)	(3)	(10)
Foreign exchange loss	4	—	6	5
Forward interest rate swaps loss (gain)	(8)	18	19	(6)
Total adjustments to Other expenses, net	(3)	11	32	4
Income tax effect of adjustments[2]				
Reported income tax expense	10	33	54	103
Adjusted income tax	(32)	(33)	(130)	(115)
Total adjustments to income tax	(22)	—	(76)	(12)
Total adjustments	25	54	162	177
Non-GAAP Net income	$ 194	$ 169	$ 706	$ 598
GAAP earnings per share				
Basic	$ 3.13	$ 2.14	$ 10.08	$ 7.86
Diluted	$ 3.10	$ 2.11	$ 9.97	$ 7.76
Non-GAAP earnings per share				
Basic	$ 3.60	$ 3.13	$ 13.08	$ 11.16
Diluted	$ 3.56	$ 3.10	$ 12.94	$ 11.01
Basic weighted average shares outstanding	53,985,729	53,831,395	53,991,249	53,591,655
Diluted weighted average and equivalent shares outstanding	54,541,638	54,468,545	54,594,417	54,299,812

(1) Presented on a pre-tax basis.
(2) Represents the adjustment to the GAAP income tax expense commensurate with non-GAAP adjustments (including the resulting impacts to U.S. BEAT/GILTI provisions) and to exclude the impacts of certain discrete income tax items.

GAAP to Non-GAAP EBITDA Reconciliation

(In millions)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net income	$ 169	$ 115	$ 544	$ 421
Add back:				
Depreciation	17	18	72	78
Amortization of intangible assets	19	26	103	97
Total Other expenses, net	9	31	94	86
Income tax expense	10	33	54	103
EBITDA (Non-GAAP)	224	223	867	785
Adjustments to Cost of sales				
Purchase accounting adjustments	—	2	6	3
Share-based compensation	1	1	4	4
Product sourcing diversification initiative	1	—	1	—
Total adjustments to Cost of sales	2	3	11	7
Adjustments to Operating expenses				
Acquisition and integration costs	2	—	22	8
Legal Settlement	—	—	—	13
Share-based compensation	16	12	56	49
Exit and restructuring costs	8	2	10	11
Product sourcing diversification initiative	3	—	4	—
Total adjustments to Operating expenses	29	14	92	81
Total adjustments to EBITDA	31	17	103	88
Adjusted EBITDA (Non-GAAP)	$ 255	$ 240	$ 970	$ 873
Adjusted EBITDA % of Adjusted Net Sales	21.4%	21.1%	21.6%	20.7%

GAAP to Non-GAAP Free Cash Flow Reconciliation

(In millions)
(Unaudited)

	Twelve Months Ended	
	December 31, 2019	**December 31, 2018**
Net cash provided by operating activities	$ 685	$ 785
Less: Purchases of property, plant and equipment	(61)	(64)
Free cash flow (Non-GAAP)[(1)]	$ 624	$ 721

(1) Free cash flow is defined as Net cash provided by operating activities in a period minus purchases of property, plant and equipment (capital expenditures) made in that period. This measure does not represent residual cash flows available for discretionary expenditures as the measure does not deduct the payments required for debt service and other contractual obligations or payments for future business acquisitions. Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our entire statements of cash flows.