

Zebra Technologies
Fourth Quarter and Full Year 2021 Results

February 10, 2022

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 offerings and competitors' offerings, and the potential effects of emerging technologies and changes in customer requirements. The effect of global market conditions and the availability of credit and capital markets volatility may have adverse effects on Zebra, its suppliers and its customers. In addition, natural disasters, man-made disasters, public health issues (including pandemics), and cybersecurity incidents may have negative effects on our business and results of operations. Our ability to purchase sufficient materials, parts, and components as well as our ability to provide services and software to meet customer demand could negatively impact our results of operations and 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 may also have an impact on results. Foreign exchange rates, customs duties and trade policies may have an effect on financial results because of the large percentage of our international sales. The impacts of changes in foreign and domestic governmental policies, regulations, or laws, as well as the outcome of litigation or tax matters in which Zebra may be involved are other factors. The success of integrating acquisitions could also affect profitability, reported results and the company's competitive position in its industry. These and other factors could have an adverse effect on Zebra's sales, gross profit margins and results of operations an increase the volatility of our financial results. 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 2021 Highlights
Anders Gustafsson, CEO

02 Q4 Financials and 2022 Outlook
Nathan Winters, CFO

03 Advancing Our Enterprise Asset Intelligence Vision, Served Market Update
Anders Gustafsson, CEO

04 Q&A
Anders Gustafsson, CEO
Nathan Winters, CFO
Joe Heel, Chief Revenue Officer



Fourth Quarter and Full Year 2021 Highlights [1]

4Q21

+11.7%
ADJUSTED NET SALES GROWTH
+10.0%[1] Organic

21.7%
ADJUSTED EBITDA MARGIN
(180)bps YoY

$4.54
NON-GAAP DILUTED EPS
+2% YoY

FY21

+26.4%
ADJUSTED NET SALES GROWTH
+23.2%[1] Organic

23.0%
ADJUSTED EBITDA MARGIN
+250bps YoY

$18.45
NON-GAAP DILUTED EPS
+44% YoY

$1.0B
FREE CASH FLOW
+13%









[1] Refer to the appendix of this presentation for reconciliations of GAAP to non-GAAP financial results

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Fourth Quarter P&L Summary[1]

In millions, except per share data	4Q21	4Q20	Change
Adjusted Net Sales	$1,467	$1,313	+11.7%
Organic Net Sales Growth[2,3]			+10.0%
Adjusted Gross Profit	$671	$628	+6.8%
Adjusted Gross Margin	45.7%	47.8%	(210)bps
Adjusted Operating Expenses	$370	$336	+10.1%
Adjusted EBITDA	$319	$308	+3.6%
Adjusted EBITDA Margin	21.7%	23.5%	(180)bps
Non-GAAP Diluted EPS	$4.54	$4.46	+1.8%

SEGMENT ORGANIC SALES GROWTH[2,3]

- EVM Segment +13.2%
- AIT Segment +3.1%

REGIONAL ORGANIC SALES GROWTH[2,3]

- North America +4%
- EMEA +9%
- Asia Pacific +29%
- Latin America +42%

EBITDA & EPS INCREASE

- Higher Adjusted Gross Profit despite significant premium freight costs
- Higher Adjusted Operating Expenses
- Higher tax rate
- Lower interest costs

(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

Cash Flow & Balance Sheet Highlights



Cash Flow: FY 2021

- $1,010M free cash flow
  - $115M higher YoY primarily due to higher net income
- $452M acquisitions of antuit.ai, Fetch Robotics and Adaptive Vision; $34M venture investments
- $257M net debt repayments
- $57M share repurchases

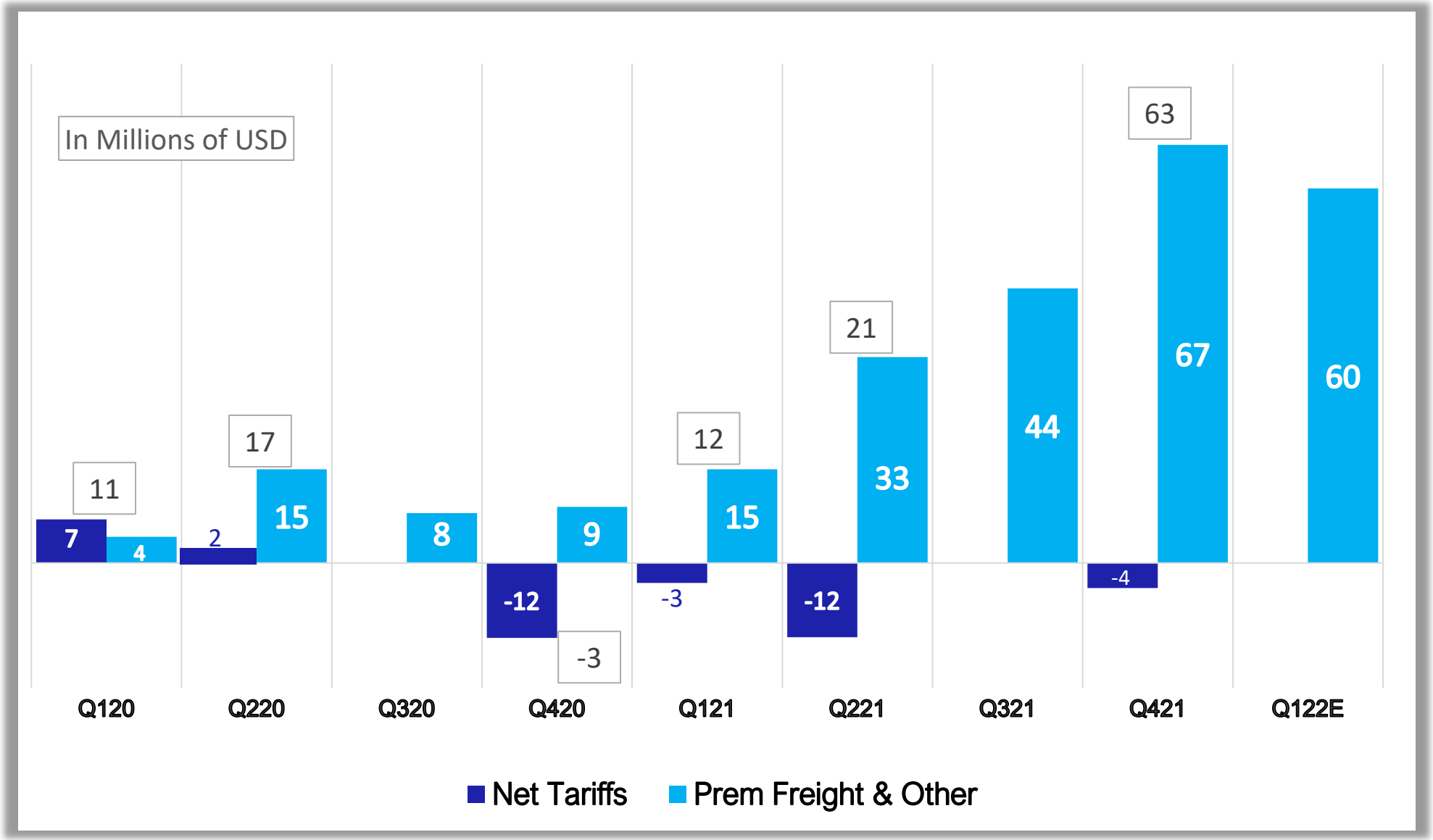


Strong Liquidity Position: YE 2021

- $332M cash & cash equivalents
- $996M total debt on balance sheet
- Net-debt-to-adjusted-EBITDA ratio of 0.5x
- Nearly $1B capacity under revolving credit facility

Global Premium Freight Costs Have Escalated Through Pandemic

Expected to Abate as Component Supply and Freight Capacity Improves



Estimate
~$140-160M
FY22 Impact

Note: Premium Freight calculation compared to pre-pandemic rates

Outlook & Assumptions

1Q22

- Adjusted net sales growth ~ 1-3% YoY
  - ~ 1 percentage point additive impact from recently acquired business and FX(1)
- Adjusted EBITDA margin ~ 20%
- Non-GAAP diluted EPS ~ $3.70 to $4.00
- ~ $60M negative gross profit impact from premium freight based on pre-Pandemic rates

FY22

- Adjusted net sales growth ~ 3-7% YoY
  - Neutral impact from recently acquired business and FX(1)
- Adjusted EBITDA margin ~ 23-24%
- Free cash flow ≥ $900M
- Capital expenditures ~ $65-75M
- Depreciation ~ $70-75M and Amortization ~ $115-125M
- Stock-based compensation expense ~ $85-95M
- Cost of debt (pre-tax) ~ ~3-4%
- Non-GAAP tax rate ~ 18%
- ~ $140-160M negative gross profit impact from premium freight based on pre-Pandemic rates

(1) Refers to impact to growth rate for the 12 months following acquisition date; antuit.ai was acquired on Oct. 7, 2021, Fetch Robotics on Aug. 9, 2021, and Adaptive Vision on May 17, 2021

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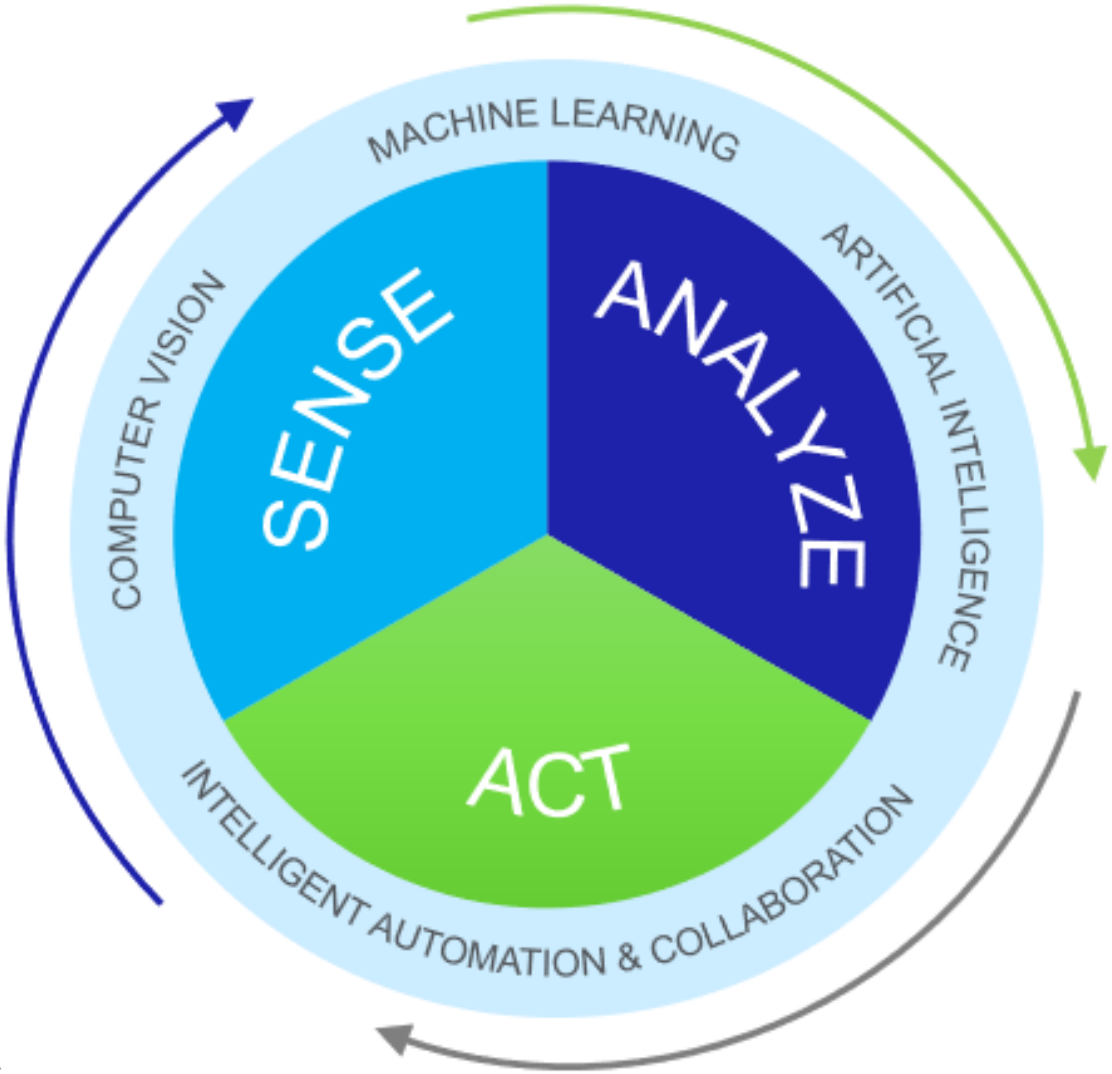
Zebra Digitizes & Automates the Front Line of Business

Transforming Workflows: Purpose-Built Hardware + Software + Cloud Analytics



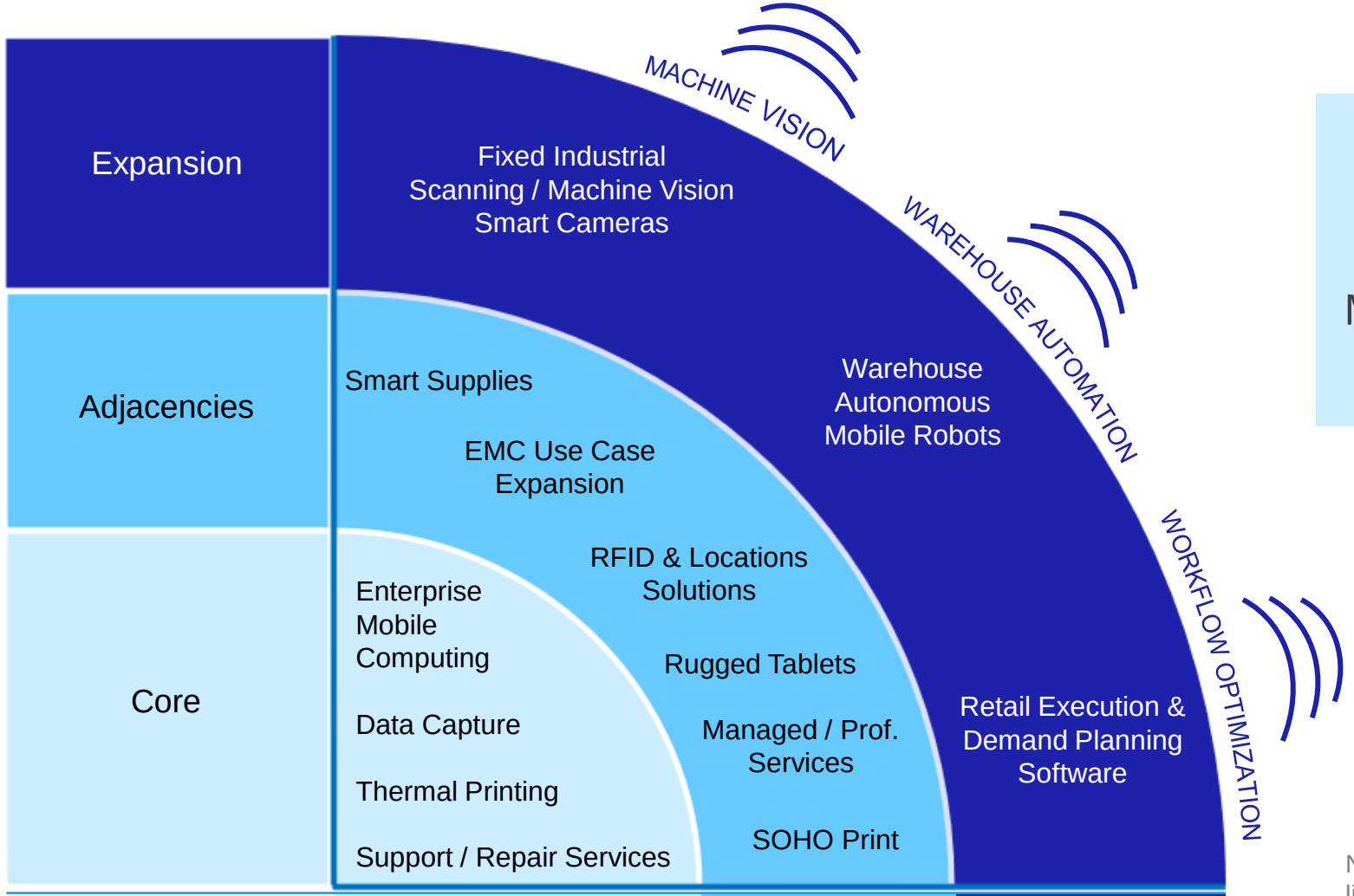






Zebra Well Positioned for 5-7% L-T Organic Sales Growth in $30B Served Market

Attractive Adjacent & Expansion Opportunities Augment Our Vibrant Core



Served Market	~$10-12B	~$12-14B	$6B+
Estimated L-T Market Growth CAGR	4-5%	High-Single Digit	Double Digit

Megatrends

On-Demand Economy
IoT & Asset Visibility
Mobility & Cloud Computing
Intelligent Automation

Note: Not a comprehensive listing of all market opportunities

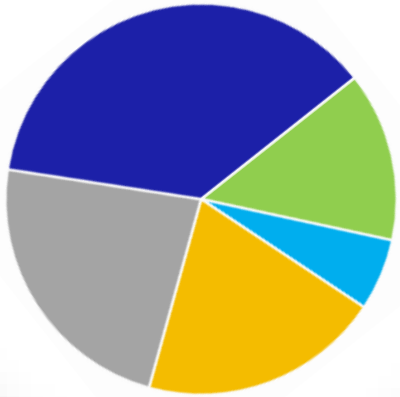
Source: Third-party research including VDC, internal estimates

Zebra Optimizes Workflows for the On-Demand Economy

Trusted Strategic Partner to Industry Leaders



Retail & Ecommerce



Other Markets

Includes Government, Education, Hospitality

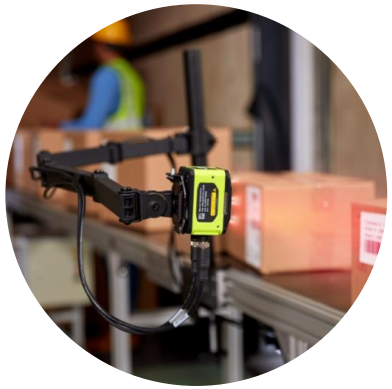




Transportation & Logistics

Healthcare





Manufacturing

Note: Pie chart represents estimated FY21 sales by vertical end-market

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Q&A







Appendix

Use of Non-GAAP Financial Information

This earnings 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, 2021		
	AIT	**EVM**	**Consolidated**
Reported GAAP Consolidated Net sales growth	4.5 %	15.2 %	12.2 %
Adjustments:			
Impact of foreign currency translations [1]	(1.4)%	(0.8)%	(1.4)%
Impact of acquisitions [2]	— %	(1.2)%	(0.8)%
Consolidated Organic Net sales growth [3]	3.1 %	13.2 %	10.0 %

	Twelve Months Ended December 31, 2021		
	AIT	**EVM**	**Consolidated**
Reported GAAP Consolidated Net sales growth	21.2 %	28.8 %	26.5 %
Adjustments:			
Impact of foreign currency translations [1]	(1.9)%	(1.9)%	(2.1)%
Impact of acquisitions [2]	— %	(1.9)%	(1.2)%
Consolidated Organic Net sales growth [3]	19.3 %	25.0 %	23.2 %

(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 business acquisitions are excluded for twelve months following their respective acquisitions.

GAAP to Non-GAAP Gross Margin Reconciliation

(In millions)
(Unaudited)

	Three Months Ended					
	December 31, 2021			December 31, 2020		
	AIT	EVM	Consolidated	AIT	EVM	Consolidated
GAAP						
Reported Net sales [1]	$ 444	$ 1,023	$ 1,467	$ 425	$ 888	$ 1,308
Reported Gross profit [1]	190	479	669	204	421	618
Gross Margin	42.8 %	46.8 %	45.6 %	48.0 %	47.4 %	47.2 %
Non-GAAP						
Adjusted Net sales	$ 444	$ 1,023	$ 1,467	$ 425	$ 888	$ 1,313
Adjusted Gross profit [2]	190	481	671	205	423	628
Adjusted Gross Margin	42.8 %	47.0 %	45.7 %	48.2 %	47.6 %	47.8 %

	Twelve Months Ended					
	December 31, 2021			December 31, 2020		
	AIT	EVM	Consolidated	AIT	EVM	Consolidated
GAAP						
Reported Net sales [1]	$ 1,687	$ 3,946	$ 5,627	$ 1,392	$ 3,063	$ 4,448
Reported Gross profit [1]	769	1,865	2,628	658	1,358	2,003
Gross Margin	45.6 %	47.3 %	46.7 %	47.3 %	44.3 %	45.0 %
Non-GAAP						
Adjusted Net sales	$ 1,687	$ 3,946	$ 5,633	$ 1,392	$ 3,063	$ 4,455
Adjusted Gross profit [2]	771	1,871	2,642	660	1,362	2,022
Adjusted Gross Margin	45.7 %	47.4 %	46.9 %	47.4 %	44.5 %	45.4 %

(1) Consolidated results include corporate eliminations related to business acquisition purchase accounting adjustments that are not reported in segment results.

(2) Adjusted Gross profit excludes business acquisition purchase accounting adjustments, share-based compensation expense, and product sourcing diversification costs.

GAAP to Non-GAAP Net Income Reconciliation

(In millions, except share data)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Net income	$ 191	$ 199	$ 837	$ 504
Adjustments to Net sales[1]				
Purchase accounting adjustments	—	5	6	7
Total adjustments to Net sales	—	5	6	7
Adjustments to Cost of sales[1]				
Share-based compensation	2	3	8	6
Product sourcing diversification initiative	—	2	—	6
Total adjustments to Cost of sales	2	5	8	12
Adjustments to Operating expenses[1]				
Amortization of intangible assets	34	26	115	78
Acquisition and integration costs	14	2	25	23
Share-based compensation	21	18	85	53
Exit and restructuring costs	7	4	7	11
Product sourcing diversification initiative	—	1	—	12
Total adjustments to Operating expenses	76	51	232	177
Adjustments to Other income (expense), net[1]				
Amortization of debt issuance costs and discounts	—	1	2	3
Investment (gain) loss	(1)	3	(2)	(5)
Foreign exchange loss	2	3	5	18
Forward interest rate swap (gain) loss	(9)	—	(13)	46
Total adjustments to Other income (expense), net	(8)	7	(8)	62
Income tax effect of adjustments[2]				
Reported income tax expense	35	17	131	56
Adjusted income tax	(51)	(44)	(211)	(128)
Total adjustments to income tax	(16)	(27)	(80)	(72)
Total adjustments	54	41	158	186
Non-GAAP Net income	$ 245	$ 240	$ 995	$ 690
GAAP earnings per share				
Basic	$ 3.58	$ 3.73	$ 15.66	$ 9.43
Diluted	$ 3.55	$ 3.70	$ 15.52	$ 9.35
Non-GAAP earnings per share				
Basic	$ 4.58	$ 4.50	$ 18.61	$ 12.91
Diluted	$ 4.54	$ 4.46	$ 18.45	$ 12.80
Basic weighted average shares outstanding	53,441,215	53,356,857	53,446,399	53,441,375
Diluted weighted average and equivalent shares outstanding	53,877,621	53,783,654	53,902,430	53,913,245

(1) Presented on a pre-tax basis.
(2) Represents adjustments to GAAP income tax expense commensurate with pre-tax non-GAAP adjustments (including the resulting impacts to U.S. BEAT/GILTI provisions), as well as adjustments to exclude the impacts of certain discrete income tax items and incorporate the anticipated annualized effects of current year tax planning.

GAAP to Non-GAAP EBITDA Reconciliation

(In millions)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Net income	$ 191	$ 199	$ 837	$ 504
Add back:				
Depreciation (excluding exit and restructuring costs)	18	16	72	67
Amortization of intangible assets	34	26	115	78
Total Other (income) expense, net	(3)	15	11	91
Income tax expense	35	17	131	56
EBITDA (Non-GAAP)	275	273	1,166	796
Adjustments to Net sales				
Purchase accounting adjustments	—	5	6	7
Total adjustments to Net sales	—	5	6	7
Adjustments to Cost of sales				
Share-based compensation	2	3	8	6
Product sourcing diversification initiative	—	2	—	6
Total adjustments to Cost of sales	2	5	8	12
Adjustments to Operating expenses				
Acquisition and integration costs	14	2	25	23
Share-based compensation	21	18	85	53
Exit and restructuring costs	7	4	7	11
Product sourcing diversification initiative	—	1	—	12
Total adjustments to Operating expenses	42	25	117	99
Total adjustments to EBITDA	44	35	131	118
Adjusted EBITDA (Non-GAAP)	$ 319	$ 308	$ 1,297	$ 914
Adjusted EBITDA % of Adjusted Net Sales	21.7 %	23.5 %	23.0 %	20.5 %

GAAP to Non-GAAP Free Cash Flow Reconciliation

(In millions)
(Unaudited)

	Twelve Months Ended	
	December 31, 2021	December 31, 2020
Net cash provided by operating activities	$ 1,069	$ 962
Less: Purchases of property, plant and equipment	(59)	(67)
Free cash flow (Non-GAAP)[1]	$ 1,010	$ 895

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.

About Zebra

Zebra (NASDAQ: ZBRA) empowers the front line of business in retail, manufacturing, transportation and logistics, healthcare, and other industries to achieve a performance edge. We deliver industry-tailored, end-to-end solutions that intelligently connect people, assets and data to help our customers make business-critical decisions.

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