

# Zebra Technologies Third Quarter 2024 Results

October 29, 2024



# 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 undertakes no obligation, other than as may be required by law, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this release. 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 Zebra's business and results of operations. Zebra's ability to purchase sufficient materials, parts, and components, and ability to provide services, software, and products to meet customer demand could negatively impact Zebra's 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 adverse impact on Zebra's results. Foreign exchange rates, customs duties and trade policies may have an adverse effect on financial results because of the large percentage of Zebra's 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 that could adversely affect Zebra's business and results of operations. The success of integrating acquisitions could also adversely 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 and increase the volatility of Zebra's financial results. When used in this presentation, the words "anticipate," "believe," "outlook," and "expect" and similar expressions, as they relate to the company or its management, are intended to identify such forward-looking statements, but are not the exclusive means of identifying these statements. Descriptions of certain risks, uncertainties and other factors that could adversely 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 contained in the appendix.

# Agenda

01

**Q3 Summary**  
Bill Burns, CEO

02

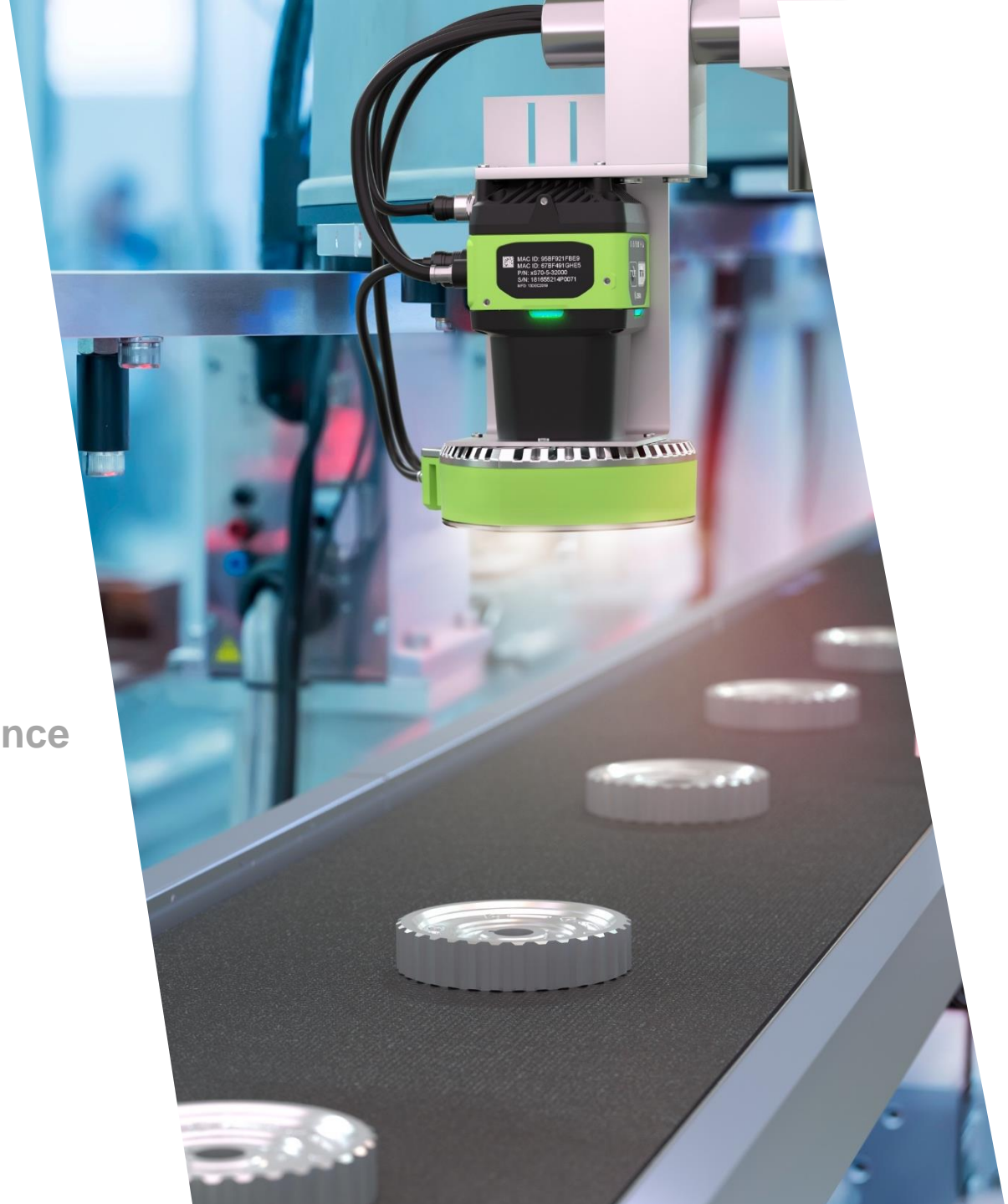
**Q3 Financials and 2024 Outlook**  
Nathan Winters, CFO

03

**Advancing Enterprise Asset Intelligence**  
Bill Burns, CEO

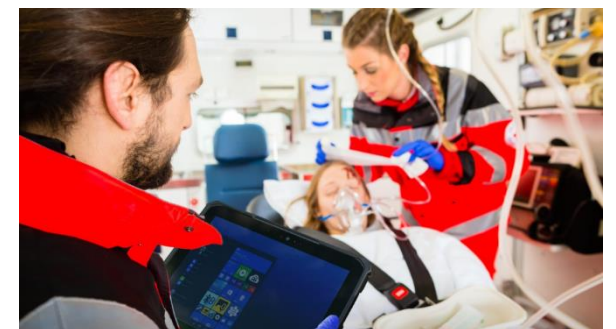
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**Q&A**  
Bill Burns, CEO  
Nathan Winters, CFO



# Third Quarter 2024 Summary <sup>(1)</sup>

- Delivered sales and earnings results above our outlook
- Sales \$1,255M, a 30.6% organic sales increase
  - Double-digit growth across all major product categories, vertical end markets and regions
  - Services and Software grew modestly
- Adjusted EBITDA Margin of 21.4%, increased 980bps
  - Adjusted Gross Margin increased 430bps
    - Volume leverage and favorable business mix
  - Adjusted Operating Expense as a percent of sales improved 590bps
    - Completed Exit and Restructuring actions
- Non-GAAP Diluted EPS \$3.49, up 301.1%



*Broadened demand recovery, strong gross margin, and disciplined cost management, drove our performance.*

<sup>(1)</sup> Refer to the appendix of this presentation for reconciliations of GAAP to non-GAAP financial measures

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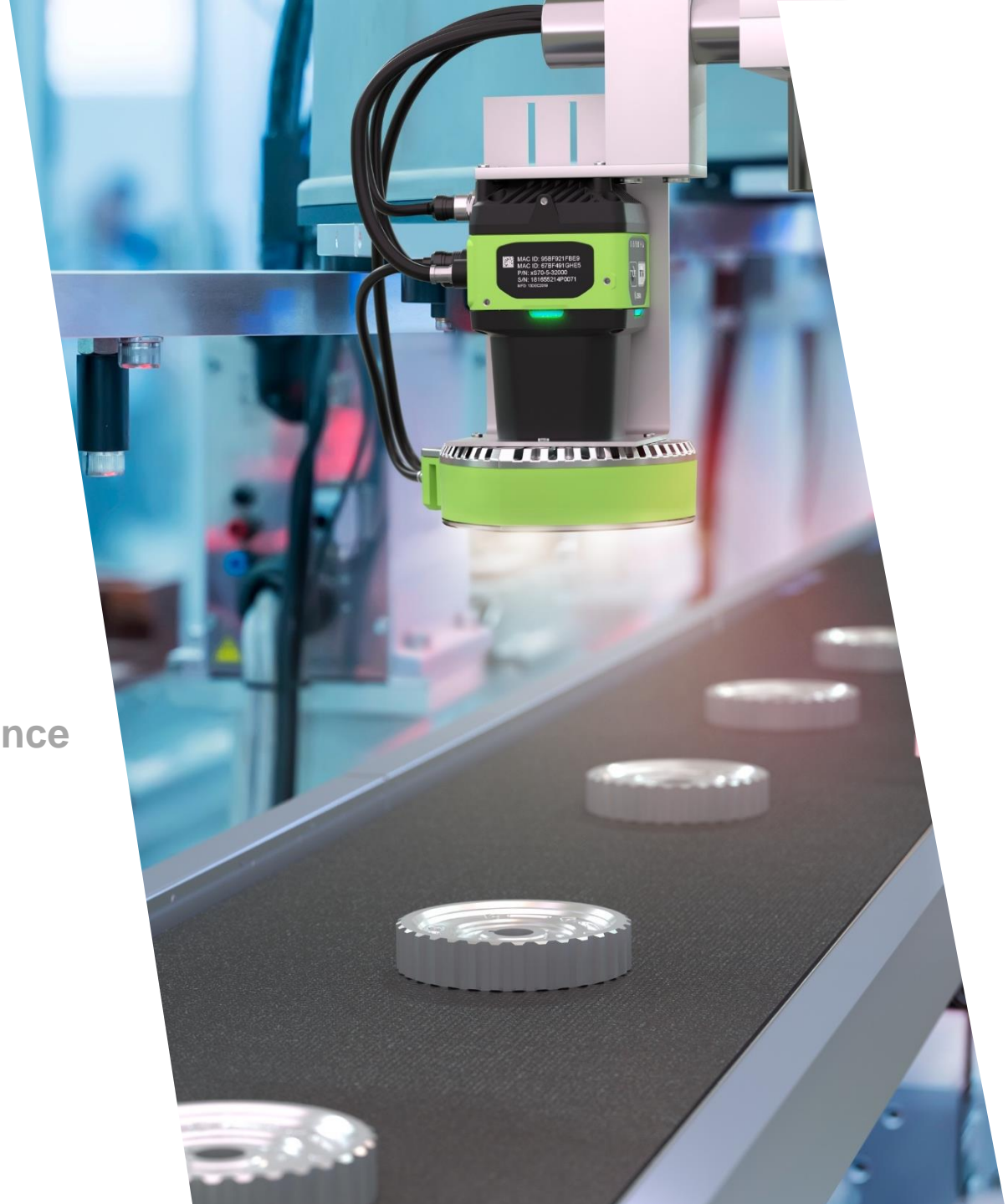
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# Third Quarter P&L Summary<sup>(1)</sup>

In millions, except per share data	3Q24	3Q23	Change
Net Sales	\$1,255	\$956	+31.3%
Organic Net Sales Growth <sup>(2)</sup>			+30.6%
Adjusted Gross Profit	\$616	\$428	+43.9%
Adjusted Gross Margin	49.1%	44.8%	+430bps
Adjusted Operating Expenses	\$364	\$334	+9.0%
Adjusted EBITDA	\$268	\$111	+141.4%
Adjusted EBITDA Margin	21.4%	11.6%	+980bps
Non-GAAP Diluted EPS	\$3.49	\$0.87	+301.1%

## SEGMENT ORGANIC SALES GROWTH<sup>(2)</sup>

- Asset Intelligence & Tracking +25.8%
- Enterprise Visibility & Mobility +33.0%

## REGIONAL ORGANIC SALES GROWTH<sup>(2)</sup>

- North America +22%
- EMEA +47%
- Asia Pacific +24%
- Latin America +42%

<sup>(1)</sup> Refer to the appendix of this presentation for reconciliations of GAAP to non-GAAP financial measures

<sup>(2)</sup> Organic Net Sales Growth: constant FX to prior-year period and excludes revenue from acquisitions for the 12 months following each respective acquisition date

# Cash Flow & Balance Sheet



## Cash Flow: YTD 3Q24

- Free cash flow of \$666M, \$859M higher
  - Working capital improvement
  - Stronger operating performance
  - Lower income tax payments
  - \$90M less settlement payments
  - Proceeds from interest rate swaps
  - Lower incentive compensation payments
- \$43M net debt paydown



## Strong Liquidity Position: 3Q24

- \$676M cash & cash equivalents
- \$2.2B total debt on balance sheet
- 1.6x net-debt-to-adjusted-EBITDA ratio
- \$1.5B capacity under revolving credit facility

# Outlook & Assumptions

## 4Q24

- Sales growth between 28% and 31% YoY  
~ 1 percentage point favorable impact from FX
- Adjusted EBITDA margin approximately 22%
- Non-GAAP diluted EPS ~ \$3.80 to \$4.00

## FY24

- ~ 8% sales growth (based on Q4 outlook)  
~ 50 basis point favorable impact from FX
- Adjusted EBITDA margin approximately 21% (based on Q4 outlook)
- Non-GAAP diluted EPS ~ \$13.30 to \$13.50 (based on Q4 outlook)
- Free cash flow expected to be at least \$850M
- Capital expenditures \$50M – \$60M
- Depreciation \$65M – \$70M and Amortization \$100M – \$105M
- Stock-based compensation expense \$100M – \$105M
- Non-GAAP tax rate ~ 17%

*Raising our 2024 sales and profitability outlook primarily reflecting Q3 performance, continued momentum in demand, and focus on profitable growth.*

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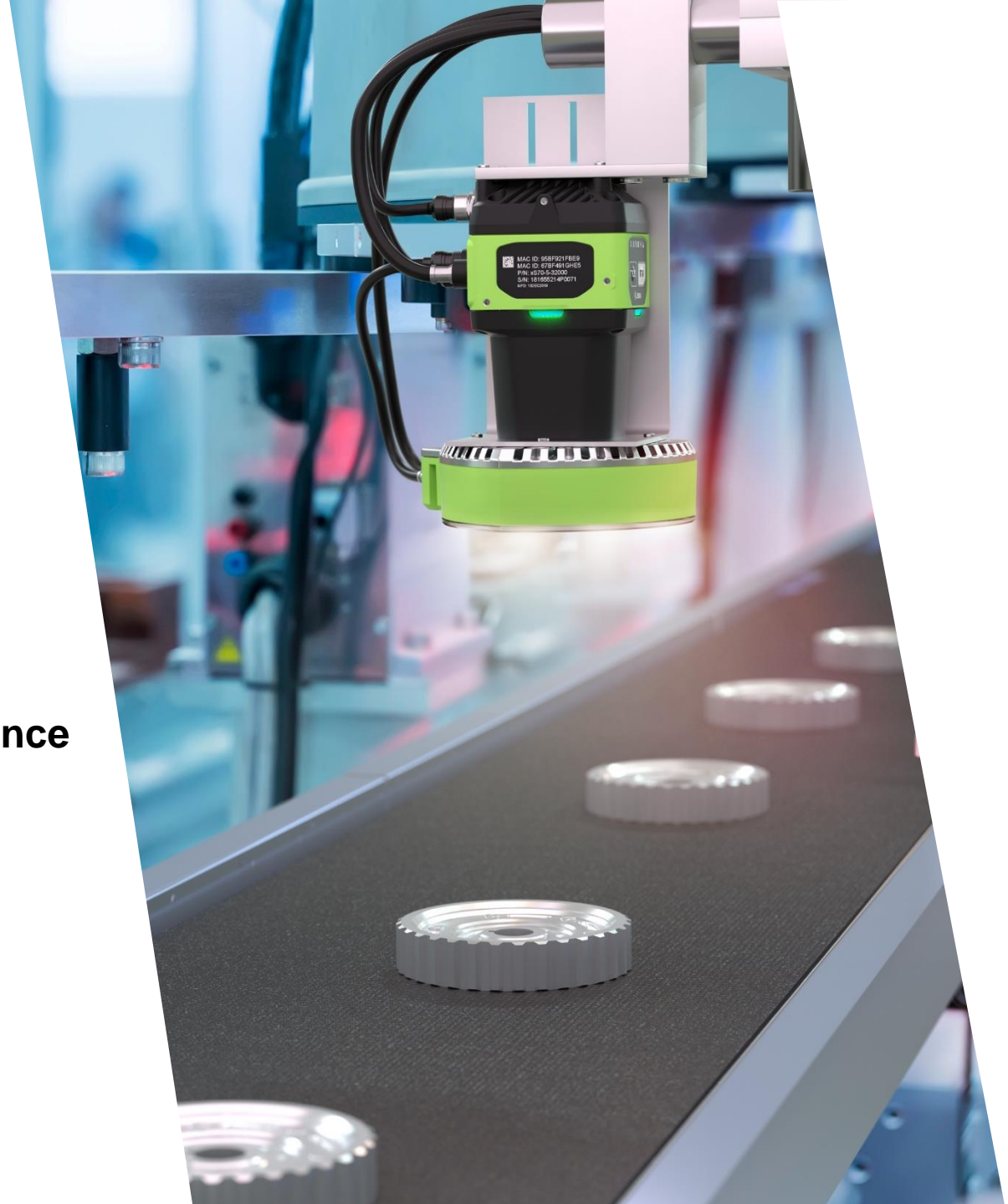
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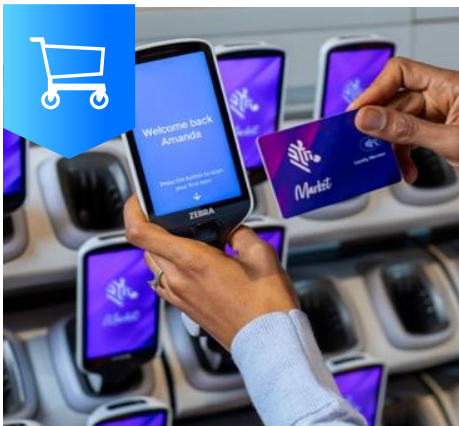


# Zebra Digitizes & Automates the Front Line of Business

Purpose-Built Hardware + Software + Cloud Analytics



# Enabling Improved Outcomes Across Our End Markets



## Retail & E-Commerce

Elevated Customer Experience  
Optimized Inventory  
Engaged Associates



## Transportation & Logistics

Enhance Worker Productivity  
Increase Asset Utilization and Inventory Visibility  
Meet Customer Expectations



## Manufacturing

Production Throughput  
Operational Excellence  
Quality and Compliance



## Healthcare

Patient Safety  
Unified Staff Collaboration  
Strengthened Operational Efficiency



## Other Markets

Critical Communications  
Outage and Disaster Management

*Realized double-digit sales growth in all primary verticals as end-market demand recovers.*

# Opportunity Across Our End Markets

Market Served	Longer-Term Opportunity
Retail & Ecommerce	<ul style="list-style-type: none"> <li>• Technology equipped front-line workers to drive productivity and satisfaction</li> <li>• Reimagining point-of-sale and solutions to address shrink</li> <li>• Ecommerce growth with shorter lead time expectations</li> </ul>
Transportation & Logistics	<ul style="list-style-type: none"> <li>• On-demand economy driving need for increased visibility and productivity</li> <li>• Last mile fulfillment productivity to address increased demand</li> <li>• Automation to address labor constraints and improve operational efficiency</li> </ul>
Manufacturing	<ul style="list-style-type: none"> <li>• Investments in supply chain traceability, efficiency and resiliency</li> <li>• Transform operations with machine vision, robotics and AI</li> </ul>
Healthcare	<ul style="list-style-type: none"> <li>• Digitally connecting assets, patients and staff for safe and effective care</li> <li>• Patient engagement and virtual care, including home healthcare opportunity</li> </ul>
Other Markets	<ul style="list-style-type: none"> <li>• Digitizing workflows in public safety and field service</li> <li>• Modernizing end-to-end supply chain</li> </ul>

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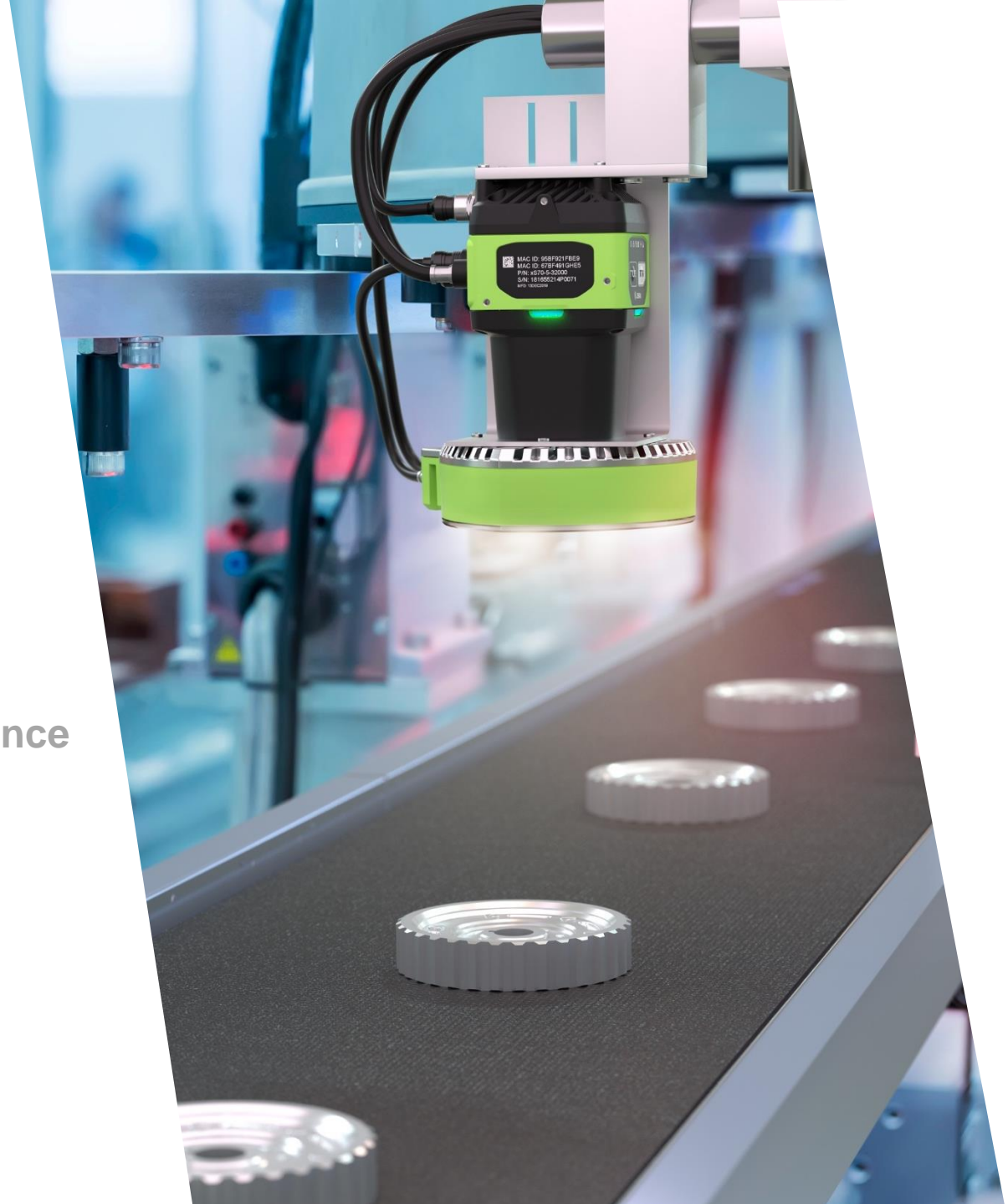
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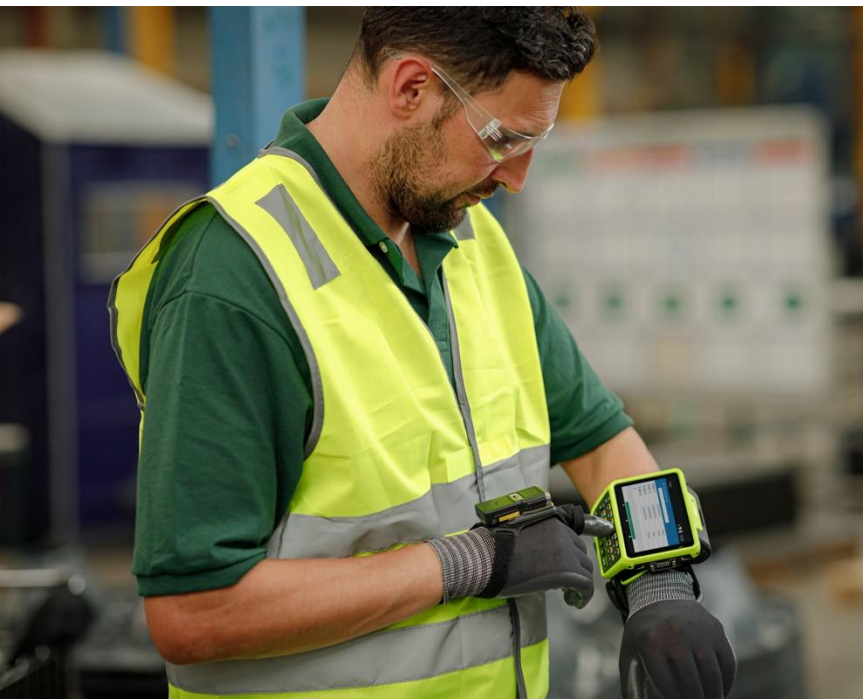
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**Q&A**

# Appendix

# Use of Non-GAAP Financial Information

This presentation contains certain Non-GAAP financial measures, consisting of “adjusted net sales,” “adjusted gross profit,” “adjusted gross margin,” “EBITDA,” “Adjusted EBITDA,” “Adjusted EBITDA margin,” “Adjusted EBITDA % of adjusted net sales,” “non-GAAP net income,” “non-GAAP earnings per share,” “non-GAAP diluted earnings per share,” “free cash flow,” “organic net sales,” “organic net sales growth,” “organic net sales growth (decline),” “organic net sales (decline) 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 presentation 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 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 periods. 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 (Decline) Growth Reconciliation

(Unaudited)

	Three Months Ended		
	September 28, 2024		
	AIT	EVM	Consolidated
Reported GAAP Consolidated Net sales growth	26.5 %	33.7 %	31.3 %
Adjustments:			
Impact of foreign currency translations <sup>(1)</sup>	(0.7)%	(0.7)%	(0.7)%
Consolidated Organic Net sales growth	<u>25.8 %</u>	<u>33.0 %</u>	<u>30.6 %</u>
	Nine Months Ended		
	September 28, 2024		
	AIT	EVM	Consolidated
Reported GAAP Consolidated Net sales (decline) growth	(8.1)%	7.8 %	2.0 %
Adjustments:			
Impact of foreign currency translations <sup>(1)</sup>	(0.6)%	(0.4)%	(0.5)%
Consolidated Organic Net sales (decline) growth	<u>(8.7)%</u>	<u>7.4 %</u>	<u>1.5 %</u>

(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.

# GAAP to Non-GAAP Gross Margin Reconciliation

(In millions)  
(Unaudited)

	Three Months Ended					
	September 28, 2024			September 30, 2023		
	AIT	EVM	Consolidated	AIT	EVM	Consolidated
<b>GAAP</b>						
Reported Net sales	\$ 410	\$ 845	\$ 1,255	\$ 324	\$ 632	\$ 956
Reported Gross profit	199	414	613	145	282	427
Gross Margin	48.5 %	49.0 %	48.8 %	44.8 %	44.6 %	44.7 %
<b>Non-GAAP</b>						
Adjusted Net sales	\$ 410	\$ 845	\$ 1,255	\$ 324	\$ 632	\$ 956
Adjusted Gross profit <sup>(1)</sup>	200	416	616	145	283	428
Adjusted Gross Margin	48.8 %	49.2 %	49.1 %	44.8 %	44.8 %	44.8 %
<b>Nine Months Ended</b>						
	September 28, 2024			September 30, 2023		
	AIT	EVM	Consolidated	AIT	EVM	Consolidated
<b>GAAP</b>						
Reported Net sales	\$ 1,199	\$ 2,448	\$ 3,647	\$ 1,305	\$ 2,270	\$ 3,575
Reported Gross profit	570	1,195	1,765	628	1,047	1,675
Gross Margin	47.5 %	48.8 %	48.4 %	48.1 %	46.1 %	46.9 %
<b>Non-GAAP</b>						
Adjusted Net sales	\$ 1,199	\$ 2,448	\$ 3,647	\$ 1,305	\$ 2,270	\$ 3,575
Adjusted Gross profit <sup>(1)</sup>	572	1,200	1,772	629	1,050	1,679
Adjusted Gross Margin	47.7 %	49.0 %	48.6 %	48.2 %	46.3 %	47.0 %

(1) Adjusted Gross profit excludes share-based compensation expense.

# GAAP to Non-GAAP Net Income Reconciliation

(In millions, except share data)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
<b>GAAP Net income (loss)</b>	\$ 137	\$ (15)	\$ 365	\$ 279
Adjustments to Cost of sales <sup>(1)</sup>				
Share-based compensation	3	1	7	4
<b>Total adjustments to Cost of sales</b>	<u>3</u>	<u>1</u>	<u>7</u>	<u>4</u>
Adjustments to Operating expenses <sup>(1)</sup>				
Amortization of intangible assets	29	26	80	78
Acquisition and integration costs	1	2	3	4
Share-based compensation	24	19	78	42
Exit and restructuring costs	4	58	17	82
<b>Total adjustments to Operating expenses</b>	<u>58</u>	<u>105</u>	<u>178</u>	<u>206</u>
Adjustments to Other expense, net <sup>(1)</sup>				
Amortization of debt issuance costs and discounts	—	1	1	2
Investment loss	—	—	6	1
Foreign exchange loss (gain)	9	(6)	6	(2)
Forward interest rate swap (gain)	—	(23)	(31)	(34)
<b>Total adjustments to Other expense, net</b>	<u>9</u>	<u>(28)</u>	<u>(18)</u>	<u>(33)</u>
Income tax effect of adjustments <sup>(2)</sup>				
Reported income tax expense (benefit)	12	(9)	62	53
Adjusted income tax	(38)	(9)	(101)	(90)
<b>Total adjustments to income tax</b>	<u>(26)</u>	<u>(18)</u>	<u>(39)</u>	<u>(37)</u>
Total adjustments	<u>44</u>	<u>60</u>	<u>128</u>	<u>140</u>
<b>Non-GAAP Net income</b>	<u>\$ 181</u>	<u>\$ 45</u>	<u>\$ 493</u>	<u>\$ 419</u>
GAAP earnings (loss) per share				
Basic	\$ 2.65	\$ (0.28)	\$ 7.09	\$ 5.44
Diluted	\$ 2.64	\$ (0.28)	\$ 7.04	\$ 5.40
Non-GAAP earnings per share				
Basic	\$ 3.52	\$ 0.87	\$ 9.58	\$ 8.16
Diluted	\$ 3.49	\$ 0.87	\$ 9.51	\$ 8.10
Basic weighted average shares outstanding <sup>(3)</sup>	51,567,216	51,336,645	51,480,812	51,380,876
Diluted weighted average and equivalent shares outstanding	51,918,055	51,336,645	51,845,572	51,717,731

(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.

(3) For GAAP purposes, in periods of a net loss, restricted stock and performance share awards, which are participating securities, are excluded from weighted-average shares outstanding and all unvested share-based awards were anti-dilutive and therefore excluded from diluted shares. For the three months ended September 30, 2023, Non-GAAP basic and diluted weighted average shares outstanding were 51,344,065 and 51,696,702, respectively.

# GAAP to Non-GAAP EBITDA Reconciliation

(In millions)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
GAAP Net income (loss)	\$ 137	\$ (15)	\$ 365	\$ 279
Add back:				
Depreciation (excluding exit and restructuring)	16	17	50	52
Amortization of intangible assets	29	26	80	78
Total Other expense, net	42	12	90	75
Income tax expense (benefit)	12	(9)	62	53
EBITDA (Non-GAAP)	236	31	647	537
Adjustments to Cost of sales				
Share-based compensation	3	1	7	4
Total adjustments to Cost of sales	3	1	7	4
Adjustments to Operating expenses				
Acquisition and integration costs	1	2	3	4
Share-based compensation	24	19	78	42
Exit and restructuring costs	4	58	17	82
Total adjustments to Operating expenses	29	79	98	128
Total adjustments to EBITDA	32	80	105	132
Adjusted EBITDA (Non-GAAP)	\$ 268	\$ 111	\$ 752	\$ 669
Adjusted EBITDA % of Adjusted Net Sales (Non-GAAP)	21.4 %	11.6 %	20.6 %	18.7 %

# GAAP to Non-GAAP Free Cash Flow Reconciliation

(In millions)  
(Unaudited)

	Nine Months Ended	
	September 28, 2024	September 30, 2023
Net cash provided by (used in) operating activities	\$ 707	\$ (145)
Less: Purchases of property, plant and equipment	(41)	(48)
Free cash flow (Non-GAAP) <sup>(1)</sup>	<u>\$ 666</u>	<u>\$ (193)</u>

(1) Free cash flow, a non-GAAP measure, is defined as Net cash provided by (used in) 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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