

Zebra Technologies
First-Quarter 2018 Results

May 8, 2018

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. This presentation includes certain non-GAAP financial measures and we refer to the reconciliations to the comparable GAAP financial measures and related information.

Information regarding the impact of the Tax Cuts and Jobs Act of 2017 ("TCJA") consists of preliminary estimates, based on current calculations, interpretations, assumptions and expectations. These estimates may change materially as we learn additional information about and obtain additional guidance on the TCJA.

Q1 Highlights
Anders Gustafsson, CEO

Q1 Financials and Outlook
Olivier Leonetti, CFO

Progress on Strategic Priorities
Anders Gustafsson, CEO

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

First-Quarter 2018 Highlights

- Net Sales growth of 13% (+10%[1] organic)
  - Strong growth in both operating segments
  - Growth across all regions, particularly EMEA and N.A.

- Adjusted EBITDA margin of 20.9%, a 370 bps year-over-year improvement over 1Q17
  - Record profitability; highest gross margin and EBITDA margin since the Enterprise Acquisition
  - Disciplined go-to-market execution, favorable business mix, and favorable FX impact
  - Significant operating expense leverage

- Non-GAAP diluted EPS of $2.56, up 87% from 1Q17

- $116M of cash flow from operations driven primarily by strong EBITDA









[1] Assumes constant FX to prior year period

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First-Quarter P&L Summary[1]

In millions, except per share data	1Q18	1Q17	Growth
Adjusted Net Sales	$977	$866	+12.8%
Organic Net Sales Growth[2]			+9.8%
Adjusted Gross Profit	$466	$402	+15.9%
Adj. Gross Margin	47.7%	46.4%	+130 bps
Adjusted EBITDA	$204	$149	+36.9%
Adj. EBITDA Margin	20.9%	17.2%	+370 bps
Non-GAAP diluted EPS	$2.56	$1.37	+86.9%

- **9.8% Organic Net Sales Growth[2]**
  - EVM Segment +11.7%
  - AIT Segment +6.4%
- **Regional Sales Performance**
  - North America +9%
  - EMEA +13%[2]
  - Asia Pacific +5%[2]
  - Latin America +7%
- **EBITDA Improvement**
  - Gross profit margin increase
  - Operating leverage on increased sales
- **Strong EPS Growth**
  - Lower interest costs
  - Lower non-GAAP tax rate

[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

Balance Sheet and Cash Flow Highlights

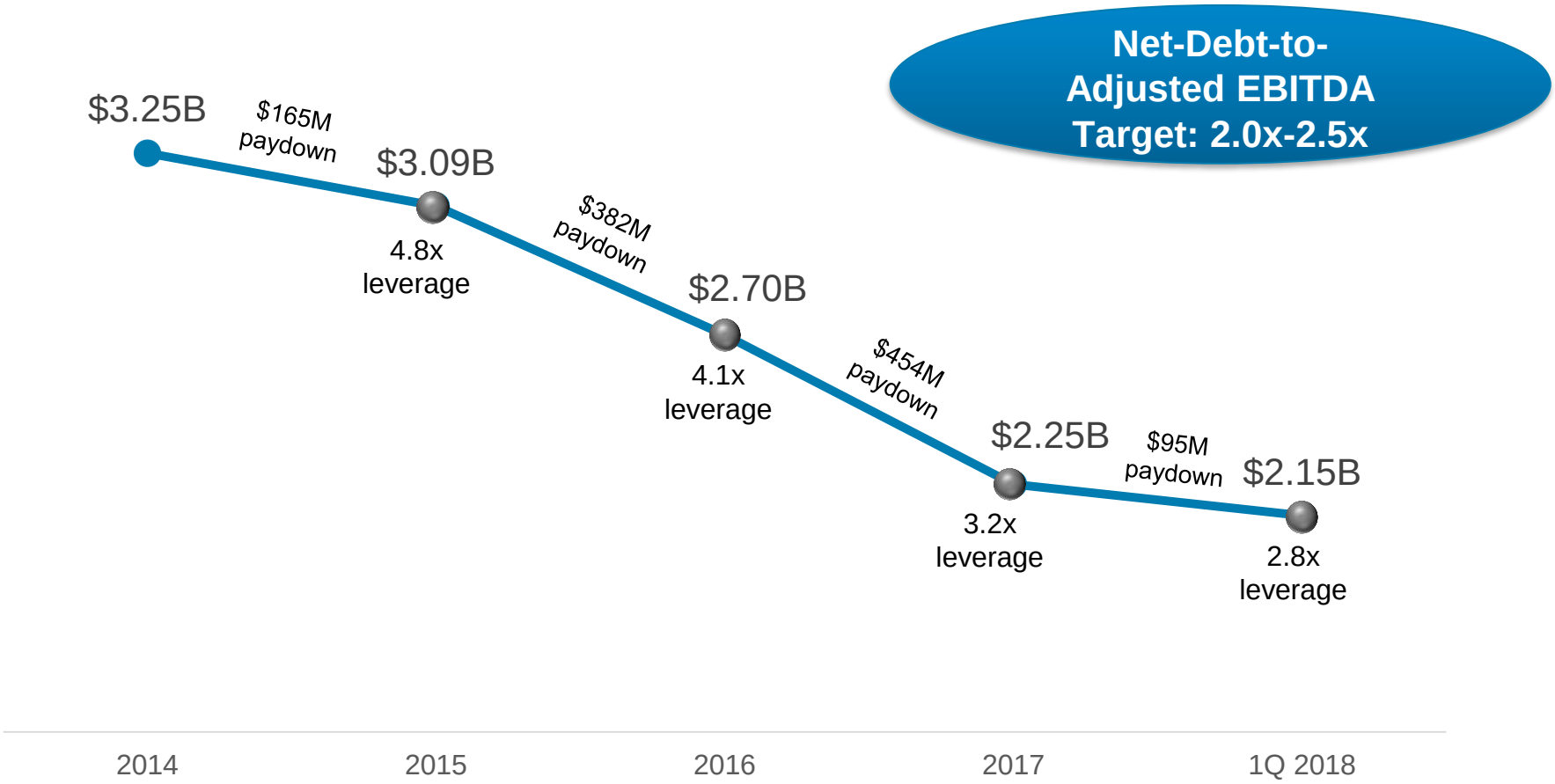
Liquidity & Debt	• $64M in cash & cash equivalents as of the end of 1Q18
	• $2.1B total debt on balance sheet at quarter end
	  ○ $1.8B Term Loan B and Term Loan A
	  ○ $273M borrowed on $500M revolver
	  ○ $86M drawn on $180M A/R financing facility

Debt Paydown	• $95M in debt payments in Q1 • Achieved net-debt-to-adjusted-EBITDA ratio of 2.8x as of quarter end

Cash Flow	• $98M free cash flow in Q1
	• Key drivers of $6M lower free cash flow vs 1Q17:
	  ○ Use of working capital
	  ○ Higher capital expenditures
	  ○ Partially offset by higher operating profitability and lower acquisition & integration costs

Excellent Progress on Acquisition Debt Reduction

$1.1 Billion of Debt Principal Paydown



NOTE: Total debt before unamortized discounts and debt issuance costs.

Outlook

2Q18	• Net sales growth of 9-12% vs. LY; assumes ~3 percentage point favorable impact from FX • Adjusted EBITDA margin range of 18.5-19.0% • Adjusted diluted EPS range of $2.10 to $2.30

FY18 Assumptions	• Net sales growth of 6-9%; assumes ~2 percentage point favorable impact from FX
	• Adjusted EBITDA margin of approximately 20%
	• Free cash flow at least $500M million
	• Capital expenditures $50-60M
	• Depreciation of $78-80M and Amortization of ~$96M
	• Interest expense of $85-$90M, which includes the impact of:
	  ○ $13-14M non-cash amortization of debt issuance & discount
	  ○ $12M unrealized gain in Q1 on forward interest rate swaps
	• Stock-based compensation expense of $48-$50M
	• Non-GAAP tax rate of 16-17%

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Strategic Focus

- Extend Leadership in **Core Markets**, Outpacing the Competition
- Drive Growth in Attractive **Adjacent Markets**
- Advance **Enterprise Asset Intelligence** Solutions
- Enhance **Financial Strength and Flexibility**

Zebra's Value Proposition

GLOBAL REACH & SCALE

LEADING PORTFOLIO

TRACK RECORD OF INNOVATION

PARTNER ECOSYSTEM

VERTICAL MARKET EXPERTISE

Launching Zebra's New Brand Positioning This Summer Highlighting Zebra's Differentiation in Marketplace

Enabling Visibility Across Vertical Markets

MANUFACTURING



HEALTHCARE



RETAIL/ E-COMMERCE



TRANSPORTATION & LOGISTICS



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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,” “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 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, 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 both the current year and 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 Reconciliation

	Three Months Ended March 31, 2018		
	AIT	**EVM**	**Consolidated**
Reported GAAP Consolidated Net sales growth	9.3 %	14.9 %	12.9 %
Adjustments:			
Impact of foreign currency translation[(1)]	(2.9)%	(3.2)%	(3.1)%
Organic Net sales growth	6.4 %	11.7 %	9.8 %

(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, for certain currencies, the current period results at the currency exchange rates used in the comparable prior year period, rather than the exchange rates in effect during the current period. In addition, we exclude the impact of the company's foreign currency hedging program in both the current and prior year periods.

GAAP to Non-GAAP Gross Margin Reconciliation

	Three Months Ended					
	March 31, 2018			April 1, 2017		
	AIT	EVM	Consolidated	AIT	EVM	Consolidated [1]
GAAP						
Reported Net sales [1]	$ 352	$ 625	$ 977	$ 322	$ 544	$ 865
Reported Gross profit	183	282	465	162	240	401
Gross Margin	52.0%	45.1%	47.6%	50.3%	44.1%	46.4%
Non-GAAP						
Adjusted Net sales	$ 352	$ 625	$ 977	$ 322	$ 544	$ 866
Adjusted Gross profit [2]	183	283	466	162	240	402
Adjusted Gross Margin	52.0%	45.3%	47.7%	50.3%	44.1%	46.4%

(1) Fiscal 2017 consolidated results include corporate eliminations which are related to the Enterprise Acquisition in October 2014 and are not reported in segment results.

(2) Adjusted Gross profit excludes purchase accounting adjustments and share-based compensation expense.

GAAP to Non-GAAP Net Income Reconciliation

	Three Months Ended	
	March 31, 2018	April 1, 2017
Net income	$ 109	$ 8
Adjustments to Net sales[1]		
Purchase accounting adjustments	—	1
Total adjustment to Net sales	—	1
Adjustments to Cost of sales[1]		
Share-based compensation	1	—
Total adjustments to Cost of sales	1	—
Adjustments to Operating expenses[1]		
Amortization of intangible assets	23	50
Acquisition and integration costs	2	27
Share-based compensation	10	8
Exit and restructuring costs	4	4
Total adjustments to Operating expenses	39	89
Adjustments to Other expenses, net[1]		
Amortization of debt issuance costs and discounts	2	4
Foreign exchange loss	—	1
Forward interest rate swaps gain	(12)	—
Total adjustments to Other expenses, net	(10)	5
Income tax effect of adjustments[2]		
Reported income tax expense (benefit)	24	(10)
Adjusted income tax expense	(25)	(21)
Total adjustments to income tax	(1)	(31)
Total adjustments	29	64
Non-GAAP Net income	$ 138	$ 72
GAAP earnings per share		
Basic	$ 2.04	$ 0.16
Diluted	$ 2.01	$ 0.16
Non-GAAP earnings per share		
Basic	$ 2.59	$ 1.40
Diluted	$ 2.56	$ 1.37
Non-GAAP weighted average shares outstanding [3]		
Basic	53,286,249	51,842,025
Diluted	53,985,755	52,946,883

(1) Presented on a pre-tax basis.

(2) Represents the adjustment to the GAAP basis tax provision commensurate with non-GAAP adjustments.

(3) In periods of loss, Non-GAAP weighted-average shares exclude restricted stock awards and performance stock awards within basic and dilutive weighted-average share computations. Share-based compensation awards that are dilutive in nature are included within weighted-average dilutive share computations.

GAAP to Non-GAAP EBITDA Reconciliation

	Three Months Ended	
	March 31, 2018	April 1, 2017
Net income	$ 109	$ 8
Add back:		
Depreciation	20	19
Amortization of intangible assets	23	50
Total Other expenses, net	11	42
Income tax expense	24	(10)
EBITDA (Non-GAAP)	187	109
Adjustments to Net sales		
Purchase accounting adjustments	—	1
Total adjustments to Net sales	—	1
Adjustments to Cost of sales		
Share-based compensation	1	—
Total adjustments to Cost of sales	1	—
Adjustments to Operating expenses		
Acquisition and integration costs	2	27
Share-based compensation	10	8
Exit and restructuring costs	4	4
Total adjustments to Operating expenses	16	39
Total adjustments to EBITDA	17	40
Adjusted EBITDA (Non-GAAP)	$ 204	$ 149
Adjusted EBITDA % of Adjusted Net Sales	20.9%	17.2%

GAAP to Non-GAAP Free Cash Flow Reconciliation

	Three Months Ended	
	March 31, 2018	April 1, 2017
Net cash provided by operating activities	$ 116	$ 117
Less: Purchases of property, plant and equipment	(18)	(13)
Free cash flow (Non-GAAP)[(1)]	$ 98	$ 104

(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.