Zebra Technologies
Second-Quarter 2018 Results

August 7, 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 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.

Q2 Highlights
Anders Gustafsson, CEO

Q2 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

Second-Quarter 2018 Highlights

- Net Sales growth of 13% (+11%[(1)] organic)
  - Solid growth across both operating segments
  - Double-digit sales growth in EMEA and North America
- Adjusted EBITDA margin of 19.7%, a 200 bps year-over-year improvement over 2Q17
  - Disciplined go-to-market execution, favorable business mix, and favorable FX impact drove higher gross margin
  - Significant operating expense leverage
- Non-GAAP diluted EPS of $2.48, up 64% from 2Q17
- $150 million of cash flow from operations driven primarily by strong EBITDA
- Implemented debt restructuring actions to drive annualized interest expense savings of ~$4-5 million









[(1)] Assumes constant FX to prior year period

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Second-Quarter P&L Summary[1]

In millions, except per share data	2Q18	2Q17	Growth
Adjusted Net Sales	$1,012	$897	+12.8%
Organic Net Sales Growth[2]			+10.6%
Adjusted Gross Profit	$473	$413	+14.5%
Adj. Gross Margin	46.7%	46.0%	+70 bps
Adjusted EBITDA	$199	$159	+25.2%
Adj. EBITDA Margin	19.7%	17.7%	+200 bps
Non-GAAP diluted EPS	$2.48	$1.51	+64.2%

- **10.6% Organic Net Sales Growth[2]**
  - EVM Segment +10.9%
  - AIT Segment +9.9%
- **Regional Sales Performance**
  - North America +11%
  - EMEA +14%[2]
  - Asia Pacific +8%[2]
  - Latin America (1)%
- **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

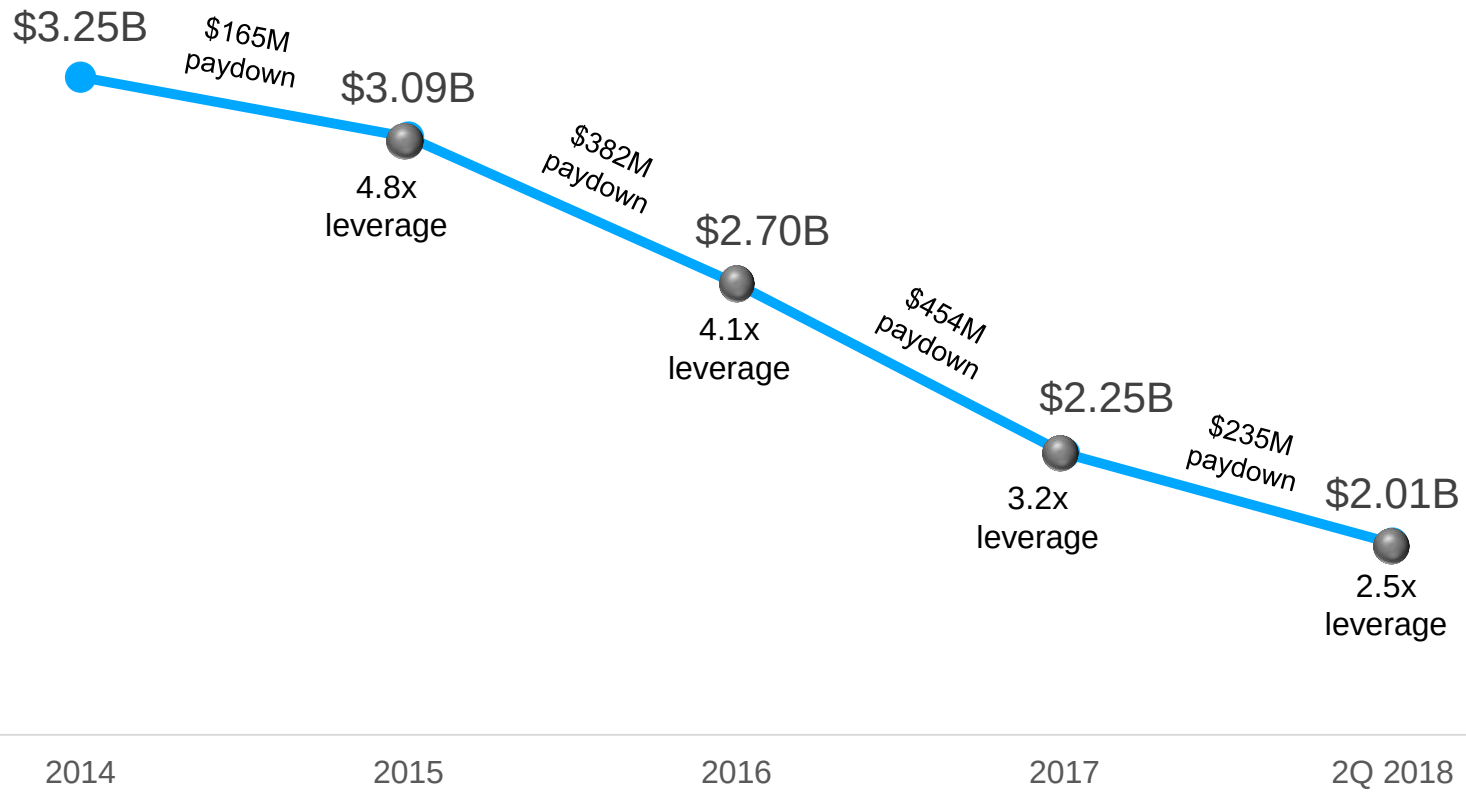
Balance Sheet and Cash Flow Highlights

Liquidity & Debt	• $46M in cash & cash equivalents as of the end of 2Q18 • $2.0B total debt on balance sheet at quarter end – $1.5B Term Loan B and Term Loan A – $433M borrowed on $800M revolver – $118M drawn on $180M A/R financing facility
Debt Paydown	• $235M in debt payments, net, through 1H18 (debt restructuring) – Payments of long-term debt of $1.1B – Proceeds from issuance of long-term debt of $879M • Achieved net-debt-to-adjusted-EBITDA ratio of 2.5x as of 2Q18
Cash Flow	• $233M free cash flow in 1H18 • Key drivers of $52M higher free cash flow vs 1H17: – Higher operating profitability – Lower acquisition & integration costs – Partially offset by higher capital expenditures and a use of working capital

Excellent Progress on Acquisition Debt Reduction

$1.2 Billion of Debt Principal Paydown

Achieved Net-Debt-to-Adjusted EBITDA Target: 2.0x-2.5x



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

Outlook(1)

3Q18	• Net sales growth of 12-15% vs. LY; assumes ~1 percentage point favorable impact from FX • Adjusted EBITDA margin range of 19-20% • Adjusted diluted EPS range of $2.50 to $2.70 • Non-GAAP tax rate of 15-16%
FY18 Assumptions	• Net sales growth of 10-12%; assumes ~2 percentage points favorable impact from FX • Adjusted EBITDA margin of approximately 20% • Free cash flow of at least $525M • Capital expenditures of ~$60M • Depreciation of $78-80M and Amortization of ~$96M • Interest expense of $80-$85M, which includes the impact of: – $18M unrealized gain in 1H18 on forward interest rate swaps – $15-16M non-cash amortization of debt issuance & discount – $1M debt restructuring transaction expenses • Stock-based compensation expense of ~$50M • Non-GAAP tax rate of 15-16%

(1) These outlook statements do not include any projected results from the proposed acquisition of Xplore Technologies Corporation, which is expected to close in the third quarter of 2018.

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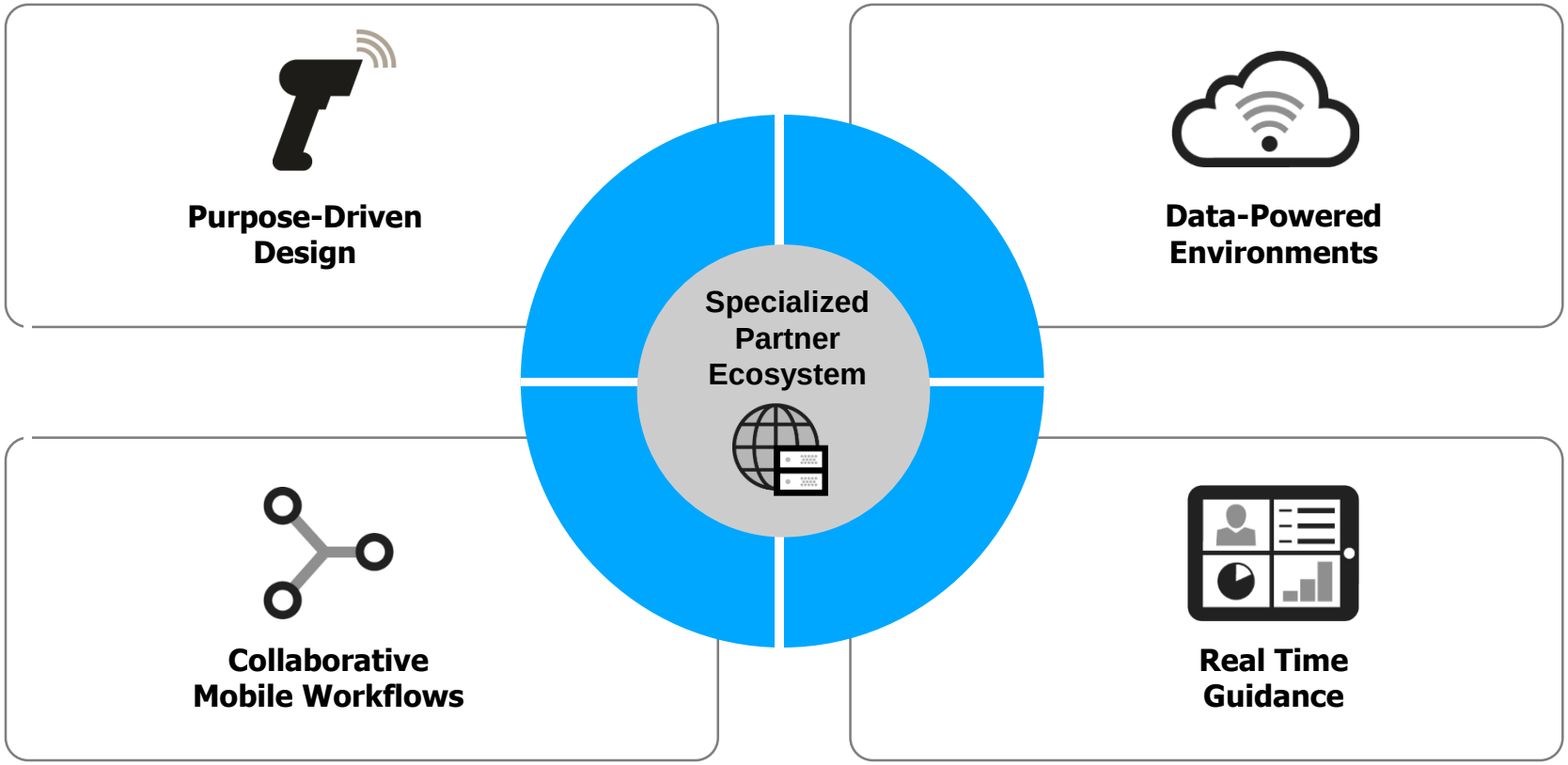
Progress on Strategic Priorities
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Strategic Focus

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

Zebra delivers a performance edge

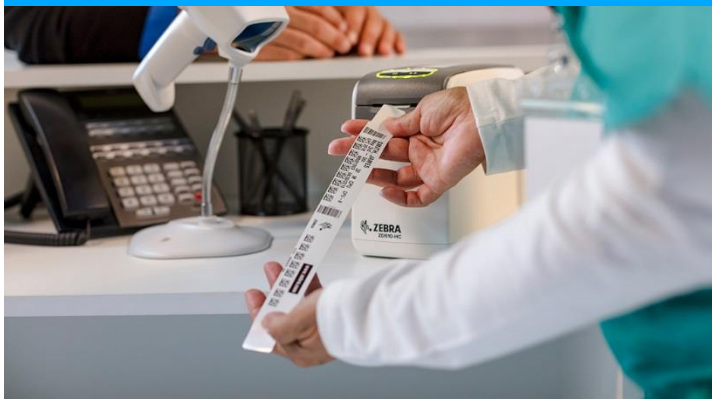


Enabling Enterprise Visibility

MANUFACTURING



HEALTHCARE



RETAIL/ E-COMMERCE



TRANSPORTATION & LOGISTICS



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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 June 30, 2018		
	AIT	**EVM**	**Consolidated**
Reported GAAP Consolidated Net sales growth	12.1 %	13.2 %	12.9 %
Adjustments:			
Impact of foreign currency translation[(1)]	(2.2)%	(2.3)%	(2.3)%
Organic Net sales growth	9.9 %	10.9 %	10.6 %

	Six Months Ended June 30, 2018		
	AIT	**EVM**	**Consolidated**
Reported GAAP Consolidated Net sales growth	10.7 %	14.0 %	12.9 %
Adjustments:			
Impact of foreign currency translation[(1)]	(2.6)%	(2.7)%	(2.7)%
Organic Net sales growth	8.1 %	11.3 %	10.2 %

(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, 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					
	June 30, 2018			July 1, 2017		
	AIT	EVM	Consolidated	AIT	EVM	Consolidated
GAAP						
Reported Net sales [1]	$ 351	$ 661	$ 1,012	$ 313	$ 584	$ 896
Reported Gross profit	173	299	472	155	257	411
Gross Margin	49.3%	45.2%	46.6%	49.5%	44.0%	45.9%
Non-GAAP						
Adjusted Net sales	$ 351	$ 661	$ 1,012	$ 313	$ 584	$ 897
Adjusted Gross profit [2]	173	300	473	155	258	413
Adjusted Gross Margin	49.3%	45.4%	46.7%	49.5%	44.2%	46.0%

(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.

	Six Months Ended					
	June 30, 2018			July 1, 2017		
	AIT	EVM	Consolidated	AIT	EVM	Consolidated
GAAP						
Reported Net sales [1]	$ 703	$ 1,286	$ 1,989	$ 635	$ 1,128	$ 1,761
Reported Gross profit	356	581	937	317	497	812
Gross Margin	50.6%	45.2%	47.1%	49.9%	44.1%	46.1%
Non-GAAP						
Adjusted Net sales	$ 703	$ 1,286	$ 1,989	$ 635	$ 1,128	$ 1,763
Adjusted Gross profit [2]	356	583	939	317	498	815
Adjusted Gross Margin	50.6%	45.3%	47.2%	49.9%	44.1%	46.2%

(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		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net income	$ 70	$ 17	$ 179	$ 25
Adjustments to Net sales[1]				
Purchase accounting adjustments	—	1	—	2
Total adjustment to Net sales	—	1	—	2
Share-based compensation	1	1	2	1
Total adjustments to Cost of sales	1	1	2	1
Adjustments to Operating expenses[1]				
Amortization of intangible assets	23	52	46	102
Acquisition and integration costs	—	19	2	46
Legal Settlement	13	—	13	—
Share-based compensation	16	7	26	15
Exit and restructuring costs	1	1	5	5
Total adjustments to Operating expenses	53	79	92	168
Adjustments to Other expenses, net[1]				
Amortization of debt issuance costs and discounts	8	6	10	10
Gain on Sale of Investments	(1)	—	(1)	—
Foreign exchange loss	4	(2)	4	(1)
Forward interest rate swaps gain	(6)	(1)	(18)	(1)
Total adjustments to Other expenses, net	5	3	(5)	8
Income tax effect of adjustments[2]				
Reported income tax expense (benefit)	30	2	54	(8)
Adjusted income tax expense	(24)	(23)	(49)	(44)
Total adjustments to income tax	6	(21)	5	(52)
Total adjustments	65	63	94	127
Non-GAAP Net income	$ 135	$ 80	$ 273	$ 152
GAAP earnings per share				
Basic	$ 1.31	$ 0.33	$ 3.35	$ 0.49
Diluted	$ 1.29	$ 0.32	$ 3.30	$ 0.48
Non-GAAP earnings per share				
Basic	$ 2.51	$ 1.54	$ 5.10	$ 2.93
Diluted	$ 2.48	$ 1.51	$ 5.04	$ 2.87
Non-GAAP weighted average shares outstanding [3]				
Basic	53,537,876	51,996,353	53,414,267	51,928,911
Diluted	54,255,707	53,128,657	54,134,110	53,037,956

(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		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net income	$ 70	$ 17	$ 179	$ 25
Add back:				
Depreciation	20	20	40	39
Amortization of intangible assets	23	52	46	102
Total Other expenses, net	25	39	36	81
Income tax expense	30	2	54	(8)
EBITDA (Non-GAAP)	168	130	355	239
Adjustments to Net sales				
Purchase accounting adjustments	—	1	—	2
Total adjustments to Net sales	—	1	—	2
Adjustments to Cost of sales				
Share-based compensation	1	1	2	1
Total adjustments to Cost of sales	1	1	2	1
Adjustments to Operating expenses				
Acquisition and integration costs	—	19	2	46
Legal Settlement	13	—	13	—
Share-based compensation	16	7	26	15
Exit and restructuring costs	1	1	5	5
Total adjustments to Operating expenses	30	27	46	66
Total adjustments to EBITDA	31	29	48	69
Adjusted EBITDA (Non-GAAP)	$ 199	$ 159	$ 403	$ 308
Adjusted EBITDA % of Adjusted Net Sales	19.7%	17.7%	20.3%	17.5%

GAAP to Non-GAAP Free Cash Flow Reconciliation

	Six Months Ended	
	June 30, 2018	**July 1, 2017**
Net cash provided by operating activities	$ 266	$ 203
Less: Purchases of property, plant and equipment	(33)	(22)
Free cash flow (Non-GAAP)[(1)]	$ 233	$ 181

(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.