Zebra Technologies
Third-Quarter 2018 Results

November 6, 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.

Agenda

01 Q3 Highlights
Anders Gustafsson, CEO

02 Q3 Financials and Outlook
Olivier Leonetti, CFO

03 Progress on Strategic Priorities
Anders Gustafsson, CEO

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

Third-Quarter 2018 Highlights

+16.7%

ADJUSTED NET SALES GROWTH

+15.1%[1] Organic

21.1%

ADJUSTED EBITDA MARGIN

+190bps YOY Improvement

$2.88

NON-GAAP DILUTED EPS

+54% from 3Q17

$194M

CASH FLOW FROM OPERATIONS

Driven primarily by strong EBITDA

Acquired

XPLORE TECHNOLOGIES

Transaction closed on August 14, 2018

[1] Assumes constant FX to prior year period and excludes revenue from Xplore Technologies

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Third-Quarter P&L Summary[1]

In millions, except per share data	3Q18	3Q17	Growth
Adjusted Net Sales	$1,092	$936	+16.7%
Organic Net Sales Growth[2,3]			+15.1%
Adjusted Gross Profit	$507	$431	+17.6%
Adj. Gross Margin	46.4%	46.0%	+40 bps
Adjusted EBITDA	$230	$180	+27.8%
Adj. EBITDA Margin	21.1%	19.2%	+190 bps
Non-GAAP diluted EPS	$2.88	$1.87	+54.0%

ORGANIC SEGMENT SALES GROWTH[2,3]

- EVM Segment +18.8%
- AIT Segment +8.1%

REGIONAL ORGANIC SALES GROWTH[2,3]

- North America +18%
- EMEA +10%
- Asia Pacific +20%
- Latin America +6%

EBITDA IMPROVEMENT

- Gross profit margin increase
- Operating leverage on increased sales

STRONG EPS GROWTH

- Lower 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 Xplore Technologies, which was acquired on August 14, 2018

Balance Sheet and Cash Flow Highlights



LIQUIDITY & DEBT

- $45M in cash & cash equivalents as of the end of 3Q18
- $1.9B total debt on balance sheet at quarter end
  - $1.3B Term Loan B and Term Loan A
  - $473M borrowed on $800M revolver
  - $136M drawn on $180M A/R financing facility



DEBT PAYDOWN

- $346M in debt payments, net, through 3Q18 (debt restructuring)
- Achieved net-debt-to-adjusted-EBITDA ratio of 2.2x as of 3Q18

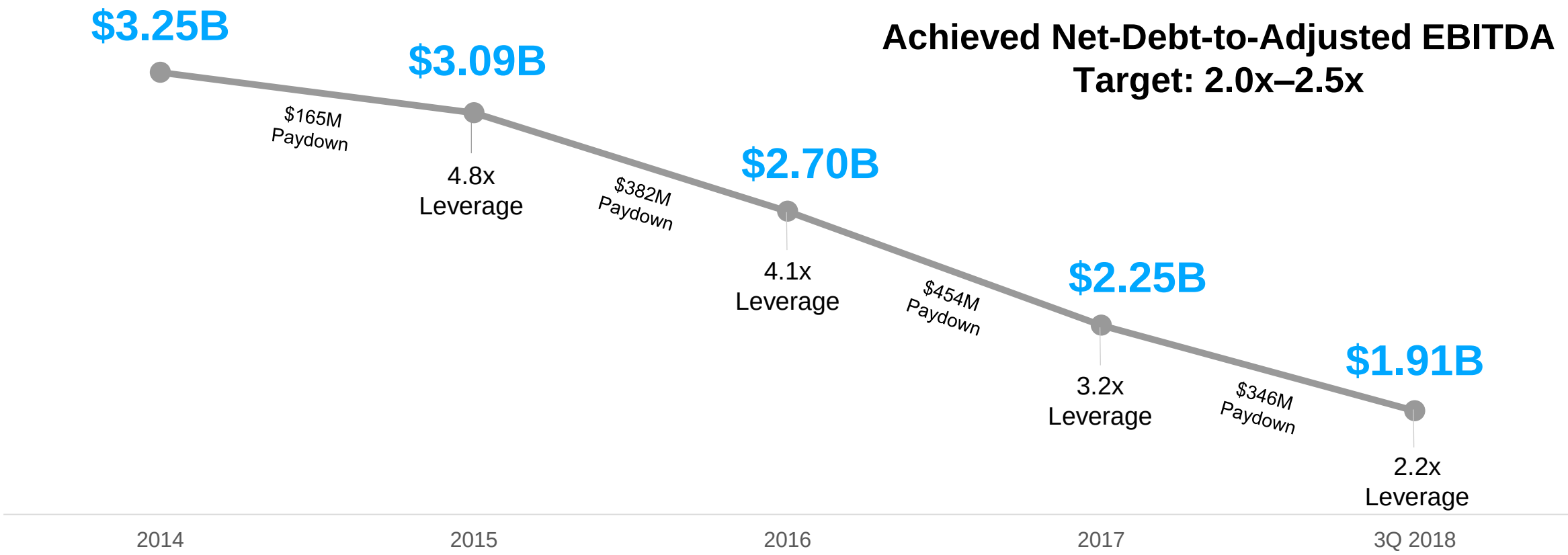


CASH FLOW

- $412M free cash flow YTD 3Q18
- Key drivers of $238M higher free cash flow vs YTD 3Q17:
  - Higher operating profitability
  - Lower acquisition & integration costs
  - Lower use of working capital
  - Partially offset by higher capital expenditures

Excellent Progress on Acquisition Debt Reduction

>$1.3 Billion of Debt Principal Paydown



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

Outlook

- **4Q18**
- Net sales growth of 7-10% vs. LY; assumes ~ 2 percentage point positive impact from the acquisition of Xplore Technologies, which closed in the third quarter of 2018, and neutral impact from FX
- Adjusted EBITDA margin of ~ 20%
- Adjusted diluted EPS range of $2.80 to $3.00

- **FY18 ASSUMPTIONS**
- Net sales growth of 12+% vs. LY (based on 4Q18 outlook)
- Adjusted EBITDA margin of 20-21% (based on 4Q18 outlook)
- Free cash flow of at least $575M
- Capital expenditures of ~ $60M
- Depreciation of ~ $78M and Amortization of ~ $97M
- Stock-based compensation expense of ~ $50M
- Interest expense of $74-76M, which includes the impact of:
  - $24M unrealized gain YTD 3Q18 on forward interest rate swaps
  - $15-16M non-cash amortization of debt issuance & discount
  - $1M debt restructuring transaction expenses
- Non-GAAP tax rate of ~ 16%

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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 Enables Enterprise Asset Intelligence

SENSE → **ANALYZE** → **ACT**

Identification.
Status.
Location.
Condition.



Real-Time Analytics



Apply Insight to
Enable the Best Next Move





Operational Visibility Services

ZEBRA SMARTPACK™ Trailer

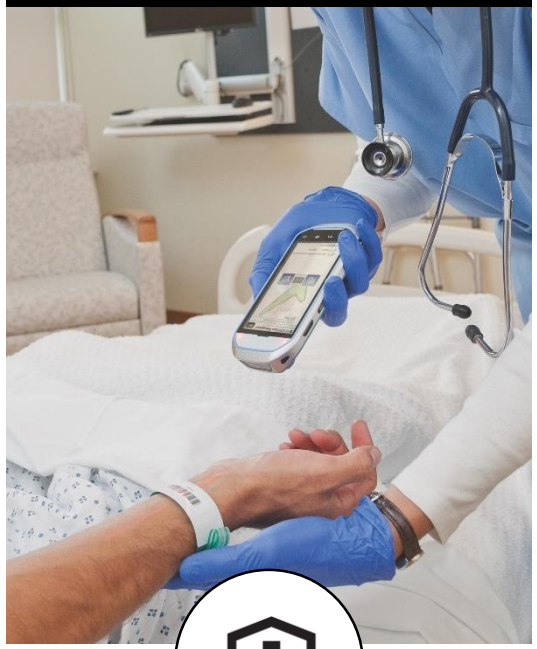
ZEBRA SMARTLENS™ For Retail

Enabling Enterprise Visibility at the Enterprise Edge

Manufacturing



Healthcare



Transportation & Logistics



Retail/ E-Commerce



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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 September 29, 2018		
	AIT	**EVM**	**Consolidated**
Reported GAAP Consolidated Net sales growth	8.6 %	20.9 %	16.8 %
Adjustments:			
Impact of foreign currency translation[(1)]	(0.5)%	(0.9)%	(0.9)%
Impact of Xplore acquisition[(2)]	—	(1.2)%	(0.8)%
Organic Net sales growth	8.1 %	18.8 %	15.1 %

	Nine Months Ended September 29, 2018		
	AIT	**EVM**	**Consolidated**
Reported GAAP Consolidated Net sales growth	10.0 %	16.4 %	14.3 %
Adjustments:			
Impact of foreign currency translation[(1)]	(1.9)%	(2.1)%	(2.1)%
Impact of Xplore acquisition[(2)]	—	(0.4)%	(0.3)%
Organic Net sales growth	8.1 %	13.9 %	11.9 %

(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

(2) For purposes of computing Organic Net Sales, amounts directly attributable to the Xplore acquisition (included in our consolidated results beginning August 14, 2018) will be excluded for 12-months following the acquisition date.

GAAP to Non-GAAP Gross Margin Reconciliation

	Three Months Ended					
	September 29, 2018			September 30, 2017		
	AIT	EVM	Consolidated	AIT	EVM	Consolidated
GAAP						
Reported Net sales [1]	$ 353	$ 739	$ 1,092	$ 325	$ 611	$ 935
Reported Gross profit [2]	172	334	505	154	276	429
Gross Margin	48.7%	45.2%	46.2%	47.4%	45.2%	45.9%
Non-GAAP						
Adjusted Net sales	$ 353	$ 739	$ 1,092	$ 325	$ 611	$ 936
Adjusted Gross profit [3]	173	334	507	154	277	431
Adjusted Gross Margin	49.0%	45.2%	46.4%	47.4%	45.3%	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) Fiscal 2018 consolidated results include corporate eliminations which are related to the Xplore Acquisition in August 2018 and are not reported in segment results.

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

	Nine Months Ended					
	September 29, 2018			September 30, 2017		
	AIT	EVM	Consolidated	AIT	EVM	Consolidated
GAAP						
Reported Net sales [1]	$ 1,056	$ 2,025	$ 3,081	$ 960	$ 1,739	$ 2,696
Reported Gross profit [2]	528	915	1,442	471	773	1,241
Gross Margin	50.0%	45.2%	46.8%	49.1%	44.5%	46.0%
Non-GAAP						
Adjusted Net sales	$ 1,056	$ 2,025	$ 3,081	$ 960	$ 1,739	$ 2,699
Adjusted Gross profit [3]	529	917	1,446	472	774	1,246
Adjusted Gross Margin	50.1%	45.3%	46.9%	49.2%	44.5%	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) Fiscal 2018 consolidated results include corporate eliminations which are related to the Xplore Acquisition in August 2018 and are not reported in segment results.

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

GAAP to Non-GAAP Net Income Reconciliation

	Three Months Ended		Nine Months Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net income (loss)	$ 127	$ (12)	$ 306	$ 13
Adjustments to Net sales[1]				
Purchase accounting adjustments	—	1	—	3
Total adjustment to Net sales	—	1	—	3
Adjustments to Cost of sales[1]				
Purchase accounting adjustments	1	—	1	—
Share-based compensation	1	1	3	2
Total adjustments to Cost of sales	2	1	4	2
Adjustments to Operating expenses[1]				
Amortization of intangible assets	25	49	71	151
Acquisition and integration costs	6	4	8	50
Legal Settlement	—	—	13	—
Share-based compensation	11	10	37	25
Exit and restructuring costs	4	5	9	10
Total adjustments to Operating expenses	46	68	138	236
Adjustments to Other expenses, net[1]				
Debt extinguishment costs	—	49	—	49
Amortization of debt issuance costs and discounts	3	20	13	30
Gain on Sale of Investments	—	—	(1)	—
Foreign exchange loss (gain)	1	(1)	5	(2)
Forward interest rate swaps gain	(6)	—	(24)	(1)
Total adjustments to Other expenses, net	(2)	68	(7)	76
Income tax effect of adjustments[2]				
Reported income tax expense (benefit)	16	5	70	(3)
Adjusted income tax	(33)	(30)	(82)	(74)
Total adjustments to income tax	(17)	(25)	(12)	(77)
Total adjustments	29	113	123	240
Non-GAAP Net income	$ 156	$ 101	$ 429	$ 253
GAAP earnings per share				
Basic	$ 2.37	$ (0.23)	$ 5.72	$ 0.25
Diluted	$ 2.34	$ (0.23)	$ 5.64	$ 0.25
Non-GAAP earnings per share				
Basic	$ 2.92	$ 1.89	$ 8.02	$ 4.78
Diluted	$ 2.88	$ 1.87	$ 7.92	$ 4.72
Non-GAAP weighted average shares outstanding [3]				
Basic	53,740,174	53,143,914	53,516,859	52,964,066
Diluted	54,424,880	53,791,541	54,237,553	53,631,499

(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		Nine Months Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net income (loss)	$ 127	$ (12)	$ 306	$ 13
Add back:				
Depreciation	20	19	60	58
Amortization of intangible assets	25	49	71	151
Total Other expenses, net	19	98	55	179
Income tax expense (benefit)	16	5	70	(3)
EBITDA (Non-GAAP)	207	159	562	398
Adjustments to Net sales				
Purchase accounting adjustments	—	1	—	3
Total adjustments to Net sales	—	1	—	3
Adjustments to Cost of sales				
Purchase accounting adjustments	1	—	1	—
Share-based compensation	1	1	3	2
Total adjustments to Cost of sales	2	1	4	2
Adjustments to Operating expenses				
Acquisition and integration costs	6	4	8	50
Legal Settlement	—	—	13	—
Share-based compensation	11	10	37	25
Exit and restructuring costs	4	5	9	10
Total adjustments to Operating expenses	21	19	67	85
Total adjustments to EBITDA	23	21	71	90
Adjusted EBITDA (Non-GAAP)	$ 230	$ 180	$ 633	$ 488
Adjusted EBITDA % of Adjusted Net Sales	21.1%	19.2%	20.5%	18.1%

GAAP to Non-GAAP Free Cash Flow Reconciliation

	Nine Months Ended	
	September 29, 2018	**September 30, 2017**
Net cash provided by operating activities	$ 460	$ 210
Less: Purchases of property, plant and equipment	(48)	(36)
Free cash flow (Non-GAAP)[(1)]	$ 412	$ 174

(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.