

Zebra Technologies Fourth Quarter and Full Year 2017 Results

February 22, 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.

Q4 Highlights and 2017 Accomplishments

Anders Gustafsson, CEO

Q4 Financials and 2018 Outlook

Olivier Leonetti, CFO

Progress on Strategic Priorities

Anders Gustafsson, CEO

Q&A

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

Fourth-Quarter 2017 Highlights

- Achieved $1 billion in quarterly sales for first time in our history
- Net Sales growth of nearly 9% (+7.3%[(1)] organic), with growth across all regions and business lines
- Adjusted EBITDA of 19.9%, a 90 bps year-over-year improvement over 4Q16
- Non-GAAP diluted EPS of $2.33, up 21% from 4Q16
- Generated $268M of cash flow from operations driven primarily by strong EBITDA and significant reduction in accounts receivable
- Completed comprehensive debt restructuring plan; redeemed remaining $300M 7.25% senior notes and established a new $180M accounts receivable financing facility









[(1)] Excludes purchase accounting adjustments and sales from the divested wireless LAN business, and assumes constant FX to prior year period

Full-Year 2017 Key Accomplishments

Completed Integration of the Enterprise Business	• Successfully completed the integration of the Enterprise business • Completed our transition to One Zebra
Successful Product/Solution Launches	• Launched or refreshed many products/solutions across our broad portfolio • Introduced data-centric “smart” solutions that provide enhanced insights
Comprehensive Debt Restructuring	• Reduced our weighted average pre-tax interest rate by ~2 percentage points in late 2017, driving annualized interest savings of more than $45M
Strong Profitable Growth, Cash Flow Generation and Debt Paydown	• 6.5% organic net sales growth • Adj. EBITDA of 18.6% (110bps expansion) • Generated $428M of free cash flow • $454M reduction of total debt exceeded our guidance floor of $300M by greater than 50%

ZEBRA

Q4 Highlights and 2017 Accomplishments

Anders Gustafsson, CEO

Q4 Financials and 2018 Outlook

Olivier Leonetti, CFO

Progress on Strategic Priorities

Anders Gustafsson, CEO

Q&A

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

Fourth-Quarter P&L Summary[1]

In millions, except per share data	4Q17	4Q16	Growth
Adjusted Net Sales[2]	$1,026	$944	8.7%
Organic Net Sales Growth[2, 3, 4]			7.3%
Adjusted Gross Profit[2]	$470	$435	8.0%
Adj. Gross Margin[2]	45.8%	46.1%	(30) bps
Adjusted EBITDA	$204	$179	14.0%
Adj. EBITDA Margin	19.9%	19.0%	90 bps
Non-GAAP diluted EPS	$2.33	$1.93	20.7%

- **7.3% Organic Net Sales Growth[2, 3, 4]**
  - EVM Segment +8.5%
  - AIT Segment +5.0%
- **Regional Breakdown[4]**
  - North America +7%
  - EMEA +10%[3]
  - Asia Pacific +1%[3]
  - Latin America +11%
- **EBITDA Improvement**
  - Operating leverage on increased sales
  - Partially offset by lower GM rate primarily due to business mix and transitory costs to insource N.A. repair services
- **Strong EPS Growth**

[1] Refer to the appendix of this presentation for reconciliations of GAAP to non-GAAP financial results
[2] Excludes purchase accounting adjustments
[3] Assumes constant FX to prior year period
[4] Excludes net sales from the wireless LAN business (divested in October 2016), which adversely impacted Consolidated Zebra, EVM segment, North America, EMEA, and APAC by approximately 1 percentage point each.

Balance Sheet and Cash Flow Highlights

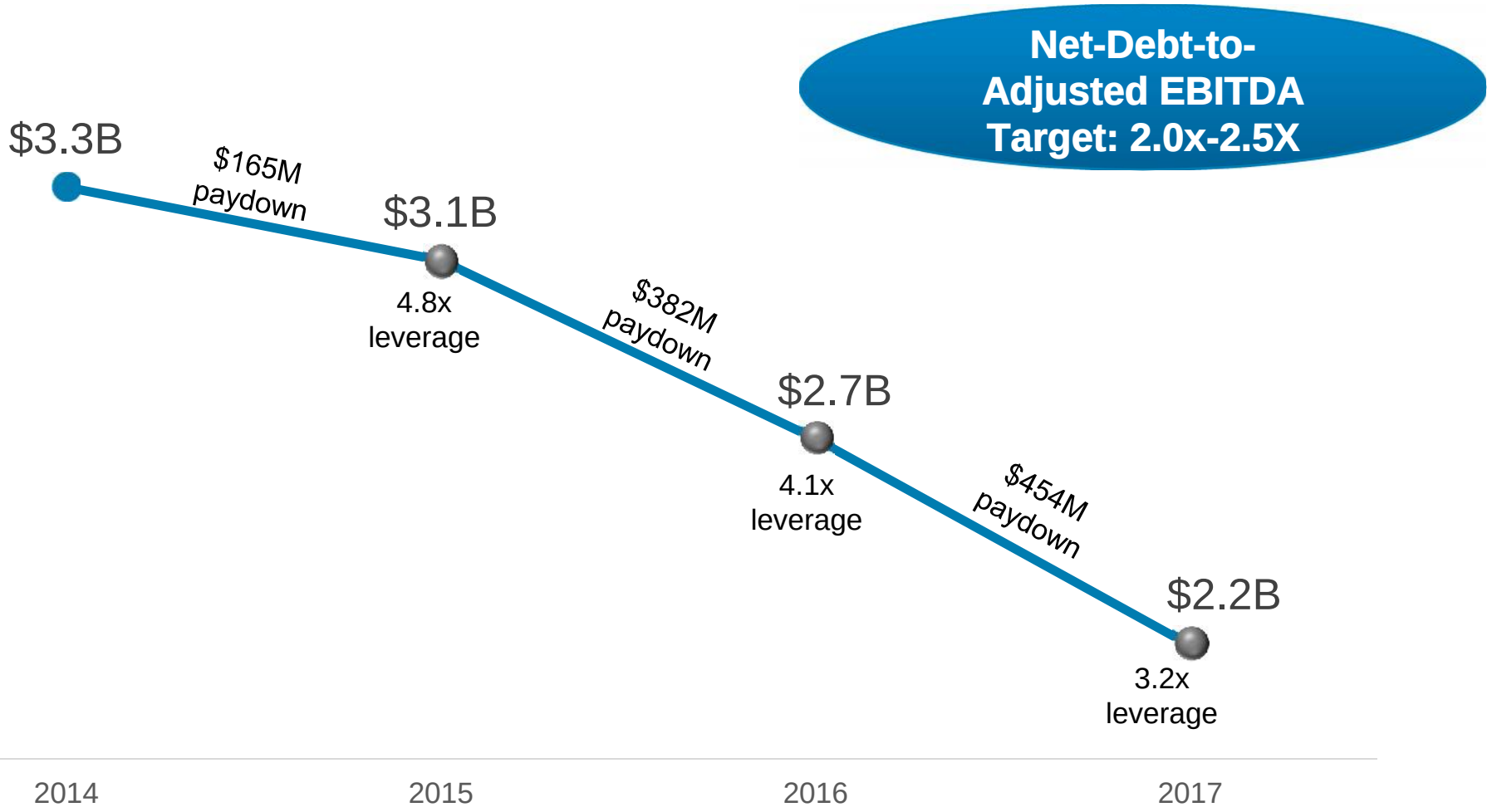
Liquidity & Debt	• $62M in cash & cash equivalents as of the end of 2017
	• $2.2B total debt on balance sheet at year end
	  o $1.8B Term Loan B and Term Loan A
	  o $275M borrowed on $500M revolver
	  o $135M drawn on $180M A/R financing facility (established Dec. 4)

Debt Paydown	• $454M in debt payments, net, in 2017
	  o Payments of long-term debt of $1.8B
	  o Proceeds from issuance of long-term debt of $1.4B
	• Achieved net-debt-to-adjusted-EBITDA ratio of 3.2x as of year-end 2017

Cash Flow	• $428M free cash flow for FY17
	• Key drivers of $125M higher free cash flow for FY17 vs. FY16:
	  o Higher adjusted EBITDA
	  o Lower acquisition and integration costs
	  o Lower interest payments
	  o Lower capital expenditures
	  o Partially offset by debt restructuring/extinguishment costs and less working capital benefit

Excellent Progress on Acquisition Debt Reduction

$1 Billion of Debt Principal Paydown



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

Outlook

1Q18	• Net sales growth of 7-10% vs. LY; assumes ~260 basis point favorable impact from FX • Adjusted EBITDA margin range of 18.5-19.0% • Adjusted diluted EPS range of $1.95 to $2.15
FY18 Assumptions	• Net sales growth of 4-7%; assumes ~2 percentage point favorable impact from FX • Adjusted EBITDA margin range of 19-20% • Free cash flow at least $475M million • Capital expenditures $50-60M • Depreciation of $78-80M and Amortization of ~$96M • Interest expense of $100-105M, including non-cash amortization of $15-17M • Stock-based compensation expense of $44-46M • Non-GAAP tax rate of 16-17%

ZEBRA

Q4 Highlights and 2017 Accomplishments
Anders Gustafsson, CEO

Q4 Financials and 2018 Outlook
Olivier Leonetti, CFO

Progress on Strategic Priorities
Anders Gustafsson, CEO

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

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 Enables Enterprise Asset Intelligence

SENSE → **ANALYZE** → **ACT**

What?
Where?
How?



Real-Time Analytics



Data Application
Enables Mobile Workers'
Best Next Move





Operational Visibility Services

ZEBRA SMARTPACK™
Trailer

ZEBRA SMARTLENS™
For Retail

Enabling Visibility Across Vertical Markets

TRANSPORTATION & LOGISTICS



RETAIL/ E-COMMERCE



HEALTHCARE



MANUFACTURING



Increase Workflow Efficiency

Real-Time Guidance to Frontline Employees

Enhance Customer/Patient Experience

Specialized Partner Ecosystem

ZEBRA

Q4 Highlights and 2017 Accomplishments
Anders Gustafsson, CEO

Q4 Financials and 2018 Outlook
Olivier Leonetti, CFO

Progress on Strategic Priorities
Anders Gustafsson, CEO

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



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 December 31, 2017		
	AIT	**EVM**	**Consolidated**
Reported GAAP Consolidated Net sales growth	7.3 %	9.4 %	8.9 %
Adjustments:			
Impact of Wireless LAN Net sales[1]	—	1.1 %	0.7 %
Impact of foreign currency translation[2]	(2.3)%	(2.0)%	(2.1)%
Corporate, eliminations[3]	—	—	(0.2)%
Organic Net sales growth	5.0 %	8.5 %	7.3 %

	Twelve Months Ended December 31, 2017		
	AIT	**EVM**	**Consolidated**
Reported GAAP Consolidated Net sales growth	5.1 %	3.3 %	4.1 %
Adjustments:			
Impact of Wireless LAN Net sales[1]	—	4.9 %	3.2 %
Impact of foreign currency translation[2]	(0.5)%	(0.7)%	(0.6)%
Corporate, eliminations[3]	—	—	(0.2)%
Organic Net sales growth	4.6 %	7.5 %	6.5 %

(1) The Company sold the wireless LAN business in October 2016. Net sales from this business are excluded in the prior year period when computing organic net sales growth.

(2) 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.

(3) Amounts included in Corporate, eliminations consist of purchase accounting adjustments which are related to the Enterprise Acquisition in October 2014 and are not reported in segment results.

GAAP to Non-GAAP Gross Margin Reconciliation

	Three Months Ended					
	December 31, 2017			December 31, 2016		
	AIT	EVM	Consolidated	AIT	EVM	Consolidated
GAAP						
Reported Net sales [1]	$ 351	$ 675	$ 1,026	$ 327	$ 617	$ 942
Reported Gross profit	169	300	469	157	276	432
Gross Margin	48.1%	44.4%	45.7%	48.0%	44.7%	45.9%
Non-GAAP						
Adjusted Net sales	$ 351	$ 675	$ 1,026	$ 327	$ 617	$ 944
Adjusted Gross profit [2]	169	301	470	157	278	435
Adjusted Gross Margin	48.1%	44.6%	45.8%	48.0%	45.1%	46.1%

	Twelve Months Ended					
	December 31, 2017			December 31, 2016		
	AIT	EVM	Consolidated	AIT	EVM	Consolidated
GAAP						
Reported Net sales [1]	$ 1,311	$ 2,414	$ 3,722	$ 1,247	$ 2,337	$ 3,574
Reported Gross profit	640	1,073	1,710	620	1,032	1,642
Gross Margin	48.8%	44.4%	45.9%	49.7%	44.2%	45.9%
Non-GAAP						
Adjusted Net sales	$ 1,311	$ 2,414	$ 3,725	$ 1,247	$ 2,337	$ 3,584
Adjusted Gross profit [2]	641	1,075	1,716	620	1,034	1,654
Adjusted Gross Margin	48.9%	44.5%	46.1%	49.7%	44.2%	46.1%

(1) Segment Reported Net sales exclude purchase accounting adjustments related to the Enterprise acquisition and are reflected within Corporate, eliminations on a GAAP basis.

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

GAAP to Non-GAAP Net Income Reconciliation

	Three Months Ended		Twelve Months Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Net income (loss)	$ 4	$ 17	$ 17	$ (137)
Adjustments to Net sales[1]				
Purchase accounting adjustments	—	2	3	10
Total adjustment to Net sales	—	2	3	10
Adjustments to Cost of sales[1]				
Share-based compensation	1	1	3	2
Total adjustments to Cost of sales	1	1	3	2
Adjustments to Operating expenses[1]				
Amortization of intangible assets	33	51	184	229
Acquisition and integration costs	—	27	50	125
Impairment of goodwill and other intangibles	—	—	—	62
Share-based compensation	10	6	35	26
Exit and restructuring costs	6	2	16	19
Total adjustments to Operating expenses	49	86	285	461
Adjustments to Other expenses, net[1]				
Debt extinguishment costs	16	—	65	—
Amortization of debt issuance costs and discounts	10	7	40	23
Investment loss	1	2	1	7
Foreign exchange loss	3	1	1	5
Forward interest rate swaps (gain) loss	(1)	2	(2)	—
Total adjustments to Other expenses, net	29	12	105	35
Income tax effect of adjustments[2]				
Reported income tax expense	74	3	71	8
Adjusted income tax expense	(31)	(19)	(105)	(86)
Total adjustments to income tax	43	(16)	(34)	(78)
Total adjustments	122	85	362	430
Non-GAAP Net income	$ 126	$ 102	$ 379	$ 293
GAAP earnings (loss) per share				
Basic	$ 0.07	$ 0.34	$ 0.33	$ (2.65)
Diluted	$ 0.07	$ 0.34	$ 0.32	$ (2.65)
Non-GAAP earnings per share				
Basic	$ 2.36	$ 1.96	$ 7.14	$ 5.67
Diluted	$ 2.33	$ 1.93	$ 7.05	$ 5.60
Non-GAAP weighted average shares outstanding [3]				
Basic	53,208,248	51,792,228	53,021,761	51,579,112
Diluted	53,851,248	52,573,283	53,688,832	52,259,157

(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		Twelve Months Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Net income (loss)	$ 4	$ 17	$ 17	$ (137)
Add back:				
Depreciation	21	19	79	75
Amortization of intangible assets	33	51	184	229
Total Other expenses, net	55	51	234	209
Income tax expense	74	3	71	8
EBITDA (Non-GAAP)	187	141	585	384
Adjustments to Net sales				
Purchase accounting adjustments	—	2	3	10
Total adjustments to Net sales	—	2	3	10
Adjustments to Cost of sales				
Share-based compensation	1	1	3	2
Total adjustments to Cost of sales	1	1	3	2
Adjustments to Operating expenses				
Acquisition and integration costs	—	27	50	125
Impairment of goodwill and other intangibles	—	—	—	62
Share-based compensation	10	6	35	26
Exit and restructuring costs	6	2	16	19
Total adjustments to Operating expenses	16	35	101	232
Total adjustments to EBITDA	17	38	107	244
Adjusted EBITDA (Non-GAAP)	$ 204	$ 179	$ 692	$ 628
Adjusted EBITDA % of Adjusted Net Sales	19.9%	19.0%	18.6%	17.5%

GAAP to Non-GAAP Free Cash Flow Reconciliation

	Twelve Months Ended	
	December 31, 2017	December 31, 2016
Net cash provided by operating activities	$ 478	$ 380
Less: Purchases of property, plant and equipment	(50)	(77)
Free cash flow (Non-GAAP)[1]	$ 428	$ 303
Free cash flow conversion[2]	113%	103%

(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.

(2) Free cash flow conversion is defined as Free cash flow divided by non-GAAP Net income.