# Zebra Technologies
# Third Quarter 2023 Results

October 31, 2023

# 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 and Actions**
Bill Burns, CEO

**02** **Q3 Financials and Q4 Outlook**
Nathan Winters, CFO

**03** **Advancing Our Enterprise Asset Intelligence Vision**
Bill Burns, CEO

**04** **Q&A**
Bill Burns, CEO
Nathan Winters, CFO
Joe Heel, Chief Revenue Officer

# Third Quarter 2023 P&L Summary [(1)]

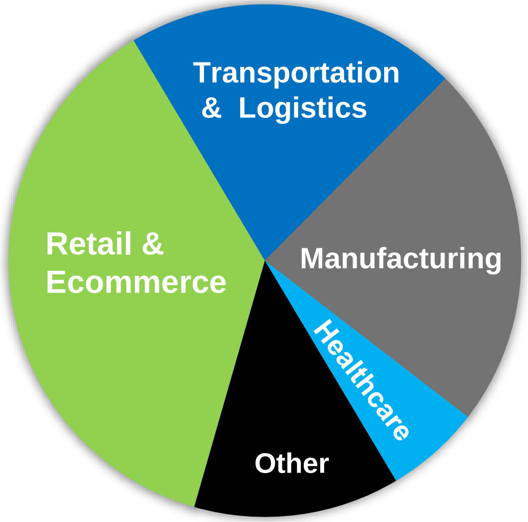
- Challenging sales and earnings results as expected, at high end of outlook
- Net Sales $956M, (29.6)% organic
  - Weaker industry demand to customers of all sizes
  - Broad-based declines across all regions and major product categories
  - Distributor destocking contributed 1/3 of decline
  - Services and software were bright spots
- Adjusted EBITDA Margin of 11.6%, decreased (950) bps
  - Adjusted Gross Margin decreased 100 bps primarily due to deleveraging on lower sales volume, partially offset by lower premium supply chain costs
  - Operating expense deleveraging on lower sales, partially mitigated by cost containment and restructuring actions
- Non-GAAP Diluted EPS $0.87, down (79)%

[(1)] Refer to the appendix of this presentation for reconciliations of GAAP to non-GAAP financial measures

# Demand Trends Across Our End Markets

| Market Served | Longer-Term Opportunity |
|---|---|
| Retail & Ecommerce | • Omnichannel / ecommerce growth with shorter lead time expectations<br>• Automation necessary to address labor challenges<br>• Reimagining checkout / point-of-sale and solutions to address shrink<br>• GenAI to empower front-line associates and drive productivity |
| Transportation & Logistics | • On-demand economy driving need for supply chain visibility and productivity<br>• Build out of last mile fulfillment network to address ecommerce demands<br>• Automation to address labor constraints |
| Manufacturing | • Investments in traceability, efficiency and resilient supply chains<br>• Transform operations with machine vision, robotics and AI |
| Healthcare | • Automating workflows by digitally connecting assets, patients and staff<br>• Patient engagement and virtual care, including home healthcare opportunity |

Sales Mix
by Vertical



# Executing on Our Plans to Reduce Costs and Drive Growth

- $100M net annualized opex savings - previously $85M
  - Restructuring plans ~$105M total charges; largely complete
  - Broad-based impact across the organization
- Accelerating growth in under-penetrated markets (e.g., Japan, government, manufacturing, machine vision)
- Continuing to work closely with customers as they digitize and automate their operations
- Renegotiating long-term supply commitments, and working with our contract manufacturers to draw down component inventories to normalized levels
- Free Cash Flow conversion metric component of long-term incentive compensation plan

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# Third Quarter P&L Summary[1]

| In millions, except per share data | 3Q23 | 3Q22 | Change |
|---|---|---|---|
| Net Sales | $956 | $1,378 | (30.6)% |
| Organic Net Sales Decline[2] | | | (29.6)% |
| Adjusted Gross Profit | $428 | $631 | (32.2)% |
| Adjusted Gross Margin | 44.8% | 45.8% | (100)bps |
| Adjusted Operating Expenses | $334 | $356 | (6.2)% |
| Adjusted EBITDA | $111 | $291 | (61.9)% |
| Adjusted EBITDA Margin | 11.6% | 21.1% | (950)bps |
| Non-GAAP Diluted EPS | $0.87 | $4.12 | (78.9)% |

**SEGMENT ORGANIC SALES DECLINE[2]**
- EVM Segment (31.4)%
- AIT Segment (25.8)%

**REGIONAL ORGANIC SALES DECLINE[2]**
- North America (25)%
- EMEA (39)%
- Asia Pacific (32)%
- Latin America (15)%

**EBITDA MARGIN AND EPS DECREASE**
- Adjusted Gross Margin declined due to volume deleveraging, partially offset by lower premium supply chain costs
- Lower Adjusted Operating Expenses
- Higher interest cost
- Lower tax rate

(1) Refer to the appendix of this presentation for reconciliations of GAAP to non-GAAP financial measures
(2) Organic Net Sales Decline: 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 3Q23

- Free cash flow of ($193M), $363M lower YoY
  - Lower earnings
  - Higher use of working capital
    - Higher cash taxes
    - Payments for inventory
  - $45M of additional settlement payments
  - Restructuring actions
- $248M net borrowings
- $52M share repurchases

### Strong Liquidity Position: 3Q23

- $61M cash & cash equivalents
- $2.3B total debt on balance sheet
- Net-debt-to-adjusted-EBITDA ratio of 2.2x
- $1.0B capacity under revolving credit facility

# Outlook & Assumptions

## 4Q23

- Net sales decline between 32% and 36% YoY
  - Negligible impact from foreign currency changes
- Adjusted EBITDA margin ~ 16%
- Non-GAAP diluted EPS ~ $1.40 to $1.80

## FY23

- Net sales decline between 20.5% and 21.5% YoY (based on Q4 outlook)
  - > 1 percentage point negative impact from foreign currency changes
  - ~ 50 basis points additive impact from recently acquired businesses(1)
- $20M negative gross profit impact from premium supply chain costs from pre-pandemic 2019 baseline ($0 in 2H23)
- Adjusted EBITDA margin ~18%
- Free cash flow expected to be positive in 2H23, and negative for FY23
- Capital expenditures ~ $65-$70M
- Depreciation ~ $65-$70M and Amortization ~ $100-$105M
- Stock-based compensation expense ~ $65-$70M
- Cost of borrowing (pre-tax) ~ 6% (excludes benefit of floating-to-fixed rate swap)
- Non-GAAP tax rate ~ 17%

*We continue to be focused on right-sizing our cost structure and inventory levels, driving 100% cash conversion over a cycle, and taking an agile approach to navigating the uncertain near-term environment.*

(1) Refers to impact to growth rate for the 12 months following the June 3, 2022 acquisition date of Matrox Imaging

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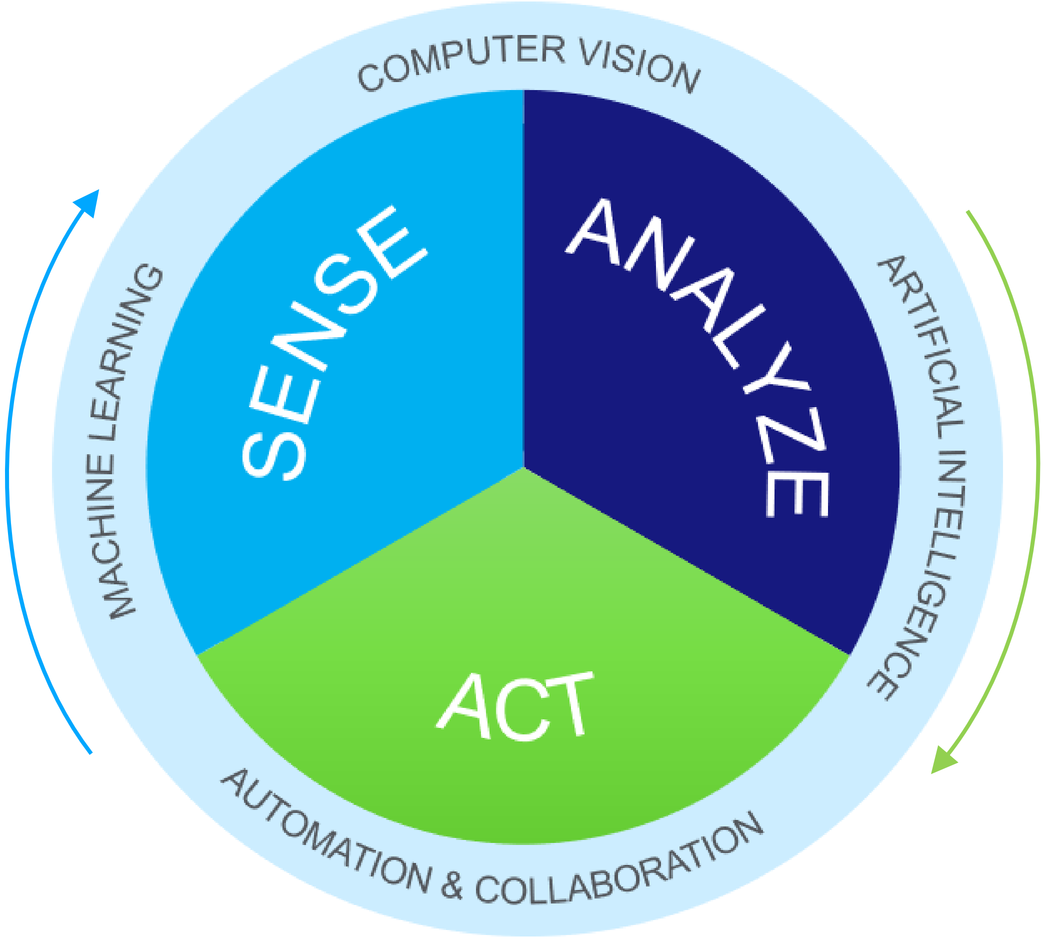
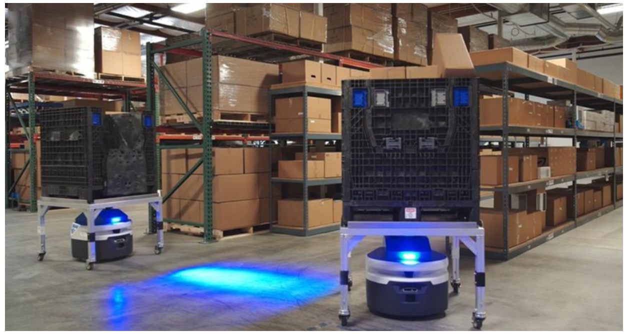
# Zebra Digitizes & Automates the Front Line of Business

## Transforming Workflows: Purpose-Built Hardware + Software + Cloud Analytics

*Real-Time Actionable Insights*







*Our solutions remain essential to our customers' operations, and we are well positioned to benefit from secular trends to digitize and automate workflows across our served markets.*

# Zebra Optimizes Workflows for the On-Demand Economy

## Trusted Strategic Partner to Industry Leaders

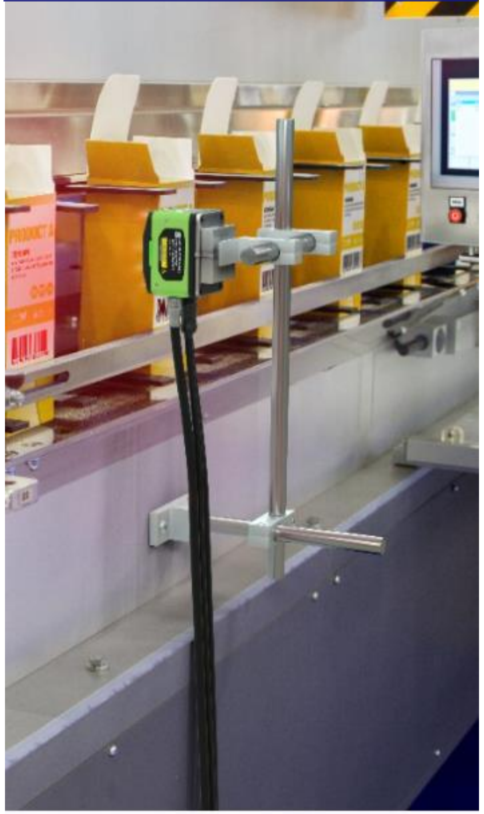
### Retail & Ecommerce

- Smarter Omni-Channel
- Optimized Inventory
- Customer Experience

### Transportation & Logistics

- Warehouse Automation
- Real-Time Visibility
- Last Mile Delivery

### Manufacturing



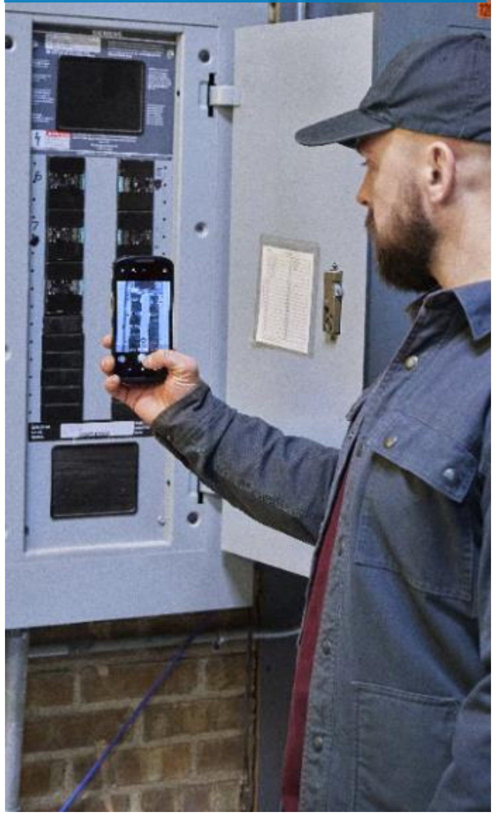
- Quality Assurance
- Track & Trace
- Autonomous Materials Movement

### Healthcare

- Clinical Mobility
- Positive Patient ID
- Real-Time Locationing

### Other Markets

Includes Government, Education, Hospitality



- Connect Who & What Matters
- Public Safety

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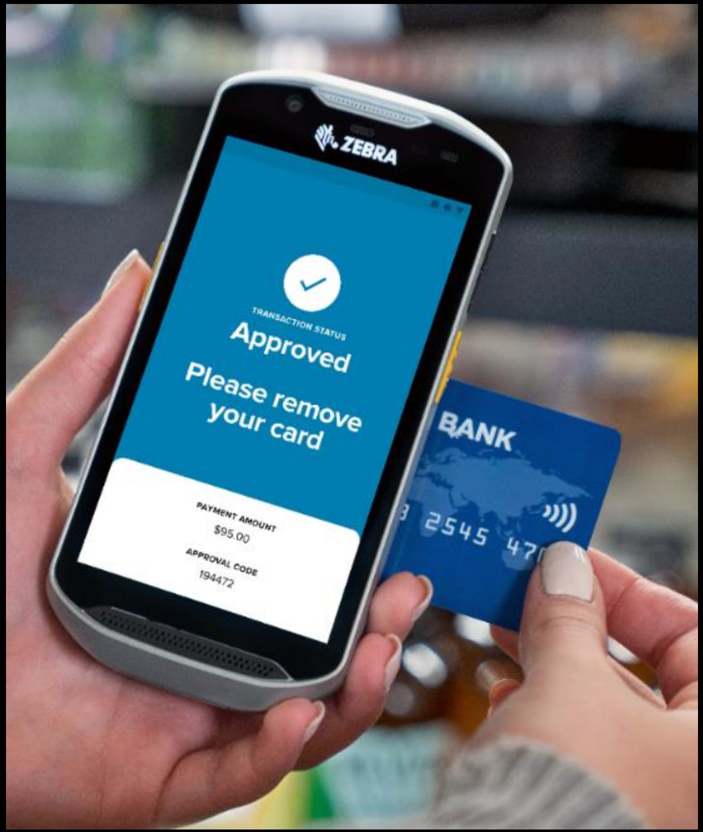
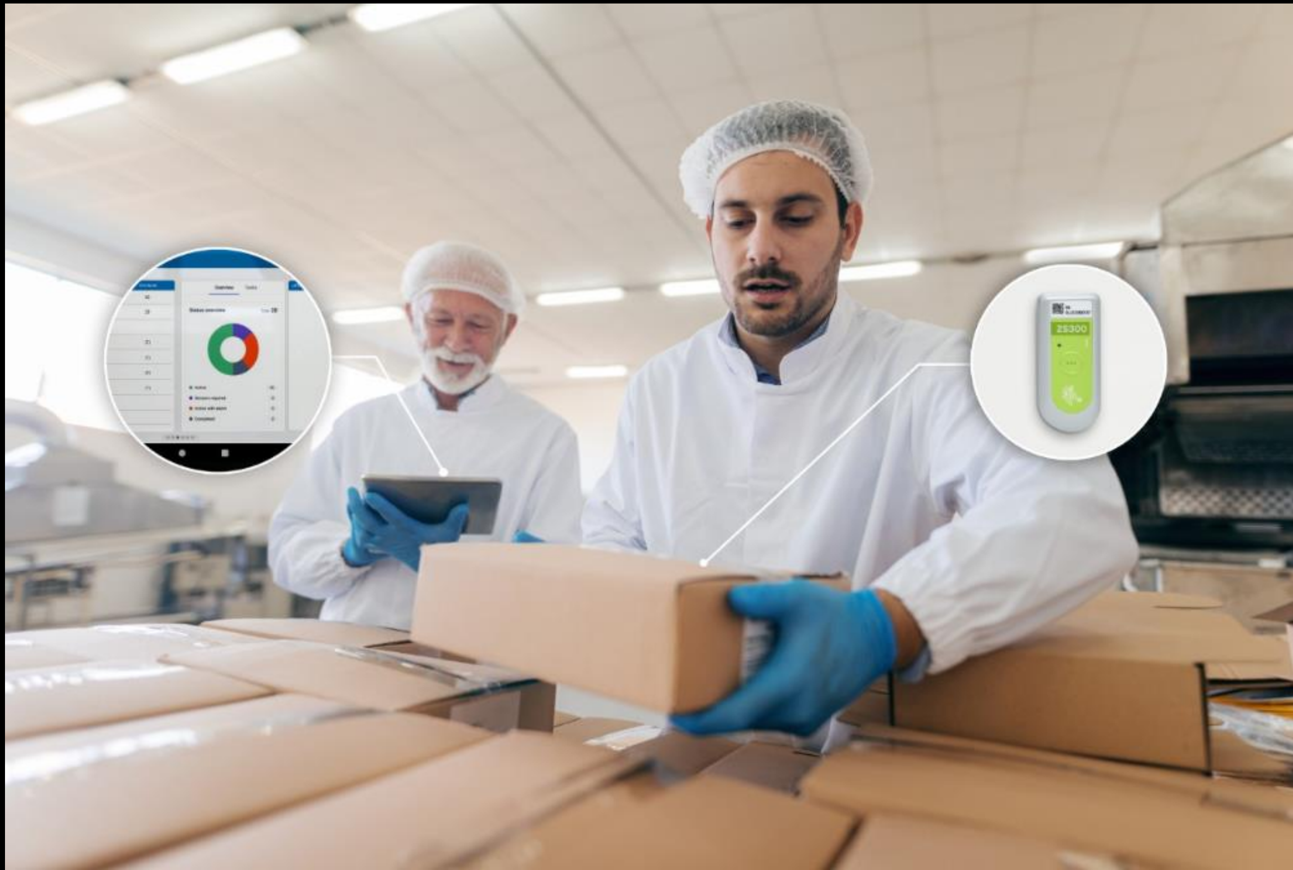

ZEBRA
TRANSACTION STATUS
Approved
Please remove your card
PAYMENT AMOUNT
$95.00
APPROVAL CODE
194472
BANK

# 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 (decline),” “organic net sales decline,” 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) Reconciliation

(Unaudited)

| | Three Months Ended September 30, 2023 | | |
|---|---|---|---|
| | AIT | EVM | Consolidated |
| Reported GAAP Consolidated Net sales decline | (26.7)% | (32.5)% | (30.6)% |
| Adjustments: | | | |
| Impact of foreign currency translations [1] | 0.9 % | 1.1 % | 1.0 % |
| Consolidated Organic Net sales decline | (25.8)% | (31.4)% | (29.6)% |

| | Nine Months Ended September 30, 2023 | | |
|---|---|---|---|
| | AIT | EVM | Consolidated |
| Reported GAAP Consolidated Net sales decline | (1.1)% | (23.3)% | (16.4)% |
| Adjustments: | | | |
| Impact of foreign currency translations [1] | 2.1 % | 2.0 % | 2.0 % |
| Impact of acquisitions [2] | — % | (1.0)% | (0.7)% |
| Consolidated Organic Net sales growth (decline) | 1.0 % | (22.3)% | (15.1)% |

(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.

(2) For purposes of computing Consolidated Organic Net sales decline and Consolidated Organic Net sales growth (decline), amounts directly attributable to business acquisitions are excluded for twelve months following their respective acquisitions.

# GAAP to Non-GAAP Gross Margin Reconciliation

(In millions)
(Unaudited)

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2023 | | | October 1, 2022 | | |
| | AIT | EVM | Consolidated | AIT | EVM | Consolidated |
| GAAP | | | | | | |
| Reported Net sales | $ 324 | $ 632 | $ 956 | $ 442 | $ 936 | $ 1,378 |
| Reported Gross profit | 145 | 282 | 427 | 193 | 435 | 628 |
| Gross Margin | 44.8 % | 44.6 % | 44.7 % | 43.7 % | 46.5 % | 45.6 % |
| Non-GAAP | | | | | | |
| Adjusted Net sales | $ 324 | $ 632 | $ 956 | $ 442 | $ 936 | $ 1,378 |
| Adjusted Gross profit (1) | 145 | 283 | 428 | 194 | 437 | 631 |
| Adjusted Gross Margin | 44.8 % | 44.8 % | 44.8 % | 43.9 % | 46.7 % | 45.8 % |

| | Nine Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2023 | | | October 1, 2022 | | |
| | AIT | EVM | Consolidated | AIT | EVM | Consolidated |
| GAAP | | | | | | |
| Reported Net sales | $ 1,305 | $ 2,270 | $ 3,575 | $ 1,320 | $ 2,958 | $ 4,278 |
| Reported Gross profit | 628 | 1,047 | 1,675 | 557 | 1,382 | 1,939 |
| Gross Margin | 48.1 % | 46.1 % | 46.9 % | 42.2 % | 46.7 % | 45.3 % |
| Non-GAAP | | | | | | |
| Adjusted Net sales | $ 1,305 | $ 2,270 | $ 3,575 | $ 1,320 | $ 2,958 | $ 4,278 |
| Adjusted Gross profit (1) | 629 | 1,050 | 1,679 | 558 | 1,386 | 1,944 |
| Adjusted Gross Margin | 48.2 % | 46.3 % | 47.0 % | 42.3 % | 46.9 % | 45.4 % |

(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 30, 2023 | October 1, 2022 | September 30, 2023 | October 1, 2022 |
| **GAAP Net (loss) income** | $ (15) | $ 170 | $ 279 | $ 277 |
| Adjustments to Cost of sales[1] | | | | |
| Share-based compensation | 1 | 3 | 4 | 5 |
| **Total adjustments to Cost of sales** | 1 | 3 | 4 | 5 |
| Adjustments to Operating expenses[1] | | | | |
| Amortization of intangible assets | 26 | 39 | 78 | 107 |
| Acquisition and integration costs | 2 | 1 | 4 | 19 |
| Settlement and related costs | — | — | — | 372 |
| Share-based compensation | 19 | 28 | 42 | 70 |
| Exit and restructuring costs | 58 | 2 | 82 | 4 |
| **Total adjustments to Operating expenses** | 105 | 70 | 206 | 572 |
| Adjustments to Other income (expense), net[1] | | | | |
| Amortization of debt issuance costs and discounts | 1 | — | 2 | 4 |
| Investment loss | — | — | 1 | — |
| Foreign exchange (gain) | (6) | — | (2) | (5) |
| Forward interest rate swap (gain) | (23) | (39) | (34) | (84) |
| **Total adjustments to Other income (expense), net** | (28) | (39) | (33) | (85) |
| Income tax effect of adjustments[2] | | | | |
| Reported income tax (benefit) expense | (9) | 52 | 53 | 42 |
| Adjusted income tax (benefit) | (9) | (41) | (90) | (139) |
| **Total adjustments to income tax** | (18) | 11 | (37) | (97) |
| Total adjustments | 60 | 45 | 140 | 395 |
| **Non-GAAP Net income** | $ 45 | $ 215 | $ 419 | $ 672 |
| GAAP (loss) earnings per share | | | | |
| Basic | $ (0.28) | $ 3.28 | $ 5.44 | $ 5.29 |
| Diluted | $ (0.28) | $ 3.26 | $ 5.40 | $ 5.25 |
| Non-GAAP earnings per share | | | | |
| Basic | $ 0.87 | $ 4.15 | $ 8.16 | $ 12.82 |
| Diluted | $ 0.87 | $ 4.12 | $ 8.10 | $ 12.73 |
| Basic weighted average shares outstanding[3] | 51,336,645 | 51,834,236 | 51,380,876 | 52,387,838 |
| Diluted weighted average and equivalent shares outstanding[3] | 51,336,645 | 52,157,852 | 51,717,731 | 52,756,631 |

(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 30, 2023 | October 1, 2022 | September 30, 2023 | October 1, 2022 |
| GAAP Net (loss) income | $ (15) | $ 170 | $ 279 | $ 277 |
| Add back: | | | | |
| Depreciation (excluding exit and restructuring) | 17 | 16 | 52 | 51 |
| Amortization of intangible assets | 26 | 39 | 78 | 107 |
| Total Other expense (income), net | 12 | (20) | 75 | (50) |
| Income tax (benefit) expense | (9) | 52 | 53 | 42 |
| EBITDA (Non-GAAP) | 31 | 257 | 537 | 427 |
| | | | | |
| Adjustments to Cost of sales | | | | |
| Share-based compensation | 1 | 3 | 4 | 5 |
| Total adjustments to Cost of sales | 1 | 3 | 4 | 5 |
| Adjustments to Operating expenses | | | | |
| Acquisition and integration costs | 2 | 1 | 4 | 19 |
| Litigation settlement | — | — | — | 372 |
| Share-based compensation | 19 | 28 | 42 | 70 |
| Exit and restructuring costs | 58 | 2 | 82 | 4 |
| Total adjustments to Operating expenses | 79 | 31 | 128 | 465 |
| Total adjustments to EBITDA | 80 | 34 | 132 | 470 |
| Adjusted EBITDA (Non-GAAP) | $ 111 | $ 291 | $ 669 | $ 897 |
| | | | | |
| Adjusted EBITDA % of Adjusted Net Sales (Non-GAAP) | 11.6 % | 21.1 % | 18.7 % | 21.0 % |

# GAAP to Non-GAAP Free Cash Flow Reconciliation

(In millions)
(Unaudited)

| | Nine Months Ended | |
|---|---|---|
| | September 30, 2023 | October 1, 2022 |
| Net cash (used in) provided by operating activities | $ (145) | $ 221 |
| Less: Purchases of property, plant and equipment | (48) | (51) |
| Free cash flow (Non-GAAP)[1] | $ (193) | $ 170 |

(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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