

# Zebra Technologies Second Quarter 2024 Results

July 30, 2024



# 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

**Q2 Summary**  
Bill Burns, CEO

02

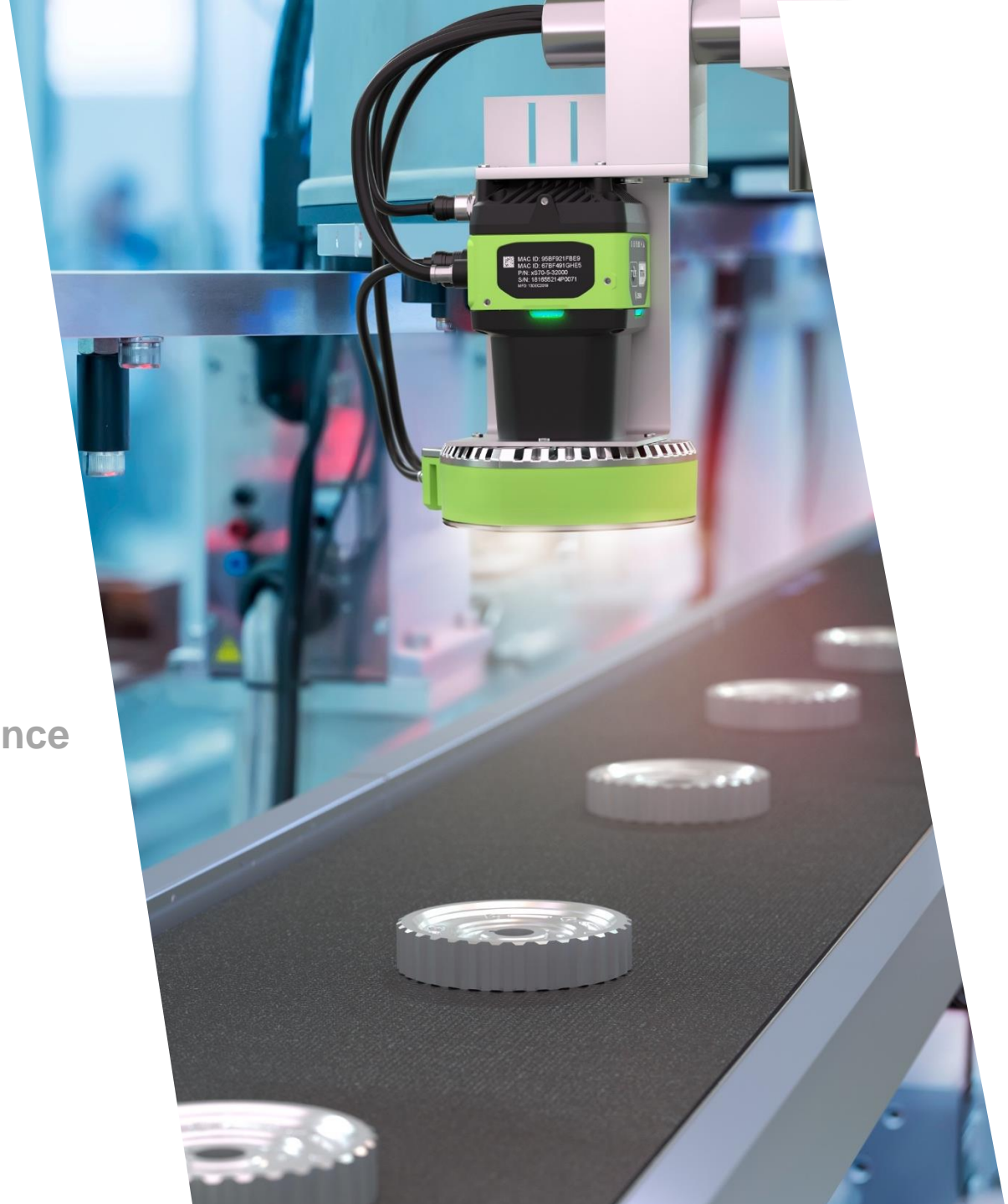
**Q2 Financials and 2024 Outlook**  
Nathan Winters, CFO

03

**Advancing Enterprise Asset Intelligence**  
Bill Burns, CEO

04

**Q&A**  
Bill Burns, CEO  
Nathan Winters, CFO



# Second Quarter 2024 Summary <sup>(1)</sup>

- Delivered sales and earnings results above our outlook
- Sales \$1,217M, (0.3)% organic sales decrease
  - Double-digit growth in Mobile Computing, offset declines across other major product categories
  - Services and Software grew modestly
  - Regional performance mixed
- Adjusted EBITDA Margin of 20.5%, decreased (70)bps
  - Adjusted Gross Margin increased 60bps
    - Lower premium supply chain costs and favorable FX
  - Higher operating expense due to normalized incentive compensation, partially offset by ~\$25 million benefit from restructuring actions
- Non-GAAP Diluted EPS \$3.18, down (3.3)%

*Sequential improvement in sales and profitability primarily driven by early momentum in mobile computing and benefits from restructuring actions.*



<sup>(1)</sup> Refer to the appendix of this presentation for reconciliations of GAAP to non-GAAP financial measures

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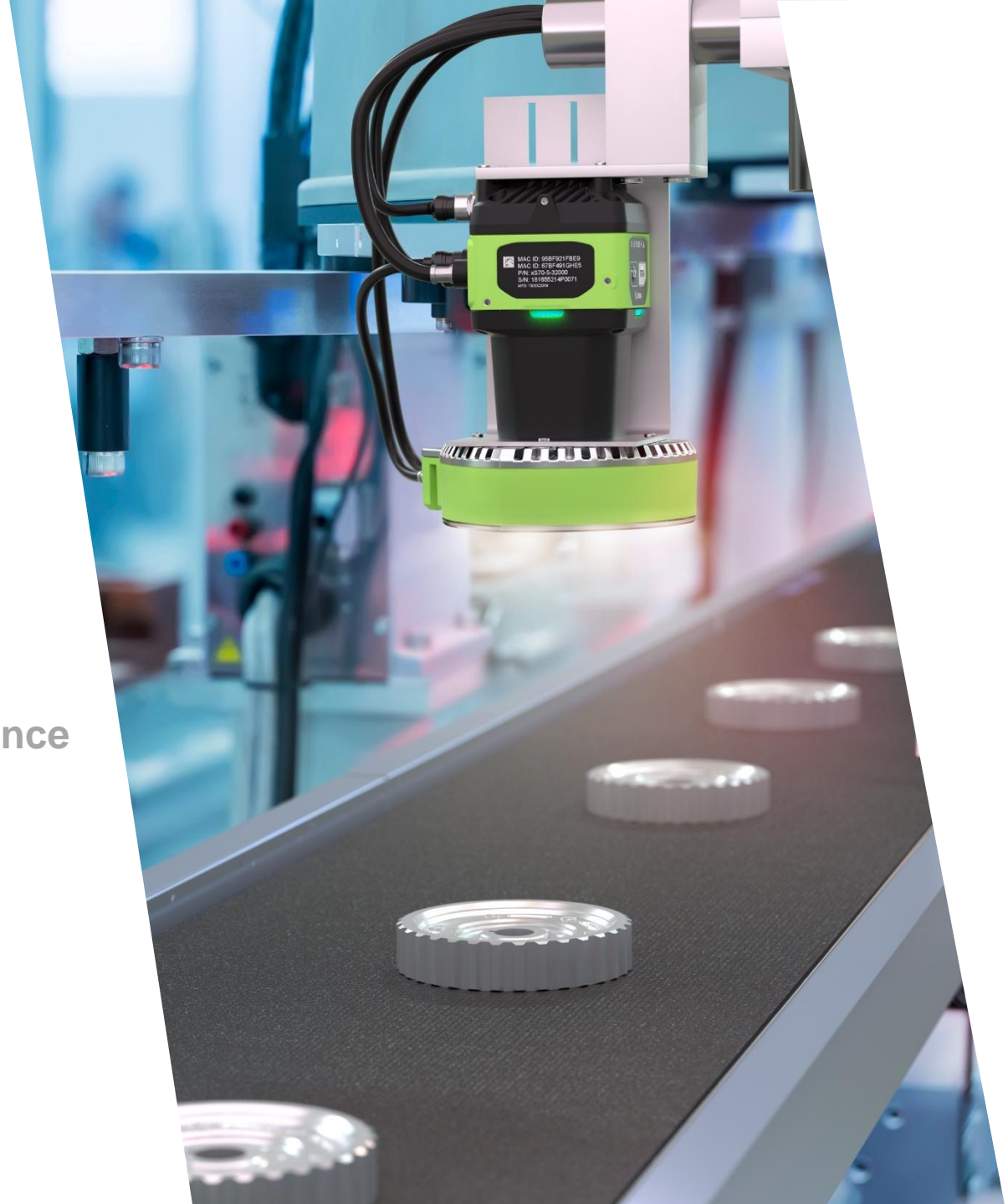
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# Second Quarter P&L Summary<sup>(1)</sup>

In millions, except per share data	2Q24	2Q23	Change
Net Sales	\$1,217	\$1,214	+0.2%
Organic Net Sales Decline <sup>(2)</sup>			(0.3)%
Adjusted Gross Profit	\$591	\$583	+1.4%
Adjusted Gross Margin	48.6%	48.0%	+60bps
Adjusted Operating Expenses	\$358	\$344	+4.1%
Adjusted EBITDA	\$250	\$257	(2.7)%
Adjusted EBITDA Margin	20.5%	21.2%	(70)bps
Non-GAAP Diluted EPS	\$3.18	\$3.29	(3.3)%

## SEGMENT ORGANIC SALES (DECLINE) GROWTH<sup>(2)</sup>

- Asset Intelligence & Tracking (14.4)%
- Enterprise Visibility & Mobility +8.2%

## REGIONAL ORGANIC SALES (DECLINE) GROWTH<sup>(2)</sup>

- North America (7)%
- EMEA +10%
- Asia Pacific (3)%
- Latin America +7%

<sup>(1)</sup> Refer to the appendix of this presentation for reconciliations of GAAP to non-GAAP financial measures

<sup>(2)</sup> Organic Net Sales (Decline) Growth: 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: 1H24

- Free cash flow of \$389M, \$533M higher YoY
  - Lower tax payments
  - Working capital improvement
  - Proceeds from interest rate swaps
  - Lower incentive compensation payments
  - \$45M less settlement payments
- \$43M net debt paydown



## Strong Liquidity Position: 2Q24

- \$411M cash & cash equivalents
- \$2.2B total debt on balance sheet
- Net-debt-to-adjusted-EBITDA ratio of 2.4x
- \$1.5B capacity under revolving credit facility

# Outlook & Assumptions

## 3Q24

- Sales growth between 25% and 28% YoY
  - ~ 1 percentage point favorable impact from FX
- Adjusted EBITDA margin 20% to 21%
- Non-GAAP diluted EPS ~ \$3.00 to \$3.30

## FY24

- Sales growth between 4% and 7% YoY
  - 50 basis point favorable impact from FX
- Adjusted EBITDA margin 20% to 21%
- Non-GAAP diluted EPS \$12.30 to \$12.90
- Free cash flow expected to be at least \$700M
- Capital expenditures \$60M – \$70M
- Depreciation \$65M – \$75M and Amortization \$95M – \$105M
- Stock-based compensation expense \$95M – \$105M
- Non-GAAP tax rate ~ 17%

*Raising our 2024 sales and profitability outlook primarily reflecting Q2 performance and early signs of momentum in demand led by mobile computing, balanced with caution across the broader business in the current environment.*



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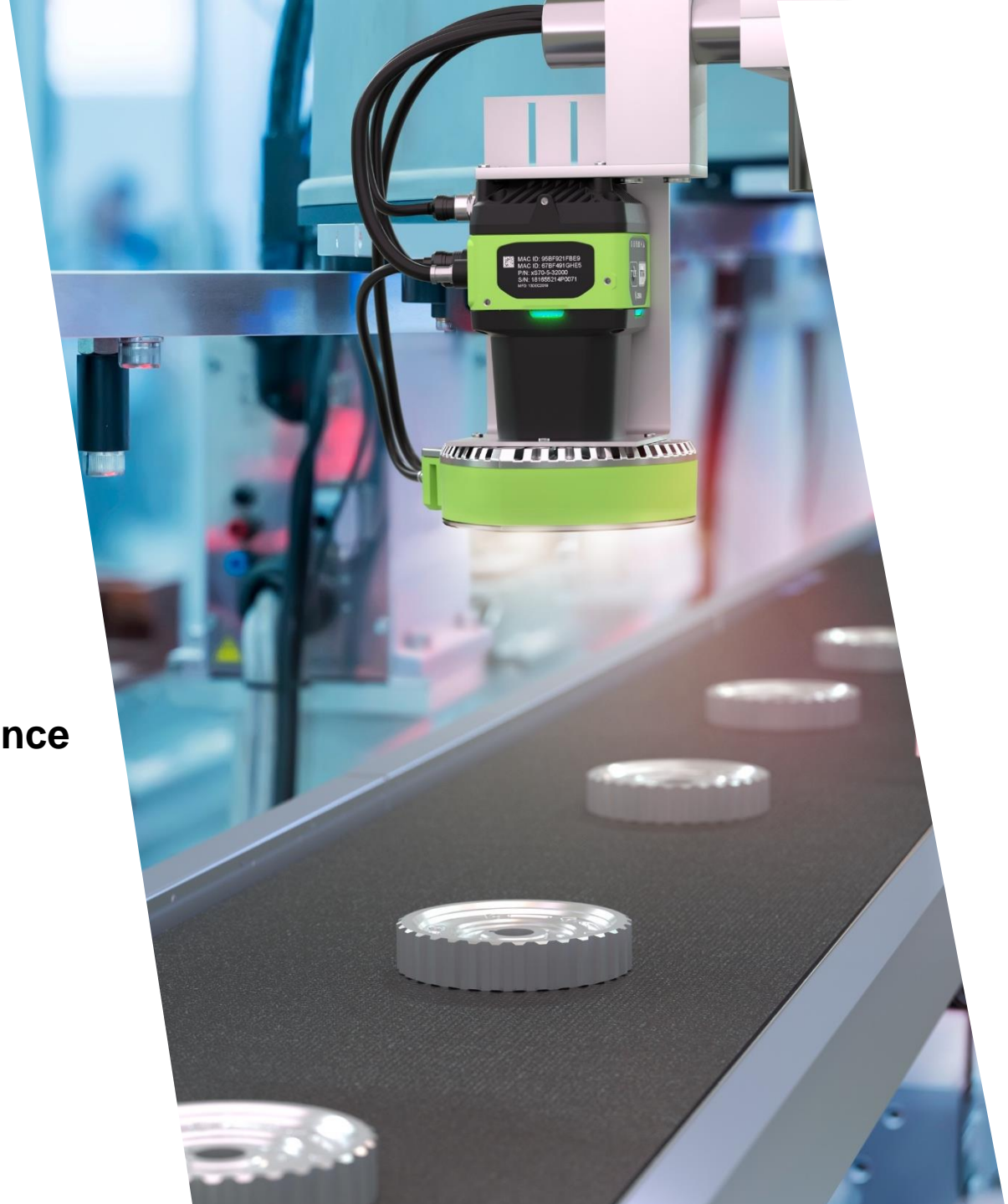
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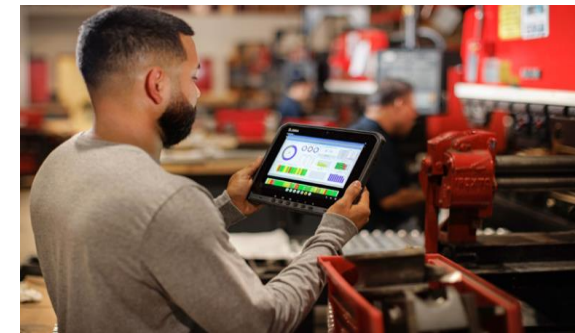
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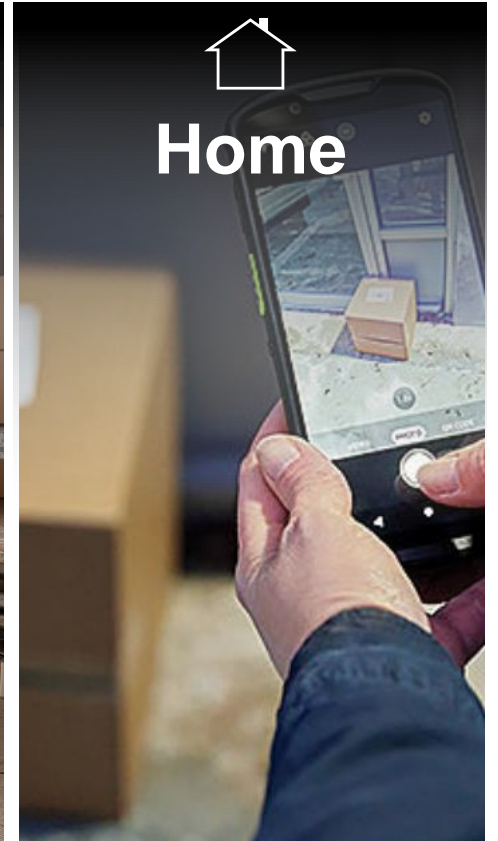
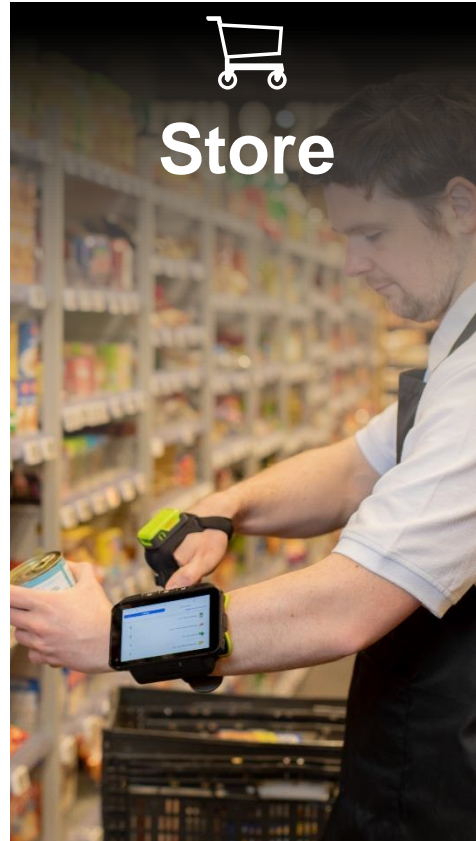
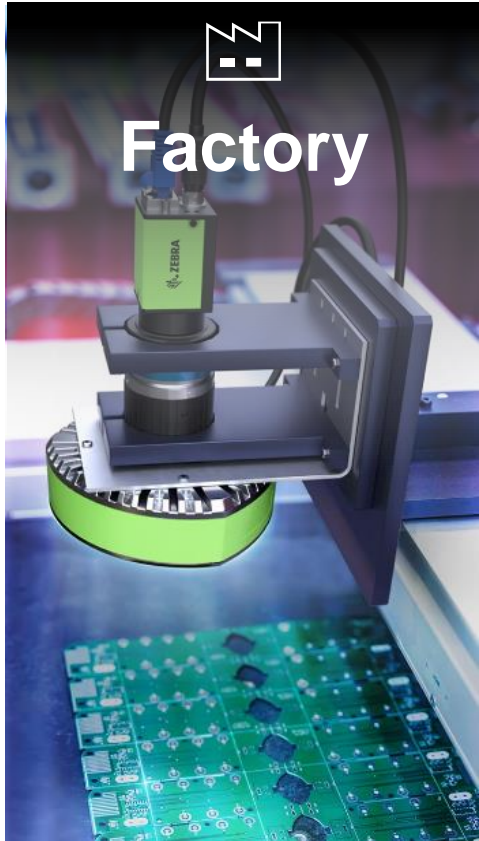
# Zebra Digitizes & Automates the Front Line of Business

## Purpose-Built Hardware + Software + Cloud Analytics

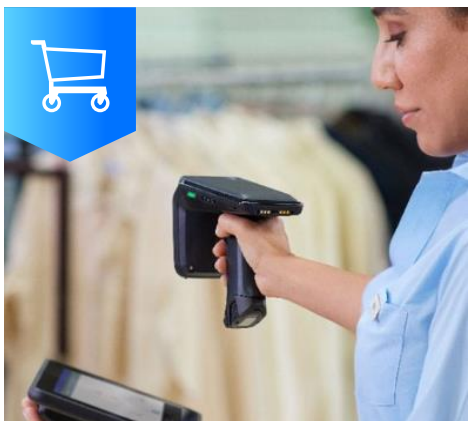


# Transforming Workflows Across the Supply Chain

~ 30 Touchpoints



# Enabling Improved Outcomes Across Our End Markets



## Retail & E-Commerce

Elevated Customer Experience  
Optimized Inventory  
Engaged Associates



## Transportation & Logistics

Enhance Worker Productivity  
Increase Asset Utilization and Inventory Visibility  
Meet Customer Expectations



## Manufacturing

Production Throughput  
Operational Excellence  
Quality and Compliance



## Healthcare

Patient Safety  
Unified Staff Collaboration  
Strengthened Operational Efficiency



## Other Markets

Critical Communications  
Outage and Disaster Management

*Mobile computing returned to growth across all our vertical end markets in 2Q24 led by Healthcare and Retail.*

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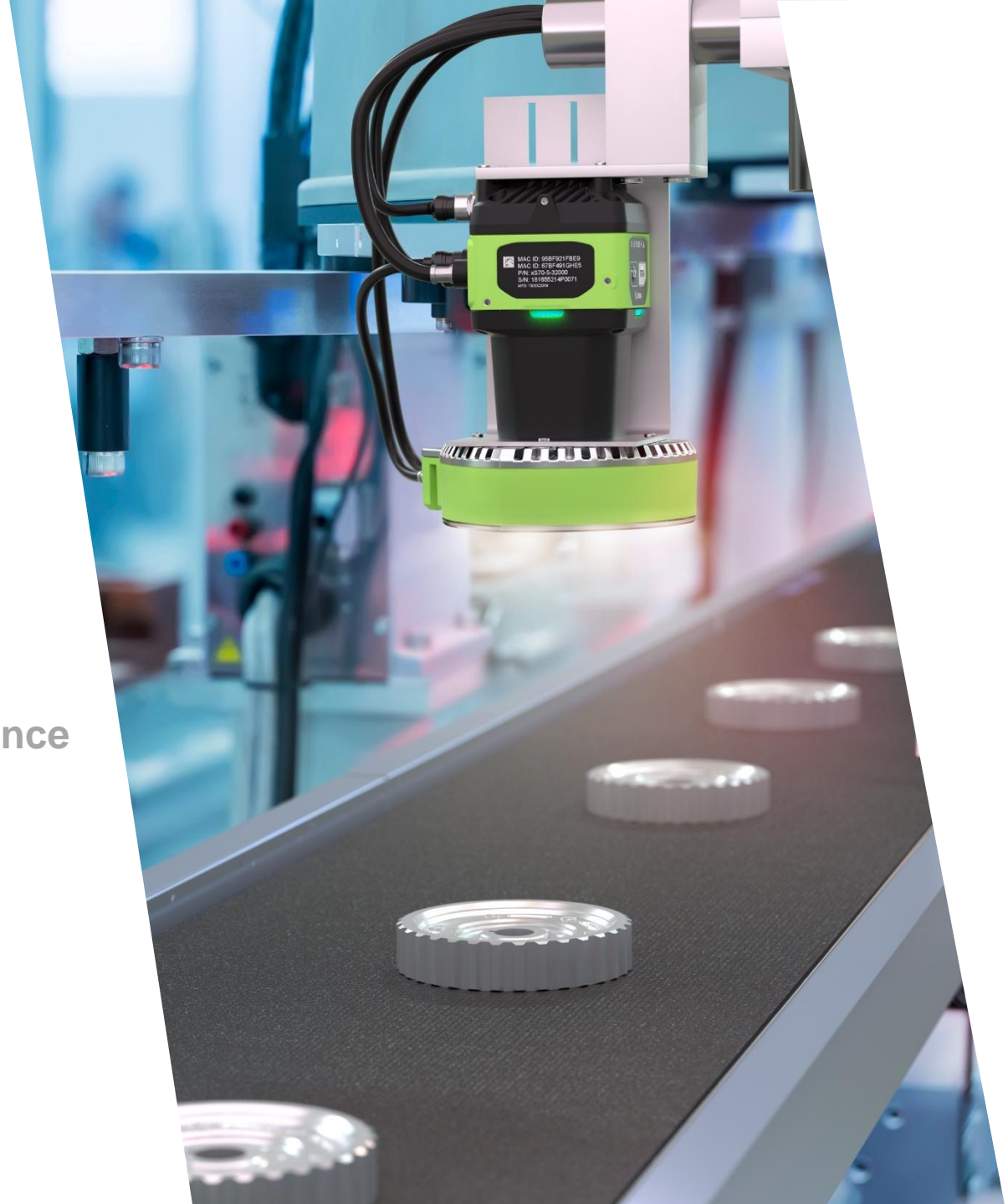
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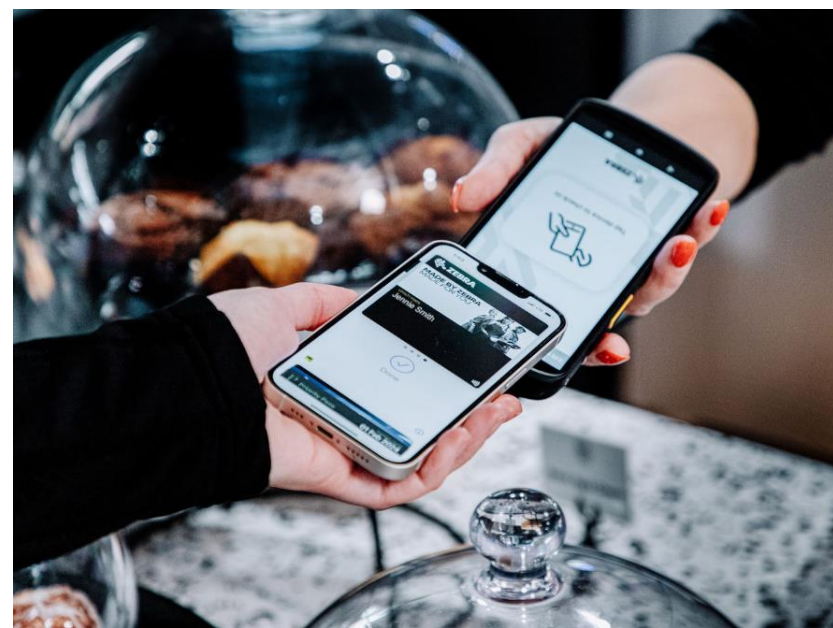
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**Q&A**

# Appendix

# Use of Non-GAAP Financial Information

This presentation contains certain Non-GAAP financial measures, consisting of “adjusted net sales,” “adjusted gross profit,” “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 (decline) growth” “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 (Decline) Growth Reconciliation

(Unaudited)

	Three Months Ended		
	June 29, 2024		
	AIT	EVM	Consolidated
Reported GAAP Consolidated Net sales (decline) growth	(13.5)%	8.6 %	0.2 %
Adjustments:			
Impact of foreign currency translations <sup>(1)</sup>	(0.9)%	(0.4)%	(0.5)%
Consolidated Organic Net sales (decline) growth	<u>(14.4)%</u>	<u>8.2 %</u>	<u>(0.3)%</u>
	Six Months Ended		
	June 29, 2024		
	AIT	EVM	Consolidated
Reported GAAP Consolidated Net sales decline	(19.6)%	(2.1)%	(8.7)%
Adjustments:			
Impact of foreign currency translations <sup>(1)</sup>	(0.6)%	(0.4)%	(0.5)%
Consolidated Organic Net sales decline	<u>(20.2)%</u>	<u>(2.5)%</u>	<u>(9.2)%</u>

- (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.

# GAAP to Non-GAAP Gross Margin Reconciliation

(In millions)  
(Unaudited)

	Three Months Ended					
	June 29, 2024			July 1, 2023		
	AIT	EVM	Consolidated	AIT	EVM	Consolidated
<u>GAAP</u>						
Reported Net sales	\$ 397	\$ 820	\$ 1,217	\$ 459	\$ 755	\$ 1,214
Reported Gross profit	187	402	589	225	356	581
Gross Margin	47.1 %	49.0 %	48.4 %	49.0 %	47.2 %	47.9 %
<u>Non-GAAP</u>						
Adjusted Net sales	\$ 397	\$ 820	\$ 1,217	\$ 459	\$ 755	\$ 1,214
Adjusted Gross profit <sup>(1)</sup>	187	404	591	226	357	583
Adjusted Gross Margin	47.1 %	49.3 %	48.6 %	49.2 %	47.3 %	48.0 %
<u>Six Months Ended</u>						
	June 29, 2024			July 1, 2023		
	AIT	EVM	Consolidated	AIT	EVM	Consolidated
	<u>GAAP</u>					
Reported Net sales	\$ 789	\$ 1,603	\$ 2,392	\$ 981	\$ 1,638	\$ 2,619
Reported Gross profit	371	781	1,152	483	765	1,248
Gross Margin	47.0 %	48.7 %	48.2 %	49.2 %	46.7 %	47.7 %
<u>Non-GAAP</u>						
Adjusted Net sales	\$ 789	\$ 1,603	\$ 2,392	\$ 981	\$ 1,638	\$ 2,619
Adjusted Gross profit <sup>(1)</sup>	372	784	1,156	484	767	1,251
Adjusted Gross Margin	47.1 %	48.9 %	48.3 %	49.3 %	46.8 %	47.8 %

(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		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
<b>GAAP Net income</b>	\$ 113	\$ 144	\$ 228	\$ 294
Adjustments to Cost of sales <sup>(1)</sup>				
Share-based compensation	2	2	4	3
<b>Total adjustments to Cost of sales</b>	2	2	4	3
Adjustments to Operating expenses <sup>(1)</sup>				
Amortization of intangible assets	25	26	51	52
Acquisition and integration costs	1	2	2	2
Share-based compensation	35	1	54	23
Exit and restructuring costs	3	14	13	24
<b>Total adjustments to Operating expenses</b>	64	43	120	101
Adjustments to Other income (expense), net <sup>(1)</sup>				
Amortization of debt issuance costs and discounts	1	—	1	1
Investment loss	6	—	6	1
Foreign exchange loss (gain)	—	5	(3)	4
Forward interest rate swap (gain)	(11)	(18)	(31)	(11)
<b>Total adjustments to Other (expense), net</b>	(4)	(13)	(27)	(5)
Income tax effect of adjustments <sup>(2)</sup>				
Reported income tax expense	23	27	50	62
Adjusted income tax	(33)	(33)	(63)	(81)
<b>Total adjustments to income tax</b>	(10)	(6)	(13)	(19)
<b>Total adjustments</b>	52	26	84	80
<b>Non-GAAP Net income</b>	\$ 165	\$ 170	\$ 312	\$ 374
GAAP earnings per share				
Basic	\$ 2.19	\$ 2.8	\$ 4.43	\$ 5.72
Diluted	\$ 2.17	\$ 2.78	\$ 4.40	\$ 5.68
Non-GAAP earnings per share				
Basic	\$ 3.20	\$ 3.31	\$ 6.06	\$ 7.28
Diluted	\$ 3.18	\$ 3.29	\$ 6.02	\$ 7.24
Basic weighted average shares outstanding	51,489,735	51,377,064	51,444,179	51,395,062
Diluted weighted average and equivalent shares outstanding	51,830,245	51,707,460	51,815,899	51,724,026

(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.

# GAAP to Non-GAAP EBITDA Reconciliation

(In millions)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
GAAP Net income	\$ 113	\$ 144	\$ 228	\$ 294
Add back:				
Depreciation (excluding exit and restructuring)	17	18	34	35
Amortization of intangible assets	25	26	51	52
Total Other expense, net	31	23	48	63
Income tax expense	23	27	50	62
EBITDA (Non-GAAP)	209	238	411	506
Adjustments to Cost of sales				
Share-based compensation	2	2	4	3
Total adjustments to Cost of sales	2	2	4	3
Adjustments to Operating expenses				
Acquisition and integration costs	1	2	2	2
Share-based compensation	35	1	54	23
Exit and restructuring costs	3	14	13	24
Total adjustments to Operating expenses	39	17	69	49
Total adjustments to EBITDA	41	19	73	52
Adjusted EBITDA (Non-GAAP)	\$ 250	\$ 257	\$ 484	\$ 558
Adjusted EBITDA % of Adjusted Net Sales (Non-GAAP)	20.5 %	21.2 %	20.2 %	21.3 %

# GAAP to Non-GAAP Free Cash Flow Reconciliation

(In millions)  
(Unaudited)

	Six Months Ended	
	June 29, 2024	July 1, 2023
Net cash provided by (used in) operating activities	\$ 413	\$ (110)
Less: Purchases of property, plant and equipment	(24)	(34)
Free cash flow (Non-GAAP) <sup>(1)</sup>	<u>\$ 389</u>	<u>\$ (144)</u>

(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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