

ZEBRA TECHNOLOGIES FOURTH-QUARTER AND FULL-YEAR 2016 RESULTS

FEBRUARY 23, 2017





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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, including the Enterprise business, could also 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. 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.

Fourth-Quarter 2016 Highlights

- Delivered solid Q4 results due to strong execution by our teams
- Adjusted net sales of \$944M at the high end of our guidance range; organic net sales growth of 3.5%⁽¹⁾
- Expanded gross margin and reduced operating expenses
- Adjusted EBITDA of 19.0%, a 310 bps improvement from 4Q15
- Non-GAAP diluted EPS of \$1.93 vs. \$1.30 in 4Q15⁽²⁾
- \$147M debt pay down (\$382M for FY16) significantly exceeded our goal, due to significant working capital benefits and net proceeds from the divestiture of the wireless LAN business
 1. Excludes purchase accounting adjustments and net sales from the divested wireless LAN business for both the current and prior year period, and assumes constant FX to prior year period.
 2. Tax adjustments and changes in profitability mix by jurisdiction had an approximately \$0.16 positive impact in 4Q16



2016 Strategic Priorities: Successful Execution

Deliver Profitable Growth

- Our technology is vital as customers pursue their strategic goals
- Leverage expertise and expand vertical presence
- Continued focus on innovation and new product introductions
- Improve performance in the services business

Realize Cost Synergies

- Realize \$50M of incremental cost synergies in 2016
- Higher gross margin and improved operating expense leverage
- Prudently manage cost structure

De-lever the Balance Sheet

- Improved free cash flow to pay down debt
- Debt reduction of \$300M in 2016
- Goal to decrease net-debt / adj. EBITDA ratio

Operate as One Zebra

- Build on global brand strength
- Continued planning and execution on Enterprise integration, including IT systems
- Launch the new channel partner program
- Operationalize Enterprise Asset Intelligence vision

Fourth-Quarter P&L Summary⁽¹⁾

In millions, except per share data	4Q16	4Q15	Change
Adjusted Net Sales ⁽²⁾	\$944	\$955	(1.2)%
Organic Net Sales Growth ^(2, 3, 4)			3.5%
Adj. Gross Margin ^(2,5)	46.1%	45.2%	90 bps
Adjusted EBITDA	\$179	\$152	18%
Adj. EBITDA Margin	19.0%	15.9%	310 bps
Non-GAAP diluted EPS ⁽⁶⁾	\$1.93	\$1.30	48%

- **3.5% Organic Net Sales Growth^(2, 3, 4)**
 - Enterprise up 4%
 - Legacy Zebra up 3%
- **Regional Breakdown⁽⁴⁾**
 - North America up 6%
 - EMEA down 2%⁽³⁾
 - Asia Pacific up 5%⁽³⁾
 - Latin America up 12%
- **Adj. EBITDA margin improvement**
 - Higher gross margin
 - Lower selling and marketing and research and development expenses

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 divested wireless LAN business for both the current and prior year period. Approximate adverse impacts: consolidated Zebra 3 percentage points (pps), Enterprise segment 5pps, North America 4pps, EMEA 2pps, APAC 6pps, Latin America 4pps

5. Excludes stock-based compensation

6. Tax adjustments and changes in profitability mix by jurisdiction had an approximately \$0.16 positive impact in 4Q16

Balance Sheet and Cash Flow

Liquidity

- \$156M in cash & cash equivalents as of year end 2016
- No borrowings on \$250M revolver; no financial covenant unless >\$50M draw down

Debt

- \$2.6B long-term debt at year-end
- \$382M of early principal payments in 2016
- Net-debt-to-adjusted-EBITDA ratio of 4.0x as of year end 2016

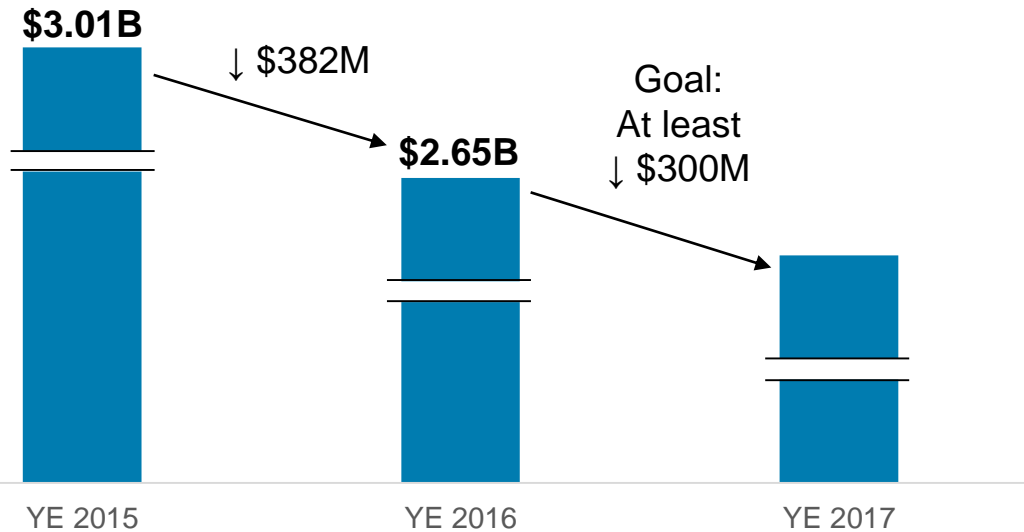
Cash Flow

- \$295M free cash flow in 2016
- Primary drivers of 2016 free cash flow improvement from 2015:
 - Working capital initiatives
 - Lower integration and restructuring expenses
 - Lower capital expenditures
 - EBITDA improvement

Debt Reduction is Top Priority

Financed October 2014 Enterprise acquisition with \$3.25B of debt

Debt



Cash & Cash Equivalents



Net-Debt-to-Adjusted EBITDA

Goal: Investment-Grade Credit

4.8x

4.0x

Outlook

1Q17

- Expect solid organic growth and increased profitability
- Adjusted net sales (2)% to +1% vs. 1Q16; organic net sales growth of 3-6%. Excludes adverse impacts of 4 percentage points from wireless LAN, and an estimated 1 percentage point from FX
- Adjusted EBITDA margin of approximately 17%
- Adjusted EPS range of \$1.20 to \$1.40

FY17

- Low-single-digit organic sales growth; excludes adverse impacts of 3 percentage points from wireless LAN, and an estimated 1 percentage point from FX
- Adjusted EBITDA margin range of 18-19%
- Debt paydown of at least \$300M

Other FY17 Assumptions

- Interest expense of \$165-170M, including non-cash amortization of \$20-22M
- Stock-based compensation expense of \$30-35M
- Non-GAAP tax rate in the low- to mid-20% range
- Capital expenditures ~ 2% of revenue
- Depreciation and Amortization of \$255-265M

Strategic Focus



Extend **leadership** and outpace the competition



Advance **Enterprise Asset Intelligence** solutions




Complete **integration** of Enterprise business




Enhance **financial strength** and flexibility

Our Unique Value Proposition: Enterprise Asset Intelligence


Growth through smart, visionary solutions that see the big picture



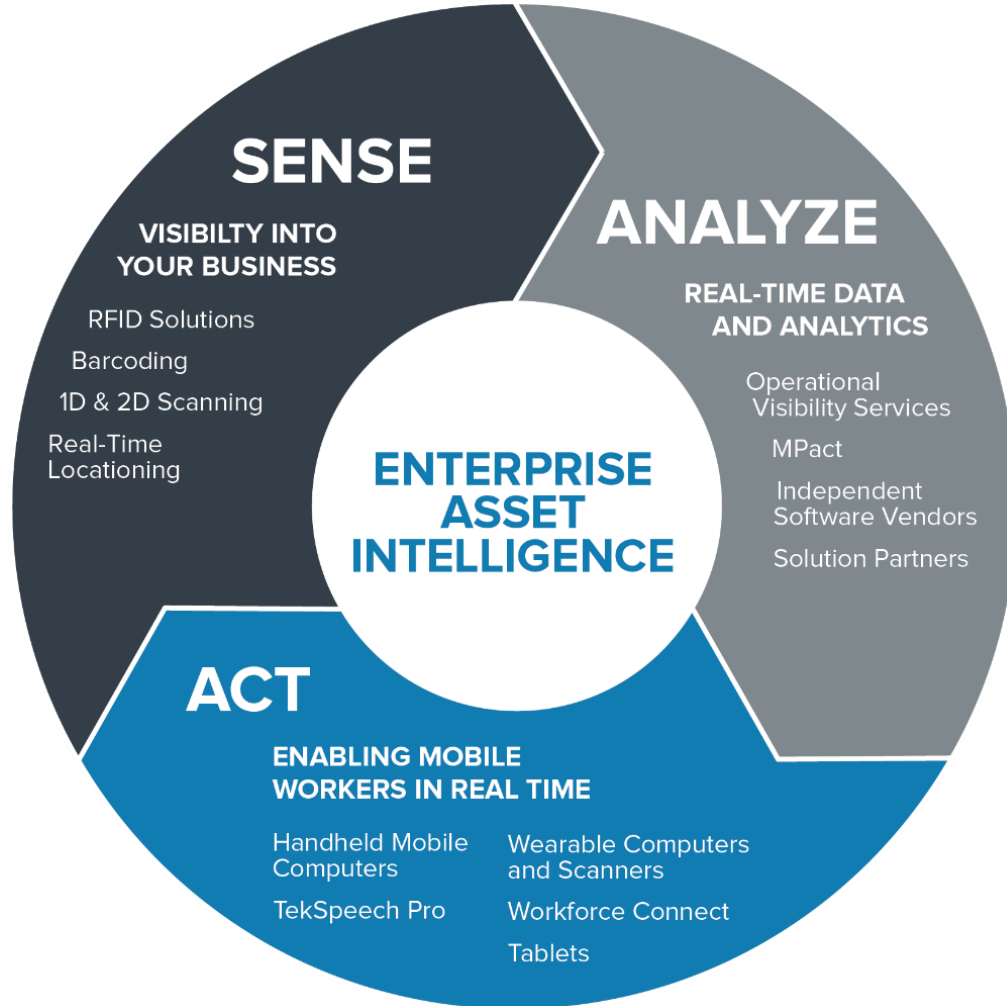
MOBILITY



INTERNET OF THINGS

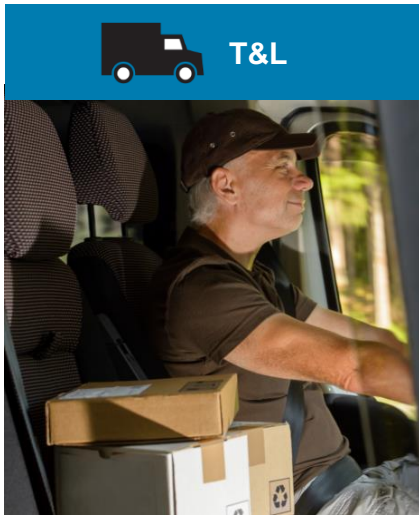


CLOUD



Enabling Visibility Across Verticals

Zebra makes businesses as smart and connected as the world we live in



Simplify Operations and Comply with Regulations

Enhance Customer/Patient Experience

Empower Mobile Workers



ZEBRA

QUESTIONS?



ZEBRA

APPENDIX

Use of Non-GAAP Financial Information

This press release 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,” “adjusted operating expenses,” and “constant currency”. 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 Non-GAAP Financial Measures” table and accompanying disclosures at the end of this press release 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 constant currency financial information 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, we exclude the impact of the Company's 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 Net Income Reconciliation

	Three Months Ended		Twelve Months Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Net income (loss)	\$ 17	\$ (28)	\$ (137)	\$ (158)
Adjustment to Net sales ⁽¹⁾				
Purchase accounting adjustments	2	4	10	16
Total adjustment to Net sales	2	4	10	16
Adjustments to Cost of sales ⁽¹⁾				
Purchase accounting adjustments	—	—	—	4
Share-based compensation	1	—	2	3
Total adjustments to Cost of sales	1	—	2	7
Adjustments to Operating expenses ⁽¹⁾				
Amortization of intangible assets	51	60	229	251
Acquisition and integration costs	27	51	125	145
Impairment of goodwill and other intangibles	—	—	62	—
Share-based compensation	6	6	26	30
Exit and restructuring costs	2	5	19	40
Total adjustments to Operating expenses	86	122	461	466
Adjustments to Other expenses ⁽¹⁾				
Amortization of debt issuance cost and discount	7	4	23	16
Impairment of cost-based investments	2	—	7	—
Foreign exchange loss	1	1	5	23
Forward interest rate swaps loss (gain)	2	—	—	(4)
Total adjustments to Other expenses	12	5	35	35
Income tax effect of adjustments				
Income tax expense (benefit)	3	(15)	8	(22)
Tax-effect of Non-GAAP items ⁽²⁾	(19)	(20)	(86)	(79)
Total income tax effect of adjustments	(16)	(35)	(78)	(101)
Total adjustments	85	96	430	423
Non-GAAP Net income	\$ 102	\$ 68	\$ 293	\$ 265
GAAP earnings (loss) per share				
Basic	\$ 0.34	\$ (0.53)	\$ (2.65)	\$ (3.10)
Diluted	\$ 0.34	\$ (0.53)	\$ (2.65)	\$ (3.10)
Non-GAAP earnings per share				
Basic	\$ 1.96	\$ 1.32	\$ 5.67	\$ 5.19
Diluted	\$ 1.93	\$ 1.30	\$ 5.60	\$ 5.08
Basic weighted average shares outstanding	51,792,228	51,207,102	51,579,112	50,996,297
Diluted weighted average and equivalent shares outstanding	52,573,283	51,978,081	52,259,157	52,096,036

(1) Presented on a pre-tax basis.

(2) Represents the adjustment to the GAAP basis tax provision commensurate with non-GAAP adjustments.

GAAP to Non-GAAP Reconciliation

EBITDA Reconciliation	Three Months Ended		Twelve Months Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Operating income	\$ 71	\$ 7	\$ 80	\$ 37
Depreciation	19	19	75	69
Amortization of intangible assets	51	60	229	251
EBITDA (Non-GAAP)	141	86	384	357
Adjustments to Net sales				
Purchase accounting adjustments	2	4	10	16
Total adjustments to Net sales	2	4	10	16
Adjustments to Cost of sales				
Purchase accounting adjustments	—	—	—	4
Share-based compensation	1	—	2	3
Total adjustments to Cost of sales	1	—	2	7
Adjustments to Operating expenses				
Acquisition and integration costs	27	51	125	145
Impairment of goodwill and other intangibles	—	—	62	—
Share-based compensation	6	6	26	30
Exit and restructuring costs	2	5	19	40
Total adjustments to Operating expenses	35	62	232	215
Total adjustments to EBITDA	38	66	244	238
Adjusted EBITDA (Non-GAAP)	\$ 179	\$ 152	\$ 628	\$ 595
Operating income % of GAAP Net sales	7.5%	0.7%	2.2%	1.0%
Adjusted EBITDA % of Non-GAAP sales	19.0%	15.9%	17.5%	16.2%

GAAP to Non-GAAP Reconciliation

ORGANIC NET SALES GROWTH

	Three Months Ended December 31, 2016	
Reported Net sales decline	(0.9)	%
Adjustments:		
Purchase accounting adjustments	(0.2)	%
Impact of wireless LAN Net sales ⁽¹⁾	3.2	%
Impact of foreign currency translation ⁽²⁾	1.4	%
Organic Net sales growth	<u>3.5</u>	<u>%</u>

	Twelve Months Ended December 31, 2016	
Reported Net sales decline	(2.1)	%
Adjustments:		
Purchase accounting adjustments	(0.2)	%
Impact of wireless LAN Net sales ⁽¹⁾	1.4	%
Impact of foreign currency translation ⁽²⁾	1.3	%
Organic Net sales growth	<u>0.4</u>	<u>%</u>

(1) The company sold the wireless LAN business in October 2016. We are excluding the impact of the net sales of this business in both the current and prior year periods when computing organic net sales growth.

(2) Operating results reported in U.S. dollars are affected by foreign currency exchange rate fluctuations. We use the term "constant currency" to represent certain results that have been adjusted to exclude the estimated impact of exchange rate fluctuations for certain foreign currencies. 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, 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 Reconciliation

NET SALES BY SEGMENT

(Amounts in millions)

	Three Months Ended		Percent Change
	December 31, 2016	December 31, 2015	
Enterprise	\$ 617	\$ 635	(2.8)
Legacy Zebra	327	320	2.2
Adjusted net sales	944	955	(1.2)
Purchase accounting adjustments	(2)	(4)	
Net sales	\$ 942	\$ 951	(0.9)

	Twelve Months Ended		Percent Change
	December 31, 2016	December 31, 2015	
Enterprise	\$ 2,337	\$ 2,380	(1.8)
Legacy Zebra	1,247	1,286	(3.0)
Adjusted net sales	3,584	3,666	(2.2)
Purchase accounting adjustments	(10)	(16)	
Net sales	\$ 3,574	\$ 3,650	(2.1)

GAAP to Non-GAAP Reconciliation

FREE CASH FLOW

	Three Months Ended		Twelve Months Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Net cash provided by (used in) operating activities	\$ 127	\$ (6)	\$ 372	\$ 110
Less: Purchases of property, plant and equipment	(28)	(35)	(77)	(122)
Free cash flow ⁽¹⁾	\$ 99	\$ (41)	\$ 295	\$ (12)

(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.