

Zebra Technologies

First Quarter 2025 Results

April 29, 2025



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Bill Burns, CEO

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Q1 Financials and Outlook
Nathan Winters, CFO

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Advancing Enterprise Asset Intelligence
Bill Burns, CEO

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Q&A
Bill Burns, CEO
Nathan Winters, CFO

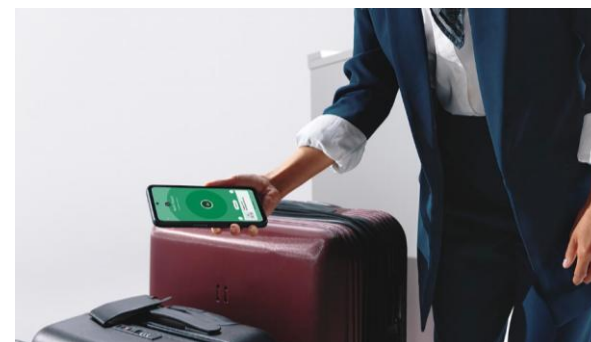


First Quarter 2025 Summary ⁽¹⁾

- Delivered results above our outlook
- Sales of \$1,308M, reflecting 11.9% organic net sales growth
 - Strong broad-based growth across all major product categories, vertical markets and regions
 - Modest growth in Services and Software
- Adjusted EBITDA Margin of 22.3%, increased 240bps
 - Adjusted Gross Margin up 150bps due to business mix and volume leverage
 - Adjusted Operating Expenses as a percent of sales improved by 100bps
- Non-GAAP Diluted EPS \$4.02, up 41.5%

Continued demand recovery, strong operating leverage, and excellent execution drove significant year-on-year increase in profitability.

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



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First Quarter P&L Summary⁽¹⁾

In millions, except per share data	1Q25	1Q24	Change
Net Sales	\$1,308	\$1,175	+11.3%
Organic Net Sales Growth			+11.9%
Adjusted Gross Profit	\$649	\$565	+14.9%
Adjusted Gross Margin	49.6%	48.1%	+150bps
Adjusted Operating Expenses	\$374	\$348	+7.5%
Adjusted EBITDA	\$292	\$234	+24.8%
Adjusted EBITDA Margin	22.3%	19.9%	+240bps
Non-GAAP Diluted EPS	\$4.02	\$2.84	+41.5%

SEGMENT ORGANIC NET SALES GROWTH

- Asset Intelligence & Tracking +18.4%
- Enterprise Visibility & Mobility +8.6%

REGIONAL ORGANIC NET SALES GROWTH

- North America +7%
- EMEA +18%
- Asia Pacific +13%
- Latin America +18%

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

Cash Flow & Balance Sheet⁽¹⁾

Cash Flow: 1Q25

- Free cash flow of \$158M, \$47M higher YoY
 - Stronger operating performance
 - Working capital improvement
 - \$45M less settlement payments
 - Partially offset by higher incentive comp payments
- \$125M share repurchases

Strong Liquidity Position: 1Q25

- \$879M cash & cash equivalents
- \$2.2B balance sheet debt
- 1.2x net debt to adjusted EBITDA ratio
- \$1.5B revolving credit facility capacity

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

Zebra Well Equipped to Navigate Global Environment

- Highly diversified business: global footprint, broad product & solution set, increasingly diverse end-markets
- Flexible and Capital-Light Business Model
 - Flexible cost structure with capital expenditures less than 1.5% of sales
 - Approximately 80% of sales volume through channel partners
 - Outsource vast majority of product manufacturing to reputable third parties
- Strong Balance Sheet and Free Cash Flow Profile
 - Ample cash and credit facility capacity, supported by diversified bank group with strong ratings
 - Target 100% Free Cash Flow Conversion over a cycle
- Track Record of Preserving Profitability in Challenging Times
 - Over 55 years of trusted relationships with partners and customers
 - Zebra takes proactive actions to preserve profits and cash flow, with playbook for managing discretionary spend
 - Consistently extend industry leadership position through protecting strategic investments

Working to Mitigate U.S. Import Tariffs

- We have made good progress diversifying our global sourcing footprint, improving resiliency
- Over the last decade, shifted U.S. imports from China to approximately 30% from 85%
- ~ \$80-90M annualized gross profit impact, net of mitigation, from U.S. import tariffs
 - Assumes current effective rates along with electronics and USMCA exemptions
 - Inclusive of ~ \$80M annualized U.S. price adjustments
- ~ \$70M expected gross profit impact for FY25 (incremental \$50M from prior guide)
 - 1Q25: \$3M YoY net impact
 - 2Q25: \$25-30M anticipated YoY net impact
 - Impacted by timing of tariff effective date, inventory positions, pricing actions and production moves
- Evaluating additional potential actions to further mitigate, while monitoring policy changes
 - Shifting more production from China to other global locations
 - Product portfolio optimization and pricing

Outlook & Assumptions⁽¹⁾

2Q25

- Sales growth between 4% and 7%
 - Includes net neutral impact from recently acquired business⁽¹⁾ and FX
- Adjusted EBITDA margin ~ 19%
- Non-GAAP diluted EPS \$3.00 - \$3.50
- *\$25-30M gross profit net impact from import tariffs*

FY25

- Sales growth between 3% and 7%
 - Includes net neutral impact from recently acquired business⁽¹⁾ and FX
- Adjusted EBITDA margin 20% - 21%
- Non-GAAP diluted EPS \$13.75 - \$14.75
- Free cash flow at least \$700M
- Capital expenditures \$65M - \$75M
- Depreciation \$65M - \$75M and Amortization \$90M - \$100M
- Stock-based compensation expense \$140M - \$160M
- Non-GAAP tax rate ~17%
- *Approximately \$70M gross profit net impact from import tariffs*

Lower profitability expectations entirely attributable to increased U.S. import tariffs.

⁽¹⁾ Impact to sales growth for 12 months following business acquisition. Photoneo acquisition closed February 28, 2025.

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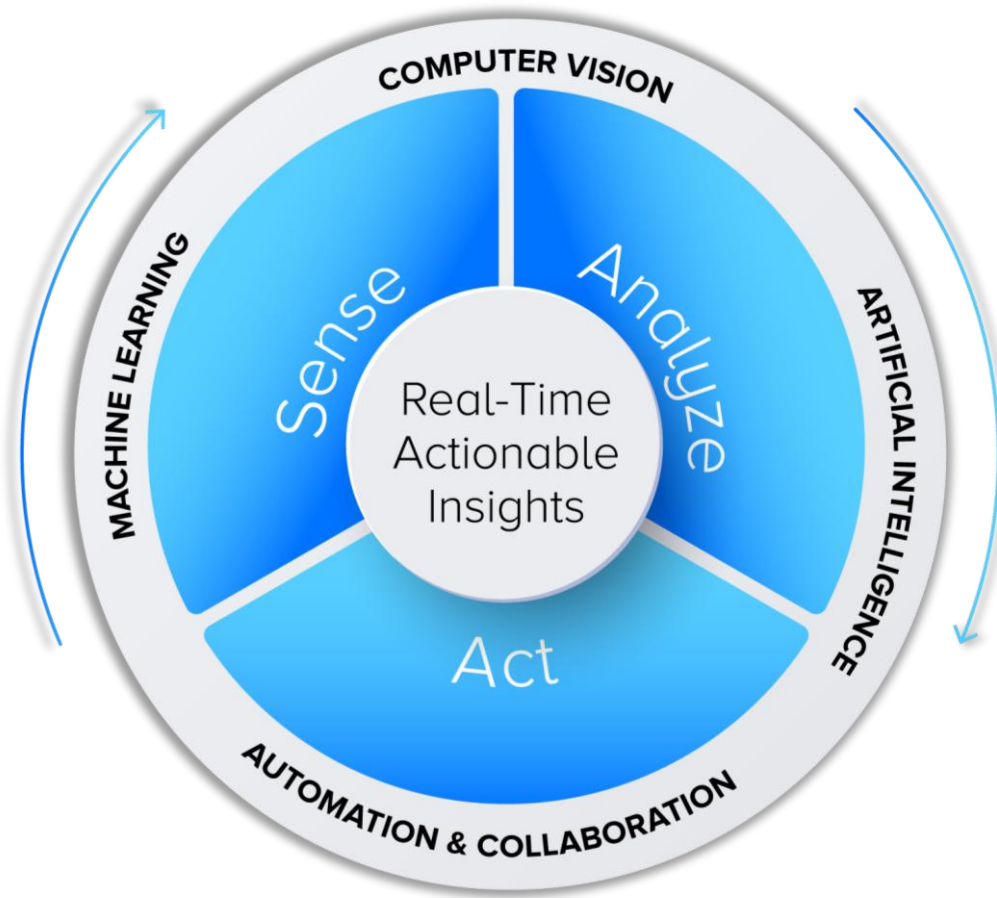
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Zebra Digitizes & Automates the Front Line of Business

Purpose-Built Hardware + Software + Cloud Analytics



Enabling Improved Outcomes Across Our End Markets



Retail & E-Commerce

Elevated Customer Experience
Optimized Inventory
Engaged Associates



Transportation & Logistics

Enhanced Worker Productivity
Increased Asset and Inventory Visibility
Meet Customer Expectations



Manufacturing

Actionable Visibility
Optimized Quality
Augmented Workforce



Healthcare

Patient Safety
Unified Staff Collaboration
Operational Efficiency



Other Markets

Supply Chain
Modernization and Asset Management
Public Safety and Field Mobility
Critical Communications

Realized broad based Q1 sales growth across all primary vertical end markets.

Zebra Solutions Address Manufacturers' Biggest Challenges

Actionable Visibility



Gain visibility into inventory, assets and production



Curtiss-Wright deployed an RFID-enabled tracking system, reducing WIP inventory by 90%, cutting lead times by 85%, and enhancing operational efficiency, product quality, and customer satisfaction across manufacturing operations.

Optimized Quality



Digitize and integrate inspection, track-and-trace and quality management



Kine Robotics implemented a high-performance 3D pick-and-place robot system to drive efficient picking and placing of bread loaves and rolls, reducing costs and lowering error rates for a high-speed industrial bakery.

Augmented Workforce



Improve agility and flexibility by providing tools to connect the front line



Bimbo Bakeries improved forecasts and minimized waste by leveraging an AI-powered demand and planning solution, empowering front-line teams with greater visibility and productivity.

Opportunity Across Our End Markets

Market Served	Longer-Term Opportunity
Retail & E-commerce	• Technology equipped frontline workers to drive productivity and satisfaction • Reimagining point-of-sale and solutions to address shrink • E-commerce growth with shorter lead time expectations
Transportation & Logistics	• On-demand economy and regulations driving need for real-time visibility • Last mile fulfillment productivity to address increased demand • Automation to address labor constraints, safety and operational efficiency
Manufacturing	• Investments in supply chain traceability, efficiency and resiliency • Transform operations with machine vision, robotics and AI • Shifts in global manufacturing operations
Healthcare	• Digitally connecting assets, patients and staff for safe and efficient care • Patient engagement and virtual care, including home healthcare opportunity
Other Markets	• Modernizing end-to-end supply chain • Digitizing workflows in public safety and field service

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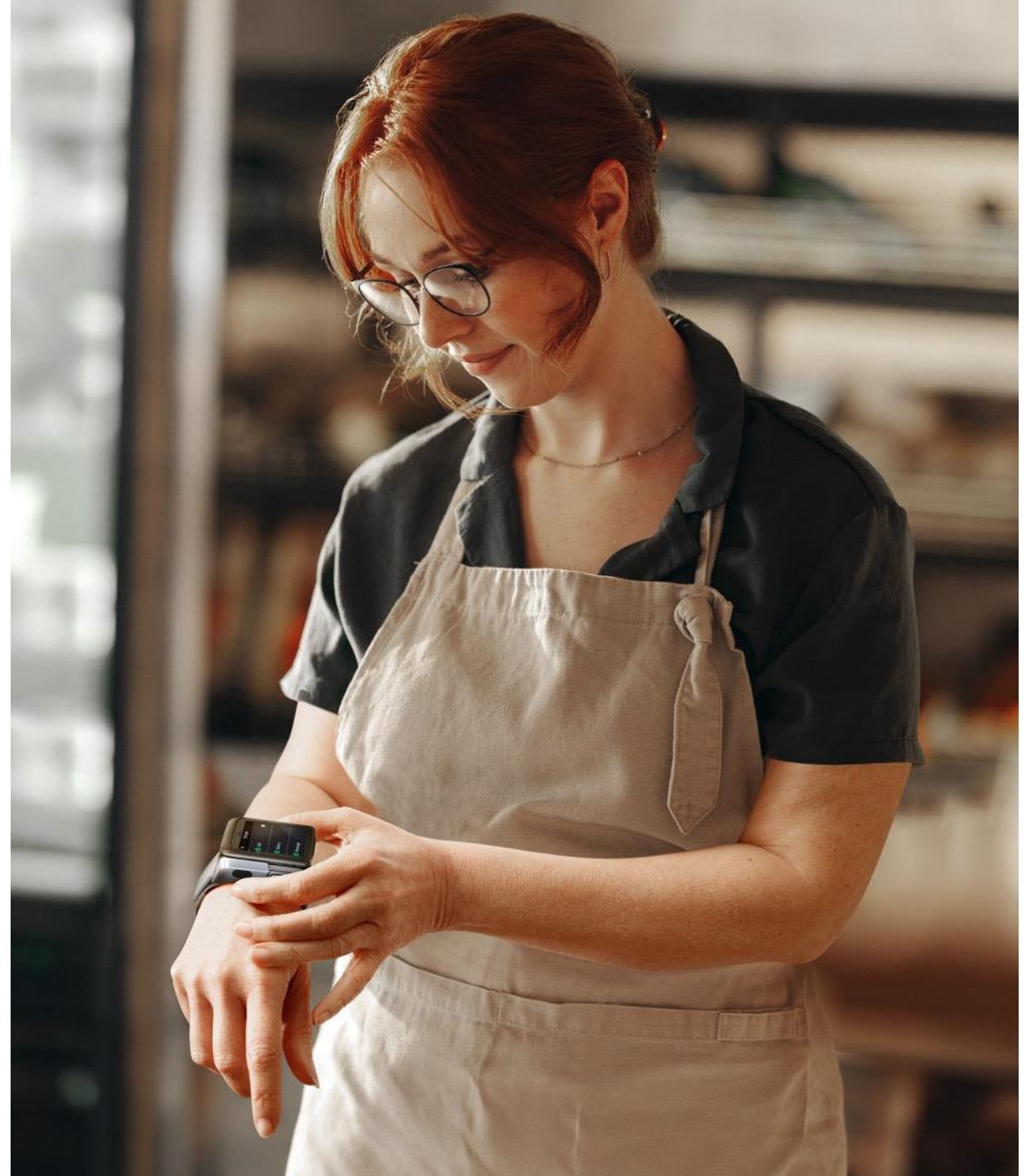
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Q&A



Appendix

Use of Non-GAAP Financial Information

This presentation contains certain Non-GAAP financial measures, consisting of “Adjusted EBITDA,” “Adjusted EBITDA margin,” “Adjusted EBITDA % of adjusted net sales,” “adjusted gross margin,” “adjusted gross profit,” “adjusted net sales,” “adjusted operating expenses,” “EBITDA,” “free cash flow,” “net debt,” “net debt to adjusted EBITDA ratio,” “non-GAAP diluted earnings per share,” “non-GAAP earnings per share,” “non-GAAP net income,” “organic net sales,” “organic net sales growth (decline),” and “regional organic net sales growth (decline).” 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 the current period results at the currency exchange rates used in the comparable prior year period as well as removing realized cash flow hedge gains and losses from both the current 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

(Unaudited)

	Three Months Ended		
	March 29, 2025		
	AIT	EVM	Consolidated
Reported GAAP Consolidated Net sales growth	17.9 %	8.0 %	11.3 %
Adjustments:			
Impact of foreign currency translations ⁽¹⁾	0.5 %	0.7 %	0.7 %
Impact of acquisitions ⁽²⁾	— %	(0.1)%	(0.1)%
Consolidated Organic Net sales growth	18.4 %	8.6 %	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 the current period results at the currency exchange rates used in the comparable prior year period as well as removing realized cash flow hedge gains and losses from both the current and prior year periods.

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

GAAP to Non-GAAP Regional Organic Net Sales Growth Reconciliation

(Unaudited)

	Three Months Ended				
	March 29, 2025				
	North America	EMEA	Asia-Pacific	Latin America	Consolidated
Reported GAAP Regional Net sales growth	7.2 %	16.6 %	11.6 %	18.3 %	11.3 %
Adjustments:					
Impact of foreign currency translations ⁽¹⁾	— %	1.4 %	1.5 %	(0.1)%	0.7 %
Impact of acquisitions ⁽²⁾	— %	(0.1)%	(0.1)%	(0.1)%	(0.1)%
Regional Organic Net sales growth	7.2 %	17.9 %	13.0 %	18.1 %	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 the current period results at the currency exchange rates used in the comparable prior year period as well as removing realized cash flow hedge gains and losses from both the current and prior year periods.
- (2) For purposes of computing Organic Net sales growth, 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					
	March 29, 2025			March 30, 2024		
	AIT	EVM	Consolidated	AIT	EVM	Consolidated
<u>GAAP</u>						
Reported Net sales	\$ 462	\$ 846	\$ 1,308	\$ 392	\$ 783	\$ 1,175
Reported Gross profit	236	409	645	184	379	563
Gross Margin	51.1 %	48.3 %	49.3 %	46.9 %	48.4 %	47.9 %
<u>Non-GAAP</u>						
Adjusted Net sales	\$ 462	\$ 846	\$ 1,308	\$ 392	\$ 783	\$ 1,175
Adjusted Gross profit ⁽¹⁾	237	412	649	185	380	565
Adjusted Gross Margin	51.3 %	48.7 %	49.6 %	47.2 %	48.5 %	48.1 %

(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	
	March 29, 2025	March 30, 2024
GAAP Net income	\$ 136	\$ 115
Adjustments to Cost of sales ⁽¹⁾		
Share-based compensation	4	2
Total adjustments to Cost of sales	<u>4</u>	<u>2</u>
Adjustments to Operating expenses ⁽¹⁾		
Amortization of intangible assets	24	26
Acquisition and integration costs	3	1
Share-based compensation	49	19
Exit and restructuring costs	—	10
Total adjustments to Operating expenses	<u>76</u>	<u>56</u>
Adjustments to Other expense, net ⁽¹⁾		
Amortization of debt issuance costs and discounts	1	—
Foreign exchange loss (gain)	5	(3)
Forward interest rate swap (gain)	—	(20)
Total adjustments to Other expense, net	<u>6</u>	<u>(23)</u>
Income tax effect of adjustments ⁽²⁾		
Reported income tax expense	29	27
Adjusted income tax	(43)	(30)
Total adjustments to income tax	<u>(14)</u>	<u>(3)</u>
Total adjustments	<u>72</u>	<u>32</u>
Non-GAAP Net income	<u>\$ 208</u>	<u>\$ 147</u>
GAAP earnings per share		
Basic	\$ 2.64	\$ 2.24
Diluted	<u>\$ 2.62</u>	<u>\$ 2.23</u>
Non-GAAP earnings per share		
Basic	\$ 4.06	\$ 2.86
Diluted	<u>\$ 4.02</u>	<u>\$ 2.84</u>
Basic weighted average shares outstanding	51,365,011	51,387,570
Diluted weighted average and equivalent shares outstanding	51,806,550	51,790,501

(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	
	March 29, 2025	March 30, 2024
GAAP Net income	\$ 136	\$ 115
Add back:		
Depreciation (excluding exit and restructuring)	17	17
Amortization of intangible assets	24	26
Total Other expense, net	30	17
Income tax expense	29	27
EBITDA (Non-GAAP)	236	202
Adjustments to Cost of sales		
Share-based compensation	4	2
Total adjustments to Cost of sales	4	2
Adjustments to Operating expenses		
Acquisition and integration costs	3	1
Share-based compensation	49	19
Exit and restructuring costs	—	10
Total adjustments to Operating expenses	52	30
Total adjustments to EBITDA	56	32
Adjusted EBITDA (Non-GAAP)	\$ 292	\$ 234
Adjusted EBITDA margin (Non-GAAP)	22.3 %	19.9 %

GAAP to Non-GAAP Free Cash Flow Reconciliation

(\$ in millions)
(Unaudited)

	Three Months Ended	
	March 29, 2025	March 30, 2024
Net cash provided by operating activities	\$ 178	\$ 125
Less: Purchases of property, plant and equipment	(20)	(14)
Free cash flow (Non-GAAP) ⁽¹⁾	<u>\$ 158</u>	<u>\$ 111</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.

GAAP to Non-GAAP Net Debt to Adjusted EBITDA Reconciliation

(\$ in millions)
(Unaudited)

	Three Months Ended	
	March 29, 2025	March 30, 2024
Total Debt	\$ 2,183	\$ 2,093
Less: Cash and cash equivalents	(879)	(127)
Net Debt (Non-GAAP) ⁽¹⁾	<u>\$ 1,304</u>	<u>\$ 1,966</u>
Net Debt to Adjusted EBITDA ratio (Non-GAAP) ⁽²⁾	1.2	2.6

(1) Net debt, a non-GAAP measure, is defined as Total debt minus Cash and cash equivalents as of the period end date.

(2) Net debt to adjusted EBITDA ratio, a non-GAAP ratio, is defined as Net debt divided by adjusted EBITDA for the trailing 12 months.



About Zebra

Zebra (NASDAQ: ZBRA) provides the tools to help businesses grow with asset visibility, connected frontline workers and intelligent automation. The company operates in more than 100 countries, and our customers include over 80% of the Fortune 500. Designed for the frontline, Zebra's award-winning portfolio includes hardware, software, and services, all backed by our 50+ years of innovation and global partner ecosystem.

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