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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2023  
OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 000-19406**

**Zebra Technologies Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**36-2675536**

(I.R.S. Employer  
Identification No.)

**3 Overlook Point, Lincolnshire, IL 60069**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(847) 634-6700**

Securities registered pursuant to Section 12(b) of the Act:

<u><b>Title of each class</b></u>	<u><b>Trading Symbol(s)</b></u>	<u><b>Name of exchange on which registered</b></u>
Class A Common Stock, par value \$.01 per share	ZBRA	The NASDAQ Stock Market, LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/> Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> Smaller reporting company	<input type="checkbox"/>
	Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 24, 2023, there were 51,359,604 shares of Class A Common Stock, \$.01 par value, outstanding.



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**ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES**  
**QUARTER ENDED SEPTEMBER 30, 2023**  
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**ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In millions, except share data)

	September 30, 2023	December 31, 2022
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 61	\$ 105
Accounts receivable, net of allowances for doubtful accounts of \$1 each as of September 30, 2023 and December 31, 2022	538	768
Inventories, net	848	860
Income tax receivable	43	26
Prepaid expenses and other current assets	162	124
Total Current assets	1,652	1,883
Property, plant and equipment, net	302	278
Right-of-use lease assets	165	156
Goodwill	3,893	3,899
Other intangibles, net	552	630
Deferred income taxes	438	407
Other long-term assets	329	276
Total Assets	\$ 7,331	\$ 7,529
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 152	\$ 214
Accounts payable	433	811
Accrued liabilities	528	744
Deferred revenue	428	425
Income taxes payable	21	138
Total Current liabilities	1,562	2,332
Long-term debt	2,121	1,809
Long-term lease liabilities	150	139
Deferred income taxes	75	75
Long-term deferred revenue	318	333
Other long-term liabilities	92	108
Total Liabilities	4,318	4,796
Stockholders' Equity:		
Preferred stock, \$.01 par value; authorized 10,000,000 shares; none issued	—	—
Class A common stock, \$.01 par value; authorized 150,000,000 shares; issued 72,151,857 shares	1	1
Additional paid-in capital	599	561
Treasury stock at cost, 20,792,573 and 20,700,357 shares as of September 30, 2023 and December 31, 2022, respectively	(1,858)	(1,799)
Retained earnings	4,315	4,036
Accumulated other comprehensive loss	(44)	(66)
Total Stockholders' Equity	3,013	2,733
Total Liabilities and Stockholders' Equity	\$ 7,331	\$ 7,529

See accompanying Notes to Consolidated Financial Statements.



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**ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In millions, except share data)  
(Unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2023</b>	<b>October 1, 2022</b>	<b>September 30, 2023</b>	<b>October 1, 2022</b>
Net sales:				
Tangible products	\$ 729	\$ 1,164	\$ 2,885	\$ 3,630
Services and software	227	214	690	648
Total Net sales	956	1,378	3,575	4,278
Cost of sales:				
Tangible products	419	632	1,559	1,998
Services and software	110	118	341	341
Total Cost of sales	529	750	1,900	2,339
Gross profit	427	628	1,675	1,939
Operating expenses:				
Selling and marketing	138	149	445	452
Research and development	127	143	403	428
General and administrative	88	92	256	288
Settlement and related costs	—	—	—	372
Amortization of intangible assets	26	39	78	107
Acquisition and integration costs	2	1	4	19
Exit and restructuring costs	58	2	82	4
Total Operating expenses	439	426	1,268	1,670
Operating (loss) income	(12)	202	407	269
Other income (loss), net:				
Foreign exchange gain	6	—	2	5
Interest (expense) income, net	(16)	21	(69)	48
Other expense, net	(2)	(1)	(8)	(3)
Total Other (expense) income, net	(12)	20	(75)	50
(Loss) income before income tax	(24)	222	332	319
Income tax (benefit) expense	(9)	52	53	42
Net (loss) income	\$ (15)	\$ 170	\$ 279	\$ 277
Basic (loss) earnings per share	\$ (0.28)	\$ 3.28	\$ 5.44	\$ 5.29
Diluted (loss) earnings per share	\$ (0.28)	\$ 3.26	\$ 5.40	\$ 5.25

See accompanying Notes to Consolidated Financial Statements.

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**ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In millions)

(Unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2023</b>	<b>October 1, 2022</b>	<b>September 30, 2023</b>	<b>October 1, 2022</b>
Net (loss) income	\$ (15)	\$ 170	\$ 279	\$ 277
Other comprehensive income (loss), net of tax:				
Changes in unrealized gains on anticipated sales hedging transactions	23	(1)	24	11
Foreign currency translation adjustment	(7)	(5)	(2)	(16)
Comprehensive income	<u>\$ 1</u>	<u>\$ 164</u>	<u>\$ 301</u>	<u>\$ 272</u>

See accompanying Notes to Consolidated Financial Statements.



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**ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In millions, except share data)  
(Unaudited)

	Class A Common Stock Shares	Class A Common Stock Value	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
<b>Balance at December 31, 2022</b>	51,451,500	\$ 1	\$ 561	\$ (1,799)	\$ 4,036	\$ (66)	\$ 2,733
Issuances of treasury shares related to share-based compensation plans, net of forfeitures	29,784	—	5	—	—	—	5
Shares withheld to fund withholding tax obligations related to share-based compensation plans	(504)	—	—	—	—	—	—
Share-based compensation	—	—	18	—	—	—	18
Repurchase of common stock	(55,811)	—	—	(15)	—	—	(15)
Net income	—	—	—	—	150	—	150
Changes in unrealized gains and losses on anticipated sales hedging transactions (net of income taxes)	—	—	—	—	—	(3)	(3)
Foreign currency translation adjustment	—	—	—	—	—	3	3
<b>Balance at April 1, 2023</b>	51,424,969	\$ 1	\$ 584	\$ (1,814)	\$ 4,186	\$ (66)	\$ 2,891
Issuances of treasury shares related to share-based compensation plans, net of forfeitures	75,271	—	(6)	1	—	—	(5)
Shares withheld to fund withholding tax obligations related to share-based compensation plans	(28,795)	—	—	(9)	—	—	(9)
Share-based compensation	—	—	2	—	—	—	2
Repurchase of common stock	(138,508)	—	—	(37)	—	—	(37)
Net income	—	—	—	—	144	—	144
Changes in unrealized gains and losses on anticipated sales hedging transactions (net of income taxes)	—	—	—	—	—	4	4
Foreign currency translation adjustment	—	—	—	—	—	2	2
<b>Balance at July 1, 2023</b>	51,332,937	\$ 1	\$ 580	\$ (1,859)	\$ 4,330	\$ (60)	\$ 2,992
Issuances of treasury shares related to share-based compensation plans, net of forfeitures	26,506	—	—	1	—	—	1
Shares withheld to fund withholding tax obligations related to share-based compensation plans	(159)	—	—	—	—	—	—
Share-based compensation	—	—	19	—	—	—	19
Net loss	—	—	—	—	(15)	—	(15)
Changes in unrealized gains and losses on anticipated sales hedging transactions (net of income taxes)	—	—	—	—	—	23	23
Foreign currency translation adjustment	—	—	—	—	—	(7)	(7)
<b>Balance at September 30, 2023</b>	51,359,284	\$ 1	\$ 599	\$ (1,858)	\$ 4,315	\$ (44)	\$ 3,013

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	Class A Common Stock Shares	Class A Common Stock Value	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
<b>Balance at December 31, 2021</b>	53,415,275	\$ 1	\$ 462	\$ (1,023)	\$ 3,573	\$ (29)	\$ 2,984
Issuances of treasury shares related to share-based compensation plans, net of forfeitures	20,082	—	8	(2)	—	—	6
Shares withheld to fund withholding tax obligations related to share-based compensation plans	(1,639)	—	—	(1)	—	—	(1)
Share-based compensation	—	—	17	—	—	—	17
Repurchase of common stock	(648,875)	—	—	(305)	—	—	(305)
Net income	—	—	—	—	205	—	205
Changes in unrealized gains and losses on anticipated sales hedging transactions (net of income taxes)	—	—	—	—	—	5	5
Foreign currency translation adjustment	—	—	—	—	—	(5)	(5)
<b>Balance at April 2, 2022</b>	52,784,843	\$ 1	\$ 487	\$ (1,331)	\$ 3,778	\$ (29)	\$ 2,906
Issuances of treasury shares related to share-based compensation plans, net of forfeitures	70,821	—	—	1	—	—	1
Shares withheld to fund withholding tax obligations related to share-based compensation plans	(56,431)	—	—	(22)	—	—	(22)
Share-based compensation	—	—	25	—	—	—	25
Repurchase of common stock	(844,239)	—	—	(300)	—	—	(300)
Net loss	—	—	—	—	(98)	—	(98)
Changes in unrealized gains and losses on anticipated sales hedging transactions (net of income taxes)	—	—	—	—	—	7	7
Foreign currency translation adjustment	—	—	—	—	—	(6)	(6)
<b>Balance at July 2, 2022</b>	51,954,994	\$ 1	\$ 512	\$ (1,652)	\$ 3,680	\$ (28)	\$ 2,513
Issuances of treasury shares related to share-based compensation plans, net of forfeitures	20,587	—	2	—	—	—	2
Shares withheld to fund withholding tax obligations related to share-based compensation plans	(159)	—	—	—	—	—	—
Share-based compensation	—	—	28	—	—	—	28
Repurchase of common stock	(159,763)	—	—	(50)	—	—	(50)
Net income	—	—	—	—	170	—	170
Changes in unrealized gains and losses on anticipated sales hedging transactions (net of income taxes)	—	—	—	—	—	(1)	(1)
Foreign currency translation adjustment	—	—	—	—	—	(5)	(5)
<b>Balance at October 1, 2022</b>	51,815,659	\$ 1	\$ 542	\$ (1,702)	\$ 3,850	\$ (34)	\$ 2,657

See accompanying Notes to Consolidated Financial Statements.

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**ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)

(Unaudited)

	<b>Nine Months Ended</b>	
	<b>September 30, 2023</b>	<b>October 1, 2022</b>
Cash flows from operating activities:		
Net income	\$ 279	\$ 277
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	132	158
Share-based compensation	39	70
Deferred income taxes	(35)	(115)
Unrealized gain on forward interest rate swaps	(14)	(92)
Other, net	3	4
Changes in operating assets and liabilities:		
Accounts receivable, net	228	(58)
Inventories, net	7	(293)
Other assets	(25)	(68)
Accounts payable	(402)	127
Accrued liabilities	(79)	(101)
Deferred revenue	(12)	27
Income taxes	(134)	3
Settlement liability	(135)	270
Other operating activities	3	12
Net cash (used in) provided by operating activities	(145)	221
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	—	(878)
Purchases of property, plant and equipment	(48)	(51)
Purchases of long-term investments	(1)	(12)
Net cash used in investing activities	(49)	(941)
Cash flows from financing activities:		
Payment of debt issuance costs, extinguishment costs and discounts	—	(8)
Payments of long-term debt	(221)	(210)
Proceeds from issuance of long-term debt	469	1,385
Payments for repurchases of common stock	(52)	(655)
Net proceeds related to share-based compensation plans	(8)	(14)
Change in unremitted cash collections from servicing factored receivables	(48)	(28)
Net cash provided by financing activities	140	470
Effect of exchange rate changes on cash and cash equivalents, including restricted cash	(2)	(2)
Net decrease in cash and cash equivalents, including restricted cash	(56)	(252)
Cash and cash equivalents, including restricted cash, at beginning of period	117	344
Cash and cash equivalents, including restricted cash, at end of period	\$ 61	\$ 92
Less restricted cash, included in Prepaid expenses and other current assets	—	(11)
Cash and cash equivalents at end of period	\$ 61	\$ 81
Supplemental disclosures of cash flow information:		
Income taxes paid	\$ 227	\$ 152
Interest paid	\$ 80	\$ 34

See accompanying Notes to Consolidated Financial Statements.



**ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Note 1 Description of Business and Basis of Presentation**

Zebra Technologies Corporation and its subsidiaries (“Zebra” or the “Company”) is a global leader providing innovative Enterprise Asset Intelligence (“EAI”) solutions in the Automatic Identification and Data Capture (“AIDC”) industry. We design, manufacture, and sell a broad range of products and solutions, as well as various workflow optimization solutions, including cloud-based software subscriptions and robotic automation solutions. We also provide a full range of services, including maintenance, technical support, repair, managed and professional services. End-users of our products, solutions and services include those in retail and e-commerce, manufacturing, transportation and logistics, healthcare, public sector, and other industries. We provide our products, solutions and services globally through a direct sales force and an extensive network of channel partners.

Management prepared these unaudited interim consolidated financial statements according to the rules and regulations of the Securities and Exchange Commission for interim financial information and notes. As permitted under Article 10 of Regulation S-X and the instructions of Form 10-Q, these consolidated financial statements do not include all the information and notes required by United States Generally Accepted Accounting Principles (“GAAP”) for complete financial statements, although management believes that the disclosures made are adequate to make the information not misleading. These interim financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

In the opinion of the Company, these interim financial statements include all adjustments (of a normal, recurring nature) necessary to fairly present its Consolidated Balance Sheet as of September 30, 2023, the Consolidated Statements of Operations, Comprehensive Income (Loss) and Stockholders’ Equity for the three and nine months ended September 30, 2023 and October 1, 2022, and the Consolidated Statement of Cash Flows for the nine months ended September 30, 2023 and October 1, 2022. These results, however, are not necessarily indicative of the results expected for the full fiscal year ending December 31, 2023.

In the second quarter, our advanced location technology solutions business, which is primarily comprised of radio frequency identification devices (“RFID”) and real-time location solution offerings (“RTLS”), moved from our Enterprise Visibility & Mobility (“EVM”) segment into our Asset Intelligence & Tracking (“AIT”) segment contemporaneous with a change in our organizational structure and management of the business. We have reported our segment results reflecting this change, including historical periods, on a comparable basis. This change does not have an impact on the Consolidated Financial Statements.

**Note 2 Significant Accounting Policies**

For a discussion of our significant accounting policies, see Note 2, *Significant Accounting Policies* within Part II, Item 8. “Financial Statements and Supplementary Data” in the Annual Report on Form 10-K for the year ended December 31, 2022. There have been no changes to our significant accounting policies since our Annual Report on Form 10-K for the year ended December 31, 2022.

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The Company recognizes revenue to depict the transfer of goods, solutions or services to a customer at an amount that reflects the consideration which it expects to receive for providing those goods, solutions or services.

Revenues for products are generally recognized upon shipment, whereas revenues for services and solution offerings are generally recognized over time by using an output or time-based method, assuming all other criteria for revenue recognition have been met. Revenues for software are recognized either upon delivery or over time using a time-based method, depending upon how control is transferred to the customer. In cases where a bundle of products, services, solutions and/or software are delivered to the customer, judgment is required to select the method of progress which best reflects the transfer of control.

*Disaggregation of Revenue*

The following table presents our Net sales disaggregated by product category for each of our segments (in millions):

Segment	Three Months Ended					
	September 30, 2023			October 1, 2022		
	Tangible Products	Services and Software	Total	Tangible Products	Services and Software	Total
AIT	\$ 295	\$ 29	\$ 324	\$ 414	\$ 28	\$ 442
EVM	434	198	632	750	186	936
Total	\$ 729	\$ 227	\$ 956	\$ 1,164	\$ 214	\$ 1,378

  

Segment	Nine Months Ended					
	September 30, 2023			October 1, 2022		
	Tangible Products	Services and Software	Total	Tangible Products	Services and Software	Total
AIT	\$ 1,222	\$ 83	\$ 1,305	\$ 1,238	\$ 82	\$ 1,320
EVM	1,663	607	2,270	2,392	566	2,958
Total	\$ 2,885	\$ 690	\$ 3,575	\$ 3,630	\$ 648	\$ 4,278

In addition, refer to Note 16, *Segment Information & Geographic Data* for Net sales to customers by geographic region.

*Performance Obligations*

The Company's remaining performance obligations relate to repair and support services, as well as software solutions. The aggregated transaction price allocated to remaining performance obligations for arrangements with an original term exceeding one year was \$1,094 million and \$1,105 million, inclusive of deferred revenue, as of September 30, 2023 and December 31, 2022, respectively. On average, remaining performance obligations as of September 30, 2023 and December 31, 2022 are expected to be recognized over a period of approximately two years.

*Contract Balances*

Progress on satisfying performance obligations under contracts with customers related to billed revenues is reflected on the Consolidated Balance Sheets in Accounts receivable, net. Progress on satisfying performance obligations under contracts with customers related to unbilled revenues ("contract assets") is reflected on the Consolidated Balance Sheets as Prepaid expenses and other current assets for revenues expected to be billed within the next twelve months, and Other long-term assets for revenues expected to be billed thereafter. The total contract asset balances were \$14 million and \$16 million as of September 30, 2023 and December 31, 2022, respectively. These contract assets result from timing differences between billing and satisfying performance obligations, as well as the impact of the allocation of the transaction price among performance obligations for contracts that include multiple performance obligations. Contract assets are evaluated for impairment and no impairment losses have been recognized during the three and nine months ended September 30, 2023 and October 1, 2022, respectively.

Deferred revenue on the Consolidated Balance Sheets consists of payments and billings in advance of our performance. The combined short-term and long-term deferred revenue balances were \$746 million and \$758 million as of September 30, 2023 and December 31, 2022, respectively. During the three and nine months ended September 30, 2023, the Company recognized \$100 million and \$349 million in revenue, which was previously included in the beginning balance of deferred revenue as of



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December 31, 2022. During the three and nine months ended October 1, 2022, the Company recognized \$92 million and \$329 million in revenue, which was previously included in the beginning balance of deferred revenue as of December 31, 2021.

#### Note 4 Inventories

The categories of Inventories, net are as follows (in millions):

	September 30, 2023	December 31, 2022
Raw materials <sup>(1)</sup>	\$ 412	\$ 369
Work in process	5	4
Finished goods	431	487
Total Inventories, net <sup>(2)</sup>	<u>\$ 848</u>	<u>\$ 860</u>

(1) Raw material inventories primarily consist of product components as well as supplies used in repair operations.

(2) Categories of inventories for the period ended December 31, 2022 include reclassifications to conform the presentation of the prior period to the current period.

#### Note 5 Investments

The carrying value of the Company's long-term investments, which are included in Other long-term assets on the Consolidated Balance Sheets, was \$113 million as of both September 30, 2023 and December 31, 2022.

The Company paid \$1 million and \$12 million for the purchase of long-term investments during the nine months ended September 30, 2023 and October 1, 2022, respectively. Net gains and losses related to the Company's long-term investments are included within Other expense, net on the Consolidated Statements of Operations. There were no net gains or losses during the three months ended September 30, 2023. The Company recognized net losses of \$1 million during the nine months ended September 30, 2023. The Company did not recognize any net gains or losses during the three and nine months ended October 1, 2022.

#### Note 6 Exit and Restructuring Costs

In the second quarter, the Company expanded the scope of the 2022 Productivity Plan and also initiated a voluntary retirement plan ("VRP") applicable to retirement-eligible U.S. employees. Employees who participate in the VRP have agreed to retire in 2023 in exchange for cash severance and other benefits. The total cost of these programs, which primarily relate to employee severance and other benefits, is expected to be at least \$105 million.

Total charges associated with these programs, classified within Exit and restructuring on the Consolidated Statements of Operations, were \$94 million to date, including \$58 million and \$82 million recorded for the three and nine months ended September 30, 2023, respectively. The actions under both programs are expected to be substantially completed by the end of 2023. The Company's remaining payment obligations of \$54 million, primarily related to the VRP are reflected within Accrued liabilities on the Consolidated Balance Sheets. These obligations are expected to be settled by the first quarter of 2024.

The Company's liability associated with Exit and restructuring was:

Balance as of December 31, 2022	\$	9
Exit and restructuring charges		82
Non-cash utilization		(6)
Cash payments		(31)
Balance as of September 30, 2023	<u>\$</u>	<u>54</u>

#### Note 7 Fair Value Measurements

Financial assets and liabilities are measured using inputs from three levels of the fair value hierarchy in accordance with Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements*. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820



established a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into the following three broad levels:

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- Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs (e.g. U.S. Treasuries and money market funds).
- Level 2: Observable prices that are based on inputs not quoted in active markets but corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs to the extent possible. In addition, the Company considers counterparty credit risk in the assessment of fair value.

The Company's financial assets and liabilities carried at fair value as of September 30, 2023, are classified below (in millions):

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Foreign exchange contracts <sup>(1)</sup>	\$ 1	\$ 17	\$ —	\$ 18
Forward interest rate swap contracts <sup>(2)</sup>	—	127	—	127
Investments related to the deferred compensation plan	37	—	—	37
Total Assets at fair value	<u>\$ 38</u>	<u>\$ 144</u>	<u>\$ —</u>	<u>\$ 182</u>
<b>Liabilities:</b>				
Forward interest rate swap contracts <sup>(2)</sup>	\$ —	\$ 41	\$ —	\$ 41
Liabilities related to the deferred compensation plan	37	—	—	37
Total Liabilities at fair value	<u>\$ 37</u>	<u>\$ 41</u>	<u>\$ —</u>	<u>\$ 78</u>

The Company's financial assets and liabilities carried at fair value as of December 31, 2022, are classified below (in millions):

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Forward interest rate swap contracts <sup>(2)</sup>	\$ —	\$ 72	\$ —	\$ 72
Investments related to the deferred compensation plan	35	—	—	35
Total Assets at fair value	<u>\$ 35</u>	<u>\$ 72</u>	<u>\$ —</u>	<u>\$ 107</u>
<b>Liabilities:</b>				
Foreign exchange contracts <sup>(1)</sup>	\$ 5	\$ 14	\$ —	\$ 19
Liabilities related to the deferred compensation plan	35	—	—	35
Total Liabilities at fair value	<u>\$ 40</u>	<u>\$ 14</u>	<u>\$ —</u>	<u>\$ 54</u>

(1) The fair value of the foreign exchange contracts is calculated as follows:

- Fair value of forward contracts associated with forecasted sales hedges is calculated using the period-end exchange rate adjusted for current forward points.
- Fair value of hedges against net assets denominated in foreign currencies is calculated at the period-end exchange rate adjusted for current forward points unless the hedge has been traded but not settled at year end (Level 2). If this is the case, the fair value is calculated at the rate at which the hedge is being settled (Level 1).

(2) The fair value of forward interest rate swaps is based upon a valuation model that uses relevant observable market inputs at the quoted intervals, such as forward yield curves, and is adjusted for the Company's credit risk and the interest rate swap terms.

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## Note 8 Derivative Instruments

In the normal course of business, the Company is exposed to global market risks, including the effects of changes in foreign currency exchange rates and interest rates. The Company uses derivative instruments to manage its exposure to such risks and may elect to designate certain derivatives as hedging instruments under ASC Topic 815, *Derivatives and Hedging* (“ASC 815”). The Company formally documents all relationships between designated hedging instruments and hedged items as well as its risk management objectives and strategies for undertaking hedge transactions. The Company does not hold or issue derivatives for trading or speculative purposes.

In accordance with ASC 815, the Company recognizes derivative instruments as either assets or liabilities on the Consolidated Balance Sheets and measures them at fair value. The following table presents the fair value of its derivative instruments (in millions):

	Asset (Liability)	Fair Values as of	
		September 30, 2023	December 31, 2022
	Balance Sheets Classification		
<b>Derivative instruments designated as hedges:</b>			
Foreign exchange contracts	Prepaid expenses and other current assets	\$ 17	\$ —
Foreign exchange contracts	Accrued liabilities	—	(14)
Total derivative instruments designated as hedges		<u>\$ 17</u>	<u>\$ (14)</u>
<b>Derivative instruments not designated as hedges:</b>			
Foreign exchange contracts	Prepaid expenses and other current assets	\$ 1	\$ —
Forward interest rate swaps	Prepaid expenses and other current assets	41	25
Forward interest rate swaps	Other long-term assets	86	47
Foreign exchange contracts	Accrued liabilities	—	(5)
Forward interest rate swaps	Accrued liabilities	(15)	—
Forward interest rate swaps	Other long-term liabilities	(26)	—
Total derivative instruments not designated as hedges		<u>\$ 87</u>	<u>\$ 67</u>
Total net derivative asset		<u>\$ 104</u>	<u>\$ 53</u>

The following table presents the net gains (losses) from changes in fair values of derivatives that are not designated as hedges (in millions):

		Gains (Losses) Recognized in Income			
		Three Months Ended		Nine Months Ended	
		September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Statements of Operations Classification					
Derivative instruments not designated as hedges:					
Foreign exchange contracts	Foreign exchange gain (loss)	\$ 1	\$ 9	\$ (3)	\$ 17
Forward interest rate swaps	Interest income, net	23	39	34	84
Total net gain recognized in income		\$ 24	\$ 48	\$ 31	\$ 101

Activities related to derivative instruments are reflected within Net cash (used in) provided by operating activities on the Consolidated Statements of Cash Flows.



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### *Credit and Market Risk Management*

Financial instruments, including derivatives, expose the Company to counterparty credit risk of nonperformance and to market risk related to currency exchange rate and interest rate fluctuations. The Company manages its exposure to counterparty credit risk by establishing minimum credit standards, diversifying its counterparties, and monitoring its concentrations of credit. The Company's counterparties are commercial banks with expertise in derivative financial instruments. The Company evaluates the impact of market risk on the fair value and cash flows of its derivative and other financial instruments by considering reasonably possible changes in interest rates and currency exchange rates. The Company continually monitors the creditworthiness of the customers to which it grants credit terms in the normal course of business. The terms and conditions of the Company's credit policies are designed to mitigate concentrations of credit risk.

The Company's master netting and other similar arrangements with the respective counterparties allow for net settlement under certain conditions, which are designed to reduce credit risk by permitting net settlement with the same counterparty. We present the assets and liabilities of our derivative financial instruments, for which we have net settlement agreements in place, on a net basis on the Consolidated Balance Sheets. If the derivative financial instruments had been presented gross on the Consolidated Balance Sheets, the asset and liability positions would have been increased by \$1 million and \$4 million as of September 30, 2023 and December 31, 2022, respectively.

### *Foreign Currency Exchange Risk Management*

The Company conducts business on a multinational basis in a variety of foreign currencies. Exposure to market risk for changes in foreign currency exchange rates arises primarily from Euro-denominated external revenues, cross-border financing activities between subsidiaries, and foreign currency denominated monetary assets and liabilities. The Company manages its objective of preserving the economic value of non-functional currency denominated cash flows by initially hedging transaction exposures with natural offsets and, once these opportunities have been exhausted, through foreign exchange forward and option contracts, as deemed appropriate.

The Company manages the exchange rate risk of anticipated Euro-denominated sales using forward contracts, which typically mature within twelve months of execution. The Company designates these derivative contracts as cash flow hedges. Unrealized gains and losses on these contracts are deferred in Accumulated other comprehensive income (loss) ("AOCI") on the Consolidated Balance Sheets until the contract is settled and the hedged sale is realized. The realized gain or loss is then recorded as an adjustment to Net sales on the Consolidated Statements of Operations. Realized amounts reclassified to Net sales were \$6 million of losses and \$29 million of gains for the three months ended September 30, 2023 and October 1, 2022, respectively. Realized amounts reclassified to Net sales were \$16 million of losses and \$72 million of gains for the nine months ended September 30, 2023 and October 1, 2022, respectively. As of September 30, 2023 and December 31, 2022, the notional amounts of the Company's foreign exchange cash flow hedges were €597 million and €549 million, respectively. The Company has reviewed its cash flow hedges for effectiveness and determined that they are highly effective.

The Company uses forward contracts, which are not designated as hedging instruments, to manage its exposures related to net assets denominated in foreign currencies. These forward contracts typically mature within one month after execution. Monetary gains and losses on these forward contracts are recorded in income and are generally offset by the transaction gains and losses related to their net asset positions. The notional values and the net fair values of these outstanding contracts were as follows (in millions):

	<b>September 30, 2023</b>		<b>December 31, 2022</b>	
Notional balance of outstanding contracts:				
British Pound/U.S. Dollar	£	7	£	11
Euro/U.S. Dollar	€	96	€	191
Euro/Czech Koruna	€	17	€	15
Japanese Yen/U.S. Dollar	¥	265	¥	—
Singapore Dollar/U.S. Dollar	S\$	6	S\$	5
Mexican Peso/U.S. Dollar	Mex\$	149	Mex\$	372
Polish Zloty/U.S. Dollar	zł	94	zł	47
Net fair value of assets (liabilities) of outstanding contracts	\$	1	\$	(5)

[Table of Contents](#)*Interest Rate Risk Management*

The Company's debt consists of borrowings under a term loan ("Term Loan A"), Revolving Credit Facility, and Receivables Financing Facilities, which bear interest at variable rates plus applicable margins. As a result, the Company is exposed to market risk associated with the variable interest rate payments on these borrowings. See Note 9, *Long-Term Debt* for further details related to these borrowings.

The Company manages its exposure to changes in interest rates by utilizing long-term forward interest rate swaps to hedge this exposure and to achieve a desired proportion of fixed versus variable-rate debt, based on current and projected market conditions. The Company has interest rate swap agreements with a total notional amount of \$800 million to lock into a fixed SOFR interest rate base, which are subject to monthly net cash settlements effective through October 2027.

In the second quarter, the Company entered into new interest rate swap agreements that contain a total notional amount of \$400 million to lock into a variable interest rate base designed to offset a portion of the Company's existing swap agreements. These agreements are subject to monthly cash settlements effective through October 2027. At the same time, the Company entered into additional new interest rate swap agreements that contain a total notional amount of \$400 million to lock into a fixed SOFR interest rate base, which are subject to monthly cash settlements effective through June 2030. As a result of these transactions, the Company maintained fixed interest rates on a total notional amount of \$800 million through October 2027 and a total notional amount of \$400 million through June 2030. There was no cash settlement, or significant impact on the Consolidated Statement of Operations, as a result of these transactions.

**Note 9 Long-Term Debt**

The following table shows the carrying value of the Company's debt (in millions):

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Term Loan A	\$ 1,684	\$ 1,728
Revolving Credit Facility	477	50
Receivables Financing Facilities	119	254
Total debt	<u>\$ 2,280</u>	<u>\$ 2,032</u>
Less: Debt issuance costs	(3)	(4)
Less: Unamortized discounts	(4)	(5)
Less: Current portion of debt	(152)	(214)
Total long-term debt	<u><u>\$ 2,121</u></u>	<u><u>\$ 1,809</u></u>

As of September 30, 2023, the future maturities of debt are as follows (in millions):

2023 (3 months remaining)	\$ —
2024	162
2025	66
2026	88
2027	1,964
Total future maturities of debt	<u><u>\$ 2,280</u></u>

All borrowings as of September 30, 2023 were denominated in U.S. Dollars.

The estimated fair value of the Company's debt approximated \$2.2 billion and \$2.0 billion as of September 30, 2023 and December 31, 2022, respectively. These fair value amounts, developed based on inputs classified as Level 2 within the fair value hierarchy, represent the estimated value at which the Company's lenders could trade its debt within the financial markets and do not represent the settlement value of these liabilities to the Company. The fair value of debt will continue to vary each period based on a number of factors, including fluctuations in market interest rates as well as changes to the Company's credit ratings.

[Table of Contents](#)*Term Loan A*

The principal on Term Loan A is due in quarterly installments, with the next quarterly installment due in March 2024 and the majority due upon maturity in 2027. The Company may make prepayments, as it did in the first quarter of 2023, in whole or in part, without premium or penalty, and would be required to prepay certain outstanding amounts in the event of certain circumstances or transactions. As of September 30, 2023, the Term Loan A interest rate was 6.67%. Interest payments are made monthly and are subject to variable rates plus an applicable margin.

*Revolving Credit Facility*

The Company has a Revolving Credit Facility that is available for working capital and other general business purposes, including letters of credit. As of September 30, 2023, the Company had letters of credit totaling \$11 million, which reduced funds available for borrowings under the Revolving Credit Facility from \$1,500 million to \$1,489 million. As of September 30, 2023, the Revolving Credit Facility had an average interest rate of 6.65%. Upon borrowing, interest payments are made monthly and are subject to variable rates plus an applicable margin. The Revolving Credit Facility matures on May 25, 2027.

*Receivables Financing Facilities*

The Company has two Receivables Financing Facilities with financial institutions that have a combined total borrowing limit of up to \$280 million. As collateral, the Company pledges perfected first-priority security interests in its U.S. domestically originated accounts receivable. The Company has accounted for transactions under its facilities as secured borrowings. The Company's first facility allows for borrowings of up to \$180 million and matures on March 19, 2024. The Company's second facility allows for borrowings of up to \$100 million and matures on May 13, 2024.

As of September 30, 2023, the Company's Consolidated Balance Sheets included \$530 million of gross receivables that were pledged under the facilities. As of September 30, 2023, \$119 million had been borrowed and was classified as current. Borrowings under the facilities bear interest at a variable rate plus an applicable margin. As of September 30, 2023, the facilities had an average interest rate of 6.80%. Interest is paid monthly on these borrowings.

Each of the Company's borrowings described above include terms and conditions that limit the incurrence of additional borrowings and require that certain financial ratios be maintained at designated levels.

The Company uses interest rate swaps to manage the interest rate risk associated with its debt. See Note 8, *Derivative Instruments* for further information.

As of September 30, 2023, the Company was in compliance with all debt covenants.

[Table of Contents](#)**Note 10 Leases**

During the nine months ended September 30, 2023, the Company recorded an additional \$41 million of right-of-use (“ROU”) assets obtained in exchange for lease obligations primarily related to the commencement of a new office facility lease as well as contract modifications that extend existing lease terms.

Future minimum lease payments under non-cancellable leases as of September 30, 2023 were as follows (in millions):

2023 (3 months remaining)	\$	12
2024		48
2025		38
2026		32
2027		26
Thereafter		77
<b>Total future minimum lease payments</b>	<b>\$</b>	<b>233</b>
Less: Interest		(45)
<b>Present value of lease liabilities</b>	<b>\$</b>	<b>188</b>
<b>Reported as of September 30, 2023:</b>		
Current portion of lease liabilities	\$	38
Long-term lease liabilities		150
<b>Present value of lease liabilities</b>	<b>\$</b>	<b>188</b>

The current portion of lease liabilities is included within Accrued liabilities on the Consolidated Balance Sheets.

**Note 11 Accrued Liabilities, Commitments and Contingencies***Accrued Liabilities*

The components of Accrued liabilities are as follows (in millions):

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Settlement	\$ 90	\$ 180
Payroll and benefits	84	90
Unremitted cash collections due to banks on factored accounts receivable	82	130
Exit and restructuring	54	9
Customer rebates	38	55
Current portion of lease liabilities	38	37
Incentive compensation	31	100
Warranty	25	26
Freight and duty	10	19
Foreign exchange contracts	—	19
Other	76	79
<b>Accrued liabilities</b>	<b>\$ 528</b>	<b>\$ 744</b>



[Table of Contents](#)*Warranties*

The following table is a summary of the Company's accrued warranty obligations (in millions):

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Balance at the beginning of the period	\$ 26	\$ 26
Warranty expense	21	23
Warranties fulfilled	(22)	(22)
Balance at the end of the period	<u>\$ 25</u>	<u>\$ 27</u>

*Contingencies*

The Company is subject to a variety of investigations, claims, suits, and other legal proceedings that arise from time to time in the ordinary course of business, including but not limited to, intellectual property, employment, tort, and breach of contract matters. The Company currently believes that the outcomes of such proceedings, individually and in the aggregate, will not have a material adverse impact on its business, cash flows, financial position, or results of operations. Any legal proceedings are subject to inherent uncertainties, and the Company's view of these matters and their potential effects may change in the future. The Company records a liability for contingencies when a loss is deemed to be probable and can be reasonably estimated.

During the second quarter of 2022, the Company entered into a License and Settlement Agreement ("Settlement") to resolve certain patent-related litigation. The payment terms under the Settlement consist of 8 quarterly payments of \$45 million that began in the second quarter of 2022. The remaining 2 quarterly amounts will be paid by the first quarter of 2024 and are included within Accrued liabilities on the Consolidated Balance Sheets.

**Note 12 Income Taxes**

The Company's effective tax rate for the three and nine months ended September 30, 2023 was 37.5% benefit and 16.0% expense, respectively, compared to 23.4% and 13.2% for the three and nine months ended October 1, 2022, respectively. For the three and nine months ended September 30, 2023, the variance from the 21% federal statutory rate was primarily due to a discrete tax benefit from the VRP, U.S. tax credits, and the favorable impacts of foreign earnings subject to U.S. taxation. For the three months ended October 1, 2022, the variance from the 21% federal statutory rate was primarily attributable to unfavorable impacts from return to provision adjustments. For the nine months ended October 1, 2022, the variance from the 21% federal statutory rate was primarily attributable to a discrete tax benefit resulting from the Settlement and related costs recorded in the second quarter, lower tax rates on foreign earnings, and U.S. tax credits.

[Table of Contents](#)**Note 13 (Loss) Earnings Per Share**

Basic net (loss) earnings per share is calculated by dividing net (loss) income by the weighted average number of common shares outstanding for the period. Diluted (loss) earnings per share is computed by dividing net (loss) income by the weighted average number of diluted common shares outstanding. Diluted common shares outstanding is computed using the Treasury Stock method and, in periods of income, reflects the additional shares that would be outstanding if dilutive share-based compensation awards were converted into common shares during the period.

(Loss) earnings per share (in millions, except share data):

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Basic:				
Net (loss) income	\$ (15)	\$ 170	\$ 279	\$ 277
Weighted-average shares outstanding <sup>(1)</sup>	51,336,645	51,834,236	51,380,876	52,387,838
Basic (loss) earnings per share	<u>\$ (0.28)</u>	<u>\$ 3.28</u>	<u>\$ 5.44</u>	<u>\$ 5.29</u>
Diluted:				
Net (loss) income	\$ (15)	\$ 170	\$ 279	\$ 277
Weighted-average shares outstanding <sup>(1)</sup>	51,336,645	51,834,236	51,380,876	52,387,838
Dilutive shares <sup>(2)</sup>	—	323,616	336,855	368,793
Diluted weighted-average shares outstanding	51,336,645	52,157,852	51,717,731	52,756,631
Diluted (loss) earnings per share	<u>\$ (0.28)</u>	<u>\$ 3.26</u>	<u>\$ 5.40</u>	<u>\$ 5.25</u>

(1) In periods of a net loss, restricted stock and performance share awards, which are participating securities, are excluded from weighted-average shares outstanding.

(2) In periods of net loss, all unvested share-based awards were anti-dilutive and therefore excluded from diluted shares.

Anti-dilutive share-based compensation awards are excluded from diluted earnings per share calculations. There were 446,331 and 250,025 shares that were anti-dilutive for the three and nine months ended September 30, 2023, respectively. There were 195,922 and 169,810 shares that were anti-dilutive for the three and nine months ended October 1, 2022, respectively.

**Note 14 Accumulated Other Comprehensive Income (Loss)**

Stockholders' equity includes certain items classified as AOCI, including:

- **Unrealized gain (loss) on anticipated sales hedging transactions** relates to derivative instruments used to hedge the exposure related to currency exchange rates for forecasted Euro sales. These hedges are designated as cash flow hedges, and the Company defers income statement recognition of gains and losses until the hedged transaction occurs. See Note 8, *Derivative Instruments* for more details.
- **Foreign currency translation adjustments** relate to the Company's non-U.S. subsidiary companies that have designated a functional currency other than the U.S. Dollar. The Company translates the subsidiary functional currency financial statements to U.S. Dollars using a combination of historical, period-end, and average foreign exchange rates. This combination of rates creates the foreign currency translation adjustment component of AOCI.

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The changes in each component of AOCI during the nine months ended September 30, 2023 and October 1, 2022 were as follows (in millions):

	Unrealized gain (loss) on sales hedging	Foreign currency translation adjustments	Total
Balance at December 31, 2021	\$ 18	\$ (47)	\$ (29)
Other comprehensive income (loss) before reclassifications	86	(16)	70
Amounts reclassified from AOCI <sup>(1)</sup>	(72)	—	(72)
Tax effect	(3)	—	(3)
Other comprehensive income (loss), net of tax	11	(16)	(5)
Balance at October 1, 2022	<u>\$ 29</u>	<u>\$ (63)</u>	<u>\$ (34)</u>
Balance at December 31, 2022	\$ (11)	\$ (55)	\$ (66)
Other comprehensive income (loss) before reclassifications	16	(2)	14
Amounts reclassified from AOCI <sup>(1)</sup>	16	—	16
Tax effect	(8)	—	(8)
Other comprehensive income (loss), net of tax	24	(2)	22
Balance at September 30, 2023	<u>\$ 13</u>	<u>\$ (57)</u>	<u>\$ (44)</u>

(1) See Note 8, *Derivative Instruments* regarding the timing of reclassifications to operating results.

### Note 15 Accounts Receivable Factoring

The Company transfers certain receivables to banks without recourse as part of its credit and cash management activities. Such transfers are accounted for as sales and the related receivables are removed from the Company's balance sheet. The Company services the receivables on behalf of the banks, but otherwise maintains no significant continuing involvement with respect to the receivables. Sale proceeds that are representative of the fair value of factored receivables, less a factoring fee, are reflected in Cash flows from operating activities on the Consolidated Statements of Cash Flows, while sale proceeds in excess of the fair value of factored receivables are reflected in Cash flows from financing activities on the Consolidated Statements of Cash Flows.

The Company has two Receivables Factoring arrangements. One arrangement allows for the factoring of up to €150 million of uncollected receivables originated from the EMEA and Asia-Pacific regions. In the current quarter, the Company amended its second arrangement to allow the factoring of uncollected receivables originated from the Europe, Middle East, and Africa ("EMEA") region from up to \$25 million to \$50 million. Otherwise, the amendment did not substantially change the terms of the arrangement.

The Company may be required to maintain a portion of sales proceeds as deposits in a restricted cash account that is released to the Company as it satisfies its obligations as servicer of sold receivables, which totaled \$0 million and \$12 million as of September 30, 2023 and December 31, 2022, respectively, and is classified within Prepaid expenses and other current assets on the Consolidated Balance Sheets.

During the nine months ended September 30, 2023 and October 1, 2022, the Company received cash proceeds of \$1,077 million and \$1,135 million, respectively, from the sales of accounts receivables under its factoring arrangements. As of September 30, 2023 and December 31, 2022, there were a total of \$72 million and \$61 million, respectively, of uncollected receivables that had been sold and removed from the Company's Consolidated Balance Sheets.

As servicer of sold receivables, the Company had \$82 million and \$130 million of obligations that were not yet remitted to banks as of September 30, 2023 and December 31, 2022, respectively. These obligations are included within Accrued liabilities on the Consolidated Balance Sheets, with changes in such obligations reflected within Cash flows from financing activities on the Consolidated Statements of Cash Flows.

[Table of Contents](#)**Note 16 Segment Information & Geographic Data**

The Company's operations consist of two reportable segments: Asset Intelligence & Tracking ("AIT") and Enterprise Visibility & Mobility ("EVM"). The reportable segments have been identified based on the financial data utilized by the Company's Chief Executive Officer (the chief operating decision maker or "CODM") to assess segment performance and allocate resources among the Company's segments. The CODM reviews adjusted operating income to assess segment profitability. To the extent applicable, segment operating income excludes business acquisition purchase accounting adjustments, amortization of intangible assets, acquisition and integration costs, impairment of goodwill and other intangibles, exit and restructuring costs, as well as certain other non-recurring costs (such as the Settlement costs in the prior year). Segment assets are not reviewed by the Company's CODM and therefore are not disclosed below.

In the second quarter, our advanced location technology solutions business, which is primarily comprised of RFID devices and RTLS offerings, moved from our EVM segment into our AIT segment contemporaneous with a change in our organizational structure and management of the business. We have reported our segment results reflecting this change, including historical periods, on a comparable basis. This change does not have an impact on the Consolidated Financial Statements.

Financial information by segment is presented as follows (in millions):

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2023</b>	<b>October 1, 2022</b>	<b>September 30, 2023</b>	<b>October 1, 2022</b>
<b>Net sales:</b>				
AIT	\$ 324	\$ 442	\$ 1,305	\$ 1,320
EVM	632	936	2,270	2,958
Total Net sales	<u>\$ 956</u>	<u>\$ 1,378</u>	<u>\$ 3,575</u>	<u>\$ 4,278</u>
<b>Operating income (loss):</b>				
AIT <sup>(2)</sup>	\$ 44	\$ 85	\$ 287	\$ 235
EVM <sup>(2)</sup>	30	159	285	536
Total segment operating income	74	244	572	771
Corporate <sup>(1)</sup>	(86)	(42)	(165)	(502)
Total Operating (loss) income	<u>\$ (12)</u>	<u>\$ 202</u>	<u>\$ 407</u>	<u>\$ 269</u>

- (1) To the extent applicable, amounts included in Corporate consist of business acquisition purchase accounting adjustments, amortization of intangible assets, acquisition and integration costs, impairment of goodwill and other intangibles, exit and restructuring costs, as well as certain other non-recurring costs (such as the Settlement costs in the prior year).
- (2) AIT and EVM segment operating income includes depreciation and share-based compensation expense. The amounts of depreciation and share-based compensation expense are proportionate to each segment's Net sales.

Information regarding the Company's operations by geographic area is contained in the following tables. Net sales amounts are attributed to geographic area based on customer location.

Net sales by region were as follows (in millions):

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2023</b>	<b>October 1, 2022</b>	<b>September 30, 2023</b>	<b>October 1, 2022</b>
North America	\$ 517	\$ 690	\$ 1,884	\$ 2,103
EMEA	269	456	1,086	1,477
Asia-Pacific	106	158	382	459
Latin America	64	74	223	239
Total Net sales	<u>\$ 956</u>	<u>\$ 1,378</u>	<u>\$ 3,575</u>	<u>\$ 4,278</u>

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

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## Overview

Zebra Technologies Corporation and its subsidiaries (“Zebra” or the “Company”) is a global leader respected for innovative Enterprise Asset Intelligence (“EAI”) solutions in the Automatic Identification and Data Capture (“AIDC”) industry. We design, manufacture, and sell a broad range of products and solutions, including cloud-based software subscriptions, that capture and move data. These products and solutions include mobile computers; barcode scanners and imagers; radio frequency identification devices and printers (“RFID”) and real-time location systems (“RTLS”); specialty printers for barcode labeling and personal identification; fixed industrial scanning and machine vision; related accessories and supplies, such as self-adhesive labels and other consumables; and related software applications. We also provide a full range of services, including maintenance, technical support, repair, managed and professional services, as well as various workflow optimization solutions, including cloud-based software subscriptions and robotic automation solutions. End-users of our products, solutions and services include those in the retail and e-commerce, manufacturing, transportation and logistics, healthcare, public sector, and other industries within the following regions: North America; Europe, Middle East, and Africa (“EMEA”); Asia-Pacific; and Latin America.

Our customers have traditionally benefited from proven solutions that increase productivity and improve asset efficiency and utilization. The Company is poised to drive, and capitalize on, the evolution of the data capture industry into the broader EAI industry, supported by technology trends including the Internet of Things (“IoT”), ubiquitous mobility, automation, cloud computing, and the increasingly on-demand global economy. EAI solutions offer additional benefits to our customers including real-time, data-driven insights that improve operational visibility and drive workflow optimization.

The Company’s operations consist of two reportable segments that provide complementary offerings to our customers: Asset Intelligence & Tracking (“AIT”) and Enterprise Visibility & Mobility (“EVM”).

- The AIT segment is an industry leader in barcode printing and asset tracking technologies. Its major product lines include barcode and card printers, RFID and RTLS offerings, and supplies, including temperature-monitoring labels and services.
- The EVM segment is an industry leader in automatic information and data capture solutions. Its major product lines include mobile computing, data capture, fixed industrial scanning and machine vision, services, and workflow optimization solutions. Our workflow optimization solutions include cloud-based software subscriptions, retail solutions, and robotic automation solutions.

In the second quarter, our advanced location technology solutions business, which is primarily comprised of RFID devices and RTLS offerings, moved from our EVM segment into our AIT segment contemporaneous with a change in our organizational structure and management of the business. We have reported our segment results reflecting this change, including historical periods, on a comparable basis. This change does not have an impact on the Consolidated Financial Statements.

We are a market leader in our core businesses, which are generally considered to be comprised of our mobile computing and data capture products, printing products and supplies, as well as support and repair services. We continue to focus on growth opportunities within adjacent and expansion markets by scaling and integrating our recent business acquisitions, inclusive of our \$881 million acquisition of Matrox Electronic Systems Ltd. (“Matrox”) in the second quarter of 2022.

## Third Quarter 2023 Financial Summary and Other Recent Developments

- Net sales were \$956 million in the current quarter compared to \$1,378 million in the prior year.
- Operating loss was \$12 million in the current quarter compared to operating income of \$202 million in the prior year.
- Net loss was \$15 million, or \$(0.28) per diluted share in the current quarter, compared to net income of \$170 million, or \$3.26 per diluted share in the prior year.
- Net cash used in operating activities was \$145 million in the current year compared to net cash provided by operating activities of \$221 million in the prior year.

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As anticipated, our current quarter results reflect a broad-based moderation of demand across our core product offerings. Demand declines were most pronounced in our mobile computing and printing businesses within our EVM and AIT segments, respectively, as we believe many of our customers are absorbing significant capacity built-out over recent years, while also experiencing tighter capital spending budgets. This, coupled with a general trend of distributors reducing inventory levels, has negatively impacted our current year results. We expect these trends to continue into 2024. We are partially mitigating the financial impacts of operating headwinds through a combination of targeted list price increases and operating cost management. As our overall supply chain continues to recover, with improvements in both component part availability and costs of transportation, our ability to meet customer demand has improved compared to the prior year.

As a result of the impacts on our business discussed above, the Company expanded the scope of its 2022 Productivity Plan and initiated a U.S. employee voluntary retirement plan ("VRP") during the second quarter. The total cost of these programs, consisting primarily of employee severance and other benefits, is expected to be at least \$105 million with \$94 million incurred to date, including \$58 million and \$82 million recorded for the three and nine months ended September 30, 2023, respectively. All such costs are classified within Exit and restructuring on the Consolidated Statements of Operations. The actions under these programs are expected to be substantially completed by the end of 2023 with the related obligations substantially settled by the first quarter of 2024. The programs are expected to impact greater than 7% of our global employee base and are estimated to result in annualized net cost savings, primarily within Operating expenses, of approximately \$100 million.

## Results of Operations

### Consolidated Results of Operations

(amounts in millions, except percentages)

	Three Months Ended				Nine Months Ended			
	September 30, 2023	October 1, 2022	\$ Change	% Change	September 30, 2023	October 1, 2022	\$ Change	% Change
Net sales:								
Tangible products	\$ 729	\$ 1,164	\$ (435)	(37.4)%	\$ 2,885	\$ 3,630	\$ (745)	(20.5)%
Services and software	227	214	13	6.1 %	690	648	42	6.5 %
Total Net sales	956	1,378	(422)	(30.6)%	3,575	4,278	(703)	(16.4)%
Gross profit	427	628	(201)	(32.0)%	1,675	1,939	(264)	(13.6)%
<i>Gross margin</i>	44.7 %	45.6 %		(90) bps	46.9 %	45.3 %		160 bps
Operating expenses	439	426	13	3.1 %	1,268	1,670	(402)	(24.1)%
Operating (loss) income	\$ (12)	\$ 202	\$ (214)	(105.9)%	\$ 407	\$ 269	\$ 138	51.3 %

Net sales to customers by geographic region were as follows (amounts in millions, except percentages):

	Three Months Ended				Nine Months Ended			
	September 30, 2023	October 1, 2022	\$ Change	% Change	September 30, 2023	October 1, 2022	\$ Change	% Change
North America	\$ 517	\$ 690	\$ (173)	(25.1)%	\$ 1,884	\$ 2,103	\$ (219)	(10.4)%
EMEA	269	456	(187)	(41.0)%	1,086	1,477	(391)	(26.5)%
Asia-Pacific	106	158	(52)	(32.9)%	382	459	(77)	(16.8)%
Latin America	64	74	(10)	(13.5)%	223	239	(16)	(6.7)%
Total Net sales	\$ 956	\$ 1,378	\$ (422)	(30.6)%	\$ 3,575	\$ 4,278	\$ (703)	(16.4)%

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Operating expenses are summarized below (amounts in millions, except percentages):

	Three Months Ended				Nine Months Ended			
	September 30, 2023	October 1, 2022	As a % of Net sales		September 30, 2023	October 1, 2022	As a % of Net sales	
			2023	2022			2023	2022
Selling and marketing	\$ 138	\$ 149	14.4 %	10.8 %	\$ 445	\$ 452	12.4 %	10.6 %
Research and development	127	143	13.3 %	10.4 %	403	428	11.3 %	10.0 %
General and administrative	88	92	9.2 %	6.7 %	256	288	7.2 %	6.7 %
Settlement and related costs	—	—	NM	NM	—	372	NM	NM
Amortization of intangible assets	26	39	NM	NM	78	107	NM	NM
Acquisition and integration costs	2	1	NM	NM	4	19	NM	NM
Exit and restructuring costs	58	2	NM	NM	82	4	NM	NM
Total Operating expenses	<u>\$ 439</u>	<u>\$ 426</u>	45.9 %	30.9 %	<u>\$ 1,268</u>	<u>\$ 1,670</u>	35.5 %	39.0 %

Consolidated Organic Net sales decline:

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Reported GAAP Consolidated Net sales decline	(30.6)%	(16.4)%
Adjustments:		
Impact of foreign currency translations <sup>(1)</sup>	1.0 %	2.0 %
Impact of acquisitions <sup>(2)</sup>	— %	(0.7)%
Consolidated Organic Net sales decline <sup>(3)</sup>	<u>(29.6)%</u>	<u>(15.1)%</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.

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

(3) Consolidated Organic Net sales decline is a non-GAAP financial measure. See the *Non-GAAP Measures* section at the end of this item.

### Third quarter 2023 compared to third quarter 2022

Total Net sales decreased \$422 million or 30.6% compared to the prior year reflecting declines in both of our segments resulting from a broad-based moderation of demand for our core products as well as a reduction of inventory levels at our distribution customers. Current year Net sales of both segments included the benefit of targeted list price increases, partially offset by the negative effects of foreign currency changes. Prior year EVM Net sales were negatively impacted by supply chain bottlenecks associated with our North America distribution center transition. Excluding the effects of currency changes, the decrease in Consolidated Organic Net sales was 29.6%.

Gross margin decreased to 44.7% for the current year compared to 45.6% for the prior year. As compared to the prior year, Gross margin was higher in our AIT segment and lower in our EVM segment. Both segments, particularly AIT, benefited from





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lower premium freight and component part costs compared to the prior year, which were more than offset by volume deleveraging.

Operating expenses for the quarters ended September 30, 2023 and October 1, 2022 were \$439 million and \$426 million, or 45.9% and 30.9% of Net sales, respectively. Current year Operating expenses were higher than the prior year primarily due to higher Exit and restructuring costs, partially offset by lower employee incentive compensation, Amortization of intangible assets, and cost efficiencies attributed to our Exit and restructuring actions. The increase as a percentage of Net sales over the prior year also reflects the impact of expense deleveraging.

Operating loss was \$12 million for the current year compared to \$202 million of income in the prior year. The decrease was primarily due to lower Gross profit.

Net income decreased compared to the prior year primarily due to lower Operating income, as described above, as well as higher Other (expense), net. Other (expense) income, net was an expense of \$12 million in the current year, compared to income of \$20 million in the prior year. The increase was primarily due to higher interest expense associated with higher interest rates and average outstanding debt levels as well as lower interest rate swap gains in the current year.

The Company's effective tax rates for the three months ended September 30, 2023 and October 1, 2022 were a 37.5% benefit and 23.4% expense, respectively. The change in the effective tax rate includes the impact of the discrete tax benefit recorded in the current year related to the VRP.

Diluted earnings per share decreased to \$(0.28) as compared to \$3.26 in the prior year due to lower Net income, partially offset by lower average shares outstanding.

Year to date 2023 compared to Year to date 2022

Total Net sales decreased \$703 million or 16.4% compared to the prior year reflecting declines in both of our segments resulting from a broad-based moderation of demand for our core products as well as a reduction of inventory levels at our distribution customers. Current year Net sales of both segments included the benefit of targeted list price increases, partially offset by the negative effects of foreign currency changes. Prior year Net sales of both segments were negatively impacted by supply chain bottlenecks. Excluding the effects of currency changes and acquisitions, the decrease in Consolidated Organic Net sales was 15.1%.

Gross margin increased to 46.9% for the current year compared to 45.3% for the prior year. As compared to the prior year, Gross margin was significantly higher in our AIT segment, while Gross margin of our EVM segment was modestly lower. Both segments, particularly AIT, benefited from lower premium freight and component part costs compared to the prior year, which were partially offset by volume deleveraging.

Operating expenses for the periods ended September 30, 2023 and October 1, 2022 were \$1,268 million and \$1,670 million, or 35.5% and 39.0% of Net sales, respectively. Excluding the Settlement charge in the prior year, Operating expenses would have been 30.3% of Net sales. Current year Operating expenses were modestly lower than the prior year, excluding the Settlement charge, primarily due to lower employee incentive compensation, Amortization of intangible assets, and Acquisition and integration costs, partially offset by higher Exit and restructuring costs and the inclusion of operating expenses associated with recently acquired businesses. The increase as a percentage of Net sales over the prior year also reflects the impact of expense deleveraging.

Operating income increased to \$407 million for the current year compared to \$269 million for the prior year. The increase was primarily due to lower Operating expenses, as the prior period included the \$372 million Settlement charge, partially offset by lower Gross profit.

Net income increased compared to the prior year due to higher Operating income, partially offset by higher Other (expense) income, net and income tax expense.

- Other (expense) income, net was an expense of \$75 million in the current year, compared to income of \$50 million in the prior year. The increase was primarily due to higher interest expense associated with higher interest rates and average outstanding debt levels as well as lower interest rate swap gains in the current year.
- The Company's effective tax rates for the nine months ended September 30, 2023 and October 1, 2022 were 16.0% and 13.2%, respectively. The change in the effective tax rate compared to the prior year was primarily due to the impact of the discrete benefit recorded in the prior year related to the Settlement.



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Diluted earnings per share increased to \$5.40 as compared to \$5.25 in the prior year due to higher Net income and lower average shares outstanding.

### Results of Operations by Segment

The following commentary should be read in conjunction with the financial results of each reportable business segment as detailed in Note 16, *Segment Information & Geographic Data* in the Notes to Consolidated Financial Statements. To the extent applicable, segment operating income excludes business acquisition purchase accounting adjustments, amortization of intangible assets, acquisition and integration costs, impairment of goodwill and other intangibles, exit and restructuring costs, as well as certain other non-recurring costs (such as the Settlement costs in the prior year).

### Asset Intelligence & Tracking Segment ("AIT")

(amounts in millions, except percentages)

	Three Months Ended				Nine Months Ended			
	September 30, 2023	October 1, 2022	\$ Change	% Change	September 30, 2023	October 1, 2022	\$ Change	% Change
Net sales:								
Tangible products	\$ 295	\$ 414	\$ (119)	(28.7)%	\$ 1,222	\$ 1,238	\$ (16)	(1.3)%
Services and software	29	28	1	3.6 %	83	82	1	1.2 %
Total Net sales	<u>324</u>	<u>442</u>	<u>(118)</u>	(26.7)%	<u>1,305</u>	<u>1,320</u>	<u>(15)</u>	(1.1)%
Gross profit	145	193	(48)	(24.9)%	628	557	71	12.7 %
Gross margin	44.8 %	43.7 %		110 bps	48.1 %	42.2 %		590 bps
Operating expenses	101	108	(7)	(6.5)%	341	322	19	5.9 %
Operating income	<u>\$ 44</u>	<u>\$ 85</u>	<u>\$ (41)</u>	(48.2)%	<u>\$ 287</u>	<u>\$ 235</u>	<u>\$ 52</u>	22.1 %

AIT Organic Net sales (decline) growth:

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
AIT Reported GAAP Net sales decline	(26.7)%	(1.1)%
Adjustments:		
Impact of foreign currency translations <sup>(1)</sup>	0.9 %	2.1 %
AIT Organic Net sales (decline) growth <sup>(2)</sup>	<u>(25.8)%</u>	<u>1.0 %</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.

(2) AIT Organic Net sales (decline) growth is a non-GAAP financial measure. See the *Non-GAAP Measures* section at the end of this item.

### Third quarter 2023 compared to third quarter 2022

Total Net sales for AIT decreased \$118 million or 26.7% compared to the prior year primarily due to lower sales of printing products. Current year Net sales included the benefit of targeted list price increases, partially offset by the negative effects of foreign currency changes. Excluding the impact of foreign currency changes, AIT Organic Net sales decreased by 25.8%.

Gross margin increased to 44.8% in the current year compared to 43.7% for the prior year primarily due to lower premium freight and component part costs, and price increases, partially offset by unfavorable business mix, volume deleveraging, and the negative impact

of foreign currency changes.

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Operating income decreased 48.2% in the current year compared to the prior year primarily due to lower Gross profit.

Year to date 2023 compared to Year to date 2022

Total Net sales for AIT decreased \$15 million or 1.1% compared to the prior year primarily due to the negative effects of foreign currency changes, partially offset by targeted list price increases, and higher sales of RFID products. Excluding the impact of foreign currency changes, AIT Organic Net sales increased by 1.0%.

Gross margin increased to 48.1% in the current year compared to 42.2% for the prior year primarily due to lower premium freight and component part costs, and price increases, partially offset by the negative impact of foreign currency changes.

Operating income increased 22.1% in the current year compared to the prior year due to higher Gross profit, partially offset by higher Operating expenses.

**Enterprise Visibility & Mobility Segment (“EVM”)**

(amounts in millions, except percentages)

	Three Months Ended				Nine Months Ended			
	September 30, 2023	October 1, 2022	\$ Change	% Change	September 30, 2023	October 1, 2022	\$ Change	% Change
Net sales:								
Tangible products	\$ 434	\$ 750	\$ (316)	(42.1)%	\$ 1,663	\$ 2,392	\$ (729)	(30.5)%
Services and software	198	186	12	6.5 %	607	566	41	7.2 %
Total Net sales	632	936	(304)	(32.5)%	2,270	2,958	(688)	(23.3)%
Gross profit	282	435	(153)	(35.2)%	1,047	1,382	(335)	(24.2)%
Gross margin	44.6 %	46.5 %		(190) bps	46.1 %	46.7 %		(60) bps
Operating expenses	252	276	(24)	(8.7)%	762	846	(84)	(9.9)%
Operating income	\$ 30	\$ 159	\$ (129)	(81.1)%	\$ 285	\$ 536	\$ (251)	(46.8)%

EVM Organic Net sales decline:

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
EVM Reported GAAP Net sales decline	(32.5)%	(23.3)%
Adjustments:		
Impact of foreign currency translations <sup>(1)</sup>	1.1 %	2.0 %
Impact of acquisitions <sup>(2)</sup>	— %	(1.0)%
EVM Organic Net sales decline <sup>(3)</sup>	(31.4)%	(22.3)%

(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 EVM Organic Net sales decline, amounts directly attributable to business acquisitions are excluded for twelve months following their respective acquisitions.

(3) EVM Organic Net sales decline is a non-GAAP financial measure. See the *Non-GAAP Measures* section at the end of this item.



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Third quarter 2023 compared to third quarter 2022

Total Net sales for EVM decreased \$304 million or 32.5% compared to the prior year primarily due to lower sales of mobile computing products (contributing the majority of the total decrease) and data capture products, which were partially offset by higher sales of services and software. Current year Net sales included the benefit of targeted list price increases, substantially offset by the negative effects of foreign currency changes. Excluding the impacts of foreign currency changes, EVM Organic Net sales decline was 31.4%.

Gross margin decreased to 44.6% in the current year compared to 46.5% for the prior year primarily due to volume deleveraging, inventory-related charges, and the negative impact of foreign currency changes, partially offset by price increases, higher service and software margins, and lower premium freight and component part costs.

Operating income for the current year decreased by 81.1% compared to the prior year primarily due to lower Gross profit, partially offset by lower Operating expenses.

Year to date 2023 compared to Year to date 2022

Total Net sales for EVM decreased \$688 million or 23.3% compared to the prior year primarily due to lower sales of mobile computing products, which were partially offset by higher sales of services and software, and contributions from our recent acquisitions. Current year Net sales included the benefit of targeted list price increases, substantially offset by the negative effects of foreign currency changes. Excluding the impacts of foreign currency changes and acquisitions, EVM Organic Net sales decline was 22.3%.

Gross margin decreased to 46.1% in the current year compared to 46.7% for the prior year primarily due to volume deleveraging, the negative impact of foreign currency changes, and inventory-related charges, partially offset by pricing and favorable business mix, and lower premium freight and component part costs.

Operating income for the current year decreased by 46.8% compared to the prior year primarily due to lower Gross profit, partially offset by lower Operating expenses.

**Liquidity and Capital Resources**

The primary factors that influence our liquidity include the amount and timing of cash collections from our customers, cash payments to our suppliers, capital expenditures, acquisitions, and share repurchases. Management believes that our existing capital resources, inclusive of available borrowing capacity on debt and other financing facilities and funds generated from operations, are sufficient to meet anticipated capital requirements and service our indebtedness. The following table summarizes our cash flow activities for the periods indicated (in millions):

	Nine Months Ended		
	September 30, 2023	October 1, 2022	\$ Change
<b>Cash flow (used in) provided by:</b>			
Operating activities	\$ (145)	\$ 221	\$ (366)
Investing activities	(49)	(941)	892
Financing activities	140	470	(330)
Effect of exchange rates on cash balances	(2)	(2)	—
Net decrease in cash and cash equivalents, including restricted cash	\$ (56)	\$ (252)	\$ 196

The change in our cash and cash equivalents balance during the nine months ended September 30, 2023 compared to the prior year is reflective of the following:

- \$366 million of operating activities primarily due to higher cash payments for inventory purchases, income taxes, interest, the Settlement, and Exit and restructuring actions, partially offset by favorability in the timing of customer collections and lower employee incentive compensation payments.
- \$892 million of investing activities primarily due to cash payments for the acquisition of Matrox in the prior year.





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- \$330 million of financing activities primarily due to increased borrowings in the prior year as a result of the Company refinancing its long-term credit facilities, partially offset by lower common stock repurchases in the current year.

*Company Debt*

The following table shows the carrying value of the Company's debt (in millions):

	September 30, 2023	December 31, 2022
Term Loan A	\$ 1,684	\$ 1,728
Revolving Credit Facility	477	50
Receivables Financing Facilities	119	254
Total debt	\$ 2,280	\$ 2,032
Less: Debt issuance costs	(3)	(4)
Less: Unamortized discounts	(4)	(5)
Less: Current portion of debt	(152)	(214)
Total long-term debt	\$ 2,121	\$ 1,809

In May 2022, the Company refinanced its long-term credit facilities by entering into its third amendment to the Amended and Restated Credit Agreement, which increased the Company's borrowing under Term Loan A from \$875 million to \$1.75 billion and the Company's borrowing capacity under the Revolving Credit Facility from \$1 billion to \$1.5 billion, extended the maturities of the facilities to May 25, 2027, and replaced LIBOR with SOFR as the benchmark reference rate.

*Term Loan A*

The principal on Term Loan A is due in quarterly installments, with the next quarterly installment due in March 2024 and the majority due upon maturity in 2027. The Company may make prepayments, as it did in the first quarter of 2023, in whole or in part, without premium or penalty, and would be required to prepay certain outstanding amounts in the event of certain circumstances or transactions. As of September 30, 2023, the Term Loan A interest rate was 6.67%. Interest payments are made monthly and are subject to variable rates plus an applicable margin.

*Revolving Credit Facility*

The Company has a Revolving Credit Facility that is available for working capital and other general business purposes, including letters of credit. As of September 30, 2023, the Company had letters of credit totaling \$11 million, which reduced funds available for borrowings under the Revolving Credit Facility from \$1,500 million to \$1,489 million. As of September 30, 2023, the Revolving Credit Facility had an average interest rate of 6.65%. Upon borrowing, interest payments are made monthly and are subject to variable rates plus an applicable margin. The Revolving Credit Facility matures on May 25, 2027.

*Receivables Financing Facilities*

The Company has two Receivables Financing Facilities with financial institutions that have a combined total borrowing limit of up to \$280 million. As collateral, the Company pledges perfected first-priority security interests in its U.S. domestically originated accounts receivable. The Company has accounted for transactions under its facilities as secured borrowings. The Company's first facility allows for borrowings of up to \$180 million and matures on March 19, 2024. The Company's second facility allows for borrowings of up to \$100 million and matures on May 13, 2024.

As of September 30, 2023, the Company's Consolidated Balance Sheets included \$530 million of gross receivables that were pledged under the facilities. As of September 30, 2023, \$119 million had been borrowed and was classified as current. Borrowings under the facilities bear interest at a variable rate plus an applicable margin. As of September 30, 2023, the facilities had an average interest rate of 6.80%. Interest is paid monthly on these borrowings.

See Note 9, *Long-Term Debt* in the Notes to Consolidated Financial Statements for further details related to the Company's debt instruments.

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### Receivables Factoring

The Company transfers certain receivables to banks without recourse as part of its credit and cash management activities. Such transfers are accounted for as sales and the related receivables are removed from the Company's balance sheet. The Company services the receivables on behalf of the banks, but otherwise maintains no significant continuing involvement with respect to the receivables. Sale proceeds that are representative of the fair value of factored receivables, less a factoring fee, are reflected in Cash flows from operating activities on the Consolidated Statements of Cash Flows, while sale proceeds in excess of the fair value of factored receivables are reflected in Cash flows from financing activities on the Consolidated Statements of Cash Flows. The Company has two Receivables Factoring arrangements. One arrangement allows for the factoring of up to €150 million of uncollected receivables originated from the EMEA and Asia-Pacific regions. In the current quarter, the Company amended its second arrangement to allow the factoring of uncollected receivables originated from the Europe, Middle East, and Africa ("EMEA") region from up to \$25 million to \$50 million. Otherwise, the amendment did not substantially change the terms of the arrangement.

As of September 30, 2023 and December 31, 2022, there were a total of \$72 million and \$61 million, respectively, of uncollected receivables that had been sold and removed from the Company's Consolidated Balance Sheets.

As servicer of sold receivables, the Company had \$82 million and \$130 million of obligations that were not yet remitted to banks as of September 30, 2023 and December 31, 2022, respectively. These obligations are included within Accrued liabilities on the Consolidated Balance Sheets, with changes in such obligations reflected within Cash flows from financing activities on the Consolidated Statements of Cash Flows.

See Note 15, *Accounts Receivable Factoring* in the Notes to Consolidated Financial Statements for further details.

### Share Repurchases

On May 17, 2022, the Company announced that its Board of Directors authorized a share repurchase program for up to \$1 billion of its outstanding shares of common stock. This authorization augments the previous \$1 billion share repurchase authorization which was announced on July 30, 2019. The newly authorized share repurchase program does not have a stated expiration date. The level of the Company's repurchases depends on a number of factors, including its financial condition, capital requirements, cash flows, results of operations, future business prospects and other factors its management may deem relevant. The timing, volume, and nature of repurchases are subject to market conditions, applicable securities laws and other factors and may be amended, suspended or discontinued at any time. Repurchases may be affected from time to time through open market purchases, including pursuant to a pre-set trading plan meeting the requirements of Rule 10b5-1(c) of the Securities Exchange Act of 1934. During the first nine months of 2023, the Company repurchased 194,319 shares of common stock for approximately \$52 million. As of September 30, 2023, the Company has cumulatively repurchased 3,517,602 shares of common stock for approximately \$1.1 billion, resulting in a remaining amount of share repurchases authorized under the plans of \$893 million.

### Significant Customers

End-users of our products, solutions and services are diversified across a wide variety of industries. We have three customers, who are distributors of the Company's products and solutions, that individually accounted for more than 10% of our Net sales for the periods presented. In the aggregate, the approximate percentage of our segment and Company total Net sales was as follows:

	Nine Months Ended					
	September 30, 2023			October 1, 2022		
	AIT	EVM	Total	AIT	EVM	Total
Significant customers as a % of Net sales	18 %	27 %	45 %	16 %	30 %	46 %

These customers accounted for 50% of accounts receivable as of September 30, 2023. No other customer accounted for more than 10% of total Net sales during the period ended September 30, 2023.

[Table of Contents](#)**Safe Harbor**

Forward-looking statements contained in this filing are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995 and are highly dependent upon a variety of important factors, which could cause actual results to differ materially from those expressed or implied in such forward-looking statements. When used in this document and documents referenced, the words “anticipate,” “believe,” “intend,” “estimate,” “will,” 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. The forward-looking statements include, but are not limited to, the Company’s financial outlook for full year of 2023. These forward-looking statements are based on current expectations, forecasts and assumptions, and are subject to the risks and uncertainties inherent in the Company’s industry, market conditions, general domestic and international economic conditions, and other factors. These factors include:

- Market acceptance of the Company’s products, services and solution offerings and competitors’ offerings and the potential effects of emerging technologies and changes in customer requirements,
- The effect of global market conditions, including the North America; EMEA; Latin America; and Asia-Pacific regions in which we do business,
- The impact of changes in foreign exchange rates, customs duties and trade policies due to the large percentage of our sales and operations being outside the U.S.,
- Our ability to control manufacturing and operating costs,
- Risks related to the manufacturing of the Company’s products and conducting business operations in non-U.S. countries, including the risk of depending on key suppliers who are also in non-U.S. countries,
- The Company’s ability to purchase sufficient materials, parts, and components, our ability to provide services, software, and products to meet customer demand, particularly in light of global economic conditions,
- The availability of credit and the volatility of capital markets, which may affect our suppliers, customers, and ourselves,
- Success of integrating acquisitions,
- Our ability to attract, retain, develop, and motivate key personnel,
- Interest rate and financial market conditions,
- Access to cash and cash equivalents held outside the U.S.,
- The effect of natural disasters, man-made disasters, public health issues (including pandemics), and cybersecurity incidents on our business,
- The impact of changes in foreign and domestic governmental policies, laws, or regulations,
- The outcome of litigation in which the Company may be involved, particularly litigation or claims related to infringement of third-party intellectual property rights, and
- The outcome of any future tax matters or tax law changes.

We encourage readers of this report to review Part II, Item 1A, “Risk Factors” in this report for further discussion of issues that could affect the Company’s future results. We undertake 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 report.

**New Accounting Pronouncements**

We do not expect any recently issued accounting pronouncements to have a material impact to our consolidated financial statements.

**Non-GAAP Measures**

The Company has provided reconciliations of the supplemental non-GAAP financial measures, as defined under the rules of the Securities and Exchange Commission, presented herein to the most directly comparable financial measures calculated and presented in accordance with GAAP.

These supplemental non-GAAP financial measures – Consolidated Organic Net sales decline, AIT Organic Net sales (decline) growth, and EVM Organic Net sales decline – are presented because our management evaluates our financial results both including and excluding the effects of business acquisitions and foreign currency translation, as applicable. Management believes that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of our business from period to period and trends in our historical operating results. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for, or as an alternative to, and should be considered in conjunction with the GAAP financial measures presented.



[Table of Contents](#)**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There were no material changes in the Company's market risk during the quarter ended September 30, 2023. For additional information on market risk, refer to Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" in the Annual Report on Form 10-K for the year ended December 31, 2022.

**Item 4. Controls and Procedures****Management's Report on Disclosure Controls**

Our management is responsible for establishing and maintaining adequate disclosure controls as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Our management assessed the effectiveness of our disclosure controls as of September 30, 2023. Based on this assessment and those criteria, our management believes that, as of September 30, 2023, our disclosure controls were effective.

**Changes in Internal Control over Financial Reporting**

During the quarter ended September 30, 2023, there have been no changes in our internal controls that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Inherent Limitations on the Effectiveness of Controls**

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within Zebra have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

[Table of Contents](#)**PART II - OTHER INFORMATION****Item 1. Legal Proceedings**

See Note 11, *Accrued Liabilities, Commitments and Contingencies* in the Notes to Consolidated Financial Statements included in this report.

**Item 1A. Risk Factors**

In addition to the other information included in this report, you should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors” in the Annual Report on Form 10-K for the year ended December 31, 2022, and the factors identified under “Safe Harbor” in Part I, Item 2 of this Quarterly Report on Form 10-Q, which could materially affect our business, financial condition, cash flows, or results of operations. The risks described in the Annual Report are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently considers immaterial also may materially adversely affect its business, financial condition, and/or operating results. There have been no material changes to the risk factors included in our Annual Report for the year ended December 31, 2022, other than as described below:

*Cybersecurity incidents could disrupt business operations.* We rely on information technology systems throughout the Company to keep financial records, process orders, manage inventory, coordinate shipments to distributors and customers, maintain confidential and proprietary information, and other technical activities, and operate other critical functions such as internet connectivity, network communications, and email. The Company stores confidential and proprietary information through cloud-based services that are hosted by third parties where we have less influence over security protocols. In addition, our customers may use certain of our products and solutions to transmit and/or process personal data and other sensitive information. Like many companies, we continually strive to meet industry information security standards relevant to our business. We periodically perform vulnerability assessments, remediate vulnerabilities, review log/access, perform system maintenance, manage network perimeter protection, implement and manage disaster recovery testing, and provide periodic educational sessions to our employees to foster awareness of schemes to access sensitive information. Despite our implementation of a variety of security controls and measures, as well as those of our third-party vendors, there is no assurance that such actions will be sufficient to prevent a cybersecurity incident. Further, as cybercrime and threats continue to rapidly evolve and become increasingly more difficult to detect and defend against, our current security controls and measures may not be effective in preventing cybersecurity incidents and we may not have the capabilities to detect certain vulnerabilities. A cybersecurity incident could include an attempt to gain unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Phishing and other types of attempts to obtain unauthorized information or access are often sophisticated and difficult to detect or defeat.

Cybersecurity incidents can take a variety of forms including, unintentional events as well as deliberate attacks by individuals, groups and sophisticated organizations, such as state sponsored organizations or nation-state actors. Further, certain of our third party vendors have limited access to our employee and customer data and may use this data in unauthorized ways. Any such cybersecurity incident or misuse of our employees’ or customers’ data may lead to a material disruption of our core business systems, the loss or corruption of confidential business information, and/or the disclosure of personal data that in each case could result in an adverse business impact as well as possible damage to our brand. This could also lead to a public disclosure or theft of private intellectual property and a possible loss of customer confidence.

While we have experienced and expect to continue to experience these types of threats and incidents, there have been no material incidents incurred to-date at the Company. If our core business operations, or that of one of our third-party service providers, were to be breached, this could affect the confidentiality, integrity, and availability of our systems and data. Any failure on the part of us or our third-party service providers to maintain the security of data we are required to protect, including via the penetration of our network security and the misappropriation of confidential and proprietary information, could result in: business disruption; damage to our reputation; financial obligations to third parties; fines, penalties, regulatory proceedings; private litigation with potentially large costs; deterioration in our suppliers’, distributors’, and customers’ confidence in us; as well as other competitive disadvantages. Such failures to maintain the security of data could have a material adverse effect on our business, financial condition, and results of operations. While we continue to perform security due diligence, there is always the possibility of a significant breach. In addition, any failure on the part of one of our contract manufacturers, distributors or resellers to maintain the security of its systems or data, including via the penetration of their network security or ransomware, could result in business disruption to us and damage to our reputation.

*We rely on third-party dealers, distributors, and resellers to sell many of our products, services and solutions, and their failure to effectively bring our products, services and solutions to market may negatively affect our results of operation and financial results.* In addition to our own sales force, we offer our products, services and solutions through a variety of third-party dealers, distributors, and resellers who may also market other products, services and solutions that compete with ours. Failure of one or more of our third-party dealers, distributors, or resellers to effectively promote our offerings could affect our ability to bring





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products, services and solutions to market and have a negative impact on our results of operations. Any changes to our channel program may cause some of our third-party dealers, distributors, or resellers to exit the program due to modifications to the program structure, which may reduce our ability to bring products and solutions to market and could have a negative impact on our results of operations.

Third-party dealers, distributors or resellers could also face additional costs or credit concerns resulting from an uncertain economic environment that would cause such parties to reduce purchases of our products, thereby causing a negative impact on our financial results. Some of these third-parties are smaller and more likely to be impacted by a significant decrease in available credit that could result from a weakness in the financial markets. If credit pressures or other financial difficulties result in insolvency for third-party dealers, distributors, or resellers and we are unable to successfully transition end-customers to purchase our products and solutions from other third-parties or from us directly, it may cause, and in some cases, has caused, a negative impact on our financial results.

*Our future operating results depend on our ability to purchase a sufficient amount of materials, parts, and components, as well as services and software to meet the demands of customers. We source some of our components from sole source suppliers. Any disruption to our suppliers or significant increase in the price of supplies, inclusive of transportation costs, or change in customer demand could have a negative impact on our results of operations.* Our ability to meet customers' demands depends, in part, on our ability to obtain in a timely manner an adequate delivery of quality materials, parts, and components, as well as services and software from our suppliers, and our ability to deliver products, services and software to our customers. In addition, certain supplies are available only from a single source or limited sources and we may not be able to diversify sources in a timely manner. If demand for our products, solutions or services increases from our current expectations or if suppliers are unable or unwilling to meet our demand for other reasons, including as a result of natural disasters, public health issues, severe weather conditions, or financial issues, we could experience an interruption in supplies or a significant increase in the price of supplies that could have a negative impact on our business. We have experienced shortages in the past that have negatively impacted our results of operations and may experience such shortages in the future. At times we have and may continue to execute multi-year purchase commitments with suppliers that contain minimum spend thresholds, which we are obligated to fulfill even if customer demand declines, and may require that we purchase inventory that exceeds our forecasted demand. In addition, volatility in customer demand, product availability, and costs to transport products, may result in increased operating input costs, elevated inventory levels, as well as inventory-related losses. Also, credit constraints at our suppliers could cause us to accelerate payment of accounts payable by us, impacting our cash flow.

*Economic conditions and financial market disruptions may adversely affect our business and results of operations. Adverse economic conditions or reduced and/or changes in the timing and amount of information technology spending may negatively impact our business.* General disruption of financial markets and a related general economic downturn or uncertainty could adversely affect our business and financial condition through a reduction in demand for our products, solutions or services by our customers. If a slowdown were severe enough, it could require further impairment testing and write-downs of goodwill and other intangible assets. Cost reduction actions have been and may be necessary in the future resulting in restructuring charges as well as changes in staffing levels which may strain our resources. A tightening of financial credit or increase in the cost of borrowing could adversely affect our customers, suppliers, outsourced manufacturers, and channel partners (e.g., distributors and resellers) from obtaining adequate credit for the financing of significant purchases. An economic downturn could also result in a decrease in or cancellation of orders for our products, solutions and services; negatively impacting the ability to collect accounts receivable on a timely basis; result in additional reserves for uncollectible accounts receivable; and require additional reserves for inventory obsolescence. Higher volatility and fluctuations in foreign exchange rates for the U.S. Dollar against currencies such as the Euro, British Pound Sterling and Czech Koruna could negatively impact product sales, margins, and cash flows.

## **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table sets forth information with respect to repurchases of the Company's common stock for the three months ended September 30, 2023:

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<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup></b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) <sup>(1)</sup></b>
July 2, 2023 - July 29, 2023	—	\$ —	—	\$ 893
July 30, 2023 - August 26, 2023	—	—	—	893
August 27, 2023 - September 30, 2023	—	—	—	893
<b>Total</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ 893</b>

(1) On May 17, 2022, the Company announced that its Board of Directors authorized a share repurchase program for up to \$1 billion of its outstanding shares of common stock. This authorization augments the previous \$1 billion share repurchase authorization which was announced on July 30, 2019. Repurchases may be effected from time to time through open market purchases, including pursuant to a pre-set trading plan meeting the requirements of Rule 10b5-1(c) of the Securities Exchange Act of 1934. As of September 30, 2023, the Company has cumulatively repurchased 3,517,602 shares of common stock for approximately \$1.1 billion, resulting in a remaining amount of share repurchases authorized under the plans of \$893 million.

#### **Item 5. Other Information**

None of our directors or executive officers had in effect, adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the third quarter of 2023.

[Table of Contents](#)**Item 6. Exhibits**

- 31.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Principal Executive Officer](#)
- 31.2 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Principal Financial Officer](#)
- 32.1 [Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2 [Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101 The following financial information from Zebra Technologies Corporation Quarterly Report on Form 10-Q, for the quarter ended September 30, 2023, formatted in Inline XBRL: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Stockholders' Equity; (v) the Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements. The instance document does not appear in the interactive data file because Inline XBRL tags are embedded in the iXBRL document.
- 104 The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 formatted in Inline XBRL (included in Exhibit 101).

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### ZEBRA TECHNOLOGIES CORPORATION

Date: October 31, 2023

By: /s/ William J. Burns  
William J. Burns  
*Chief Executive Officer*

Date: October 31, 2023

By: /s/ Nathan Winters  
Nathan Winters  
*Chief Financial Officer*