



# MOTOROLA SOLUTIONS

Q3 2015 Results

November 4, 2015

# SAFE HARBOR



A number of forward-looking statements will be made during this presentation. Forward-looking statements are any statements that are not historical facts. These forward-looking statements are based on the current expectations of Motorola Solutions, and we can give no assurance that any future results or events discussed in these statements will be achieved. Any forward-looking statements represent our views only as of today and should not be relied upon as representing our views as of any subsequent date. Forward-looking statements are subject to a variety of risks and uncertainties that could cause our actual results to differ materially from the statements contained in this presentation.

Information about factors that could cause, and in some cases have caused, such differences can be found on pages 9 through 20 in Item 1A of Motorola Solutions' 2014 Annual Report on Form 10-K and in our other SEC filings available for free on the SEC's website at [www.sec.gov](http://www.sec.gov), and on Motorola Solutions' website at [www.motorolasolutions.com/investor](http://www.motorolasolutions.com/investor)

This presentation is being made on the 4<sup>th</sup> day of November, 2015. The content of this presentation contains time-sensitive information that is accurate only as of the time hereof. If any portion of this presentation is rebroadcast, retransmitted or redistributed at a later date, Motorola Solutions will not be reviewing or updating the material that is contained herein.

# Q3 HIGHLIGHTS



- **Sales \$1.4B, up 3%\* in constant currency**
  - North America sales growth of 5%
  - Q3 FX unfavorable impact of \$54M
- **Operating margin\*\* up 250 bps on lower cost structure**
- **Non-GAAP EPS growth of 32%\*\***
- **Operating cash flow of \$300M, up \$415M**
- **Free cash flow \$250M**
- **Backlog up \$681M, or 13% vs. LY**
  - Up \$171M in Products and \$509M in Services
- **Returned more than \$2.1B in share repurchase and dividends**

\* Excluding \$54M of currency impact

\*\* Non-GAAP, excluding highlighted items, stock-based compensation, and intangible amortization

# FINANCIAL RESULTS



(\$M), excluding per share amounts

<b>GAAP</b>	<b>Q3 2015</b>	<b>Q3 2014</b>	<b>Change</b>
Revenue	\$1,422	\$1,436	(1)%
Revenue Growth @ constant currency			3%
Operating Earnings	\$231	\$207	12%
Operating Margin	16.2%	14.4%	180 bps
EPS	\$0.63	\$0.27	133%

<b>Non – GAAP</b>	<b>Q3 2015</b>	<b>Q3 2014</b>	<b>Change</b>
Operating Earnings	\$292	\$259	13%
Operating Margin	20.5%	18.0%	250 bps
EPS	\$0.82	\$0.62	32%

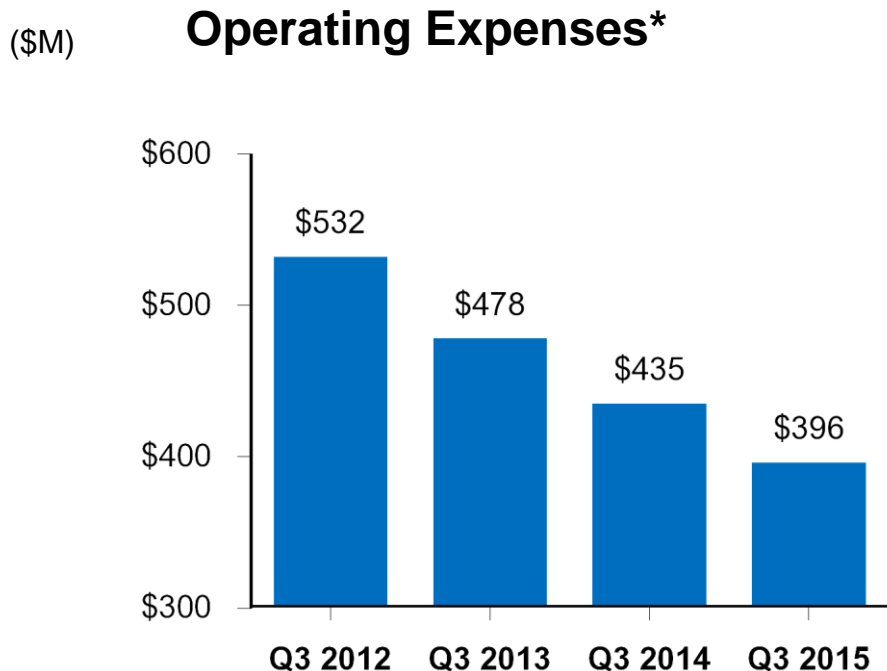
# Q3 KEY FINANCIAL METRICS



(\$M), excluding per share amounts

<b>Non - GAAP</b>	<b>Q3 2015</b>	<b>Q3 2014</b>	<b>Change</b>
Revenue	\$1,422	\$1,436	(1)%
Revenue Growth @ constant currency			3%
EBITDA	\$322	\$303	6%
Operating Earnings %	20.5%	18.0%	250 bps
EPS	\$0.82	\$0.62	32%
Operating Cash Flow	\$300	(\$115)	\$415
Free Cash Flow	\$250	(\$162)	\$412
Free Cash Flow / Share	\$1.24	(\$0.65)	N/M

# OPERATING LEVERAGE



- Q3 operating expenses down \$39M vs. last year
- Expect \$1.58B in 2015 opex, or approximately \$200M in savings vs. last year

\* Non-GAAP, excluding highlighted items, stock-based compensation, and intangible amortization

# Q3 CASH FLOW



(\$M), excluding per share amounts

	Q3 2015	Q3 2014	Change
Operating Cash Flow	\$300	(\$115) *	\$415
Capital Expenditures	(\$50)	(\$47)	(\$3)
<b>Free Cash Flow</b>	<b>\$250</b>	<b>(\$162)</b>	<b>\$412</b>

Weighted Avg Diluted Shares Outstanding (M)	201.3	248.2	(46.9)
<b>FCF per share</b>	<b>\$1.24</b>	<b>(0.65)</b>	<b>N/M</b>

\* Q3 2014 included \$397M of pension funding

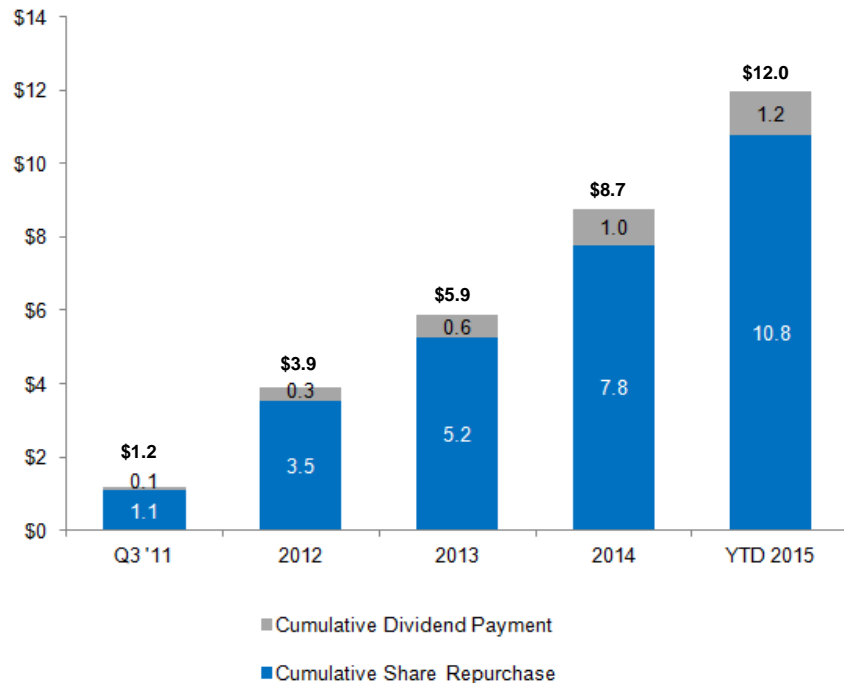


# Q3 CAPITAL RETURN



## Cumulative Repurchase & Dividend\*\*

(\$B)



- **\$2.1B share repurchase and \$70M in dividends paid**
  - \$1.2B dividends paid since Q3 2011
  - 49% reduction in share count since Q3 2011
  - \$12B of total shareholder return since Q3 2011
- **Ended Q3 in net debt\* position of \$2.2B**
  - \$2.2B in cash, \$4.4B in debt

\*\*Amounts may not add to total due to rounding differences

\* Net Debt = Cash & Cash Equivalents, minus LT Debt including current portion



# Q4 OUTLOOK (NON-GAAP)



	Range
Revenue Growth	(8%) to (6%)
Revenue Growth @ constant currency *	(5%) to (3%)
EPS	\$1.45 to \$1.50

Q4 down on significant currency pressure and macro-economic headwinds in Latin America and Eastern Europe.

\* Based on currency rates as of Nov 2<sup>nd</sup>

# 2015 OUTLOOK (NON-GAAP)



	Prior Outlook	Current Outlook
Revenue Growth	(2%) to Flat	Approx. (3%)
Revenue Growth - constant currency *	1% to 3%	Approx. 1%
Operating Expenses	Down \$150-\$175M	Down \$200M
EBITDA	\$1.32B to \$1.37B	\$1.31B to \$1.33B
EPS	\$3.20 - \$3.40	\$3.20 - \$3.25
Operating Cash Flow	Approx. \$1.0B	Approx. \$1.0B
Effective Tax Rate	Approx. 33%	Approx. 33%
Cash Tax Rate	Approx. 15%	Approx. 15%

\* Based on currency rates as of Nov 2<sup>nd</sup>

# PRODUCTS FINANCIAL RESULTS



(\$M)

<b>GAAP</b>	<b>Q3 2015</b>	<b>Q3 2014</b>	<b>Change</b>
Sales	\$925	\$921	0%
Operating Earnings	\$178	\$141	26%
Operating Margin	19.2%	15.3%	390 bps

<b>Non - GAAP</b>	<b>Q3 2015</b>	<b>Q3 2014</b>	<b>Change</b>
Operating Earnings	\$221	\$175	26%
Operating Margin	23.9%	19.0%	490 bps

# PRODUCTS Q3 HIGHLIGHTS



- Sales of \$925M, flat versus LY. Excluding currency impact, sales grew 3%
- Backlog up \$171M versus last year and up \$65M sequentially
- Operating earnings\* increase of 26%, driven by improved gross margins and reduced cost structure
- Notable wins and achievements:
  - Launched end-to-end body worn video solution integrating multiple devices with full cloud based content management
  - \$50M contract of the P25 nationwide system for a state police force in North Africa
  - \$45M extension to complete a multi-year, state-wide network upgrade in the United States



\* Non-GAAP, Excluding highlighted items, stock-based compensation, and intangible amortization

# SERVICES FINANCIAL RESULTS



(\$M)

<b>GAAP</b>	<b>Q3 2015</b>	<b>Q3 2014</b>	<b>Change</b>
Sales	\$497	\$515	(3)%
Operating Earnings	\$53	\$66	(20)%
Operating Margin	10.7%	12.8%	(210) bps

<b>Non - GAAP</b>	<b>Q3 2015</b>	<b>Q3 2014</b>	<b>Change</b>
Operating Earnings	\$71	\$84	(15)%
Operating Margin	14.3%	16.3%	(200) bps

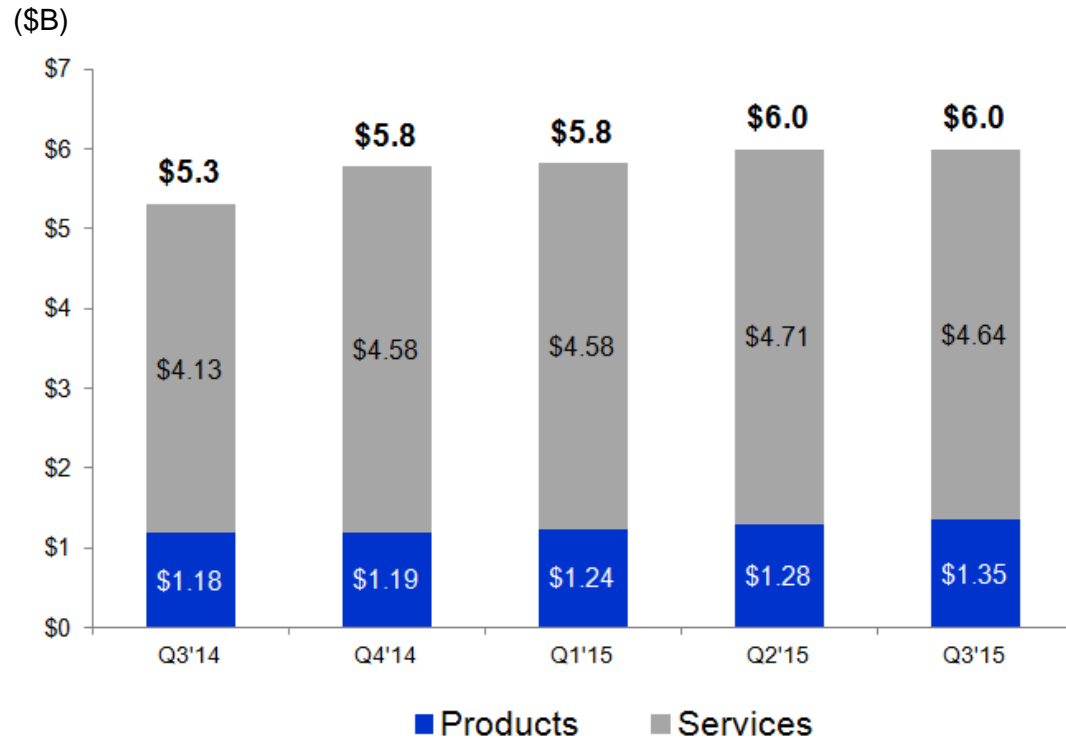
# SERVICES Q3 HIGHLIGHTS



- Sales of \$497M, down 3%. Excluding currency and iDEN impact, sales grew 3%
- Backlog up \$509M vs. LY, and approximately flat sequentially in constant currency
- Smart Public Safety, Managed & Support Services grew solidly in constant currency
- Emergency Call Works acquisition delivering early success with increasing wins in Next Gen 9-1-1



# BACKLOG TREND



## Sequential Quarter Change (Q2'15 to Q3'15)

- Products up \$65M
- Services down \$68M
  - Includes \$60M unfavorable currency adjustment \*

## Annual Change (Q3'14 to Q3'15)

- Products up \$171M
- Services up \$509M

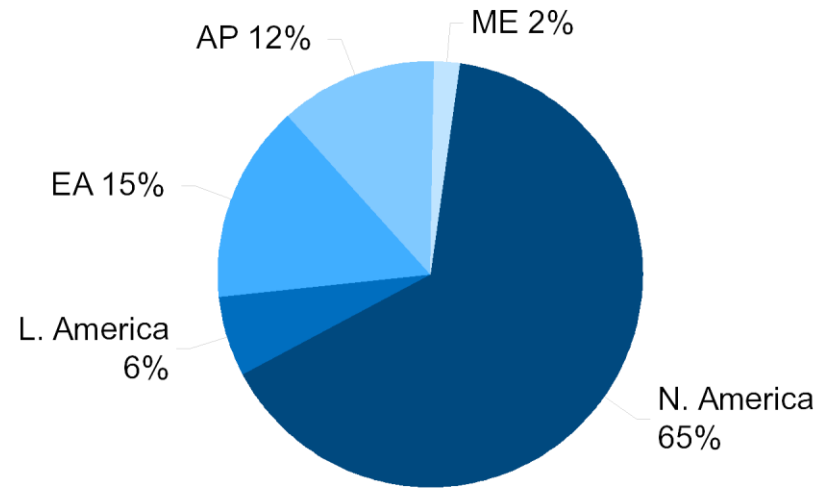


# REGIONAL REVENUE



	Q3 2015	Q3 2014	Change *	Constant Currency Change
N. America	\$922	\$880	5%	6%
L. America	\$85	\$108	(22%)	(15%)
EA	\$213	\$277	(23%)	(14%)
AP	\$171	\$151	14%	24%
ME	\$31	\$19	58%	58%
TOTAL	\$1,422	\$1,436	(1%)	3%

## Q3 2015 REVENUE BY REGION



- **North America:** Growth in Products & Services. Solid backlog growth
- **Latin America:** Macro-economic and currency headwinds, iDEN decline
- **Europe & Africa:** Norway deployment nearing completion, currency, and Eastern Europe macro-economic headwinds
- **Asia Pacific:** Strong Products, solid backlog growth vs. LY
- **Middle East:** Growth across both PS-LTE and LMR. Strong backlog

\* Values may differ due to rounding

# Q&A PARTICIPANTS

An aerial photograph of a dense urban skyline, likely São Paulo, Brazil, featuring numerous high-rise apartment buildings and a clear sky with a helicopter flying in the distance.

**Greg Brown** - Chairman and CEO

**Gino Bonanotte** - Executive Vice President  
and CFO

**Mark Moon** - Executive Vice President and  
President, Sales

**Bruce Brda** –Executive Vice President,  
Systems and Products

**Shep Dunlap** - Vice President, Investor  
Relations

# USE OF NON-GAAP MEASURES



In addition to the GAAP results provided during this event, Motorola Solutions has provided certain non-GAAP measurements. Motorola Solutions has provided these non-GAAP measurements as a measure to help investors better understand its core operating performance, enhance comparisons of Motorola Solutions' core operating performance from period-to-period and to allow better comparisons of Motorola Solutions' operating performance to that of its competitors. Among other things, the Company's management uses these operating results, excluding the identified items, to evaluate the performance of its businesses and to evaluate results relative to incentive compensation targets. Management uses operating results excluding these items because they believe this measure enables them to make better period-to-period evaluations of the financial performance of its core business operations. There are inherent limitations in the use of operating results excluding these items because the company's GAAP results include the impact of these items. The non-GAAP measures are intended only as a supplement to the comparable GAAP measures and the Company compensates for the limitations inherent in the use of non-GAAP measures by using GAAP measures in conjunction with the non-GAAP measures. As a result, investors should consider these non-GAAP measures in addition to, and not in substitution for, or as superior to, measures of financial performance prepared in accordance with GAAP.

## Specific Definitions:

Non-GAAP EBITDA = Non-GAAP Operating Earnings plus Depreciation.

Free Cash Flow = Operating Cash Flow minus CAPEX

Constant Currency We evaluate our results of operations on both an as reported and a constant currency basis. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We calculate constant currency percentages by converting our current period local currency results using prior-period exchange rates, and then comparing these adjusted values to prior period reported results.

Details of these items and reconciliations of the non-GAAP measurements provided during this presentation to GAAP measurements can be found in the Appendix to this presentation and on Motorola Solutions' website at [www.motorolasolutions.com/investor](http://www.motorolasolutions.com/investor)

# SUPPLEMENTAL NON-GAAP MEASURES



**Motorola Solutions, Inc. and Subsidiaries Non-GAAP Trend**  
(In millions, except for per share amounts)

	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15
Net sales	\$ 1,387	\$ 1,537	\$ 1,580	\$ 1,764	\$ 1,396	\$ 1,497	\$ 1,517	\$ 1,817	\$ 1,228	\$ 1,393	\$ 1,436	\$ 1,823	\$ 1,223	\$ 1,422	\$ 1,422
GAAP gross margin	697	766	820	910	693	750	765	901	577	656	685	912	548	685	685
Non-GAAP gross margin adjustments:															
Stock-based compensation expense	5	6	5	5	5	4	4	4	4	3	2	2	3	2	2
Reorganization of business charges	1	3	2	1	—	5	5	7	1	3	7	—	2	3	1
Non-GAAP gross margin	703	775	827	916	698	759	774	912	582	662	694	914	553	653	688
GAAP Operating earnings (loss) ("OE")	152	190	252	327	174	203	246	325	107	138	207	(1,459)	119	231	231
Non-GAAP OE Adjustments:															
Stock-based compensation expense	29	36	30	31	30	23	25	26	25	23	18	18	18	17	16
Reorganization of business charges	6	6	6	8	7	13	16	34	9	25	13	15	12	13	14
Intangibles amortization expense	—	—	—	—	—	—	—	—	1	1	1	1	2	3	2
Other highlighted items	—	—	—	(16)	—	—	—	—	(21)	8	11	1,906	—	(32)	26
Non-GAAP OE	\$ 193	\$ 241	\$ 295	\$ 356	\$ 216	\$ 248	\$ 296	\$ 396	\$ 126	\$ 201	\$ 259	\$ 483	\$ 156	\$ 260	\$ 292
GAAP OE%	11.0 %	12.4 %	15.9 %	18.5 %	12.5 %	13.6 %	16.2 %	17.9 %	8.7 %	9.9 %	14.4 %	(80.0)%	9.7 %	18.6 %	16.2 %
Non-GAAP Adj %	2.9 %	3.3 %	2.8 %	1.7 %	3.0 %	3.0 %	3.3 %	3.9 %	1.5 %	4.5 %	3.6 %	106.5 %	3.1 %	0.4 %	4.3 %
Non-GAAP OE %	13.9 %	15.7 %	18.7 %	20.2 %	15.5 %	16.6 %	19.5 %	21.8 %	10.3 %	14.4 %	18.0 %	26.5 %	12.8 %	19.0 %	20.5 %

# SUPPLEMENTAL NON-GAAP MEASURES



## Motorola Solutions, Inc. and Subsidiaries Non-GAAP Trend (In millions, except for per share amounts)

	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15
GAAP Other income (expense)	14	(27)	(9)	(18)	(19)	(35)	5	(19)	(18)	(40)	(56)	(39)	9	(34)	(34)
Non-GAAP Below OE adjustments	16	—	—	—	—	—	23	—	—	—	(27)	—	46	—	—
Non-GAAP Other income (expense)	(2)	(27)	(9)	(18)	(19)	(35)	(18)	(19)	(18)	(40)	(29)	(39)	(37)	(39)	(34)
GAAP Earnings (loss) from continuing operations*	110	129	156	275	157	223	261	293	85	78	66	(926)	87	126	126
Non-GAAP OE adjustments	41	51	43	29	42	45	50	71	19	63	52	1,942	37	6	61
Non-GAAP below OE adjustments	(16)	—	—	—	—	—	(23)	—	—	—	27	—	(46)	—	—
Non-GAAP tax adjustments and effect	(7)	(33)	(13)	(68)	(57)	(11)	(2)	(6)	(32)	(20)	9	(728)	5	(13)	(21)
TOTAL Non-GAAP Earnings from continuing operations	\$ 128	\$ 147	\$ 186	\$ 236	\$ 142	\$ 257	\$ 286	\$ 358	\$ 72	\$ 121	\$ 154	\$ 288	\$ 83	\$ 143	\$ 166
GAAP Continuing operations earnings per share ("EPS")	\$ 0.35	\$ 0.44	\$ 0.54	\$ 0.97	\$ 0.56	\$ 0.81	\$ 0.98	\$ 1.12	\$ 0.33	\$ 0.30	\$ 0.27	\$ (4.02)	\$ 0.40	\$ 0.72	\$ 0.63
Non-GAAP Continuing operations EPS adjustments	0.05	0.06	0.11	(0.14)	(0.05)	0.13	0.10	0.25	(0.05)	0.17	0.35	5.27	(0.02)	(0.04)	0.19
Non-GAAP Continuing operations EPS	\$ 0.40	\$ 0.50	\$ 0.65	\$ 0.83	\$ 0.51	\$ 0.94	\$ 1.08	\$ 1.37	\$ 0.28	\$ 0.47	\$ 0.62	\$ 1.25	\$ 0.38	\$ 0.68	\$ 0.82
Diluted, weighted average shares outstanding	317.7	296.1	287.4	284.4	280.7	274.7	265.3	261.2	258.3	256.2	248.2	230.5	217.8	209.5	201.3

\* Amounts attributable to Motorola Solutions, Inc. common shareholders.



**MOTOROLA  
SOLUTIONS**  
Q3 2015 Earnings Call

November 4, 2015