MOTOROLA SOLUTIONS

# Q1 2016 Earnings Conference Call
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## PARTICIPANTS

### Motorola Solutions Executive Participants

**Shep Dunlap** – Vice President, Investor Relations
**Greg Brown** – Chairman and Chief Executive Officer
**Gino Bonanotte** – Executive Vice President and Chief Financial Officer
**Jack Molloy** – Executive Vice President, Worldwide Sales
**Bruce Brda** – Executive Vice President, Products & Services

### Other Participants

**Kulbinder S. Garcha** – Analyst, Credit Suisse Securities (USA) LLC (Broker)
**Pierre C. Ferragu** – Analyst, Sanford C. Bernstein & Co. LLC
**Tavis C. McCourt** – Analyst, Raymond James & Associates, Inc.
**Keith Housum** – Analyst, Northcoast Research Partners LLC
**George C. Notter** – Analyst, Jefferies LLC
**Ashwin X. Kesireddy** – Analyst, JPMorgan Securities LLC
**Andrew C. Spinola** – Analyst, Wells Fargo Securities LLC
**Andrew DeGasperi** – Analyst, Macquarie Capital (USA), Inc.
**Vijay Bhagavath** – Analyst, Deutsche Bank Securities, Inc.
**Gopal Mehta** – Analyst, Cowen and Company

## MANAGEMENT DISCUSSION SECTION

**Operator:** Good afternoon and thank you for holding. Welcome to the Motorola Solutions First Quarter 2016 Earnings Conference Call. Today's call is being recorded. If you have any objections, please disconnect at this time.

The presentation material and additional financial tables are currently posted on the Motorola Solutions Investor Relations website. In addition, a replay of this call will be available approximately three hours after the conclusion of this call over the Internet. The address is www.motorolasolutions.com/investor. At this time, all participants have been placed in listen-only mode and the line will be opened for your questions following the presentation.

I would now like to introduce Mr. Shep Dunlap, Vice President of Investor Relations. Mr. Dunlap, you may begin.

### Shep Dunlap, Vice President-Investor Relations

Thank you. Good afternoon. Welcome to our first quarter 2016 earnings call. With me today are Greg Brown, Chairman and CEO; Gino Bonanotte, Executive Vice President and CFO; Bruce Brda, Executive Vice President, Products and Services; and Jack Molloy, Executive Vice President, Worldwide Sales. Greg and Gino will review our results along with commentary, and Bruce and Jack will join for Q&A.

We have posted an earnings presentation and news release at motorolasolutions.com/investor. These materials include GAAP to non-GAAP reconciliations for your reference. A number of forward-looking statements will be made during this presentation during the Q&A portion of the call. These statements are based on current expectations and assumptions that are subject to a variety of risks and uncertainties. Actual results could differ materially from these forward-looking statements. Information about factors that could cause such differences can be found in this afternoon’s earnings news release and the comments made during this conference call and the Risk Factors section of our 2015 annual report on Form 10-K and in other reports and filings with the SEC. We do not undertake any duty to update any forward-looking statement.

And with that, I’d like to turn it over to Greg.

**Greg Brown, Chairman & Chief Executive Officer**

Thanks, Shep. Good afternoon and thanks for joining us today. I’d like to make a few opening comments about the first quarter and the overall business before Gino takes us through the results and the outlook. First, Q1 was a good quarter relative to our sales and earnings expectations. North America continues to execute well with growth of 2% including increases in both products and services sales along with encouraging order activity.

Second, our focus around growing the Managed and Support Services franchise continues to build momentum. We grew Managed and Support Services 6% organically in Q1, closed Airwave, added $1.8 billion to our backlog position, and made significant progress in streamlining and packaging our Services and Support offerings.

And last, we continue to build a leaner and more agile organization as we drive further operational efficiency. There are a number of examples that illustrate this change, including the completed sale of our Malaysian manufacturing facility, a 40% reduction in product SKUs in a little over a year and a targeted shift in R&D to strategic growth areas.

I’ll now turn the call over to Gino to provide additional details on Q1 results and outlook before returning to provide some closing thoughts.

**Gino A. Bonanotte, Executive Vice President & Chief Financial Officer**

Thank you, Greg. Key Q1 results include revenue of $1.2 billion, down 2% versus last year and down 1% in constant currency. Airwave revenue was $61 million. GAAP operating earnings were $100 million. Non-GAAP operating earnings were $166 million or 13.9% of sales, representing a 110 basis point improvement from the year-ago quarter. EBITDA grew $20 million to $215 million. GAAP earnings per share from continuing operations of $0.10 compared to $0.40 in the first quarter of 2015. Non-GAAP EPS was $0.52 which represents a 37% year-over-year increase. This earnings growth was driven primarily by ongoing cost reduction and further optimizing our capital structure.

Ending backlog is up $2.5 billion versus last year and up $1.9 billion sequentially. Of the $2.5 billion year-on-year increase, Airwave accounts for $1.8 billion. Managed and Support Services backlog is up $700 million, and Product is up $30 million. The $1.9 billion sequential increase was primarily due to Airwave, Managed and Support Services, and a $32 million increase in Product. For the remainder of the call, we will reference non-GAAP financial results including those in our outlook unless otherwise noted.

Moving to the Product segment, Q1 Product sales were $702 million, down 7% versus the prior year. The decline was primarily due to weakness in Latin America and Europe as well as currency headwinds. Q1

Product segment operating income was $84 million or 12% of sales, up 10 basis points versus last year as a result of the ongoing cost reduction actions. Product segment backlog ended the quarter at $1.3 billion, up $30 million versus last year and up $32 million sequentially, driven by North America. Product backlog has grown in seven of the past eight quarters.

Turning to Services, Q1 Service revenue was $491 million, up 6%. Excluding the $61 million of Airwave sale, Services declined 8% primarily on systems integration related to Norway as well as a decline in iDEN. The focus growth area of Managed and Support Services grew 6% organically. Inclusive of Airwave, Managed and Support Services now represents approximately 25% of our total revenue. Services operating income was $82 million or 16.7% of revenue, up $16 million from the prior year.

Operating margins increased 250 basis points on improved gross margin and lower OpEx. Services backlog ended at $7.1 billion, up $2.5 billion versus last year and up $1.8 billion sequentially. The $2.5 billion of backlog growth versus last year is attributable to $1.8 billion of Airwave in EMEA and $500 million of Managed and Support Services in North America.

Moving to operating expenses, total OpEx from continuing operations was $354 million, down $43 million or 11% from the year-ago quarter, driven primarily by continued cost reduction activities. For the year, we continue to expect savings of approximately $120 million, including the addition of the OpEx related to Airwave. Other income and expense in Q1 was $42 million compared to $37 million in the year-ago quarter. Net interest expense was $49 million in Q1 compared to $40 million last year.

Moving to taxes, the Q1 effective tax rate was 26%. We continue to expect the full year 2016 effective tax rate to be approximately 33%.

Turning to cash flow, Q1 operating cash flow was $13 million, a decrease of $143 million. Free cash flow was a use of $38 million. The lower operating cash flow was the result of higher incentive payments and higher tax payments, while working capital was a smaller source of cash than last year. We remain on track for approximately $1.1 billion to $1.2 billion of operating cash flow and $4.75 to $5 of free cash flow per share for the full year. We ended Q1 in a net debt position of $3.1 billion. During the quarter, we repurchased $64 million of stock at $71.41. The lower buyback levels in Q1 were primarily due to the Airwave transaction.

In total, we have repurchased $11 billion of shares at an average price of $57.13 and have approximately $1 billion remaining on our current authorization. Finally, dividend payments were $71 million for the quarter.

Now, turning to the outlook, we expect Q2 sales growth of 1% to 3%. Airwave revenue is expected to be approximately $130 million. We expect Q2 non-GAAP EPS between $0.82 and $0.88. Our view of the full year 2016 outlook remains unchanged at 5% to 7% sales growth. We also expect non-GAAP EPS of $4.45 to $4.65. Airwave is expected to be approximately $450 million in revenue.

Moving to regional results, North America grew 2%, driven by both Products and Services demand. Demand for both Managed and Support Services as well as APX device sales were key growth drivers in North America. Backlog growth was once again very strong in Services with an increase of approximately $500 million from last year. Additionally, Product backlog was up $23 million sequentially. We remain on track for growth for the year.

Latin America was down 42% on continued challenging macroeconomic conditions, the impact of a stronger dollar and iDEN declines. While the macro environment has clearly impacted the channel business and demand for large systems, our overall margins within the region remain solid. We have adjusted sales coverage on key accounts and continue to support our partners and customers during the downturn. EMEA was up 1% inclusive of $61 million of Airwave revenues, offset by declines associated with the Norway project, pockets of channel weakness, and currency headwinds.

Asia-Pac declined by 4% on currency headwinds and expected softness in China. Excluding currency, Asia-Pac grew 1% with a strong quarter of Managed and Support Services revenue growth.

I'd also like to share some brief segment highlights. In our Product segment, some of the notable awards won during the quarter include a $42 million contract with Montgomery County, Maryland to upgrade their P25 network to the latest release, a $23 million contract in Central Africa for a nationwide P25 system, a $25 million order with a North African nation for our latest MOTOTRBO trunking solution, and we won another Public Safety LTE contract with the United Nations for a deployable LTE system and devices.

Highlights from our Services business include the award of a significant and strategic contract in the U.K. to provide WAVE 7000 interoperability between the existing Airwave LMR network and the new ESN LTE network when operational. We won a large multi-year maintenance and software upgrade contract with a large U.S. utility customer that utilizes our full suite of services. And finally, our Smart Public Safety momentum continues with strong double-digit revenue growth and continued innovation. New offerings include CommandCentral software to help public safety in the command and control center with real-time operational views, situational awareness in the field, and improved decision-making.

New wins in Smart Public Safety includes several Emergency CallWorks awards that bring next generation 911 capabilities to public safety answering points.

I would now like to turn the call back over to Greg.

**Greg Brown, Chairman & Chief Executive Officer**

Gino, thanks. Let me close with a few thoughts. First, Q1 was a good start to the year in terms of delivering on our sales plan and maintaining momentum in North America and our Managed and Support Services business that we believe will be key growth engines for us in the coming years. Second, we remain acutely focused on delivering significant earnings growth and free cash flow per share increases for full year 2016 and beyond.

And finally, our teams continue to make good progress on our growth in innovation initiatives. While there's plenty of work that remains to be done, I'm pleased with the underlying trends we're seeing in our backlog growth and recurring revenues. While the team is streamlining and strengthening our services portfolio, improving sales coverage, adding key commercial vertical resources, optimizing channel efficiency, and making the right targeted investment areas in such as Smart Public Safety and software.

And I'll now turn the call back over to Shep so we can then open it up for questions.

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

Thanks, Greg. Before we begin taking questions, I'd like to remind callers to limit themselves to one question and a follow-up so we can accommodate as many participants as possible. Operator, would you please remind our callers on the line how to place a question?

## QUESTION AND ANSWER SECTION

**Operator**: [Operator Instructions] Thank you. We'll take our first question from Kulbinder Garcha with Credit Suisse. Please go ahead.

**<Q – Kulbinder Garcha – Credit Suisse Securities (USA) LLC (Broker)>:** Hello. Can you hear me?

**<A – Shep Dunlap – Motorola Solutions, Inc.>:** We can hear you, Kulbinder.

**<Q – Kulbinder Garcha – Credit Suisse Securities (USA) LLC (Broker)>:** Okay, great. Thanks. A question first of all for Greg. I guess just in terms of the priorities for MSI in terms of delivering organic revenue growth, when do you think that's going to be? I'm just thinking – I know there's been lots of impacts over the last couple of years, narrowbanding currency, macro and all the different factors. From where we are now just for the overall organization to organically start growing the top line, is that a priority? Is that something we see as we get to the back half of the year? What drives it? Could you speak a little bit about that, please?

And then basically for Gino, just on Airwave, can you maybe just help me understand how quickly the revenues tail off for that business? I assume at some point it will. But I have never got a clear understanding as to, is it after two years or three years or four years? What's the financial dynamics of that acquisition? Thanks.

**<A – Greg Brown – Motorola Solutions, Inc.>:** Yeah, Kulbinder. So from an outlook standpoint, a couple of points. Q1 over-performed against our expectations. I'd say that was largely driven by North America to kind of frame that. Second point I'd make is for the first half of our view of the year, I think it's entirely consistent with our expectations a quarter ago, and we're maintaining our outlook for the full year. From an organic perspective, we expect growth in the second half of this year organically, segregating out Airwave.

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** And, Kulbinder, on the Airwave question, the current contracts are extended through 2019. And at that point in time, based on the ESN rollout, we'll determine how much longer they go beyond that.

**<Q – Kulbinder Garcha – Credit Suisse Securities (USA) LLC (Broker)>:** And, Gino, just to clarify one thing on that point, though, is there an opportunity as you bring product solutions to that customer that this could extend to be a multi-year business beyond it? Or is it uncertain at this time? Or I'm trying to understand the longevity even beyond that perhaps.

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** Yeah, Kulbinder. I'll start and perhaps some of the other folks might want to jump in. When we look at the U.K. Home Office and Public Safety in the U.K., we've had a relationship for decades regardless of technology. We expect that relationship to continue regardless of technology. Throughout technology upgrades, service offerings, we've maintained a great relationship with the Home Office and with Public Safety, and we expect to continue that and expect that to go beyond Airwave and ESN.

**<A – Greg Brown – Motorola Solutions, Inc.>:** And just to add a specific piece of color, since both the Airwave transaction has closed and the order for ESN, we received a significant order from the U.K. Home Office for a piece of software that will provide interoperability between LMR, Land Mobile Radio, and LTE and that's a new contract that we got just this past quarter. So I think things are progressing well and we're well-positioned.

**<Q – Kulbinder Garcha – Credit Suisse Securities (USA) LLC (Broker)>:** Okay, thanks. Very clear. Thank you.

**<A – Greg Brown – Motorola Solutions, Inc.>:** Thanks, Kulbinder.

**Operator**: We go next to Pierre Ferragu with Bernstein. Please go ahead.

**<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>:** Hi. Thank you both for taking my question. I was just wondering about like your performance in the U.S., 2% organic growth and also all the comments you have made about your backlog both in Services and in Product. So is it fair to say that this growth is more on the low end than the high end of the kind of growth you expect from the region going forward? And in particular, if I look at the second half, it looks like – so as you've said, you expect organic growth to come back. And based on your guidance, I get the feeling it could be more than 2% organic growth. And in that picture, would the U.S. accelerate, or do you expect growth to come back mostly from international markets? Thank you.

**<A – Jack Molloy – Motorola Solutions, Inc.>:** Pierre, good evening. It's Jack. So I guess a couple comments. When you think about Q1, we had both Product and Services growth in North America. I think that's an important point. We also grew the Managed and Support Services 9%. And as you alluded to, our backlog was up $575 million, again, primarily driven by Managed and Support Services, but we grew both segments.

If you think about 2016 in total, as we said, we'll grow the North American business. It continues to be a good environment for both state and local and the federal business for us. A couple things to think about is we've improved sales coverage, so we're starting to see some return on that. And then we're also – we've gone into better data analytics in terms of our ability to target and capture additional software features on the equipment that we sell, the products that we sell. So again, as we said, we expect to grow in North America in 2016.

**<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>:** Thanks. And maybe a quick follow-up specifically on the comment that Gino made on your Product backlog that has been up like for six or seven quarters in a row. What does a Product backlog mostly relate to? Is that like a handsets backlog or is that more infrastructure or features, and what's the typical duration of your backlog on the Product side?

**<A – Jack Molloy – Motorola Solutions, Inc.>:** Yeah, so, Pierre, our backlog as we see it today has trended more towards devices. We've certainly seen particularly in Q1. In the back half of 2015, our mix has really gone to devices over infrastructure. But I will add that we've obviously seen with the backlog growth, we've seen the return of some large scale projects. State of Iowas and those kind of deals. So it's a pretty good mix as we said. Big growth in Services, some growth in devices as well.

**<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>:** Thank you.

**<A – Greg Brown – Motorola Solutions, Inc.>:** Gino, I don't have anything to add on that.

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** The only thing I'll add, Jack, is from a duration perspective, clearly the Managed and Support Services is a longer duration, multi-year contract. Product is typically a shorter duration, although in Products we could have system deployment that would extend several quarters.

**<A – Shep Dunlap – Motorola Solutions, Inc.>:** Next question, please?

**Operator**: Okay. We'll go next to Tavis McCourt with Raymond James. Please go ahead.

**<Q – Tavis McCourt – Raymond James & Associates, Inc.>:** Hey. Thanks for taking my question. First, I guess you mentioned it, but maybe a little more explanation on what's going on in EMEA. I think if you back out the Airwave revenues, it was down like mid-20s percentage year-over-year. So maybe just a little more detail there. And then kind of bigger picture on the revenue this year, if I look at Q1 and the Q2 guidance, it looks like your growth rate ex-Airwave will be down 7% or 8% in the first half of the year. Can you give us a bridge to what gives you the confidence for turning that around to something that looks like it needs to be kind of low to mid-single digit organic growth in the back half of the year? Thanks.

**<A – Jack Molloy – Motorola Solutions, Inc.>:** Okay. Hey, Tavis. It's Jack. So I guess in regards to EMEA first, obviously Q1 was up 4% ex-currency, but when you look at the business organically, obviously we were down 26% in EMEA. And a large part of that is due to the fact of our Norway, the integration runoff and the comps there. We also saw a decline in devices. The other piece of it is if you think about EMEA, we've had some pockets of weakness in the channel at the low end, particularly in Europe. But again, we continue to see – I mean, when you start to think about the region in 2016, we'll see continued pressure in the first half with the runoff of Norway as well as FX. Gino, I don't know if you have anything you want to add as it relates to the second part of the question.

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** Well, the second part of the question being confidence in...

**<A – Greg Brown – Motorola Solutions, Inc.>:** In the full year second half.

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** ...in the full year. So if we look at our backlog aged into the second half, it's comparable to what it was last year, Tavis, and clearly in the first half, the first half Latin America specifically, Q1 and Q2 have been hit hard from a year-over-year perspective. If we look at what happened last year in Latin America, Q1 and Q2 were reasonable quarters and really the falloff happened in Q3 and Q4. So a combination of order activity, increasing backlog, and visibility that we have into the second half give us confidence for the – the expectation isn't for significant growth rates in the second half, but certainly better than performance in the first half.

**<Q – Tavis McCourt – Raymond James & Associates, Inc.>:** And then if I could ask a follow-up for you, Gino, on kind of the same topic but on the cash flow statement. So I know cash flow normally ramps throughout the year but you're starting from a pretty low base this year in Q1 2016. So is there anything that held cash flow back this particular quarter that should reverse or anything else we should be aware of as we try to get to $1.1 billion of operating cash for the full year?

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** Yeah, a couple things to think about, Tavis. Q1 2015 was abnormally high. As you know, Q1 is typically our smallest quarter due to timing of some of the receivables. And if you look at our trailing 12-month, we're ahead of where we were the prior year. So really we were expecting cash flow to be lower in Q1. It was driven by higher incentive payments for 2015 performance versus 2014 variable pay payments that the majority of which are paid out in Q1 and higher tax payments. And working capital, working capital was a source of cash in Q1 2016, just not as large of a source as it was in Q1 of 2015. As a matter of fact, from a cash conversion cycle, we improved four days in the quarter. So we still expect operating cash flow of approximately $1.1 billion to $1.2 billion for the full year and free cash flow per share of $4.75 to $5.

**<Q – Tavis McCourt – Raymond James & Associates, Inc.>:** Great. Thanks very much.

**Operator**: We'll go next to Keith Housum with Northcoast Research.

**<Q – Keith Housum – Northcoast Research Partners LLC>:** Good afternoon. Thanks for taking my question. Gino, as I look at the Services gross margin and really gross margins overall, it seems like they're perhaps a little bit lower than what we expected with the Airwave acquisition. Is there anything in the Services gross margins that we should be looking at?

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** Yeah. So if we look at Services, as you mentioned, the Services gross margin were up year-over-year based on the Norway roll-off. We talked about Services gross margin getting back to that mid-30s percentage as our run rate and that did happen. What happened in Q1 were really three things. There was an FX impact, a volume impact on the product side, and a mix shift from product to services. As Services grew 6%, products contracted 7%. Those are really the three items that impacted Q1 margin. For the full year, we continue to expect full year gross margin to be comparable to last year. You mentioned Airwave. Airwave does have a little bit lower gross margin than our base business. But again, our expectation for the full year are gross margins comparable to what they were in 2015.

**<Q – Keith Housum – Northcoast Research Partners LLC>:** Great. And thinking – I'll ask one quick follow-up after that. Share repurchases were a lot lower than we expected. Now, understandably you guys couldn't buy back anything until Airwave acquisition was closed. Should we think about the share prices now you guys are going to be a little bit more opportunistic or is the thought process you're still going to buy aggressively?

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** Yeah. So we remain committed to return of capital. There's no change to the model. There's no change to the assumption of how much cash we need on the balance sheet to run the business. So for planning purposes, the expectation of $750 million to $1 billion of share buyback is still valid for planning purposes.

**<Q – Keith Housum – Northcoast Research Partners LLC>:** Great. Thank you.

**Operator**: We'll take the next question from George Notter with Jefferies.

**<Q – George Notter – Jefferies LLC>:** Hi. Thanks a lot, guys. It feels like you've got a fair amount of momentum right now in the Managed Services business even excluding the Airwave piece. But I guess I'd love to just ask you more broadly about the environment for Managed Services deals and are municipalities and states and other organizations now more open to those kinds of business models as opposed to owning and operating networks? And talk about what kind of changes you're seeing there? Thanks.

**<A – Bruce Brda – Motorola Solutions, Inc.>:** Hey. Thanks, George. This is Bruce Brda. We have seen an increase in the Managed Services business, primarily driven by a couple of things. Number one, the smoothing of cash flows, spend from our customers' perspective; second, and maybe more importantly, is the complexity of the networks are increasing on an ongoing basis. Our customers don't have the resources or the capabilities to manage a lot of those. And so we have seen both an increase in what we would consider support and managed, so long software upgrade agreements and multi-year support plans. And that's driven largely by North America, but also seen around the entire globe.

**<Q – George Notter – Jefferies LLC>:** Got it. Thank you.

**Operator**: And we will go next to Rod Hall with JPMorgan. Please go ahead.

**<Q – Ashwin Kesireddy – JPMorgan Securities LLC>:** Yeah, hi. Thanks for taking my question. This is Ashwin on behalf of Rod. I have one clarification, and a question. Based on your comments, revenue performance in Q1 and the guidance for Q2, it appears like some of the revenue has got pulled forward into Q1. Could you clarify if that's right? And is that the reason why your full year outlook has not changed? And then my question is on backlog. Could you update us on how much revenue do you expect to recognize from backlog this year now that you have integrated Airwave?

**<A – Greg Brown – Motorola Solutions, Inc.>:** Yeah, on the first one, you're right. I think that we over-performed in Q1 against our original expectations. That was largely driven by North America. So in Q2, our guidance, we think, is prudent. Obviously, we're holding the full year in Q2 specifically we have pressure from Latin America of probably about another $40 million, the roll-off of Norway of about $30 million. And to your point, probably some revenue that we would originally have thought would have appeared in Q2 slid to Q1. When you net all those ingredients, it's entirely first half and full year as we expected.

Backlog.

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** Yeah, with respect to the backlog question, as I mentioned earlier, we're approximately at the same position we were comparable to last year, aged in the year from a backlog perspective. And with respect to Airwave, the incremental $1.8 billion we have talked about a $450 million Airwave number. So clearly that $450 million would come out of the $1.8 billion of Airwave backlog.

**<Q – Ashwin Kesireddy – JPMorgan Securities LLC>:** Great. Thank you.

**Operator**: And we'll go next to Andrew Spinola with Wells Fargo. Please go ahead.

**<Q – Andrew Spinola – Wells Fargo Securities LLC>:** Thanks. I just wanted to ask you, you'd given the amount of activity in international markets in Public Safety LTE, specifically in TETRA markets. I'm wondering if you guys have seen any impact on your infrastructure business in TETRA or any impact at all on those markets from the potential shift to LTE in some of these countries.

**<A – Greg Brown – Motorola Solutions, Inc.>:** No. I'll let Jack Molloy expand, but we haven't. As we have mentioned with LTE, in the four largest engagements that have been awarded in the world so far, we won all four: Los Angeles, two countries in the Middle East, and the U.K. But simultaneously, we see continued investment in LMR even with those LTE awards. We think that LTE is additive to LMR. We're seeing increased interest between the interoperability between LMR and LTE, hence the award I mentioned from the U.K. Home Office in Q1. So, no, we don't see any chilling effect on TETRA infrastructure in international markets as a result of LTE consideration.

**<A – Jack Molloy – Motorola Solutions, Inc.>:** The one thing that I would add to that is the situation in the U.K. was unique in that they did not own either their spectrum or their network. So they had a different decision than really every other customer we have or we serve around the globe. To the best of my knowledge, they're the only customer in the world that didn't own spectrum or network and again had a different set of options presented to them than any other customer we have with the TETRA network.

**<Q – Andrew Spinola – Wells Fargo Securities LLC>:** Got it. And just a follow-up on that, what would be your expectations of investments in infrastructure now that you own the Airwave asset?

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** Specifically to Airwave, Andrew?

**<Q – Andrew Spinola – Wells Fargo Securities LLC>:** Yeah, since you own the business, what kind of investments in infrastructure do you foresee making between now and 2019 in that business?

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** Minimal, minimal CapEx in that business, Andrew.

**<Q – Andrew Spinola – Wells Fargo Securities LLC>:** Got it. Thank you.

**<A – Shep Dunlap – Motorola Solutions, Inc.>:** Next question.

**Operator**: We'll take our next question from Andrew DeGasperi with Macquarie. Please go ahead.

**<Q – Andrew DeGasperi – Macquarie Capital (USA), Inc.>:** Thanks for taking my question. First, I guess can you maybe give us an idea on when you think China might turn around and grow again? And then secondly, with FX stabilizing in Latin America and being such a small part of your revenue now, do you think the worst is over and that you think – you see that region growing again too?

**<A – Greg Brown – Motorola Solutions, Inc.>:** In terms of China, first of all, we had one of our strongest years ever that I can remember in China last year. But China was down about 25% in Q1 off of a high compare and some lumpiness in strong order activity. I think it will be down probably 20% or 25% for the full year. So we are not expecting any growth in China. Instead, we are expecting contraction of about 25% this year for the remainder.

**<A – Jack Molloy – Motorola Solutions, Inc.>:** Andrew, I guess maybe a couple comments on LatAm. So I think the first point that I think is important, if you think about LatAm as a region, it's 5% of MSI's total revenues.

The second thing I would say is, to your point, when we think about the first half of the year, we were down 42% in Q1. Most of the pressure from a comparables perspective does reside and is the challenge for us in the first half of 2016. But I would really say, having obviously spent a good portion of time in the region that if the situation remains fluid, both from, I think, a natural commodities perspective and a macroeconomic perspective. Some countries are faring better than others, but it remains a challenge.

I will say the one bright spot is we remained, and we will sustain our investment in the region both from a go-to-market and from a technical resource because we do believe the market will rebound again. It's just tough to really put your finger on exactly when that will happen right now.

**<Q – Andrew DeGasperi – Macquarie Capital (USA), Inc.>:** Great. Thank you.

**Operator**: The next question is from Vijay Bhagavath with Deutsche Bank.

**<Q – Vijay Bhagavath – Deutsche Bank Securities, Inc.>:** Yeah, thanks. Yeah, hi, Greg, Gino. A question and a follow-up. The question is on heading into the back half with all of the change of guard, the drama we are seeing with the U.S. elections, would you see any impact at all with any of your business with the Fed agencies or even with state and local with elections and change of guard? Thanks.

**<A – Jack Molloy – Motorola Solutions, Inc.>:** So, Vijay, I guess a comment. We don't really – no, we don't necessarily see anything with the federal elections that will impact our business in the federal market. Demand really post-2013 has been pretty stable, pretty solid in our business, and really that's across the continuum for both Product and Services. So, no, we don't anticipate any impact or any slowdown as it relates to the upcoming election in our business in the federal market.

**<Q – Vijay Bhagavath – Deutsche Bank Securities, Inc.>:** Very helpful. A quick follow-on for Gino in terms of OpEx heading into the back half. From a modeling point of view, give us some idea as how should we look into OpEx for the remainder of the year. Thanks.

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** Yeah. So, Vijay, we said $120 million total reduction year-over-year, and we did $43 million in Q1. So the modeling for the back half of the year, the first half will be a little bit more from a reduction perspective than the second half. And remember, the $120 million is a $120 million reduction year-over-year after the addition of approximately $30 million of Airwave OpEx. So really the reduction and the base business is approximately $150 million year-over-year.

**<Q – Vijay Bhagavath – Deutsche Bank Securities, Inc.>:** Very helpful. Thanks.

**Operator**: And we'll go next to Paul Silverstein with Cowen. Please go ahead.

**<Q – Gopal Mehta – Cowen and Company>:** Hey, guys. This is Gopal Mehta for Paul. Two questions. One is a quick clarification. On the organic growth revenue, did I hear you guys correctly that you expect the organic growth for full year, or was that just for second half?

**<A – Greg Brown – Motorola Solutions, Inc.>:** Just for second half.

**<Q – Gopal Mehta – Cowen and Company>:** Second half. Okay. And then the second was if you could give us some quantitative color on those – some of the big wins you guys mentioned and how that translates to the backlog.

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** So it really depends on the awards. They're different. Certainly, the Services award would be aged over several years. They're multi-year awards. System deployment would likely be aged over several quarters, and then there was some APX subscriber backlog that would be realized as revenue in 2016.

**<Q – Gopal Mehta – Cowen and Company>:** Got it. Thank you.

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** Sure.

**Operator**: It appears we have no further questions at this time. I'll return the floor back to Mr. Shep Dunlap, Vice President of Investor Relations, for any additional or closing remarks.

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

No. Thanks. We appreciate everybody joining us today and we look forward to speaking with all of you soon.

**Operator**: Ladies and gentlemen, this does conclude today's teleconference. A replay of this call will be available over the Internet in approximately three hours. The website address is motorolasolutions.com/investor. We thank you for your participation and ask that you please disconnect your lines at this time. Have a great day.