



# EARNINGS PRESENTATION

Q1 Results | May 3, 2018

# 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 8 through 20 in Item 1A of Motorola Solutions' 2017 Annual Report on Form 10-K, on page 37 in item 1A of Motorola Solutions' Quarterly Report on Form 10-Q for the quarter ended July 1, 2017, 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 3rd day of May, 2018. 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.

**Non-GAAP Statements:** Where we have used non-GAAP financial measures, reconciliations to the most comparable GAAP measure are provided, along with a disclosure on the usefulness of the non-GAAP measure, in the appendix of this presentation. These measures include "Constant Currency," "Free Cash Flow," "Operating Expenses" and "Organic Revenue"

# HIGHLIGHTS



- **Sales of \$1.5B, up 15%**
  - Organic\* revenue growth of 10%
  - North America organic growth of 8%
  - Services up 15% led by Managed & Support Services
  - Products up 14% with growth in every region
- **Non-GAAP operating margin\*\* of 17.7%, up 120 bps**
- **Non-GAAP EPS\*\* of \$1.10, up 55%**
- **Backlog up \$1.1B or 13% vs. LY**
  - Products up \$166M or 11%
  - Services up \$973M or 14%
- **Completed \$500M debt funded U.S. pension contribution**
- **Closed the acquisitions of Avigilon Corp. and Airbus DS Communications (Plant Holdings, Inc.)**

\* Organic revenue reflects net sales calculated under GAAP excluding net sales from acquired business owned less than 4 full quarters and excluding the affects of ASC 606

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

# FINANCIAL RESULTS



<b>(\$M) Excluding per share amounts</b>	<b>Q1 2017</b>	<b>Q1 2018</b>	<b>Change</b>
Revenue	\$1,281	\$1,468	15%
Non-GAAP Operating Earnings*	\$212	\$260	23%
Non-GAAP Operating Margin*	16.5%	17.7%	120 bps
Non-GAAP Earnings Per Share*	\$0.71	\$1.10	55%

## **Q1 2018 Revenue Not Contemplated in Prior Guidance**

- Avigilon and Airbus DS \$22M
- ASC 606 accounting standard \$15M

\* Non-GAAP, excluding highlighted items, stock-based compensation, and intangible amortization. 2017 is restated for the implementation of accounting standard ASU 2017-07.

# CASH FLOW



<b>(\$M) Trailing Twelve Months</b>	<b>2017</b>	<b>2018</b>	<b>Change</b>
Operating Cash Flow	\$1,295	\$704	(\$591)
Capital Expenditures	(\$287)	(\$200)	\$87
<b>Free Cash Flow</b>	<b>\$1,008</b>	<b>\$504</b>	<b>(\$504)</b>

## Trailing 12 Months

- Operating Cash Flow down \$591M driven by \$500M debt funded U.S. pension contribution, higher cash tax of \$102M and a \$52M collection of a legal judgment in Q1 2017
- Lower capital expenditures driven primarily by lower IT spend related to the ERP implementation

## Q1 2018

- Operating Cash Flow was (\$500M), vs \$142M LY, driven by \$500M debt funded U.S. pension contribution, a \$52M collection of a legal judgment in Q1 2017, higher cash tax of \$15M, and higher incentives of \$27M
- Lower capital expenditures of \$27M driven primarily by lower IT spend related to the ERP implementation

# OUTLOOK (NON-GAAP)



## **Q2 2018**

Revenue Growth	Approx. 15%
Non-GAAP EPS	\$1.34 - \$1.39

## **PRIOR FULL YEAR GUIDANCE Feb 27**

Revenue Growth	10% - 11%
Non-GAAP EPS	\$6.50 - \$6.65

## **UPDATED FULL YEAR 2018**

Revenue Growth	Approx. 14%
Non-GAAP EPS	\$6.70 - \$6.85

## **FULL YEAR DETAILS**

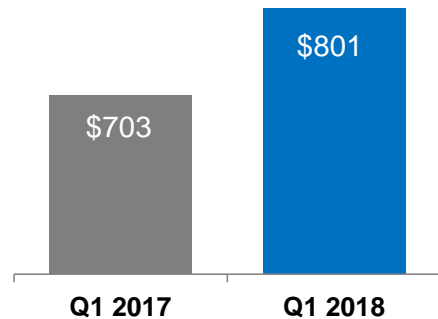
- Avigilon & Airbus DS revenue \$450M; EPS \$0.04 (net of share repurchase and interest expense)
- ASC 606 revenue \$75M; EPS \$0.01
- Organic revenue\* growth approximately 5%
- Organic revenue constant currency growth approximately 4%, up from 2.5% in prior guidance
- Currency tailwinds now \$75 million compared to \$130 million in prior guidance
- Fully diluted share count 172M, effective tax rate 25%, current F/X rates

\* Organic revenue reflects net sales calculated under GAAP excluding net sales from acquired business owned less than 4 full quarters and excluding the affects of ASC 606

# Q1 PRODUCTS RESULTS



## Revenue (\$M)

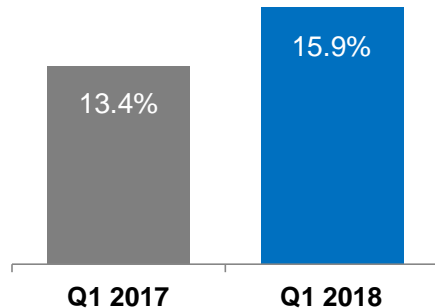


- Revenue up 14% with growth in every region
  - North America up 14% vs. LY
- Non-GAAP operating margin\* up 250 bps, driven by higher sales and higher gross margins related to favorable mix
- Backlog up \$166M vs. LY driven by North America and EMEA

## • Notable wins and achievements:

- \$15M P25 System upgrade for Miami Dade County
- Announced the LEX L11 Mission Critical LTE handheld device for global broadband networks, including FirstNet in the U.S.
- Completed the acquisition of Avigilon

## Non-GAAP Operating Margin % \*

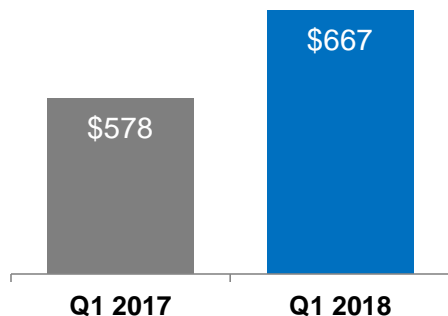


\* Non-GAAP, excluding highlighted items, stock-based compensation, and intangible amortization

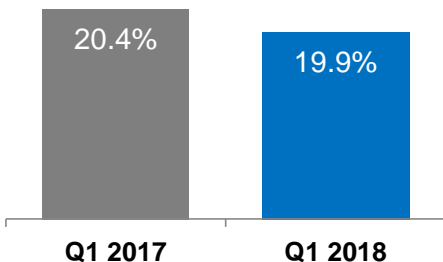
# Q1 SERVICES RESULTS



## Revenue (\$M)



## Non-GAAP Operating Margin % \*

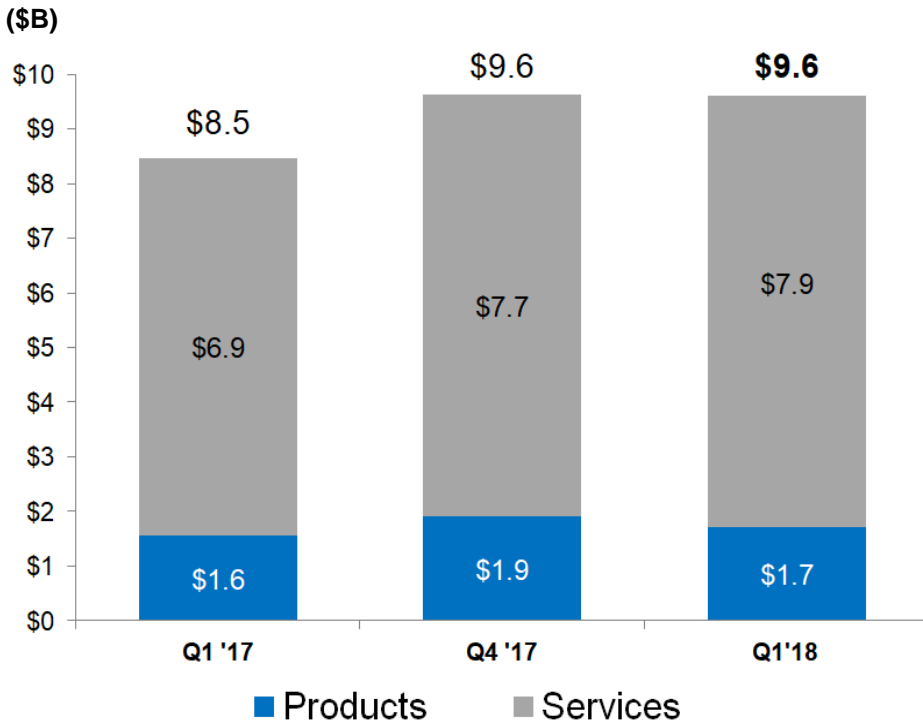


- Revenue up 15% vs. LY with growth in every region, driven by Managed & Support services
- Non-GAAP operating margin down 50 bps due to higher opex related to acquisitions, F/X, and R&D in software
- Backlog up \$973M vs. LY driven by large multi-year service agreements in the Americas and Asia Pacific
- **Notable wins and achievements:**
  - \$40M Managed & Support contract with the state of Maryland
  - \$20M Managed & Support contract with the state of Indiana
  - \$6M Managed & Support contract with Petrobras in Latin America
  - Selected by the state of Florida to build and manage a new statewide public safety network

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



# BACKLOG TREND



## Annual Change (Q1'17 to Q1'18)

- Products up \$166M primarily driven by North America and EMEA
- Services up \$973M driven by North America and Asia Pacific

## Sequential Change (Q4'17 to Q1'18)

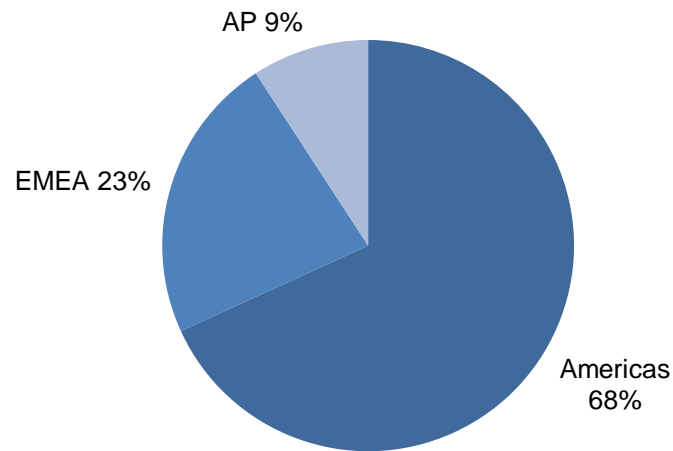
- Products down \$178M primarily due to the implementation of ASC 606
- Services up \$175M driven by North America

# Q1 REGIONAL REVENUE



(\$M)	Q1 2017	Q1 2018	Change *
Americas	\$865	\$995	15%
EMEA	\$287	\$338	18%
AP	\$129	\$135	5%
<b>TOTAL</b>	<b>\$1,281</b>	<b>\$1,468</b>	<b>15%</b>

## Q1 2018 REVENUE BY REGION



\* Values may differ due to rounding

# Q&A PARTICIPANTS



**Greg Brown**

Chairman and CEO

**Gino Bonanotte**

Executive Vice President and CFO

**Bruce Brda**

Executive Vice President,  
Products & Solutions

**Jack Molloy**

Executive Vice President,  
Worldwide Sales and Services

**Chris Kutsor**

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.

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)

# USE OF NON-GAAP MEASURES



“Constant Currency,” “Free Cash Flow,” “Operating Expenses or Opex” and “Organic Revenue” are non-GAAP measures and should not be considered replacements for results in accordance with accounting principles generally accepted in the U.S. (“GAAP”). These non-GAAP measures may not be comparable to similarly-titled measures reported by other companies. The primary limitation of these measures is that they exclude the financial impact of items that would otherwise either increase or decrease our reported results. This limitation is best addressed by using these non-GAAP measures in combination with the most directly comparable GAAP measures in order to better understand the amounts, character and impact of any increase or decrease in reported amounts. The following provides additional information regarding these non-GAAP measures:

**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.

**Free Cash Flow** - Operating Cash Flow minus CAPEX. We believe Free Cash Flow provides useful information to investors as it provides insight into the primary cash flow metric used by management to monitor and evaluate cash flows generated from our operations. This measure is also used as a component of incentive compensation.

**Operating Expenses** - R&D and SG&A expenses adjusted for stock based compensation expenses, reorganization charges, intangibles amortization expenses, and other highlighted items.

**Organic Revenue** - Reflects net sales calculated under GAAP excluding net sales from acquired business owned for less than 4 full quarters, and excludes the affects of implementing ASC 606.

# SUPPLEMENTAL NON-GAAP MEASURES

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

	Q1 '14	Q2 '14	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3'17	Q4'17	Q1'18
Net sales	\$ 1,228	\$ 1,393	\$ 1,436	\$ 1,823	\$ 1,223	\$ 1,368	\$ 1,422	\$ 1,682	\$ 1,193	\$ 1,430	\$ 1,532	\$ 1,883	\$ 1,281	\$ 1,497	\$ 1,645	\$ 1,957	\$ 1,468
GAAP gross margin	577	656	685	912	548	648	685	838	502	676	762	928	570	690	794	970	669
Non-GAAP gross margin adjustments:																	
Stock-based compensation expense	4	3	2	2	3	2	2	2	2	2	2	3	2	2	2	2	2
Reorganization of business charges	1	3	7	—	2	3	1	4	16	8	1	18	4	2	2	1	5
Non-GAAP gross margin	582	662	694	914	553	653	688	844	520	686	765	949	576	694	798	973	676
GAAP Operating earnings (loss) ("OE")	113	144	213	430	108	210	220	378	88	212	330	417	173	261	347	503	171
Non-GAAP OE Adjustments:																	
Stock-based compensation expense	25	23	18	18	18	17	16	18	15	16	15	13	15	14	14	15	15
Reorganization of business charges	9	25	13	15	12	13	14	38	7	19	6	48	15	1	6	11	8
Intangibles amortization expense	1	1	1	1	2	3	2	2	13	38	31	30	36	37	39	39	41
Other highlighted items	(21)	8	11	23	—	—	26	5	13	17	—	—	(33)	(1)	2	(5)	18
Non-GAAP OE	\$ 132	\$ 207	\$ 265	\$ 489	\$ 145	\$ 248	\$ 281	\$ 447	\$ 154	\$ 312	\$ 385	\$ 529	\$ 212	\$ 316	\$ 412	\$ 566	\$ 260

# SUPPLEMENTAL NON-GAAP MEASURES

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

	Q1 '14	Q2 '14	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3'17	Q4'17	Q1'18
GAAP OE%	9.2 %	10.3 %	14.8 %	23.6 %	8.8 %	15.4 %	15.5 %	22.5 %	7.4 %	14.8 %	21.5 %	22.1 %	13.5 %	17.4 %	21.1 %	25.7 %	11.6 %
Non-GAAP Adj %	1.5 %	4.6 %	3.7 %	3.2 %	3.1 %	2.7 %	4.3 %	4.1 %	5.5 %	7.0 %	3.6 %	6.0 %	3.0 %	3.7 %	3.9 %	3.2 %	6.1 %
Non-GAAP OE %	10.7 %	14.9 %	18.5 %	26.8 %	11.9 %	18.1 %	19.8 %	26.6 %	12.9 %	21.8 %	25.1 %	28.1 %	16.5 %	21.1 %	25.0 %	28.9 %	17.7 %
GAAP Other income (expense)	(24)	(46)	(62)	(1,928)	20	5	(23)	(1)	(66)	(45)	(37)	(55)	(53)	(56)	(61)	(38)	(31)
Non-GAAP Below OE adjustments	—	—	(27)	(1,883)	46	32	—	39	(36)	—	—	(26)	(6)	(17)	(20)	(2)	(4)
Non-GAAP Other income (expense)	(24)	(46)	(35)	(45)	(26)	(27)	(23)	(40)	(30)	(45)	(37)	(29)	(47)	(39)	(41)	(36)	(27)
GAAP Earnings (loss)*	85	78	66	(926)	87	150	126	277	17	107	192	243	77	131	212	(575)	117
Non-GAAP OE adjustments	19	63	52	59	37	38	61	69	66	100	55	112	39	55	65	63	89
Non-GAAP below OE adjustments	—	—	27	1,883	(46)	(32)	—	(39)	36	—	—	26	6	17	20	2	4
Non-GAAP tax adjustments and effect	(32)	(20)	9	(728)	5	(13)	(21)	(27)	(27)	(27)	(14)	(35)	\$ (2)	\$ (14)	\$ (38)	\$ 865	\$ (22)
TOTAL Non-GAAP Earnings	\$ 72	\$ 121	\$ 154	\$ 288	\$ 83	\$ 143	\$ 166	\$ 280	\$ 92	\$ 180	\$ 233	\$ 346	\$ 120	\$ 189	\$ 259	\$ 355	\$ 188
GAAP earnings per share ("EPS")	\$ 0.33	\$ 0.30	\$ 0.27	\$ (4.02)	\$ 0.40	\$ 0.72	\$ 0.63	\$ 1.56	\$ 0.10	\$ 0.61	\$ 1.13	\$ 1.43	\$ 0.45	\$ 0.78	\$ 1.25	\$ (3.56)	\$ 0.69
EPS adjusted for dilution**																(3.40)	
Non-GAAP EPS adjustments	(0.05)	0.17	0.35	5.27	(0.02)	(0.04)	0.19	0.02	0.42	0.42	0.24	0.60	0.26	0.34	0.28	5.50	0.41
Non-GAAP EPS	\$ 0.28	\$ 0.47	\$ 0.62	\$ 1.25	\$ 0.38	\$ 0.68	\$ 0.82	\$ 1.58	\$ 0.52	\$ 1.03	\$ 1.37	\$ 2.03	\$ 0.71	\$ 1.12	\$ 1.53	\$ 2.10	\$ 1.10
Diluted, weighted average shares outstanding	258.3	256.2	248.2	230.5	217.8	209.5	201.3	177.5	177.0	174.8	169.6	170.4	169.9	169.0	169.0	168.9	170.6

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

\*\* Under U.S. GAAP, the accounting for a net loss from continuing operations results in the presentation of dilutive earnings per share equal to basic earnings per share, as any increase in basic shares would be anti-dilutive to earnings per share. As a result of the highlighted items identified during Q4 2017, the Company reported a net loss from continuing operations within our GAAP Consolidated Statement of Operations, while reporting income on a non-GAAP basis. An adjustment is shown to reflect the dilution of 7.2 million dilutive shares outstanding in Q4 2017.

Historical amounts have been updated to reflect the retrospective adoption of ASU No. 2017-07 on January 1, 2018

# SUPPLEMENTAL NON-GAAP MEASURES

## Motorola Solutions, Inc. and Subsidiaries Non-GAAP Organic Revenue

Total Motorola Solutions			
Three Months Ended			
	March 31, 2018	April 1, 2017	% Change
Net sales	\$ 1,468	\$ 1,281	15 %
Non-GAAP adjustments:			
Acquisitions	(54)	(5)	
ASC 606 impact	(15)	—	
Organic revenue	1,399	1,276	10 %
Less foreign exchange impact	(39)	—	
Organic revenue in constant currency	\$ 1,360	\$ 1,276	7 %

## Motorola Solutions, Inc. and Subsidiaries Non-GAAP Organic Revenue

North America			
Three Months Ended			
	March 31, 2018	April 1, 2017	% Change
Americas net sales	\$ 995	\$ 865	15 %
Adjustments:			
Latin America	(93)	(65)	43 %
North America acquisitions	(25)	—	
ASC 606 impact	(15)	—	
North America organic revenue	862	800	8 %
Less foreign exchange impact	(5)	—	
North America organic revenue in constant currency	\$ 857	\$ 800	7 %





# EARNINGS PRESENTATION

Q1 Results | May 3, 2018