

A grayscale photograph of the Chicago skyline, featuring prominent skyscrapers like the Willis Tower. The image is dark and serves as a background for the text.

# EARNINGS PRESENTATION

Q1 2020 RESULTS | MAY 7, 2020

# 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 10 through 22 in Item 1A of Motorola Solutions' 2019 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 7<sup>th</sup> day of May, 2020. 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. This measure includes "Free Cash Flow."

# HIGHLIGHTS | Q1 2020

- **Sales of \$1.7B, flat versus the prior year**
  - Software and Services up 13% driven by growth in command center software and services
  - Products and Systems Integration down 7% due to a decline primarily in Professional & Commercial Radio ("PCR") partially offset by strong growth in Video Security
- **GAAP operating margin 15.6%, up 180 bps; GAAP EPS of \$1.12, up 30%**
- **Non-GAAP operating margin\* 21.0%, up 200 bps**
- **Non-GAAP EPS\* of \$1.49, up 16%**
- **Operating cash flow of \$308M, up 23%; Strong ending cash and liquidity position**
- **Repurchased \$253M of common stock, paid \$109M in dividends, and used \$36M for acquisitions**

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

# FINANCIAL RESULTS

|                                 | Q1 19   | Q1 20   | CHANGE  |
|---------------------------------|---------|---------|---------|
| Revenue                         | \$1,657 | \$1,655 | -       |
| Non-GAAP<br>Operating Earnings* | \$315   | \$347   | 10%     |
| Non-GAAP<br>Operating Margin*   | 19.0%   | 21.0%   | 200 bps |
| Non-GAAP<br>Earnings Per Share* | \$1.28  | \$1.49  | 16%     |

(\$M) excluding per share amounts

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

# CASH FLOW

| <b>(\$M) TRAILING TWELVE MONTHS</b> | <b>Q1 19</b>   | <b>Q1 20</b>   | <b>CHANGE</b> |
|-------------------------------------|----------------|----------------|---------------|
| Operating Cash Flow                 | \$1,826        | \$1,880        | \$54          |
| Capital Expenditures                | (\$222)        | (\$230)        | (\$8)         |
| <b>Free Cash Flow*</b>              | <b>\$1,604</b> | <b>\$1,650</b> | <b>\$46</b>   |

\*Free Cash Flow is defined as Operating Cash Flow less Capital Expenditures.

# **STRONG LIQUIDITY & BALANCE SHEET**

- **Q1 ending cash of \$1.7B**
- **Expect solid operating cash flow generation for the year**
- **Drew down \$800 million from the revolver due to an abundance of caution; \$1.4B committed undrawn capacity remaining**
- **No debt maturities in 2020 or 2021\***
- **No expected pension contributions until 2023\*\***
- **Leverage ratio provides capital deployment flexibility for acquisition opportunities**

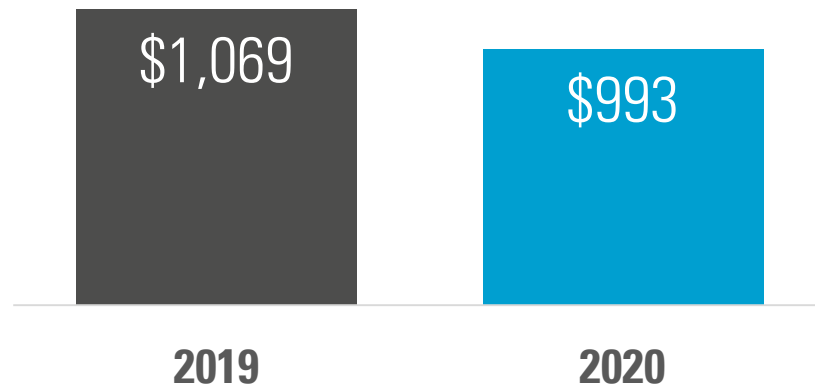
\*Excludes Q1 revolver draw

\*\* Based on current pension funding projections

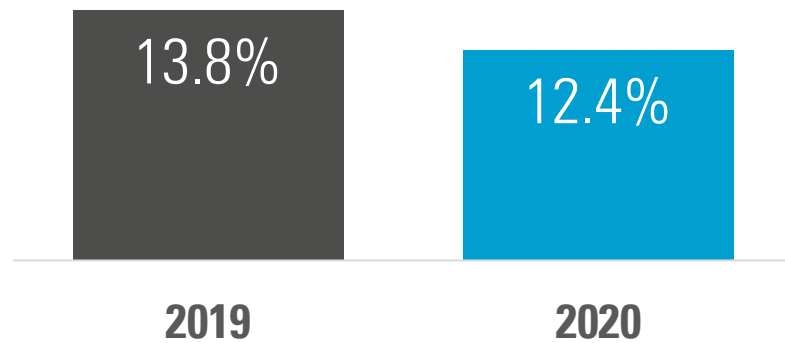
# PRODUCTS & SI | Q1

## Revenue

(\$M)



## Non-GAAP Operating Margin % \*



- Revenue down 7%, driven by a decline in professional and commercial radio partially offset by strong growth in Video Security
- North America down 1%; International down 22% primarily driven by Asia Pac
- Non-GAAP operating margin down 140 bps due to lower operating leverage

## Notable wins and achievements:

### Land Mobile Radio

- \$13M P25 order for Port of Los Angeles, CA
- \$12M P25 order for Dinwiddie County, VA
- \$8M TETRA order for Germany's Armed Forces

### Video Security Solutions

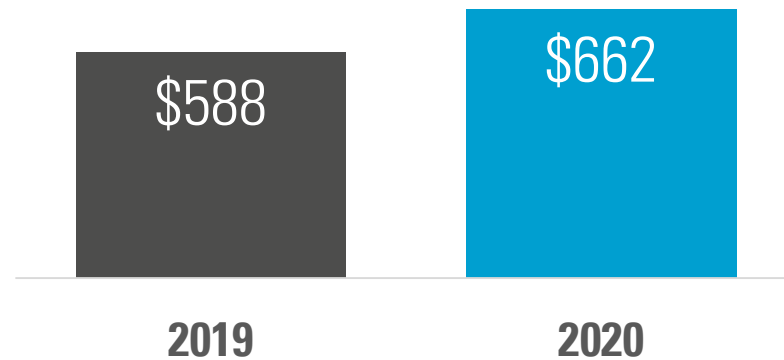
- \$28M fixed video win with a large utility company
- Over \$50M of sales into Government across entire portfolio.

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

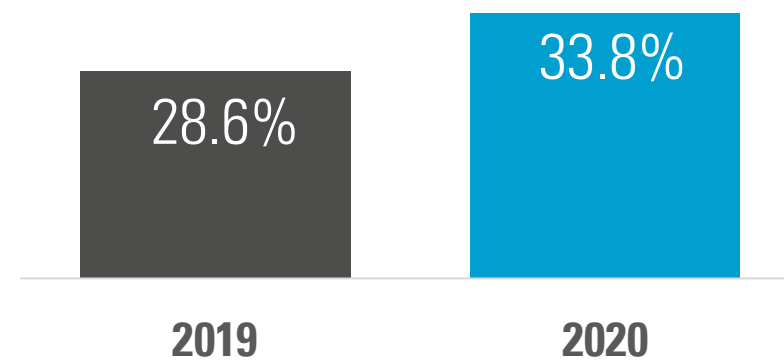
# SOFTWARE & SERVICES | Q1

## Revenue

(\$M)



## Non-GAAP Operating Margin % \*



- Revenue up 13%, driven by growth in **Command Center Software and Services**
- **Non-GAAP operating margin up 520 bps driven by higher gross margins and improved operating leverage**

## • Notable wins and achievements

### Software

- \$4M suite contract with Brampton, Ontario
- \$3M suite contract with Fort Wayne, IN

### Services

- \$8M P25 multi-year contract extensions with Cleveland, OH
- \$6M P25 multi-year services contract for a customer in Latin America

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



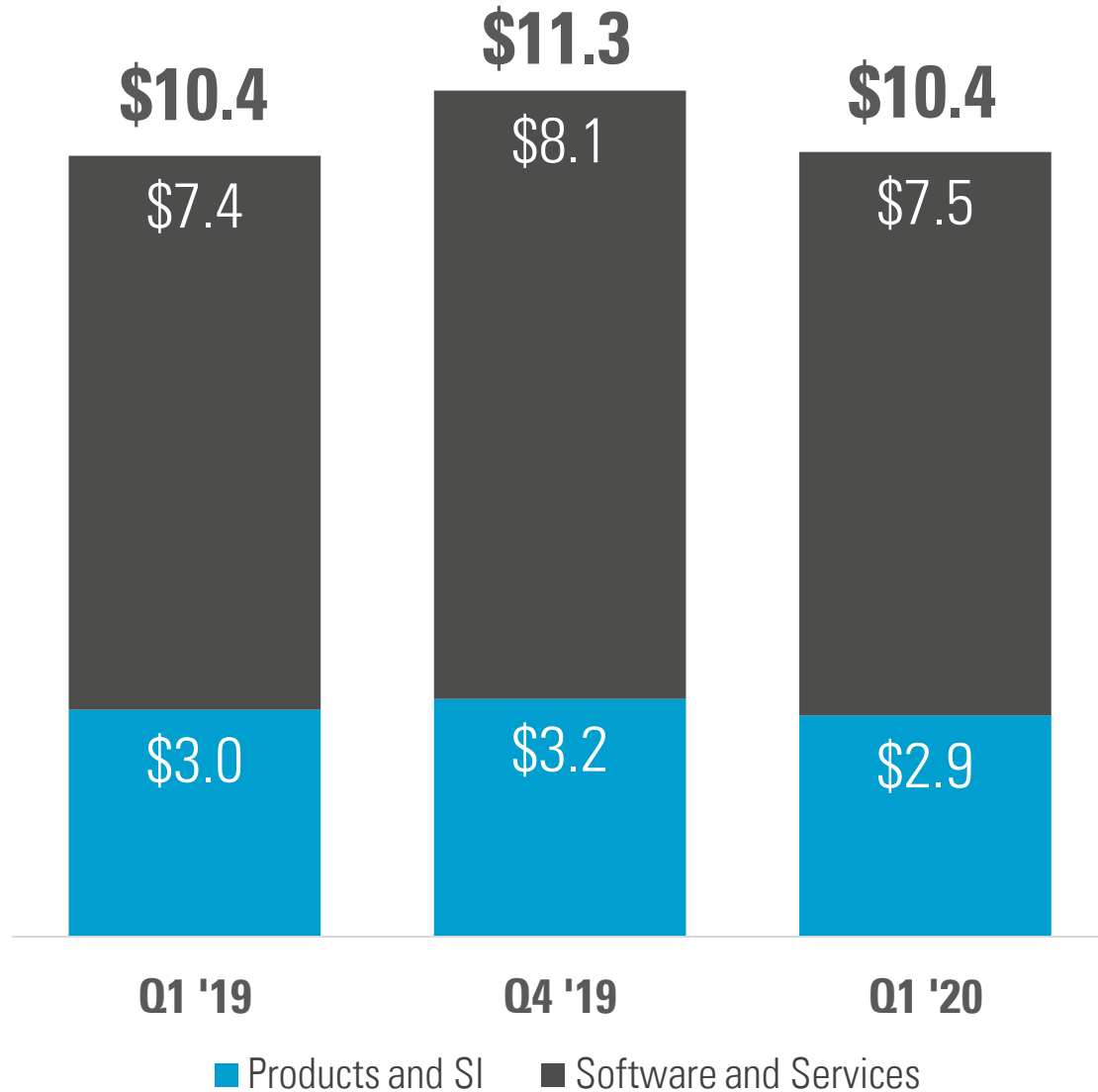
# REGIONAL REVENUE

| (\$M)         | Q1 19          | Q1 20          | Change |
|---------------|----------------|----------------|--------|
| NORTH AMERICA | \$1,075        | \$1,116        | 4%     |
| INTERNATIONAL | \$582          | \$539          | (7%)   |
| <b>TOTAL</b>  | <b>\$1,657</b> | <b>\$1,655</b> | -      |

- **North America** up with growth in Video Security, Command Center Software, and Services, partially offset by a decline in professional and commercial radio
- **International** down driven by professional and commercial radio, primarily in Asia Pac

# BACKLOG TREND

(\$B)



## Software and Services

- Y/Y up \$120M driven by multi-year agreements in North America partially offset by \$423M of unfavorable FX.
- Q/Q down \$604M driven primarily by \$368M of unfavorable FX and revenue recognition for Airwave and ESN.

## Products and Systems Integration

- Y/Y down \$72M, inclusive of \$39M of unfavorable FX. A decline in International backlog was partially offset by growth in North America
- Q/Q down \$217M driven primarily by typical North America order seasonality and \$39M of unfavorable FX.

# OUTLOOK (NON-GAAP)\*

## Q2 2020

|                 |                 |
|-----------------|-----------------|
| Revenue Decline | (17%) to (14%)  |
| Non-GAAP EPS    | \$1.18 - \$1.27 |

## Q2 Details

- Approx. \$30M FX headwind
- Effective tax rate 24% to 25%
- Fully diluted share count approx. 175M

\*Q2 outlook assumes current F/X rates as of May 6<sup>th</sup>, 2020

# Q&A PARTICIPANTS

## **GREG BROWN**

Chairman and CEO

## **GINO BONANOTTE**

Executive Vice President and CFO

## **TIM YOCUM**

Vice President, Investor Relations

## **JACK MOLLOY**

Executive Vice President,  
Products & Sales

## **KELLY MARK**

Executive Vice President,  
Services & Software

# 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

“Free Cash Flow” is a non-GAAP measure and should not be considered a replacement for results in accordance with accounting principles generally accepted in the U.S. (“GAAP”). This non-GAAP measure may not be comparable to similarly-titled measures reported by other companies. The primary limitation of this measure is that it excludes the financial impact of items that would otherwise either increase or decrease our reported results. This limitation is best addressed by using this non-GAAP measure in combination with the most directly comparable GAAP measure in order to better understand the amounts, character and impact of any increase or decrease in reported amounts. The following provides additional information regarding this non-GAAP measure:

**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.

# SUPPLEMENTAL NON-GAAP MEASURES

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

|  | Q1'18    | Q2'18    | Q3'18    | Q4'18    | Q1'19    | Q2'19    | Q3'19    | Q4'19    | Q1'20    |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Net sales  | \$ 1,468 | \$ 1,760 | \$ 1,862 | \$ 2,254 | \$ 1,657 | \$ 1,860 | \$ 1,994 | \$ 2,377 | \$ 1,655 |
| GAAP gross margin  | 669      | 822      | 901      | 1,088    | 773      | 931      | 1,007    | 1,220    | 787      |
| Non-GAAP gross margin adjustments:                                       |          |          |          |          |          |          |          |          |          |
| Avigilon purchase accounting adjustment                                  |          | 10       | 9        |          |          |          |          | 0        | 0        |
| Stock-based compensation expense   | 2        | 2        | 3        | 3        | 4        | 3        | 3        | 4        | 5        |
| Reorganization of business charges                                       | 5        | 7        | 4        | 43       | 4        | 4        | 3        | 6        | 6        |
| Non-GAAP gross margin  | 676      | 841      | 917      | 1,134    | 781      | 938      | 1,013    | 1,230    | 798      |
| GAAP Operating earnings ("OE")   | 171      | 273      | 294      | 516      | 229      | 349      | 413      | 590      | 259      |
| Non-GAAP OE Adjustments:   |          |          |          |          |          |          |          |          |          |
| Stock-based compensation expense   | 15       | 15       | 16       | 17       | 23       | 27       | 27       | 27       | 33       |
| Reorganization of business charges                                       | 8        | 18       | 21       | 15       | 4        | 8        | 15       | 13       | 12       |
| Intangibles amortization expense   | 41       | 53       | 46       | 48       | 50       | 52       | 52       | 54       | 53       |
| Other highlighted items  | 18       | -        | 59       | 8        | 1        | 1        | (4)      | 13       | (21)     |
| Non-GAAP OE  | \$ 260   | \$ 378   | \$ 452   | \$ 650   | \$ 315   | \$ 444   | \$ 509   | \$ 707   | \$ 347   |
| GAAP OE%   | 11.6 %   | 15.5 %   | 15.8 %   | 22.9 %   | 13.8 %   | 18.8 %   | 20.7 %   | 24.8 %   | 15.6 %   |
| Non-GAAP Adj %   | 6.1 %    | 6.0 %    | 8.5 %    | 5.9 %    | 5.2 %    | 5.1 %    | 4.8 %    | 4.9 %    | 5.4 %    |
| Non-GAAP OE %  | 17.7 %   | 21.5 %   | 24.3 %   | 28.8 %   | 19.0 %   | 23.9 %   | 25.5 %   | 29.7 %   | 21.0 %   |
| GAAP Other income (expense)  | (31)     | (46)     | (24)     | (52)     | (44)     | (74)     | (65)     | (397)    | (35)     |
| Non-GAAP Below OE adjustments  | (4)      | (2)      | 19       | (1)      | (8)      | (23)     | (26)     | (353)    | 1        |
| Non-GAAP Other income (expense)  | (27)     | (44)     | (43)     | (51)     | (36)     | (51)     | (39)     | (44)     | (36)     |
| GAAP Earnings (loss) attributable to Motorola Solutions, Inc.            | 117      | 180      | 247      | 423      | 151      | 207      | 267      | 244      | 197      |
| Non-GAAP OE adjustments  | 89       | 105      | 158      | 134      | 86       | 95       | 96       | 117      | 88       |
| Non-GAAP below OE adjustments  | 4        | 2        | (19)     | 1        | 8        | 23       | 26       | 353      | (1)      |
| Non-GAAP tax adjustments and effect                                      | \$ (22)  | \$ (36)  | \$ (51)  | \$ (100) | \$ (22)  | \$ (27)  | \$ (28)  | \$ (197) | \$ (21)  |
| TOTAL Non-GAAP Earnings attributable to Motorola Solutions, Inc.         | \$ 188   | \$ 251   | \$ 335   | \$ 458   | \$ 223   | \$ 298   | \$ 361   | \$ 517   | \$ 263   |
| GAAP attributable to Motorola Solutions, Inc. earnings per share ("EPS") | \$ 0.69  | \$ 1.05  | \$ 1.43  | \$ 2.44  | \$ 0.86  | \$ 1.18  | \$ 1.51  | \$ 1.39  | \$ 1.12  |
| Non-GAAP attributable to Motorola Solutions, Inc. EPS adjustments        | 0.41     | 0.41     | 0.51     | 0.19     | 0.42     | 0.51     | 0.53     | 1.55     | 0.37     |
| Non-GAAP attributable to Motorola Solutions, Inc. EPS                    | \$ 1.10  | \$ 1.46  | \$ 1.94  | \$ 2.63  | \$ 1.28  | \$ 1.69  | \$ 2.04  | \$ 2.94  | \$ 1.49  |
| Diluted, w eighted average shares outstanding                            | 170.6    | 171.7    | 172.6    | 173.4    | 174.6    | 176.1    | 176.4    | 175.6    | 175.9    |

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**THANK YOU**  
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