

# Motorola Solutions Reports Second Quarter 2023 Financial Results

Company raises full-year revenue and earnings outlook again driven by record Q2 orders and backlog

- Sales of \$2.4 billion, up 12% versus a year ago
  - Products and Systems Integration sales up 12%
  - Software and Services sales up 13%
- GAAP earnings per share (EPS) of \$2.15, up 62% versus a year ago
- Non-GAAP EPS\* of \$2.65, up 28% versus a year ago
- GAAP operating margin of 21.6%, up 490 bps versus a year ago
- Non-GAAP operating margin\* of 26.7%, up 350 bps versus a year ago
- Record Q2 ending backlog of \$14.3 billion, up 6% versus a year ago, driven by record Q2 orders in both segments

**CHICAGO** – August 3, 2023 – Motorola Solutions, Inc. (NYSE: MSI) today reported its earnings results for the second quarter of 2023.

“Q2 was another exceptional quarter across the board, highlighted by double-digit revenue and operating earnings growth in both segments,” said Greg Brown, chairman and CEO. “The continued strong demand we’re seeing in all technologies and regions resulted in record second-quarter orders and record ending backlog. Our momentum entering the second half is strong and we’re again raising our revenue and earnings guidance for the full year.”

## KEY FINANCIAL RESULTS (presented in millions, except per share data and percentages)

	Q2 2023	Q2 2022	% Change
<b>Sales</b>	<b>\$2,403</b>	\$2,140	12 %
<b>GAAP</b>			
Operating Earnings	<b>\$518</b>	\$358	45 %
% of Sales	<b>21.6 %</b>	16.7 %	
EPS	<b>\$2.15</b>	\$1.33	62 %
<b>Non-GAAP*</b>			
Operating Earnings	<b>\$641</b>	\$497	29 %
% of Sales	<b>26.7 %</b>	23.2 %	
EPS	<b>\$2.65</b>	\$2.07	28 %
<b>Products and Systems Integration Segment</b>			
Sales	<b>\$1,437</b>	\$1,285	12 %
GAAP Operating Earnings	<b>\$212</b>	\$118	80 %
% of Sales	<b>14.8 %</b>	9.2 %	
Non-GAAP Operating Earnings*	<b>\$285</b>	\$188	52 %
% of Sales	<b>19.8 %</b>	14.6 %	
<b>Software and Services Segment</b>			
Sales	<b>\$966</b>	\$855	13 %
GAAP Operating Earnings	<b>\$306</b>	\$240	28 %
% of Sales	<b>31.7 %</b>	28.1 %	
Non-GAAP Operating Earnings*	<b>\$356</b>	\$309	15 %
% of Sales	<b>36.9 %</b>	36.1 %	

\*Non-GAAP financial information excludes the after-tax impact of approximately \$0.50 per diluted share related to highlighted items, including share-based compensation expenses and intangible assets amortization expense. Details regarding these non-GAAP adjustments and the use of non-GAAP measures are included later in this news release.

## OTHER SELECTED FINANCIAL RESULTS

- **Revenue** - Sales were \$2.4 billion, up 12% from the year-ago quarter driven by growth in North America and International. Revenue from acquisitions was \$20 million and currency headwinds were \$23 million in the quarter. The Products and Systems Integration segment grew 12%, driven by growth in Land Mobile Radio Communications ("LMR") and Video Security and Access Control ("Video"). The Software and Services segment grew 13%, driven by growth in LMR, Command Center and Video.
- **Operating margin** - GAAP operating margin was 21.6% of sales, up from 16.7% in the year-ago quarter and Non-GAAP operating margin was 26.7% of sales, up 350 basis points from 23.2% in the year-ago quarter. The increase in both GAAP and Non-GAAP operating margin was driven by higher sales, inclusive of higher pricing, lower direct material costs, and improved operating leverage.
- **Taxes** - The GAAP effective tax rate was 23.4%, down from 23.7% in the year-ago quarter. The non-GAAP effective tax rate was 22.9%, up from 22.3% in the year-ago quarter, primarily driven by a higher UK tax rate in the current year.
- **Cash flow** - Operating cash flow was \$93 million, compared to \$10 million in the year-ago quarter and free cash flow was \$40 million compared to a usage of \$49 million in the year-ago quarter. Both the operating cash flow and free cash flow for the quarter increased primarily due to higher earnings, net of non-cash charges and improved working capital, partially offset by higher cash taxes.
- **Capital allocation** - During the quarter, the company repurchased \$224 million of shares, paid \$148 million in cash dividends, and incurred \$53 million of capital expenditures.
- **Backlog** - The company ended the quarter with record Q2 backlog of \$14.3 billion, up 6% or \$856 million from the year-ago quarter. Products and Systems Integration segment backlog was up \$496 million, or 11%, driven primarily by strong LMR demand. Software and Services segment backlog was up \$360 million or 4%, driven by an increase in multi-year software and services contracts in North America, partially offset by revenue recognition for the Airwave contract and a reduction related to the exit from the ESN contract.

## NOTABLE WINS AND ACHIEVEMENTS

### Software and Services

- \$34M video order for the Virginia State Police, which included our largest ever in-car video order
- \$15M LMR service agreement with City of Baltimore, MD
- \$13M LMR managed services agreement renewal in Latin America
- \$12M command center order for a U.S. federal customer
- \$8M LMR service agreement with a U.S. federal customer

### Products and Systems Integration

- \$145M P25 system upgrade for Kern County, CA
- \$41M P25 system and device order for a U.S. federal customer
- \$31M P25 system expansion for Ventura County, CA
- \$19M P25 device order for a U.S. federal customer
- \$6M fixed video order for a U.S. healthcare customer

## BUSINESS OUTLOOK

- **Third quarter 2023** - The company expects revenue growth of approximately 6%, compared to the third quarter of 2022. The company expects non-GAAP EPS in the range of \$2.99 to \$3.04 per share. This assumes approximately 172 million fully diluted shares and a non-GAAP effective tax rate between 23% and 24%.
- **Full-year 2023** - The company now expects revenue in the range of \$9.875 billion to \$9.900 billion, up from its prior guidance of \$9.725 billion to \$9.775 billion, and non-GAAP EPS of between \$11.40 and \$11.48 per share, up from its prior guidance of between \$11.21 and \$11.29 per share. This outlook assumes approximately \$25 million in foreign exchange headwinds, approximately 172 million fully diluted shares and a non-GAAP effective tax rate between 23% and 24%.

The company has not quantitatively reconciled its guidance for forward-looking non-GAAP metrics to their most comparable GAAP measures because the company does not provide specific guidance for the various reconciling items as certain items that impact these measures have not occurred, are out of the company's control, or cannot be reasonably predicted. Accordingly, a reconciliation to the most comparable GAAP financial metric is not available without unreasonable effort. Please note that the unavailable reconciling items could significantly impact the company's results.

## RECENT EVENTS

### ***CMA UPDATE***

In October 2021, the United Kingdom's Competition and Markets Authority (the "CMA") announced that it had opened a market investigation into the Mobile Radio Network Services market. This investigation included Airwave, the company's private mobile radio communications network that it acquired in 2016. Airwave provides mission-critical voice and data communications to emergency services and other agencies in Great Britain.

On April 5, 2023, the CMA issued its final decision which stated it will impose a prospective price control on Airwave. The company strongly disagrees with the CMA's final decision and it filed an appeal with the Competition Appeal Tribunal ("CAT") on June 5, 2023. On July 31, 2023, the CMA adopted a remedies order which implements the price control set out in its final decision; however, the remedies order has been suspended until the CAT's judgment on the company's appeal. The CAT appeal hearing took place on August 2 and 3, 2023. Depending on the outcome, further appeals may occur throughout 2023 and 2024.

Based on the adoption of the remedies order, beginning August 1, 2023, revenue under the Airwave contract will be recognized in accordance with the prospective price control until a successful appeal. Further, as a result of the issuance of a final decision from the CMA during the quarter ended July 1, 2023, the company has tested its Airwave asset group for impairment, noting the assets are expected to be recoverable.

### ***MACROECONOMIC EVENTS***

Since the beginning of the COVID-19 pandemic, the company has navigated disruptions in its supply chain, in particular challenges in procuring certain semiconductor components along with diminished transportation capacity and higher freight costs. During 2023 the company experienced gradual improvement in the market conditions influenced by the effects of the COVID-19 pandemic and the inflationary cost environment, particularly with respect to availability of materials in the semiconductor market. Where appropriate, the company has taken pricing actions around its product and service offerings to mitigate its exposure to inflationary pressures and benefited from these adjustments during the first half of 2023, and expects to continue to benefit from such adjustments in the second half of 2023. The company continues to remain focused on improving its supplier network, engineering

alternative designs and working to reduce supply shortages and effectively manage costs. In addition, the company continues to actively manage its inventory in an effort to enable continuity of supply and services to its customers, which includes making changes that diversify the footprint of its supply chain operations. The company expects to maintain elevated levels of inventory until supply conditions stabilize.

**CONFERENCE CALL AND WEBCAST** Motorola Solutions will host its quarterly conference call beginning at 4 p.m. U.S. Central Time (5 p.m. U.S. Eastern Time) on Thursday, August 3. The conference call will be webcast live at [www.motorolasolutions.com/investors/](http://www.motorolasolutions.com/investors/). An archive of the webcast will be available for a limited period of time thereafter.

**CONSOLIDATED GAAP RESULTS** (presented in millions, except per share data)

A comparison of results from operations is as follows:

	Q2 2023	Q2 2022
Net sales	\$2,403	\$2,140
Gross margin	\$1,189	\$990
Operating earnings	\$518	\$358
<i>Amounts attributable to Motorola Solutions, Inc. common stockholders</i>		
Net earnings	\$371	\$228
Diluted EPS	\$2.15	\$1.33
Weighted average diluted common shares outstanding	172.6	170.9

**USE OF NON-GAAP FINANCIAL INFORMATION**

In addition to the results presented in accordance with accounting principles generally accepted in the U.S. ("GAAP") included in this news release, Motorola Solutions also has included non-GAAP measurements of results, including free cash flow, non-GAAP operating earnings, non-GAAP EPS, non-GAAP operating margin, non-GAAP tax rate and organic revenue. The company has provided these non-GAAP measurements to help investors better understand its core operating performance, enhance comparisons of core operating performance from period-to-period and allow better comparisons of its operating performance to that of its competitors. Among other things, management uses these operating results, excluding the identified items, to evaluate the performance of its businesses and to evaluate results relative to certain incentive compensation targets. Management uses operating results excluding these items because it believes these measurements enable it to make better period-to-period evaluations of the financial performance of its core business operations. The non-GAAP measurements are intended only as a supplement to the comparable GAAP measurements and the company compensates for the limitations inherent in the use of non-GAAP measurements by using GAAP measures in conjunction with the non-GAAP measurements. As a result, investors should consider these non-GAAP measurements in addition to, and not in substitution for or as superior to, GAAP measurements.

*Reconciliations:* Details and reconciliations of such non-GAAP measurements to the corresponding GAAP measurements can be found at the end of this news release.

*Free cash flow:* Free cash flow represents net cash provided by operating activities less capital expenditures. The company believes that free cash flow is useful to investors as the basis for comparing its performance and coverage ratios with other companies in the company's industries, although the company's measure of free cash flow may not be directly comparable to similar measures used by other companies. This measure is also used as a component of incentive compensation.

*Organic revenue:* Organic revenue reflects net sales calculated under GAAP excluding net sales from acquired business owned for less than four full quarters. The company believes organic revenue provides

useful information for evaluating the periodic growth of the business on a consistent basis and provides for a meaningful period-to-period comparison and analysis of trends in the business.

*Non-GAAP operating earnings, non-GAAP EPS and non-GAAP operating margin* each excludes highlighted items, including share-based compensation expenses and intangible assets amortization expense, as follows:

*Highlighted items:* The company has excluded the effects of highlighted items including, but not limited to, acquisition-related transaction fees, tangible and intangible asset impairments, reorganization of business charges, certain non-cash pension adjustments, legal settlements and other contingencies, gains and losses on investments and businesses, Hytera-related legal expenses, gains and losses on the extinguishment of debt and the income tax effects of significant tax matters, from its non-GAAP operating expenses and net income measurements because the company believes that these historical items do not reflect expected future operating earnings or expenses and do not contribute to a meaningful evaluation of the company's current operating performance or comparisons to the company's past operating performance. For the purposes of management's internal analysis over operating performance, the company uses financial statements that exclude highlighted items, as these charges do not contribute to a meaningful evaluation of the company's current operating performance or comparisons to the company's past operating performance.

*Hytera-Related Legal Expenses:* On March 14, 2017, the company filed a complaint in the U.S. District Court for the Northern District of Illinois (the "Court") against Hytera Communications Corporation Limited of Shenzhen, China; Hytera America, Inc.; and Hytera Communications America (West), Inc. (collectively, "Hytera"), alleging trade secret theft and copyright infringement and seeking, among other things, injunctive relief, compensatory damages and punitive damages. On February 14, 2020, the company announced that a jury decided in the company's favor in its trade secret theft and copyright infringement case. In connection with this verdict, the jury awarded the company \$345.8 million in compensatory damages and \$418.8 million in punitive damages, for a total of \$764.6 million. In a series of post-trial rulings in 2021, the Court subsequently reduced the judgment to \$543.7 million, but also ordered Hytera to pay the company \$51.1 million in pre-judgment interest and \$2.6 million in costs, as well as \$34.2 million in attorneys fees. The company continues to seek collection of the judgment through the ongoing legal process.

On December 17, 2020, the Court held that Hytera must pay the company a forward-looking reasonable royalty on products that use the company's stolen trade secrets, and on December 15, 2021, set royalty rates for Hytera's sale of relevant products from July 1, 2019 forward. On July 5, 2022, the Court ordered that Hytera pay into a third-party escrow on July 31, 2022, the royalties owed to the company based on the sale of relevant products from July 1, 2019 to June 30, 2022. Hytera failed to make the required royalty payment on July 31, 2022. On August 1, 2022, Hytera filed a motion to modify or stay the Court's previous July 5, 2022 royalty order. On August 3, 2022, the company filed a motion seeking to hold Hytera in civil contempt for violating the royalty order by not making the required royalty payment on July 31, 2022. Hytera made quarterly royalty payments on October 31, 2022, January 31, 2023, April 25, 2023 and July 25, 2023 into a third-party escrow. The amounts paid into escrow were de minimis and will not be recognized until all contingencies are resolved and amounts are released from escrow. On July 11, 2023, the Court denied Hytera's modification and stay motions and stated that it will consider the company's contempt motion on August 8, 2023, if Hytera has not yet made the deposit previously due on July 31, 2022, into the escrow account. The Court subsequently set the company's contempt motion for hearing on August 17, 2023.

On August 2, 2022, Hytera appealed the Court's judgment with the U.S. Court of Appeals for the Seventh Circuit (the "Court of Appeals"). The company filed its cross-appeal on August 5, 2022. The parties have now submitted all briefs and responses on Hytera's appeal and the company's cross-appeal. The Court of Appeals has not set an oral argument date yet.

Separate from the company's litigation with Hytera, on May 27, 2020, Hytera America, Inc. and Hytera Communications America (West), Inc. each filed for Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court for the Central District of California (the "Bankruptcy Court"). On February 11, 2022, the Court entered an order to confirm the liquidation plan for the two Hytera entities and the distributions were made on February 25, 2022 to the creditors, including \$13 million to the company. On December 22, 2022, an additional distribution of \$2 million was made to the Company as well as an assignment of various delinquent accounts receivable of the bankrupt Hytera entities. The gain was recorded to Other charges (income).

Management typically considers legal expenses associated with defending the company's intellectual property as "normal and recurring" and accordingly, Hytera-related legal expenses were included in both the company's GAAP and non-GAAP operating income for fiscal years 2017, 2018 and 2019. The company anticipates further expenses associated with Hytera-related litigation; however, as of 2020, the company believes that these expenses are no longer a part of the "normal and recurring" legal expenses incurred to operate its business. In addition, as any contingent or actual gains associated with the Hytera litigation are recognized, they will be similarly excluded from the company's non-GAAP operating income, consistent with the company's treatment of the \$13 million of proceeds realized in Q1 2022. The company believes after the jury award, the presentation of excluding both Hytera-related legal expenses and gains related to awards better aligns with how management evaluates the company's ongoing underlying business performance.

*Share-based compensation expenses:* The company has excluded share-based compensation expenses from its non-GAAP operating expenses and net income measurements. Although share-based compensation is a key incentive offered to the company's employees and the company believes such compensation contributed to the revenue earned during the periods presented and also believes it will contribute to the generation of future period revenues, the company continues to evaluate its performance excluding share-based compensation expenses primarily because it represents a significant non-cash expense. Share-based compensation expenses will recur in future periods.

*Intangible assets amortization expense:* The company has excluded intangible assets amortization expense from its non-GAAP operating expenses and net earnings measurements primarily because it represents a non-cash expense and because the company evaluates its performance excluding intangible assets amortization expense. Amortization of intangible assets is consistent in amount and frequency but is significantly affected by the timing and size of the company's acquisitions. Investors should note that the use of intangible assets contributed to the company's revenues earned during the periods presented and will contribute to the company's future period revenues as well. Intangible assets amortization expense will recur in future periods.

## **FORWARD LOOKING STATEMENTS**

This news release contains "forward-looking statements" within the meaning of applicable federal securities law. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and generally include words such as "believes," "expects," "intends," "anticipates," "estimates" and similar expressions. The company can give no assurance that any actual or future results or events discussed in these statements will be achieved. Any forward-looking statements represent the company's views only as of today and should not be relied upon as representing the company's views as of any subsequent date. Readers are cautioned that such forward-looking statements are subject to a variety of risks and uncertainties that could cause the company's actual results to differ materially from the statements contained in this release. Such forward-looking statements include, but are not limited to, Motorola Solutions' financial outlook for the third quarter and full-year of 2023; the impact of the CMA's final decision regarding Airwave (including the appeal of the final decision to the Competition Appeal Tribunal); and the impact of the COVID-19 pandemic, supply chain constraints and inflation, including the impact of actions taken by Motorola Solutions or others in response to such events, on Motorola Solutions' business and results of operations. Motorola Solutions

cautions the reader that the risks and uncertainties below, as well as those in Part I Item 1A of Motorola Solutions' 2022 Annual Report on Form 10-K, Part II, Item 1A of Motorola Solutions' Quarterly Report on Form 10-Q for the First Quarter of 2023 and in its 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](http://www.motorolasolutions.com), could cause Motorola Solutions' actual results to differ materially from those estimated or predicted in the forward-looking statements. Many of these risks and uncertainties cannot be controlled by Motorola Solutions, and factors that may impact forward-looking statements include, but are not limited to: (i) the impact, including increased costs and potential liabilities, associated with changes in laws and regulations regarding privacy, data protection and information security; (ii) challenges relating to existing or future legislation and regulations pertaining to artificial intelligence ("AI"), AI-enabled products and the use of biometrics and other video analytics; (iii) the impact of government regulation of radio frequencies; (iv) audits and regulations and laws applicable to our U.S. government customer contracts and grants; (v) the impact, including additional compliance obligations, associated with existing or future telecommunications-related laws and regulations; (vi) the evolving state of environmental regulation relating to climate change, and the physical risks of climate change; (vii) impact of product regulatory and safety, consumer, worker safety and environmental laws; (viii) impact of tax matters; (ix) the continuing and future impact of the COVID-19 pandemic on our business; (x) impact of elevated inventory levels; (xi) additional compliance obligations and increased risk, costs and competition associated with the expansion of our technologies within our Products and Systems Integration and Software and Services segments (including, but not limited to, with respect to the CMA's final decision regarding Airwave and our actions in response to such decision); (xii) the effectiveness of our investments in new products and technologies; (xiii) the effectiveness of our strategic acquisitions, including the integrations of such acquired businesses; (xiv) increased cybersecurity threats, a security breach or other significant disruption of our IT systems or those of our outsource partners, suppliers or customers; (xv) our inability to protect our intellectual property or potential infringement of intellectual property rights of third parties; (xvi) our license of the MOTOROLA, MOTO, MOTOROLA SOLUTIONS and the Stylized M logo and all derivatives and formatives thereof from Motorola Trademark Holdings, LLC; (xvii) the global nature of our employees, customers, suppliers and outsource partners; (xviii) our use of third-parties to develop, design and/or manufacture many of our components and some of our products, and to perform portions of our business operations; (xix) the inability of our subcontractors to perform in a timely and compliant manner or adhere to our Human Rights Policy; (xx) our inability to purchase at acceptable prices a sufficient amount of materials, parts, and components, as well as software and services, to meet the demands of our customers, and any disruption to our suppliers or significant increase in the price of supplies; (xxi) risks related to our large, multi-year system and services contracts (including, but not limited to, with respect to the ESN and Airwave contracts); (xxii) the inability of our products to meet our customers' expectations or regulatory or industry standards; (xxiii) impact of current global economic and political conditions in the markets in which we operate (including, but not limited to inflation); (xxiv) impact of returns on pension and retirement plan assets and interest rate changes; (xxv) inability to access the capital markets for financing on acceptable terms and conditions; (xxvi) inability to attract and retain senior management and key employees; (xxvii) the impact of the ARPA on our business; and (xxviii) the return of capital to shareholders through dividends and/or repurchasing shares. Motorola Solutions undertakes no obligation to publicly update any forward-looking statement or risk factor, whether as a result of new information, future events or otherwise.

## **ABOUT MOTOROLA SOLUTIONS**

Motorola Solutions is a global leader in public safety and enterprise security. Our solutions in land mobile radio communications, video security and access control and command center, bolstered by managed & support services, create an integrated technology ecosystem to help make communities safer and businesses stay productive and secure. At Motorola Solutions, we're ushering in a new era in public safety and security. Learn more at [www.motorolasolutions.com](http://www.motorolasolutions.com).

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**Motorola Solutions, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations**  
(In millions, except per share amounts)

	Three Months Ended	
	July 1, 2023	July 2, 2022
Net sales from products	\$ 1,349	\$ 1,212
Net sales from services	1,054	928
Net sales	2,403	2,140
Costs of products sales	636	637
Costs of services sales	578	513
Costs of sales	1,214	1,150
Gross margin	1,189	990
Selling, general and administrative expenses	390	356
Research and development expenditures	215	191
Other charges	23	20
Intangibles amortization	43	65
Operating earnings	518	358
Other income (expense):		
Interest expense, net	(57)	(56)
Other, net	26	(2)
Total other expense	(31)	(58)
Net earnings before income taxes	487	300
Income tax expense	114	71
Net earnings	373	229
Less: Earnings attributable to non-controlling interests	2	1
Net earnings attributable to Motorola Solutions, Inc.	<u>\$ 371</u>	<u>\$ 228</u>
Earnings per common share:		
Basic	\$ 2.21	\$ 1.36
Diluted	\$ 2.15	\$ 1.33
Weighted average common shares outstanding:		
Basic	167.5	167.2
Diluted	172.6	170.9
	<b>Percentage of Net Sales*</b>	
Net sales from products	56.1 %	56.6 %
Net sales from services	43.9 %	43.4 %
Net sales	100.0 %	100.0 %
Costs of products sales	47.1 %	52.6 %
Costs of services sales	54.8 %	55.3 %
Costs of sales	50.5 %	53.7 %
Gross margin	49.5 %	46.3 %
Selling, general and administrative expenses	16.2 %	16.6 %
Research and development expenditures	8.9 %	8.9 %
Other charges	1.0 %	0.9 %
Intangibles amortization	1.8 %	3.0 %
Operating earnings	21.6 %	16.7 %
Other income (expense):		
Interest expense, net	(2.4)%	(2.6)%
Other, net	1.1 %	(0.1)%
Total other expense	(1.3)%	(2.7)%
Net earnings before income taxes	20.3 %	14.0 %
Income tax expense	4.7 %	3.3 %
Net earnings	15.5 %	10.7 %
Less: Earnings attributable to non-controlling interests	0.1 %	— %
Net earnings attributable to Motorola Solutions, Inc.	<u>15.4 %</u>	<u>10.7 %</u>

\* Percentages may not add up due to rounding

**Motorola Solutions, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations**  
(In millions, except per share amounts)

	<b>Six Months Ended</b>	
	<b>July 1, 2023</b>	<b>July 2, 2022</b>
Net sales from products	\$ 2,573	\$ 2,258
Net sales from services	2,001	1,774
Net sales	4,574	4,032
Costs of products sales	1,209	1,185
Costs of services sales	1,130	1,001
Costs of sales	2,339	2,186
Gross margin	2,235	1,846
Selling, general and administrative expenses	757	692
Research and development expenditures	426	380
Other charges	37	46
Intangibles amortization	98	131
Operating earnings	917	597
Other income (expense):		
Interest expense, net	(111)	(112)
Gain on sales of investments and businesses, net	1	2
Other, net	39	33
Total other expense	(71)	(77)
Net earnings before income taxes	846	520
Income tax expense	194	23
Net earnings	652	497
Less: Earnings attributable to non-controlling interests	3	2
Net earnings attributable to Motorola Solutions, Inc.	\$ 649	\$ 495
<b>Earnings per common share:</b>		
Basic	\$ 3.88	\$ 2.95
Diluted	\$ 3.76	\$ 2.88
<b>Weighted average common shares outstanding:</b>		
Basic	167.4	167.6
Diluted	172.5	172.0
	<b>Percentage of Net Sales*</b>	
Net sales from products	56.3 %	56.0 %
Net sales from services	43.7 %	44.0 %
Net sales	100.0 %	100.0 %
Costs of products sales	47.0 %	52.5 %
Costs of services sales	56.5 %	56.4 %
Costs of sales	51.1 %	54.2 %
Gross margin	48.9 %	45.8 %
Selling, general and administrative expenses	16.6 %	17.2 %
Research and development expenditures	9.3 %	9.4 %
Other charges	0.8 %	1.1 %
Intangibles amortization	2.1 %	3.2 %
Operating earnings	20.0 %	14.8 %
Other income (expense):		
Interest expense, net	(2.4)%	(2.8)%
Gain on sales of investments and businesses, net	— %	— %
Other, net	0.9 %	0.8 %
Total other expense	(1.6)%	(1.9)%
Net earnings before income taxes	18.5 %	12.9 %
Income tax expense	4.2 %	0.6 %
Net earnings	14.3 %	12.3 %
Less: Earnings attributable to non-controlling interests	0.1 %	— %
Net earnings attributable to Motorola Solutions, Inc.	14.2 %	12.3 %
* Percentages may not add up due to rounding		

**Motorola Solutions, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
(In millions)

	July 1, 2023	December 31, 2022
<b>Assets</b>		
Cash and cash equivalents	\$ 710	\$ 1,325
Accounts receivable, net	1,513	1,518
Contract assets	1,033	974
Inventories, net	1,020	1,055
Other current assets	350	383
<b>Total current assets</b>	<b>4,626</b>	<b>5,255</b>
Property, plant and equipment, net	935	927
Operating lease assets	478	485
Investments	162	147
Deferred income taxes	1,172	1,036
Goodwill	3,295	3,312
Intangible assets, net	1,261	1,342
Other assets	323	310
<b>Total assets</b>	<b>\$ 12,252</b>	<b>\$ 12,814</b>
<b>Liabilities and Stockholders' Equity</b>		
Current portion of long-term debt	\$ —	\$ 1
Accounts payable	676	1,062
Contract liabilities	1,764	1,859
Accrued liabilities	1,326	1,638
<b>Total current liabilities</b>	<b>3,766</b>	<b>4,560</b>
Long-term debt	6,015	6,013
Operating lease liabilities	391	419
Other liabilities	1,729	1,691
Total Motorola Solutions, Inc. stockholders' equity	337	116
Non-controlling interests	14	15
<b>Total liabilities and stockholders' equity</b>	<b>\$ 12,252</b>	<b>\$ 12,814</b>

**Motorola Solutions, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
(In millions)

	Three Months Ended	
	July 1, 2023	July 2, 2022
<b>Operating</b>		
Net earnings	\$ 373	\$ 229
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	87	112
Non-cash other charges (income)	(11)	17
Share-based compensation expenses	53	44
Loss from the extinguishment of long-term debt	—	6
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	(169)	(142)
Inventories	62	(115)
Other current assets and contract assets	11	(61)
Accounts payable, accrued liabilities and contract liabilities	(215)	(111)
Other assets and liabilities	6	(27)
Deferred income taxes	(104)	58
Net cash provided by operating activities	<u>93</u>	<u>10</u>
<b>Investing</b>		
Acquisitions and investments, net	(6)	(59)
Proceeds from sales of investments and businesses, net	1	2
Capital expenditures	(53)	(59)
Net cash used for investing activities	<u>(58)</u>	<u>(116)</u>
<b>Financing</b>		
Repayments of debt	(1)	(281)
Net proceeds from issuance of debt	—	595
Issuances of common stock	10	(1)
Purchases of common stock	(224)	(162)
Payments of dividends	(148)	(132)
Payments of dividends to non-controlling interests	(3)	(6)
Net cash provided by (used for) financing activities	<u>(366)</u>	<u>13</u>
Effect of exchange rate changes on total cash and cash equivalents	19	(68)
Net decrease in total cash and cash equivalents	(312)	(161)
Cash and cash equivalents, beginning of period	1,022	878
Cash and cash equivalents, end of period	<u>\$ 710</u>	<u>\$ 717</u>

**Motorola Solutions, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
(In millions)

	Six Months Ended	
	July 1, 2023	July 2, 2022
<b>Operating</b>		
Net earnings	\$ 652	\$ 497
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	185	223
Non-cash other charges (income)	(4)	19
Share-based compensation expenses	108	81
Gain on sales of investments and businesses, net	(1)	(2)
Loss from the extinguishment of long-term debt	—	6
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	10	106
Inventories	36	(277)
Other current assets and contract assets	(29)	(14)
Accounts payable, accrued liabilities and contract liabilities	(751)	(299)
Other assets and liabilities	(1)	(57)
Deferred income taxes	(120)	(121)
Net cash provided by operating activities	<u>85</u>	<u>162</u>
<b>Investing</b>		
Acquisitions and investments, net	(10)	(571)
Proceeds from sales of investments and businesses, net	6	11
Capital expenditures	(107)	(113)
Net cash used for investing activities	<u>(111)</u>	<u>(673)</u>
<b>Financing</b>		
Net proceeds from issuance of debt	—	595
Repayments of debt	(1)	(283)
Issuances of common stock	36	51
Purchases of common stock	(364)	(655)
Payments of dividends	(296)	(266)
Payments of dividends to non-controlling interests	(4)	(6)
Net cash used for financing activities	<u>(629)</u>	<u>(564)</u>
Effect of exchange rate changes on total cash and cash equivalents	40	(82)
Net decrease in total cash and cash equivalents	(615)	(1,157)
Cash and cash equivalents, beginning of period	1,325	1,874
Cash and cash equivalents, end of period	<u>\$ 710</u>	<u>\$ 717</u>

**Motorola Solutions, Inc. and Subsidiaries**  
**Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow**  
(In millions)

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net cash provided by operating activities	\$ 93	\$ 10	\$ 85	\$ 162
Capital expenditures	(53)	(59)	(107)	(113)
Free cash flow	<u>\$ 40</u>	<u>\$ (49)</u>	<u>\$ (22)</u>	<u>\$ 49</u>

**Motorola Solutions, Inc. and Subsidiaries**  
**Reconciliation of Net Earnings Attributable to MSI to Non-GAAP Net Earnings Attributable to MSI**  
(In millions)

Statement Line	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net earnings attributable to MSI	\$ 371	\$ 228	\$ 649	\$ 495
Non-GAAP adjustments before income taxes:				
Share-based compensation expenses	\$ 53	\$ 44	\$ 108	\$ 81
Intangible assets amortization expense	43	65	98	131
Environmental reserve expense	15	—	15	—
Hytera-related legal expenses	7	8	10	10
Reorganization of business charges	3	7	16	17
Investment impairments	3	—	9	1
Operating lease asset impairments	1	3	4	12
Fixed asset impairments	1	8	3	11
Acquisition-related transaction fees	—	4	2	14
Loss from extinguishment of long-term debt	—	6	—	6
Legal settlements	—	—	—	11
Adjustments to uncertain tax positions	—	—	—	(2)
Gain on Hytera legal settlement	—	—	—	(13)
Gain on TETRA Ireland equity method investment	—	—	—	(21)
Gain on sales of investments	—	—	(1)	(2)
Fair value adjustments to equity investments	(16)	12	(19)	30
Total Non-GAAP adjustments before income taxes	\$ 110	\$ 157	\$ 245	\$ 286
Income tax expense on Non-GAAP adjustments	23	31	52	133
Total Non-GAAP adjustments after income taxes	87	126	193	153
Non-GAAP Net earnings attributable to MSI	<u>\$ 458</u>	<u>\$ 354</u>	<u>\$ 842</u>	<u>\$ 648</u>

**Calculation of Non-GAAP Tax Rate**  
(In millions)

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net earnings before income taxes	\$ 487	\$ 300	\$ 846	\$ 520
Total Non-GAAP adjustments before income taxes*	110	157	245	286
Non-GAAP Net earnings before income taxes	597	457	1,091	806
Income tax expense	114	71	194	23
Income tax expense on Non-GAAP adjustments**	23	31	52	133
Total Non-GAAP Income tax expense	137	102	246	156
Non-GAAP Tax rate	<b>22.9 %</b>	<b>22.3 %</b>	<b>22.5 %</b>	<b>19.4 %</b>

\*See reconciliation on Non-GAAP-2 table above for detail on Non-GAAP adjustments before income taxes

\*\*Income tax impact of highlighted items

## Reconciliation of Earnings Per Share to Non-GAAP Earnings Per Share\*

Statement Line	Three Months Ended		Six Months Ended		
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022	
Net earnings attributable to MSI	\$ 2.15	\$ 1.33	\$ 3.76	\$ 2.88	
Non-GAAP adjustments before income taxes:					
Share-based compensation expenses	Cost of sales, SG&A and R&D	\$ 0.30	\$ 0.25	\$ 0.63	\$ 0.46
Intangible assets amortization expense	Intangibles amortization	0.24	0.38	0.57	0.76
Environmental reserve expense	Other charges (income)	0.09	—	0.09	—
Hytera-related legal expenses	SG&A	0.04	0.05	0.06	0.06
Reorganization of business charges	Cost of sales and Other charges (income)	0.02	0.04	0.09	0.10
Investment impairments	Other (income) expense	0.02	—	0.05	0.01
Operating lease asset impairments	Other charges (income)	0.01	0.02	0.02	0.07
Fixed asset impairments	Other charges (income)	0.01	0.05	0.02	0.06
Acquisition-related transaction fees	Other charges (income)	—	0.02	0.01	0.08
Loss from extinguishment of long-term debt	Other (income) expense	—	0.04	—	0.04
Legal settlements	Other charges (income)	—	—	—	0.06
Adjustments to uncertain tax positions	Interest income, net	—	—	—	(0.01)
Gain on Hytera legal settlement	Other charges (income)	—	—	—	(0.07)
Gain on TETRA Ireland equity method investment	Other (income) expense	—	—	—	(0.12)
Gain on sales of investments	(Gain) or loss on sales of investments and businesses, net	—	—	(0.01)	(0.01)
Fair value adjustments to equity investments	Other (income) expense	(0.09)	0.07	(0.11)	0.17
Total Non-GAAP adjustments before income taxes		\$ 0.64	\$ 0.92	\$ 1.42	\$ 1.66
Income tax expense on Non-GAAP adjustments		0.14	0.18	0.30	0.77
Total Non-GAAP adjustments after income taxes		0.50	0.74	1.12	0.89
Non-GAAP Net earnings attributable to MSI		<b>\$ 2.65</b>	<b>\$ 2.07</b>	<b>\$ 4.88</b>	<b>\$ 3.77</b>
Diluted Weighted Average Common Shares		172.6	170.9	172.5	172.0
<i>*Indicates Non-GAAP Diluted EPS</i>					



**Motorola Solutions, Inc. and Subsidiaries**  
**Reconciliations of Operating Earnings to Non-GAAP Operating Earnings and Operating Margin to Non-GAAP Operating Margin**  
(In millions)

	Three Months Ended					
	July 1, 2023			July 2, 2022		
	Products and Systems Integration	Software and Services	Total	Products and Systems Integration	Software and Services	Total
Net sales	\$ 1,437	\$ 966	\$ 2,403	\$ 1,285	\$ 855	\$ 2,140
Operating earnings ("OE")	\$ 212	\$ 306	\$ 518	\$ 118	\$ 240	\$ 358
Above OE non-GAAP adjustments:						
Share-based compensation expenses	38	15	53	32	12	44
Intangible assets amortization expense	10	33	43	15	50	65
Environmental reserve expense	10	5	15	—	—	—
Hytera-related legal expenses	7	—	7	8	—	8
Reorganization of business charges	6	(3)	3	6	1	7
Fixed asset impairments	1	—	1	6	2	8
Operating lease asset impairments	1	—	1	2	1	3
Acquisition-related transaction fees	—	—	—	1	3	4
Total above-OE non-GAAP adjustments	73	50	123	70	69	139
Operating earnings after non-GAAP adjustments	<b>\$ 285</b>	<b>\$ 356</b>	<b>\$ 641</b>	<b>\$ 188</b>	<b>\$ 309</b>	<b>\$ 497</b>
Operating earnings as a percentage of net sales - GAAP	14.8 %	31.7 %	21.6 %	9.2 %	28.1 %	16.7 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	19.8 %	36.9 %	26.7 %	14.6 %	36.1 %	23.2 %

**Motorola Solutions, Inc. and Subsidiaries**  
**Reconciliations of Operating Earnings to Non-GAAP Operating Earnings and Operating Margin to Non-GAAP Operating Margin**  
(In millions)

	Six Months Ended					
	July 1, 2023			July 2, 2022		
	Products and Systems Integration	Software and Services	Total	Products and Systems Integration	Software and Services	Total
Net sales	\$ 2,740	\$ 1,834	\$ 4,574	\$ 2,388	\$ 1,644	\$ 4,032
Operating earnings ("OE")	\$ 388	\$ 529	\$ 917	\$ 157	\$ 440	\$ 597
Above-OE non-GAAP adjustments:						
Share-based compensation expenses	78	30	108	59	22	81
Intangible assets amortization expense	23	75	98	30	101	131
Reorganization of business charges	17	(1)	16	14	3	17
Environmental reserve expense	10	5	15	—	—	—
Hytera-related legal expenses	10	—	10	10	—	10
Operating lease asset impairments	3	1	4	11	1	12
Fixed asset impairments	2	1	3	9	2	11
Acquisition-related transaction fees	—	2	2	7	7	14
Gain on Hytera legal settlement	—	—	—	(13)	—	(13)
Legal settlements	—	—	—	—	11	11
Total above-OE non-GAAP adjustments	143	113	256	127	147	274
Operating earnings after non-GAAP adjustments	<b>\$ 531</b>	<b>\$ 642</b>	<b>\$ 1,173</b>	<b>\$ 284</b>	<b>\$ 587</b>	<b>\$ 871</b>
Operating earnings as a percentage of net sales - GAAP	14.2 %	28.8 %	20.0 %	6.6 %	26.8 %	14.8 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	19.4 %	35.0 %	25.6 %	11.9 %	35.7 %	21.6 %

**Motorola Solutions, Inc. and Subsidiaries**  
**Reconciliation of Revenue to Non-GAAP Organic Revenue**  
(In millions)

	<b>Three Months Ended</b>		<b>% Change</b>
	<b>July 1, 2023</b>	<b>July 2, 2022</b>	
Net sales	\$ 2,403	\$ 2,140	12 %
Non-GAAP adjustments:			
Sales from acquisitions	22	2	
Organic revenue	\$ 2,381	\$ 2,138	11 %
	<b>Six Months Ended</b>		
	<b>July 1, 2023</b>	<b>July 2, 2022</b>	<b>% Change</b>
Net sales	\$ 4,574	\$ 4,032	13 %
Non-GAAP adjustments:			
Sales from acquisitions	66	4	
Organic revenue	\$ 4,508	\$ 4,028	12 %