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PARTICIPANTS

Corporate Participants

Gregory Q. Brown – Chairman & Chief Executive Officer

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MANAGEMENT DISCUSSION SECTION

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

I think we'll get started. Good morning, everyone. My name is Kulbinder Garcha. I'm the Telecom Equipment Analyst for Credit Suisse. We're very pleased to have Motorola Solutions here. We've got Greg Brown, the CEO. Greg, if I kick it off with a few questions.

Gregory Q. Brown, Chairman & Chief Executive Officer

Sure.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

Maybe a broad one, I guess, we're approaching now two years into separation. In terms of as you look out over the next couple of years, can you just speak about the company's core focus strategy, what you want to achieve between now and let's say even 2014?

Gregory Q. Brown, Chairman & Chief Executive Officer

Yeah. We – obviously it's been two years since we split the company. We spun-off Mobility, made a conscious decision to get out of the set-top box business and the handset business given both the challenged financials and the commodity orientation to those businesses. What we do here in Motorola Solutions is mission critical communications and public safety and mission critical applications delivery for the enterprise customer, that's in Enterprise Mobile Computing, Advanced Data Capture and the WLAN business.

I think you've seen us divest the wireless infrastructure business, initiate a thoughtful capital allocation strategy, return \$3 billion to shareholders, initiate a dividend and generate pretty predictable results with strong operating margin expansion and cash.

Looking forward Kulbinder for the next two years, we expect and are planning on operating margin expansion, earnings increase, and revenue growth. Just for Q4, we've guided 6% to 7% on the top line revenue, and forward-looking in the financial envelope as you know, we think this business can grow all in

5% to 8% top line, which certainly includes the next two years. So you'll see us continue to strengthen our leadership position. We are number one in public safety, both P-25, which even though it's considered primarily a North American standard, is in 60 countries as well. TETRA number one, Professional and Commercial Radio number one, and Advanced Data Capture number one, and Enterprise Mobile Computing number one. So, things that are directly related to the core have a complex systems orientation, a solutions orientation that play to purpose built devices that have the customization and differentiation characteristics that make the business strong. You'll see this continue to strengthen.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

Okay. Thanks for that intro Greg. I guess one of the topics when speaking to investors that comes up as a concern, as a perceptual concern that maybe on the government side you're borrowing from the future a little bit in terms of the growth has been trending, a reasonable amount of both the long-term growth trend. Can you speak about what maybe driven that combined – ex the narrow banding effect, combined with what the drivers are for growth and this wouldn't be certainly a down year in the next 12 to 18 months. But what visibility you may have there?

Gregory Q. Brown, Chairman & Chief Executive Officer

So, I think we have very good visibility in our government business. Just a reminder, because I think that sometimes you hear, Motorola Solutions is two thirds government and people may break out into a rash, but remember that it's very staggered and it's primarily in the U.S. state and local government. So when things – the hot topic of the day is the fiscal cliff and austerity and people talk about sequestration and the chilling of defense spending and so on, that's really not us. We're state and local government, some homeland security grants and we're also a lot of international government spending. We have very good visibility.

Total backlog for the firm is just under \$6 billion, \$5.9 billion, a lot of which is in government, I think Kulbinder the growth drivers around the business that remain strong. So, separate narrow band. So year-to-date, the government public safety business has grown 12%. We estimate that about 3% of the 12% is narrow banding, which by the way will continue to a lesser degree, but will continue in 2013, but segregate that out.

The mission critical communications remains a high priority and I think the resiliency and consistency of the performance of the business demonstrates that. The age of the infrastructure of U.S. public safety is still substantially antiquated 15, 20 years plus. So there is a whole infrastructure and technology upgrade. We have a high return on investment. So in both businesses; public safety and enterprise mobile computing deploying mission critical communications or high ROI solutions lend itself well for rapid payback and therefore are prioritized accordingly in the food chain.

The other thing we've done is we probably introduced more new products in the last three years that I can remember at Motorola Solutions. Hundreds of new products. We've tiered the public safety P-25 portfolio, meaning we have more products available, more devices available, different price points than we ever had. Equally we've done the same thing in TETRA. Having said all that, we've worked hard at as we bring out new features, new products, new devices, making them backward compatible into the legacy infrastructure. So as the client extends agencies, adds users, upgrades feature functionality, they can do so for an agency or a fire or a paramedic or a police group and be interoperable with the legacy customized, both infrastructure and business process and applications to design on the incumbent installed base which is a positive.

Lastly, forget narrow banding in the U.S., but there is a considerable movement to migrate, believe it or not from analog radios to digital. We estimate that professional and commercial radio, base of radios is probably 40 million worldwide of which 10% or less is digital and 90% is analog. That's all available to us for us to refresh and upgrade to digital and we're doing it at ASPs and margin profiles that are very comparable to the installed base that we have today. So I think we are in a good position, a lot of good favorable drivers.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

One more point you mentioned Greg, on the product portfolio upgrade, what does that practically mean for the government business? Is that a new vertical that takes you in new geographies? How many examples you can give in terms of how that's contributing to a better top line outlook than given what it would like...

Gregory Q. Brown, Chairman & Chief Executive Officer

Sure. So one example is, historically Motorola Solutions targeted the middle and large public safety customer. And we would cede or not play in low-end conventional fronts. So people like EF Johnson or others, if it was a small bid, we wouldn't even participate. We invested R&D into a smaller trunk of public safety system that expands the addressable market for the low-end that we now compete and win our fair share and that's one example.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

And on the LTE opportunity in the public safety side, what's the opportunity, timing, and thinking there?

Gregory Q. Brown, Chairman & Chief Executive Officer

So LTE, remember it's a global opportunity. We think that public safety LTE will probably have – it will have more of a contribution from outside of the United States for us in 2013, next 12 to 18 months or 12 to 24 months opportunities in the Middle East, potentially Australia, maybe Latin America. Here in the U.S. we continue to work with FirstNet and the customer to restart Mississippi, which has been temporarily suspended by FirstNet. We are building out Harris County, Texas. They have a spectrum waiver. They do not have BTOP grants for using their own money, so we continue forward with their deployment. And we also would like to re-engage BayWEB, which is the San Francisco Bay area implementation, where actually we're the licensee.

So, here in the U.S., we want to restart working with customers and FirstNet, the public safety LTE implementations that have begun, and we also want to work with FirstNet as they move forward and decide on governance and an architecture and procurement that we're working very closely with them for a thoughtful rollout of the broadband network over the next several years. Remember, there is \$7 billion available for public safety infrastructure that's been approved by the middle class, part of the legislation of the middle class Job Relief Act. \$2 billion of that is available now. \$5 billion is dependent on successful auction, airwave auctions in 2015 and beyond, just to give you a dimension of the available funding.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

Does the competitive environment change very differently as you go outside of the U.S., less the inside possibly like the public safety?

Gregory Q. Brown, Chairman & Chief Executive Officer

Well, so, in the traditional business, the public safety narrowband business, our primary competitor here in the U.S. is Harris, outside of the U.S. the primary competitor is Cassidian. Cassidian is a division of EADS. In public safety LTE, a couple of things to note. We started investing over three years ago to ensure that when it became ready, by the way domestically or internationally, we would add a infrastructure, a portfolio of devices and software applications that would enable Motorola to provision and deliver an end-to-end public safety LTE experience. So, I feel very good about the portfolio and the fact that we're substantially ahead of our competition.

That said, in areas where public safety LTE needs a carrier base station for radio access RAN base station, we partnered – we have a preferred partnership with Ericsson that runs eight more years. So the thought being, if we go into City of Chicago and propose a Public Safety LTE system, but it needs a carrier infrastructure some to have roaming from a private network – public safety network to private network into a public network, we exited the wireless infrastructure business, we would take the base station from Ericsson, we would encrypt it, harden it, put it as part of our solution and deliver end-to-end.

Having said all that, I'm simply saying that given our incumbency, brand, go-to-market portfolio, partnership with Ericsson, I think our competitive position is very strong in Public Safety LTE. Our expectation would be as we compete for this business, we should be able to and hope to be able to garner market share in the broadband environment that's comparable to the market share that we have in narrow band land mobile radio.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

Just on the timetable of this, Greg, your best guess is that second half of 2013, will you see the benefit from let's say international public LTE and into 2014 and beyond is when North America starts come true in terms of the contribution to MSI?

Gregory Q. Brown, Chairman & Chief Executive Officer

Generally, yes.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

Right. Okay. Okay. And then moving onto the Enterprise business, how is that being impacted given the macro visibility do you have there do you think?

Gregory Q. Brown, Chairman & Chief Executive Officer

So, we had a tough Q3, the Enterprise business and I remind you it's kind of three-product segments, three legs of the stool, Enterprise mobile computing, advanced data capture, WLAN. We're holding share in Enterprise mobile computing and data capture. WLAN over the last several quarters we probably lost a little bit of share, we're very strong in our target verticals, retail, transportation, logistics, but overall we sit in a number four position, with 6% or 7% market share behind Cisco, Aruba, HP and us. When you look at Q3, our Enterprise business in aggregate contracted 13%; half of that is FX headwinds and the continued – expected decline of iDEN infrastructure. So, iDEN to remind you was about – the iDEN infrastructure business, was about \$365 million in revenue last year and it should be approximately \$265 million or \$270 million in revenue this year so that you can bake in that nominal dollar decline in the Enterprise results.

That said, Kulbinder, so 13% contraction Q3 year-over-year, half is iDEN infrastructure and foreign exchange headwinds. The rest in part is we chose not to compete in the low end commodity access point business for 802.11 networks in China and in other parts of Asia. And lastly, two things, we had a strong year-over-year compare in the previous period and we have – it's a little bit lumpy in Enterprise, primarily Enterprise mobile computing. So, we don't – we're coming off of a higher year-on-year compare, and we have smaller deals that we're working now. I expect our Enterprise business to improve in Q4 over its results in Q3, and then we'll guide the full year in January when we give the 2013 fiscal outlook.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

On the Enterprise cycle, what kind of impact does iPhone or iPad have on your business?

Gregory Q. Brown, Chairman & Chief Executive Officer

Not significant, I would characterize it as minimal. Remember what we do is rugged enterprise mobile computing. So, if I had our product portfolio displayed on that table that maybe the prettiest thing to look at in comparison to a sleek iPhone. But you'd look at it and quickly conclude that iPhone, iPod, iPad is not the market we go after. We go after customized, industrial scanning, purpose built, ruggedized where it may impact is in future opportunity. So, by the way, the reason we bought Psion out of Europe for \$200 million using foreign cash is that it's purpose built, customized, vehicle mount terminals, largely product that's additive to our Enterprise mobile computing portfolio. So, we don't have two duplicate platforms where we have to eliminate one. Psion's got a decent brand in Europe, it's got good industrial design people, reasonable intellectual property, and it gets us into some new verticals warehousing, refrigeration, ports where we don't play. Those are the kind of things that we think about when we think inorganic around tuck-in, strengthening a core number one position, not looking to go too far from what we do or pursue a bridge too far.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

And then on the margin point, Greg, you mentioned margins expanded. I guess you have seen fairly decent leverage for few years now. When we're thinking of both gross margin levers and OpEx, what is the lift in the business do you think?

Gregory Q. Brown, Chairman & Chief Executive Officer

I always – as my team knows, I always believe that there's margin opportunities – operating margin opportunities and we've talked about we had 16% operating margins last year. We've forecasted 17% this year. We believe that we can continue to expand operating margins. So, we'll provide an update in January on that. I think that there are still opportunities in our real estate footprint. There are still opportunities in IT longer term as we upgrade the IT platform for greater efficiency, fewer instances of Oracle, more standardization and less customization. I think there is probably some opportunity a little bit in R&D. I think there is opportunity everywhere. I always believe that successful businesses can invest. As an example, we've invested over \$100 million in Public Safety LTE over the last three years plus, but we've expanded operating margin. Good companies are able to dial up in certain areas while simultaneously dialing down. I think I always believe we can be more efficient and I expect us to be that.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

So, in terms of the margin expansion, it wouldn't be gross margin, it sounds more OpEx driven?

Gregory Q. Brown, Chairman & Chief Executive Officer

I think it's more operating margin expansion than gross margin expansion.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

And then moving on to cash distribution before I open up to the audience, you've bought back anywhere between I think \$300 million and over \$1 billion of stock in any one quarter. Can you speak about apart from the share prices held, how you think about using that buyback?

Gregory Q. Brown, Chairman & Chief Executive Officer

So, we've obviously prioritized returning capital to shareholders. We've returned over \$3 billion in five quarters. The big driver of that was the Icahn deal, which was \$1.2 billion. I can – can I say the price, at \$49.15. And that was – some people thought oh that we're doing it just to get rid of Icahn. That's not why we did it at all. We did it because the opportunity was there. He wanted to exit. And we thought it was a very attractive price. We'll continue to buy back shares. I'm obviously not going to forecast the pace or the size of that, but it's important and so is the dividend. So, kind of stay tuned for that.

Remember we've said that on operating cash flow, 25% would be CapEx roughly, approximately, 30% is dividend and 45% is available for M&A or share repurchase. That's a framework we'll continue to follow. By the way on cash, as Ed and I continue to work closely and it's been two years post separation, I think we're doing a good job, repatriating money, by the way with very little friction cost, balancing the foreign tax credits we have in different jurisdictions. We think the cash needed to run the business now is approximately \$1.2 billion, of which we think 50% would be in the U.S., 50% outside the U.S. We repatriated Kulbinder about – we anticipate – we repatriated \$1.9 billion of cash in 2011. We expect to repatriate approximately \$1 billion this year, and next year will be a reasonably comparable number, repatriating cash next year as well.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

And then on the – I know you guys have talked about target level of leverage and again sensitive towards the rating agencies said by you as well, is this scope you think to actually have – kind of leverage some of your peers have long-term?

Gregory Q. Brown, Chairman & Chief Executive Officer

So, a couple of things – it's a great question. To remind everybody, we expect and anticipate being in a net debt position in 2014. The other thing I think you'll see us in – we worked closely when we established Motorola Solutions to ensure that we got the investment grade rating, which we thought was important for a variety of reasons. We've got that. We've got predictability in the business. We have a strong balance sheet. We've got consistent performance, cash generation, earnings expansion, market share, operating margin expansion and two years under our belt. I think what you'll see us do next year is we've traditionally used the discussion of adjusted debt to adjusted EBITDA. We'll give you guidelines next year on net debt to EBITDA, which is the normal vernacular, what people talk, we will do that conversion for you. But the point of the business – the point of what you're saying is yes, we can take on more leverage, and we'll – it's expected that we'll take a net debt position sometime in 2014.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

And are there any questions from the audience?

Gregory Q. Brown, Chairman & Chief Executive Officer

Go on

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

Okay, I'll continue then. And then on R&D, and Greg, where are you investing right now? How are you prioritizing that, because you seem to be very good at managing \$1 billion I've noticed plus or minus...

Gregory Q. Brown, Chairman & Chief Executive Officer

So we've...

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

When are we spending more or dialing down?

Gregory Q. Brown, Chairman & Chief Executive Officer

So a couple of years ago we were at 13% – over 13% R&D as a percentage of sales. We'll be less than 12%, 11% and change is our expectation for this year. Where we continue to invest is Public Safety LTE. Where we continue to invest is the customization, the requirements for individual clients that provide the necessary, not only service to them, but differentiation. Where we continue to invest is tiering the portfolio and keeping current E-25, TETRA. And by the way we've expanded our PCR portfolio, which is probably in the best shape it's ever been under Jeff Spaeth. We continue to invest in Enterprise mobile computing. You'll, under Girish Rishi, you'll see us have more expanded products; the new product, the MC40, the smart badge, which is a lower end terminal lapel mount, inventory management scanning and push to talk. So the short answer is public safety, enterprise mobile computing and obviously data capture is a very strong business for us as well.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

Can you give examples of investments where you have to dial it down do you think?

Gregory Q. Brown, Chairman & Chief Executive Officer

I think we could dial down a little bit in public safety infrastructure. So remember when we “talk public safety” we have all this infrastructure, system software, hardware design and development and then we have all the devices that hang off of it. We have a subtle rebalancing. We're expanding the device R&D, both P-25 and TETRA and just very surgically and thoughtfully contracting the public safety infrastructure R&D that isn't as necessary as it was several years ago. That's narrowband LMR and not public safety LTE.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

A couple of quarters ago, there was a whole discussion that you guys talked about some big deals on the Enterprise sides being pushed out. If you felt then it was more of a delay rather than cancellations holding to macro, how do you kind of feel about that?

Gregory Q. Brown, Chairman & Chief Executive Officer

I think the biggest overhang on the market today is the fiscal cliff; it's the fragility of the fiscal – the financial recovery. It's not whining or making excuses. I expect our Enterprise business to improve Q4 over Q3, but I think that companies are just being a little bit more careful. This is more an enterprise comment than a public safety comment and we'll see if that continues forward. I am just a bridge to a different platform. I'm hopeful that this fiscal cliff gets resolved despite all the political posturing and the election rhetoric on taxes and entitlement. I can't imagine the necessary parties and VC not being able to get together and figure it out. I think there's only so many levers to pull and I don't think it's that complicated.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

Maybe last question from me. On used cash for acquisitions, there's obviously opportunities. Should we expect it as smaller deals going forward, more tuck-in acquisitions? How do you think, is it more geographic based or vertical base, how do you think...?

Gregory Q. Brown, Chairman & Chief Executive Officer

So when we think about acquisitions, we clearly don't think about let's just go buy something because we have the money. It's all about return on invested capital should the capital be invested in the business to protect it and differentiate, should it be returned to shareholders or should we buy something. When we look at potential acquisitions, it has to be strategic i.e. directly related to strengthen or extend the number one position we have in the core market. Number two, we have to be able to integrate it. Number three, it has to have cultural compatibility.

Pision is a perfect example. It's enterprise mobile computing. We can integrate it into what was formerly the Symbol business. We know it. It's culturally compatible, it's hardware design people, they do many if not all of the things we do, different products, but very easy to integrate, take the synergies out of a public company where Pision was a very small public company suffering from some of the European overhang economically. That's the way we kind of think about these things. So things that are directly related to the core strengthen our number one position, tuck-ins are preferred and that's how we are thinking about it.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

Pision, the time table for getting the synergies, let's say, cost wise or revenue wise, can you just clear them out for us?

Gregory Q. Brown, Chairman & Chief Executive Officer

I would simply say by the end of 2013.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

By the end of 2013?

Gregory Q. Brown, Chairman & Chief Executive Officer

I think we've been very pragmatic about the expectations, people internally know their targets, what needs to be done. We want to be very thoughtful about it and I think we know what to do.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

Greg, I think we are just out of time. Thank you very much.

Gregory Q. Brown, Chairman & Chief Executive Officer

Any questions from the floor? Okay.

Kulbinder S. Garcha, Analyst, Credit Suisse Securities (USA) LLC (Broker)

Thank you.

Gregory Q. Brown, Chairman & Chief Executive Officer

Thanks, Kulbinder.