

# MOTOROLA SOLUTIONS

## Q2 2015 RESULTS

August 5th, 2015

# 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 9 through 20 in Item 1A of Motorola Solutions' 2014 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 5<sup>th</sup> day of August, 2015. 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.

# Q2 HIGHLIGHTS



- **Sales \$1.4B, up 2%\* in constant currency**
  - North America sales growth of 5%
  - Q2 FX unfavorable impact of \$53M
- **Operating margin\*\* up 460 bps on lower cost structure**
- **Non-GAAP EPS growth of 45%\*\***
- **Operating cash flow of \$140M, up \$22M**
- **Free cash flow per share growth of 47%**
- **Backlog up \$624M, or 12% vs. LY**
  - Up \$138M in Products and \$486M in Services
- **Announced intention to commence Tender Offer of up to \$2B**
  - Returned \$285M in share repurchase and \$72M in dividends
- **Announced Silver Lake to make \$1B strategic investment**

\* Excluding \$53M of currency impact

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

# FINANCIAL RESULTS



(\$M), excluding per share amounts

| <b>GAAP</b>                           | <b>Q2 2015</b> | <b>Q2 2014</b> | <b>Change</b> |
|---------------------------------------|----------------|----------------|---------------|
| Revenue                               | \$1,368        | \$1,393        | (2%)          |
| Revenue Growth<br>@ constant currency |                |                | 2%            |
| Operating Earnings                    | \$254          | \$138          | 84%           |
| Operating Margin                      | 18.6%          | 9.9%           | 870 bps       |
| EPS                                   | \$0.72         | \$0.30         | 140%          |
| <b>Non – GAAP</b>                     | <b>Q2 2015</b> | <b>Q2 2014</b> | <b>Change</b> |
| Operating Earnings                    | \$260          | \$201          | 29%           |
| Operating Margin                      | 19.0%          | 14.4%          | 460 bps       |
| EPS                                   | \$0.68         | \$0.47         | 45%           |

# Q2 KEY FINANCIAL METRICS



(\$M), excluding per share amounts

| <b>Non - GAAP</b>                     | <b>Q2 2015</b> | <b>Q2 2014</b> | <b>Change</b> |
|---------------------------------------|----------------|----------------|---------------|
| Revenue                               | \$1,368        | \$1,393        | (2%)          |
| Revenue Growth<br>@ constant currency |                |                | 2%            |
| EBITDA *                              | \$298          | \$246          | 21%           |
| Operating Earnings %                  | 19.0%          | 14.4%          | 460 bps       |
| EPS                                   | \$0.68         | \$0.47         | 45%           |
| Operating Cash Flow                   | \$140          | \$118          | \$22          |
| Free Cash Flow **                     | \$92           | \$76           | \$16          |
| Free Cash Flow / Share                | \$0.44         | \$0.30         | 47%           |

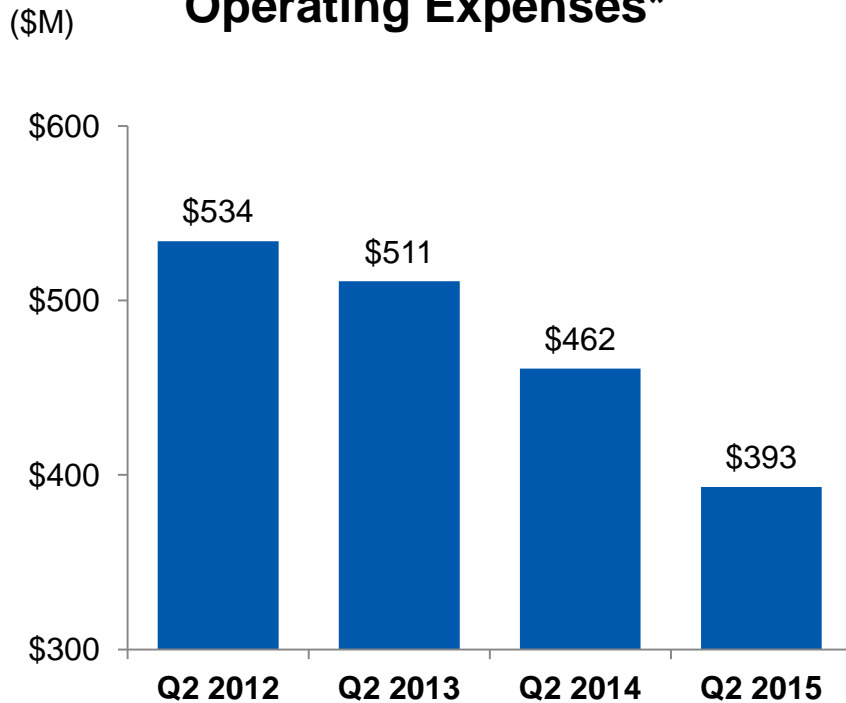
\* Non-GAAP Operating Earnings + Depreciation

\*\* Operating Cash Flow - CAPEX

# OPERATING LEVERAGE



## Operating Expenses\*



- Q2 operating expenses down \$69M vs. last year
- On track for ~\$175M in opex savings for 2015

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

# Q2 CASH FLOW



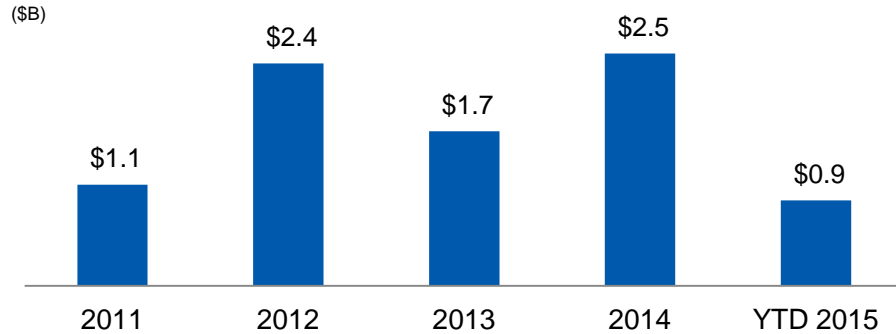
(\$M), excluding per share amounts

|                                             | Q2 2015       | Q2 2014       | Change      |
|---------------------------------------------|---------------|---------------|-------------|
| Operating Cash Flow                         | \$140         | \$118         | \$22        |
| Capital Expenditures                        | \$48          | \$42          | \$6         |
| <b>Free Cash Flow</b>                       | <b>\$92</b>   | <b>\$76</b>   | <b>\$16</b> |
| Weighted Avg Diluted Shares Outstanding (M) | 209.5         | 256.2         | (46.7)      |
| <b>FCF per share</b>                        | <b>\$0.44</b> | <b>\$0.30</b> | <b>47%</b>  |

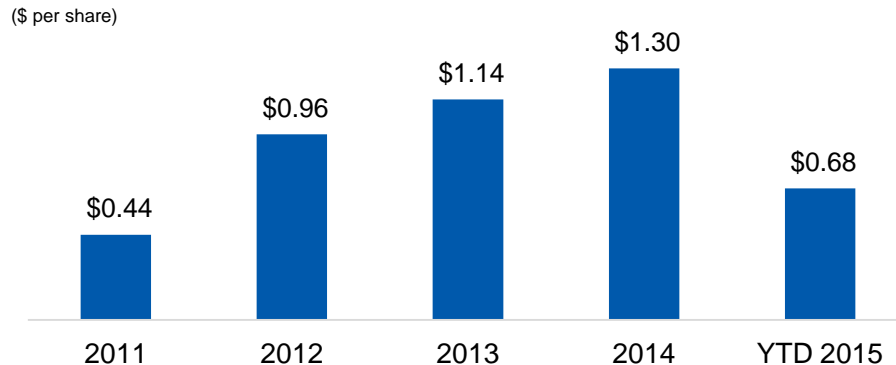
# CAPITAL RETURN



## Share Repurchases



## Dividends Paid



- **Announces intent to purchase up to \$2B of common stock in tender offer**
- **Q2 \$285M share repurchase and \$72M in dividends paid**
  - \$1.1B dividends paid since Q3 2011
  - 40% reduction in shares since Q3 2011
- **Ended Q2 in net debt\* position of \$285M**
  - \$3.1B in cash, \$3.4B in debt

\* Net Debt = Cash & Cash Equivalents, minus LT Debt including current portion



# Q3 OUTLOOK (NON-GAAP)



| Third Quarter Outlook                   | Range           |
|-----------------------------------------|-----------------|
| Revenue Growth                          | (1%) to (3%)    |
| Revenue Growth<br>@ constant currency * | Flat to 2%      |
| EPS                                     | \$0.68 - \$0.73 |

Q3 currency headwind  
~\$50M vs. LY

\* Spot rate as of August 3<sup>rd</sup>

# 2015 OUTLOOK (NON-GAAP)



|                                         | Prior Outlook      | Current Outlook    |
|-----------------------------------------|--------------------|--------------------|
| Revenue Growth                          | Flat to (2%)       | Flat to (2%)       |
| Revenue Growth<br>- constant currency * | 1% to 3%           | 1% to 3%           |
| Operating Expenses                      | Down \$150-\$175M  | Down \$175M        |
| EBITDA                                  | \$1.32B to \$1.37B | \$1.32B to \$1.37B |
| EPS                                     | \$3.20 - \$3.40    | \$3.20 – \$3.40    |
| Other Income & Expense                  | Approx. \$180M     | Approx. \$180M     |
| Operating Cash Flow                     | Approx. \$1.0B     | Approx. \$1.0B     |
| Effective Tax Rate                      | Approx. 33%        | Approx. 33%        |
| Cash Tax Rate                           | Approx. 15%        | Approx. 15%        |

\* Spot rate as of Aug 3<sup>rd</sup>

# PRODUCTS FINANCIAL RESULTS



(\$M)

| <b>GAAP</b>        | <b>Q2 2015</b> | <b>Q2 2014</b> | <b>Change</b> |
|--------------------|----------------|----------------|---------------|
| Sales              | \$867          | \$887          | (2%)          |
| Operating Earnings | \$171          | \$95           | 80%           |
| Operating Margin   | 19.7%          | 10.7%          | 900 bps       |

| <b>Non - GAAP</b>  | <b>Q2 2015</b> | <b>Q2 2014</b> | <b>Change</b> |
|--------------------|----------------|----------------|---------------|
| Operating Earnings | \$176          | \$133          | 32%           |
| Operating Margin   | 20.3%          | 15.0%          | 530 bps       |

# PRODUCTS Q2 HIGHLIGHTS



- Sales of \$867M, down 2%. Excluding currency impact, sales grew 1%
- Backlog up \$138M versus last year and up \$48M sequentially
- Operating earnings\* increase of 32%, driven by improved cost structure
- Significant orders include:
  - \$112M King County in Washington system upgrade serving 39 cities and 25,000 radio users
  - \$66M across four separate customers in the Oil & Gas and Utility industries



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

# SERVICES FINANCIAL RESULTS



(\$M)

| <b>GAAP</b>        | <b>Q2 2015</b> | <b>Q2 2014</b> | <b>Change</b> |
|--------------------|----------------|----------------|---------------|
| Sales              | \$501          | \$506          | (1%)          |
| Operating Earnings | \$83           | \$43           | 93%           |
| Operating Margin   | 16.6%          | 8.5%           | 810 bps       |

| <b>Non - GAAP</b>  | <b>Q2 2015</b> | <b>Q2 2014</b> | <b>Change</b> |
|--------------------|----------------|----------------|---------------|
| Operating Earnings | \$84           | \$68           | 24%           |
| Operating Margin   | 16.8%          | 13.4%          | 340 bps       |

# SERVICES Q2 HIGHLIGHTS



- Sales of \$501M, down 1%. Excluding currency impact, sales grew 4%
- Backlog up \$486M vs. LY and up \$125M sequentially, including \$36M favorable currency adjustment
- Operating earnings\* up 24%, driven by improved cost structure
- Significant orders include:
  - \$88M of managed services contracts for three government customers in Asia and Europe
  - \$65M of lifecycle support in top seven multi-year contracts in North America and Asia

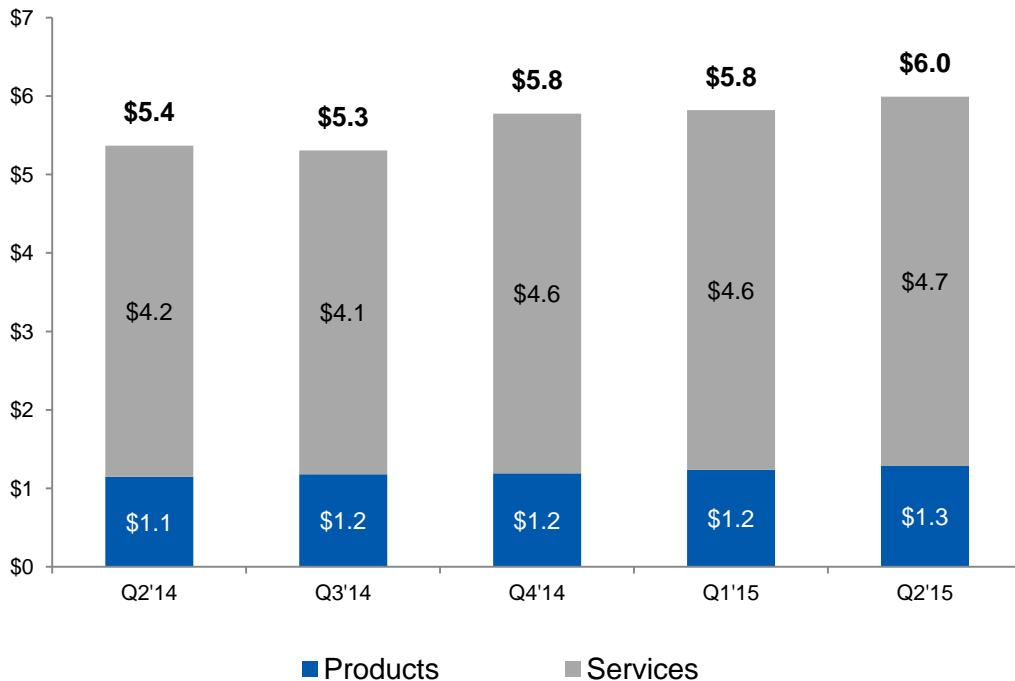


\* Non-GAAP, Excluding highlighted items, stock-based compensation, and intangible amortization

# BACKLOG TREND



(\$B)



## Sequential Quarter Change (Q1'15 to Q2'15)

- Products up \$48M
- Services up \$125M
  - Includes \$36M favorable currency adjustment

## Annual Change (Q2'14 to Q2'15)

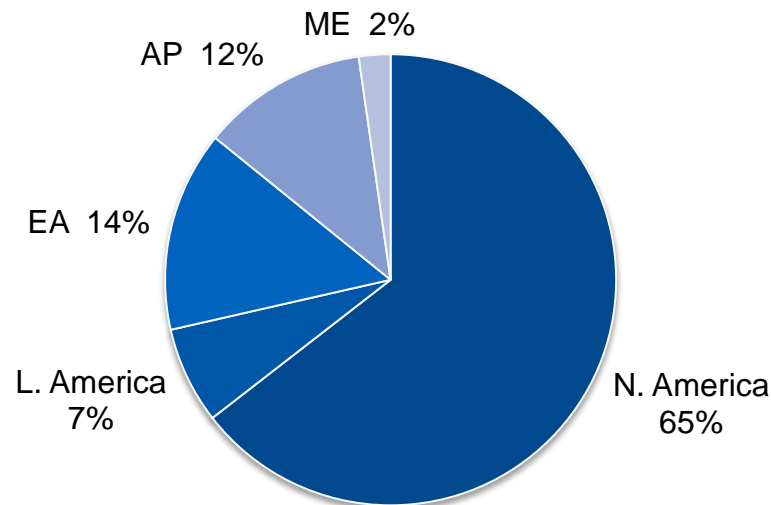
- Products up \$138M
- Services up \$486M

# REGIONAL REVENUE



|            | Q2 2015 | Q2 2014 | Change | Constant Currency Change |
|------------|---------|---------|--------|--------------------------|
| N. America | \$883   | \$841   | 5%     | 6%                       |
| L. America | \$95    | \$134   | (29%)  | (24%)                    |
| EA         | \$197   | \$231   | (15%)  | (2%)                     |
| AP         | \$163   | \$167   | (3%) * | 4%                       |
| ME         | \$31    | \$19    | 58% *  | 58%                      |
| TOTAL      | \$1368  | \$1393  | (2%)   | 2%                       |

## Q2 2015 REVENUE BY REGION



- **North America** - Growth in Products and solid backlog growth
- **Latin America** - Down primarily against a large Q2 '14 deployment, iDEN, and macro-economic & currency headwinds
- **Europe & Africa** - Down primarily on currency
- **Asia Pacific** - Growth in constant currency and solid backlog growth
- **Middle East** - Growth across both PS-LTE and LMR

\* Values differ due to rounding



# \$1B SILVER LAKE STRATEGIC INVESTMENT IN MSI



- Accelerate growth in both smart public safety solutions and our services offerings through partnerships, investments, and acquisitions
- Powerful combination of Silver Lake's expertise in technology products, services, information solutions and value creation together with MSI's leading mission-critical communications platform
- Represents one of Silver Lake's largest Private Investment in Public Equity deals ever, demonstrating confidence in Motorola Solution's strategy and future growth
- Proven track record of creating value with global, technology-focused companies
- The planned addition of Silver Lake managing partners Egon Durban and Greg Mondre to the Board adds extensive technology expertise

# Q&A PARTICIPANTS

An aerial photograph of a dense urban skyline, likely São Paulo, Brazil, featuring numerous high-rise apartment buildings and a clear sky with a single helicopter in flight.

**Greg Brown** - Chairman and CEO

**Gino Bonanotte** - Executive Vice President  
and CFO

**Mark Moon** - Executive Vice President and  
President, Sales & Product Operations

**Bob Schassler** - Executive Vice President,  
Solutions and Services

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

# SUPPLEMENTAL TENDER OFFER INFORMATION



This communication is for informational purposes only, is not a recommendation to buy or sell Motorola Solutions common stock, and does not constitute an offer to buy or the solicitation to sell shares of Motorola Solutions common stock. The tender offer described in this communication has not yet commenced, and there can be no assurances that Motorola Solutions will commence the tender offer on the terms described in this communication or at all. The tender offer will be made only pursuant to the Offer to Purchase, Letter of Transmittal and related materials that Motorola Solutions expects to file with the Securities and Exchange Commission upon commencement of the tender offer. STOCKHOLDERS ARE URGED TO CAREFULLY READ THE OFFER TO PURCHASE, LETTER OF TRANSMITTAL AND RELATED MATERIALS WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN IMPORTANT INFORMATION, INCLUDING THE VARIOUS TERMS OF, AND CONDITIONS TO, THE TENDER OFFER, THAT STOCKHOLDERS SHOULD CONSIDER BEFORE MAKING ANY DECISION REGARDING TENDERING THEIR SHARES. Once the tender offer is commenced, stockholders will be able to obtain a free copy of the tender offer statement on Schedule TO, the Offer to Purchase, Letter of Transmittal and other documents that Motorola Solutions will be filing with the Securities and Exchange Commission at the Commission's website at [www.sec.gov](http://www.sec.gov). Additional copies of these materials may be obtained for free by contacting Motorola Solutions at 1303 E. Algonquin Road, Schaumburg, Illinois, 60196, Attn: Investor Relations, or Alliance Advisors, LLC, the information agent for the tender offer, at 855-737-3180.

# 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)

# SUPPLEMENTAL NON-GAAP MEASURES



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

|                                       | Q1 '12   | Q2 '12   | Q3 '12   | Q4 '12   | Q1 '13   | Q2 '13   | Q3 '13   | Q4 '13   | Q1 '14   | Q2 '14   | Q3 '14   | Q4 '14   | Q1 '15   | Q2 '15   |
|---------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Net sales                             | \$ 1,387 | \$ 1,537 | \$ 1,580 | \$ 1,764 | \$ 1,396 | \$ 1,497 | \$ 1,517 | \$ 1,817 | \$ 1,228 | \$ 1,393 | \$ 1,436 | \$ 1,823 | \$ 1,223 | \$ 1,368 |
| GAAP gross margin                     | 697      | 766      | 820      | 910      | 693      | 750      | 765      | 901      | 577      | 656      | 685      | 912      | 548      | 648      |
| Non-GAAP gross margin adjustments:    |          |          |          |          |          |          |          |          |          |          |          |          |          |          |
| Stock-based compensation expense      | 5        | 6        | 5        | 5        | 5        | 4        | 4        | 4        | 4        | 3        | 2        | 2        | 3        | 2        |
| Reorganization of business charges    | 1        | 3        | 2        | 1        | —        | 5        | 5        | 7        | 1        | 3        | 7        | —        | 2        | 3        |
| Non-GAAP gross margin                 | 703      | 775      | 827      | 916      | 698      | 759      | 774      | 912      | 582      | 662      | 694      | 914      | 553      | 653      |
| GAAP Operating earnings (loss) ("OE") | 152      | 190      | 252      | 327      | 174      | 203      | 246      | 325      | 107      | 138      | 207      | (1,459)  | 119      | 254      |
| Non-GAAP OE Adjustments:              |          |          |          |          |          |          |          |          |          |          |          |          |          |          |
| Stock-based compensation expense      | 29       | 36       | 30       | 31       | 30       | 23       | 25       | 26       | 25       | 23       | 18       | 18       | 18       | 17       |
| Reorganization of business charges    | 6        | 6        | 6        | 8        | 7        | 13       | 16       | 34       | 9        | 25       | 13       | 15       | 12       | 13       |
| Intangibles amortization expense      | —        | —        | —        | —        | —        | —        | —        | —        | 1        | 1        | 1        | 1        | 2        | 3        |
| Other highlighted items               | —        | —        | —        | (16)     | —        | —        | —        | —        | (21)     | 8        | 11       | 1,906    | —        | (32)     |
| Non-GAAP OE                           | \$ 193   | \$ 241   | \$ 295   | \$ 356   | \$ 216   | \$ 248   | \$ 296   | \$ 396   | \$ 126   | \$ 201   | \$ 259   | \$ 483   | \$ 156   | \$ 260   |
| GAAP OE%                              | 11.0%    | 12.4%    | 15.9%    | 18.5%    | 12.5%    | 13.6%    | 16.2%    | 17.9%    | 8.7%     | 9.9%     | 14.4%    | (80.0)%  | 9.7%     | 18.6%    |
| Non-GAAP Adj %                        | 2.9%     | 3.3%     | 2.8%     | 1.7%     | 3.0%     | 3.0%     | 3.3%     | 3.9%     | 1.5%     | 4.5%     | 3.6%     | 106.5 %  | 3.1%     | 0.4%     |
| Non-GAAP OE %                         | 13.9%    | 15.7%    | 18.7%    | 20.2%    | 15.5%    | 16.6%    | 19.5%    | 21.8%    | 10.3%    | 14.4%    | 18.0%    | 26.5 %   | 12.8%    | 19.0%    |

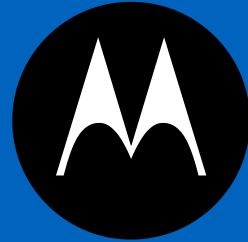
# SUPPLEMENTAL NON-GAAP MEASURES



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

|                                                       | Q1 '12  | Q2 '12  | Q3 '12  | Q4 '12  | Q1 '13  | Q2 '13  | Q3 '13  | Q4 '13  | Q1 '14  | Q2 '14  | Q3 '14  | Q4 '14    | Q1 '15  | Q2 '15  |
|-------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|---------|---------|
| GAAP Other income (expense)                           | 14      | (27)    | (9)     | (18)    | (19)    | (35)    | 5       | (19)    | (18)    | (40)    | (56)    | (39)      | 9       | (39)    |
| Non-GAAP Below OE adjustments                         | 16      | —       | —       | —       | —       | —       | 23      | —       | —       | —       | (27)    | —         | 46      | —       |
| Non-GAAP Other income (expense)                       | (2)     | (27)    | (9)     | (18)    | (19)    | (35)    | (18)    | (19)    | (18)    | (40)    | (29)    | (39)      | (37)    | (39)    |
| GAAP Earnings (loss) from continuing operations*      | 110     | 129     | 156     | 275     | 157     | 223     | 261     | 293     | 85      | 78      | 66      | (926)     | 87      | 150     |
| Non-GAAP OE adjustments                               | 41      | 51      | 43      | 29      | 42      | 45      | 50      | 71      | 19      | 63      | 52      | 1,942     | 37      | 6       |
| Non-GAAP below OE adjustments                         | (16)    | —       | —       | —       | —       | —       | (23)    | —       | —       | —       | 27      | —         | (46)    | —       |
| Non-GAAP tax adjustments and effect                   | (7)     | (33)    | (13)    | (68)    | (57)    | (11)    | (2)     | (6)     | (32)    | (20)    | 9       | (728)     | 5       | (13)    |
| TOTAL Non-GAAP Earnings from continuing operations    | \$ 128  | \$ 147  | \$ 186  | \$ 236  | \$ 142  | \$ 257  | \$ 286  | \$ 358  | \$ 72   | \$ 121  | \$ 154  | \$ 288    | \$ 83   | \$ 143  |
| GAAP Continuing operations earnings per share ("EPS") | \$ 0.35 | \$ 0.44 | \$ 0.54 | \$ 0.97 | \$ 0.56 | \$ 0.81 | \$ 0.98 | \$ 1.12 | \$ 0.33 | \$ 0.30 | \$ 0.27 | \$ (4.02) | \$ 0.40 | \$ 0.72 |
| Non-GAAP Continuing operations EPS adjustments        | 0.05    | 0.06    | 0.11    | (0.14)  | (0.05)  | 0.13    | 0.10    | 0.25    | (0.05)  | 0.17    | 0.35    | 5.27      | (0.02)  | (0.04)  |
| Non-GAAP Continuing operations EPS                    | \$ 0.40 | \$ 0.50 | \$ 0.65 | \$ 0.83 | \$ 0.51 | \$ 0.94 | \$ 1.08 | \$ 1.37 | \$ 0.28 | \$ 0.47 | \$ 0.62 | \$ 1.25   | \$ 0.38 | \$ 0.68 |
| Diluted, weighted average shares outstanding          | 317.7   | 296.1   | 287.4   | 284.4   | 280.7   | 274.7   | 265.3   | 261.2   | 258.3   | 256.2   | 248.2   | 230.5     | 217.8   | 209.5   |

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



# MOTOROLA SOLUTIONS

**Q2 2015 Earnings Call**  
August 5, 2015