



**Conference Call**  
**Zebra Technologies to Acquire Enterprise Business from Motorola Solutions**  
**Tuesday, April 15, 2014**

**PARTICIPANTS**

**Motorola Solutions, Inc. Executive Participants**

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**Shep Dunlap** – Vice President, Investor Relations  
**Gregory Q. Brown** – Chairman & Chief Executive Officer  
**Gino A. Bonanotte** – Executive Vice President and Chief Financial Officer

**Other Participants**

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**Tavis C. McCourt** – Analyst, Raymond James & Associates, Inc.  
**Keith M. Housum** – Analyst, Northcoast Research Partners LLC  
**Kulbinder S. Garcha** – Analyst, Credit Suisse Securities (USA) LLC (Broker)  
**Ehud A. Gelblum** – Analyst, Citigroup Global Markets Inc. (Broker)  
**Peter J. Misek** – Analyst, Jefferies LLC

**MANAGEMENT DISCUSSION SECTION**

**Operator:** Good morning and thank you for holding. Welcome to the Motorola Solutions conference call to announce the sale of its Enterprise business. Today's call is being recorded. If you have any objections, please disconnect at this time.

The presentation material and additional financial tables are currently posted on the Motorola Solutions Investor Relations website. In addition, a replay of this call will be available approximately three hours after the conclusion of this call over the Internet. The website address is [www.motorolasolutions.com/investor](http://www.motorolasolutions.com/investor). At this time, all participants head in place to now listen-only mode, and the line will be open for your questions following the presentation.

I would now like to introduce Mr. Shep Dunlap, Vice President of Investor Relations. Mr. Dunlap, you may begin your conference.

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

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Thanks, Steve. Good morning and thank you for joining us. With me today are Greg Brown, Chairman and CEO; and Gino Bonanotte, Executive Vice President and CFO.

We are pleased to announce that Motorola Solutions and Zebra Technologies have reached a definitive agreement for Zebra to acquire our Enterprise business for \$3.45 billion. Zebra expects to fund the transaction with approximately \$250 million of available cash on hand and \$3.25 billion that is fully committed to be raised through a new credit facility and the issuance of debt securities.

I would also call to your attention that we issued a separate press release this morning with respect to our preliminary Q1 earnings results. For Q1, we expect sales to be approximately \$1.8 billion, down approximately 9% from the first quarter of 2013. GAAP operating earnings in the first quarter of 2014 are expected to be \$170 million or 9.4% of sales. GAAP earnings per share are expected to be approximately \$0.49. Non-GAAP operating earnings in the first quarter are expected to be \$212 million or 11.8% of sales. Non-GAAP earnings per share for the quarter are expected to be approximately \$0.50, within our previous guidance.

Full-year total company 2014 sales are now expected to decline low single digits, while operating margins are expected to be comparable to previous guidance. This full-year sales outlook assumes enterprise growth and a low to mid-single-digit decline for the combined Government and iDEN businesses.

We will provide our full earnings results now on May 1 and hold a call at that time. We will not be taking questions relative to the quarterly results. We have posted our web presentation on [www.motorolasolutions.com/investor](http://www.motorolasolutions.com/investor). I would encourage you to review these slides for additional perspective on the transaction. Additional information about the transaction, the participants, and the risks associated with it will be included in the respective SEC filings of Motorola Solutions and Zebra Technologies.

Greg and Gino will share their views, and then we will take approximately 15 minutes of Q&A. To set your expectations, today we will focus on the high-level rationale for the transaction and discuss our Government and Public Safety business going forward.

Next, I'd like to remind you that all statements made during this call that relate to future results and events are forward-looking statements that are based on current expectations. Actual results and events could differ materially from those projected in the forward-looking statements because of a number of risks and uncertainties which are discussed in our annual and quarterly SEC filings and in the cautionary statement contained in our press release and on our website. We assume no obligation to update our forward-looking statements.

And with that, I'd like to turn it over to Greg.

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**Gregory Q. Brown, Chairman & Chief Executive Officer**

Shep, thank you. Good morning, everybody. I'm pleased to be with you today to discuss our transaction to sell our Enterprise business to Zebra for \$3.45 billion. We do expect it to close by the end of the year subject to customary closing conditions and regulatory approvals.

So last year we undertook a thorough review of our strategy. We concluded that the synergies between our Government and Enterprise businesses were not as great as the value we could create by being singularly focused on our core Government and Public Safety business, which ultimately led us to make the decision to do this transaction. The Government and Enterprise businesses have differentiated customer channels and opportunities, and we believe the Enterprise business is a perfect fit for Zebra.

I think it's about focus, which is different for each business; dedicated resources, which is different for each business. And I think that it's on the Enterprise side exciting to combine two number one players in mobile computing, mobile printing, asset tracking, data capture. And at the end of the day, it was about building a robust end-to-end enterprise mobility company in Zebra and taking the Motorola people and assets to combine it in that regard, much like the position we enjoy in end-to-end public safety and the differentiation that that affords us.

By undertaking this transaction, it will position us into a singularly focused pure play leader in mission-critical communications. We're excited because what remains is a great franchise with an excellent industry leadership position, a strong installed base of customers, a best-in-class portfolio, and strong go-to-market and partner ecosystem. This is a stable business with solid long-term growth and operating leverage potential. In addition, this business has strong cash flow generation profile.

With respect to this transaction, we believe it's an attractive valuation for MSI shareholders. And upon closing, we also expect to return the proceeds to shareholders in a timely manner. This transaction will also enable us to deliver sustainable ongoing capital return to shareholders and add appropriate leverage to a business that has generated dependable growth and strong cash flow.

Now this business is approximately \$6.2 billion, composed of two primary segments, products and services. This also now includes our legacy iDEN business, which was approximately \$185 million in 2013. The business has solid operating margins in the mid-18% range, even when including corporate costs previously allocated to the Enterprise business. And we do have a strong and consistent focus on cost management that will allow us to eliminate the overhang costs associated with overhead costs related to Enterprise and drive for additional operating leverage going forward.

We have a strong market position across all major products and regions, enabled through a variety of areas in which we differentiate versus the competition. Our Government business is a highly differentiated business with a strong competitive position. The business is uniquely advantaged in several ways: a leading portfolio with significant breadth, enabling us to play in all areas of the market from value to premium; backwards compatibility which provides significant value to our customers as we provide them flexibility and respective to upgrade paths without sacrificing features and functionality; scale as we've been able to make significant investments in this business, which are difficult to be matched by our competition; and a vast network of direct sales and trusted partners and often a long sales cycle, which takes patience and investment from our competitive peers; and quite frankly, this is a business that we originated and invented some 70 years ago.

Now let me take a moment to talk about the composition of our revenue. This business is composed of a few key categories: public safety infrastructure and devices; our professional and commercial radio business, which serves both public and commercial customers; and services, which consists primarily of systems integration and deployment as well as support services. Managed services are a small but growing category, where we believe there is significant opportunity for growth and additional account stickiness.

We have a diversified set of customers, with over 10,000 systems installed in over 100 countries. We serve state and local, international at both country-wide, state, and provincial level, and commercial customers in areas such as utilities, energy, mining, and manufacturing. No single customer accounts for more than 7% of our business, and even that customer is composed of a multitude of agencies and disparate contracts.

From a regional perspective, we derive approximately 80% of revenues from North America and the Europe-Africa region, while we see additional growth opportunities in emerging regions such as Asia-Pacific, Middle East, and Latin America.

In terms of growth for this business, we believe this business is a low to mid-single-digit sales growth business over the long term, and we look at it from both a core and a growth adjacency perspective. With respect to the core, we see growth opportunities in terms of the size and age of the installed base, the ongoing analog-to-digital conversion, and increasing demand for lifecycle and managed services. This business has a vast P25 and TETRA installed base globally, and this installed base is a huge asset. This installed base consists of thousands of customers with different technologies and different aged infrastructure.

We have a sound migration strategy as we can move customers up to stack to the next level of technology or product platform in a thoughtful and cost-effective way that matches their needs and requirements. Public safety systems have historically been incompatible with one another, requiring a

forklift change-out when customers migrated platforms. But we've invested a lot of resources over a long period of time to ensure that those systems are completely interoperable and compatible with one another and customers can migrate on their own timeline.

The move from analog to digital is also a driver of growth in this business. When we look at the composition of our installed systems on a worldwide basis, approximately 60% of the systems are still analog.

Another driver of our core business is a focus on lifecycle and managed services, which are providing more recurring revenue streams and opportunities. Networks are getting increasingly complex, and customers are looking for us to help them manage that complexity and keep them current. Although this is a relatively small part of our business now, we see encouraging growth in this area and believe we're well positioned to meet the needs of our customers as more of them adopt to a model of OpEx versus CapEx-based projects.

Lastly, we're very excited about some of the growth adjacencies, which include public safety LTE, smart public safety, and vertical and geographic expansion. We believe public safety LTE is the single largest growth opportunity for MSI, as it adds an incremental set of revenues to our traditional land mobile radio business. We believe we're well positioned in this business as we've made substantial R&D investments and brought a suite of products to market to help the industry take advantage of this technology. Although it's still early, we have a significant win in North America to implement an LTE network for LA-RICS [Los Angeles Regional Interoperable Communication System Authority], and we also won our first international award for approximately \$100 million in the fourth quarter of 2013.

Now let me turn it over to Gino for a bit of more detail on the financial profile and our capital return considerations before we open it up to a few questions. Thanks.

**Gino A. Bonanotte, Executive Vice President and Chief Financial Officer**

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Thanks, Greg. The Government and Public Safety business has demonstrated durable sales growth with a compound annual growth rate of more than 4%, while consistently expanding operating leverage. We'll continue to make the right investments to drive revenue growth while eliminating stranded legacy costs.

We believe on a long-term basis that this is a low to mid-single-digit revenue growth business and we can continue to drive additional operating leverage. We continue to remain focused on cash flow from operations and believe this business provides robust cash generating opportunities as we move forward.

This management team has demonstrated that returning capital to shareholders is a priority. In less than three years, we've returned \$5.2 billion in capital through opportunistic share repurchases, reducing our share count by approximately 26%. In the same timeframe, we've also initiated a dividend and raised it by 18% and 19% respectively over the past two years, returning an additional \$600 million.

In the future, as Greg mentioned, we expect to return the proceeds of the transaction in a timely manner. We remain committed to a strong balance sheet and investment-grade rating. We expect to retain appropriate flexibility to support bolt-on acquisition, and capital return will continue to be a priority for the firm and the management team.

I'll now turn it over to Greg for some closing comment.

**Gregory Q. Brown, Chairman & Chief Executive Officer**

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Thanks, Gino. Let me wrap up by saying we're excited about this transaction and believe it enables MSI to be singularly focused on driving continued leadership in mission-critical communications for government and public safety customers. Second, I truly believe this is a great franchise with a large installed base, strong R&D investments, and a focus on targeted growth areas that leverage our expertise. And third, we think this is an excellent total return story.

We think this is a low to mid-single-digit revenue growth business over the long term, significant room for additional operating leverage and faster operating earnings growth, and a sustainable capital deployment model that's consistent with this business, which we believe has generated dependable growth and strong cash flow.

I want to thank you for joining us today, and I'm going to turn it over to Shep for a moment before launching the questions. Thanks.

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

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Thanks, Greg. Now let's open it up for questions with both Greg and Gino. Operator, can you please instruct our callers how to ask a question?

**QUESTION AND ANSWER SECTION**

**Operator:** [Operator Instructions] Thank you. Our first question is coming from Tavis McCourt from Raymond James. Your line is open.

**<Q – Tavis McCourt – Raymond James & Associates, Inc.>:** Hey, guys, thanks for taking my question and congratulations. First, a technical one on taxes. Does this deal have any impact on the net loss carryforwards or any deferred taxes booked for the balance sheet as of today?

And then secondly, in terms of operationally, if one were to think of potential synergies that did exist between Enterprise and Government, it would seem like one was, as you build these LTE networks, there's potentially a device opportunity for rugged handhelds and such in that vertical market. Is there any kind of non-compete you have with Zebra around the public safety market with this transaction? Thanks.

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** I'll take the first part of the question. Tax impact, we expect to be de minimis tax impact on a cash basis, so no impact to what we've done last year. Greg?

**<A – Greg Brown – Motorola Solutions, Inc.>:** On the synergies part, part of the rationale is that the businesses are getting more different than they are alike, and the synergies are quite limited in the firm. So R&D is separate, product management is separate, sales is separate. We along with Zebra negotiated a very comprehensive agreement. It does have a non-compete that describes certain areas that will be forthcoming when the agreement gets filed, but we're very comfortable. It allows us the latitude to pursue public safety, of course public safety LTE, converged devices, and gives us the width and breadth of portfolio that we need to be competitive in this remaining franchise.

**<Q – Tavis McCourt – Raymond James & Associates, Inc.>:** Thanks, Greg.

**<A – Greg Brown – Motorola Solutions, Inc.>**: Thank you, Tavis.

**<A – Shep Dunlap – Motorola Solutions, Inc.>**: Next question, please.

**Operator**: Our next question is from Keith Housum from Northcoast Research. Your line is open. Keith Housum, your line is open.

**<Q – Keith Housum – Northcoast Research Partners LLC>**: I'm sorry, thank you very much. Congratulations, guys, on the sale. As you look forward here in terms of the operating leverage, is there any additional cost that can come out of the system, especially now from being a smaller company that perhaps is not going to be going on with that entity?

**<A – Greg Brown – Motorola Solutions, Inc.>**: Keith, so first thing, from a cost perspective, as you would imagine, this transaction when complete will result in overhead cost or overhang cost as we describe it that Gino and I and the firm will aggressively remove and get after. Having said that, we are RemainCo, MSI Inc., and the surviving entity, so we will continually look at optimization of our real estate footprint, manufacturing, IT. And we believe that while a lot of cost has come out of this business, in fact over the last three years since the launch of MSI as an individual business, revenues are up \$700 million on comparable operating expenses, which demonstrate leverage capability. We will look to eliminate the overhang and look for further leverage as well, Keith, to your question. And we do think some opportunities are there and we'll update you going forward as we progress.

**<Q – Keith Housum – Northcoast Research Partners LLC>**: Is it too early to assume that those would be 20, 30, or 40 basis points?

**<A – Greg Brown – Motorola Solutions, Inc.>**: I think we'll get into that either on the May 1 call for the earnings or forthcoming thereafter, to give you a little bit more detail on that.

**<Q – Keith Housum – Northcoast Research Partners LLC>**: Okay. And if I can just ask one follow-up question, you spoke highly on the introduction of the call that the combined entity of Zebra and Motorola Solutions Enterprise would be in a very good spot competitively going forward. Was there consideration to reversing roles here and buying Zebra to make that a formidable competitor as opposed to selling the Enterprise group?

**<A – Greg Brown – Motorola Solutions, Inc.>**: I think it's fair to say we looked at all of options. And quite frankly, as we embarked on the review of the strategy last year, I always believed that Zebra was one of the best if not the best combination for the Enterprise business for the reasons that we described. I think taking two industry leaders and providing an end-to-end mobility portfolio, mobile computing, mobile printing, asset tracking, RFID, data capture, is pretty strong.

Having said that, because the businesses are different and they're getting more different, they're getting more different in product cycle. They're getting more different in the speed of product development, because of the fact that there are very limited synergies, the conclusion was the risk-adjusted return on capital by greater focus between the creation of two businesses was better and more effective for shareholders than trying to do it under one roof. And that was the industrial and shareholder value creation logic that we ultimately concluded.

**<Q – Keith Housum – Northcoast Research Partners LLC>**: Okay, I appreciate it. Thank you, good luck.

**<A – Greg Brown – Motorola Solutions, Inc.>**: Thank you.

**<A – Shep Dunlap – Motorola Solutions, Inc.>**: Next question, please.

**Operator**: Our next question is from Kulbinder Garcha from Credit Suisse. Your line is open.

**<Q – Kulbinder Garcha – Credit Suisse Securities (USA) LLC (Broker)>**: Thanks for the question. Maybe just one in terms of I'm a bit confused in terms of what contribution Enterprise made to free cash flow. So could you maybe give me a ballpark over the last two to three years what percentage of your annual free cash flows coming from the Enterprise business if you can?

And then additionally on the potential cash return, I'm just looking at the cash return slide. You say that you expect the proceeds to be returned to shareholders, but you're also going to retain the flexibility for bolt-on opportunities and acquisitions. And that last kind of acquisitions you've always kind of made, so is it fair to assume that almost all of the \$3.45 billion you're going to receive you will actually distribute to shareholders at some point and will have an announcement linked to that fairly soon? I'm trying to understand what exactly you're going to do with it. Thanks.

**<A – Greg Brown – Motorola Solutions, Inc.>**: So I'll do the return one first. I think what we're saying is we intend to return the proceeds to shareholders in a timely manner. And I think that that's generally consistent with the track record we've had on capital return to date by almost \$6 billion in a little less than three years. Obviously, Kulbinder, we have an excess cash position now, and upon closing we'll have more. So we're just reinforcing the fact that we clearly have the capacity to do that and the intention to return the proceeds to shareholders in a timely way.

**<A – Gino Bonanotte – Motorola Solutions, Inc.>**: And, Kulbinder, on cash generation, approximately \$300 million. As we look at the last 12 months EBITDA for the Enterprise business, it's approximately \$300 million.

**<A – Greg Brown – Motorola Solutions, Inc.>**: One other thing, Kulbinder, on the bolt-on acquisitions, that's really just restating and reaffirming the philosophy we've had all along. It's not meant to signal any change of view by management. I think that given the position we have as Motorola Solutions Government and Public Safety, there might be opportunities for bolt-ons or tuck-ins and philosophically that's what we've done to date. And we're just suggesting that we'll continue along those lines.

**<Q – Kulbinder Garcha – Credit Suisse Securities (USA) LLC (Broker)>**: Okay, that's clear. Thanks.

**<A – Greg Brown – Motorola Solutions, Inc.>**: Thanks, Kulbinder.

**Operator**: Our next question is from Ehud Gelblum from Citigroup. Your line is open.

**<Q – Ehud Gelblum – Citigroup Global Markets Inc. (Broker)>**: Hey, guys, good morning. Appreciate it.

**<A – Greg Brown – Motorola Solutions, Inc.>**: Good morning.

**<Q – Ehud Gelblum – Citigroup Global Markets Inc. (Broker)>**: Greg, okay, a couple things; first of all, a clarification. When we're doing our adjusted debt-to-adjusted EBITDA calculations, just thinking about where you want to be on your balance sheet, it had always been mid-two times before. I want to just understand whether that's still, Gino, that's still the goal is to get mid-two times. And then when we're doing that calculation, we've always taken your pension liability into account and your leases. Are any of

that going with the Symbol Enterprise business, or do all your pensions and liabilities and leases, are those only part of the Government business that you are keeping? I'll just calculate that. That's one clarification.

Another is, as we look towards the closing, why does it take nine months, do you think, to the end of the year? And what regulatory hurdles should we be looking at, what countries, or what agencies should we be focused on to watch as it goes along?

And then finally, your guidance on the Government business of low to mid-single-digit growth, given that the Government business itself has had a just a poor last few quarters, including this one here in Q1, even worse than you'd thought it was going to be, what gives you the confidence that you can actually get it back to low to mid-single-digit growth? And should we be looking at 2014 as a base as 2014 sounds like from your full-year guidance is not going to be great for Government, but that should be the base on which we grow low to mid-singles? And if you can just give us what went into your math to make you feel confident that you can actually get back there.

**<A – Greg Brown – Motorola Solutions, Inc.>:** So let me do a couple of elements first, and then Gino could tag-team. Ehud, from a compounded growth standpoint, you can go back seven years, ten years in the business. Despite its ebb and flows, we don't look at the business from a quarterly perspective per se. We look at it in aggregate. And we believe, to your point, it's a low to mid-single-digit growth business. What gives us confidence is the strong installed base that is the growth drivers that we described on analog-to-digital, the aged infrastructure of approximately 60% of the worldwide 10,000 systems that are installed globally, the stronger product portfolio, the growth adjacencies around smart public safety, public safety LTE, managed services. And we feel pretty good about that long-term growth position of low to mid-single digits despite any quarterly or between quarterly ebb and flow.

The other thing I'd talk about is the backlog in the pipeline which is, as you know, a \$5 billion-plus backlog and a pipeline that's pretty robust. Obviously, we have to convert, but we're less concerned about the quarter it converts and more concerned about the conversion itself. We think we're holding share, and we think it's a great business and a great franchise.

In terms of the time to close, we're estimating by the end of the year. Maybe it's sooner, we're hopeful it could be sooner. But from a planning standpoint, I think it's more prudent to just go for December 31 from that perspective.

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** And, Ehud, on pension, MSI will be retaining the pension obligation. And from a modeling perspective, you should assume the same ratios.

**<Q – Ehud Gelblum – Citigroup Global Markets Inc. (Broker)>:** And the same for the leases as well and the other pieces of adjusted EBITDA and debt?

**<A – Gino Bonanotte – Motorola Solutions, Inc.>:** Yes.

**<Q – Ehud Gelblum – Citigroup Global Markets Inc. (Broker)>:** All right, thank you.

**<A – Shep Dunlap – Motorola Solutions, Inc.>:** Operator, we'll take our last question.

**Operator:** And our final question is from Peter Misek from Jefferies. Your line is open.



**<Q – Peter Misek – Jefferies LLC>:** Good morning, gentlemen, two quick ones hopefully. Your capital return, is a tender an option that you could use, Greg, to return that cash quicker once the deal closes? Is that something that we should think of?

And then secondly, as we look at LTE as being the big growth driver, can you give us an update on where FirstNet sits? Spectrum auctions are about to occur. The proceeds obviously are going to be used to fund it. The bills all seem to be in place. Are there any hurdles or anything to get that in line ready for an LTE deployment next year? Thank you.

**<A – Greg Brown – Motorola Solutions, Inc.>:** On capital return, I think it's fair to say we'll look at all options. We are in obviously a good position with a great franchise and excess cash today, and that's before the anticipated proceeds upon closing before the end of the year. So we'll look at all options. I think that we'll continue along the strategy that we've embarked on. We clearly made it a priority, and I think we will continue to make it a priority, to Kulbinder's question previously, particularly because at the moment from an acquisition standpoint, we see it as reasonably measured and relatively small in size.

From a FirstNet perspective, we continue to work very closely with them. I think that the relationship is, quite frankly, as good as it's ever have been between Motorola Solutions and FirstNet. We're very excited about embarking on the LA-RICS implementation, which needs to be done and concluded in 2015. We're excited about the international award that is really more material in 2015. It's pretty much de minimis this year. We'll look to get traction on a few other opportunities, both domestically and continue to work a few internationally. But given the overall spectrum situation, the establishment of FirstNet, obviously, has occurred a little bit later than we thought a year or two ago, but we still think it's a fantastic global opportunity, I might add. And we look forward to working closely with FirstNet and the requisite other authorities around the globe.

**<Q – Peter Misek – Jefferies LLC>:** Thank you.

**<A – Greg Brown – Motorola Solutions, Inc.>:** Thanks, Peter.

**Operator:** I'll turn the floor back over to Mr. Shep Dunlap, Vice President of Investor Relations, for any additional or closing remarks.

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

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As everyone knows, we've got our full earnings call scheduled on May 1, and I appreciate everybody's participation today. Thanks.

**Operator:** Ladies and gentlemen, this does conclude today's teleconference. A replay of this call will be available over the Internet in approximately three hours. The website address is [www.motorolasolutions.com/investor](http://www.motorolasolutions.com/investor).

We thank you for your participation and ask that you please disconnect your line at this time. Have a wonderful day.