



# MOTOROLA SOLUTIONS

Q3 2016 Results

November 3, 2016

# 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 22 in Item 1A of Motorola Solutions' 2015 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)

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# Q3 HIGHLIGHTS



- **Sales of \$1.5B, up 8%**
- **Non-GAAP operating margin\* up 530 bps on increased sales and lower cost structure**
- **Operating cash flow of \$348M, up \$47M**
- **Non-GAAP EPS growth of 67%\***
- **Backlog up \$2.1B vs. LY**
  - Up \$62M in Products
  - Up \$2.1B in Services, driven by \$700M of core business and \$1.4B from the Airwave acquisition
- **\$109M in share repurchases and \$70M in dividends**
- **Announced 15% increase in the quarterly dividend to \$0.47**

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

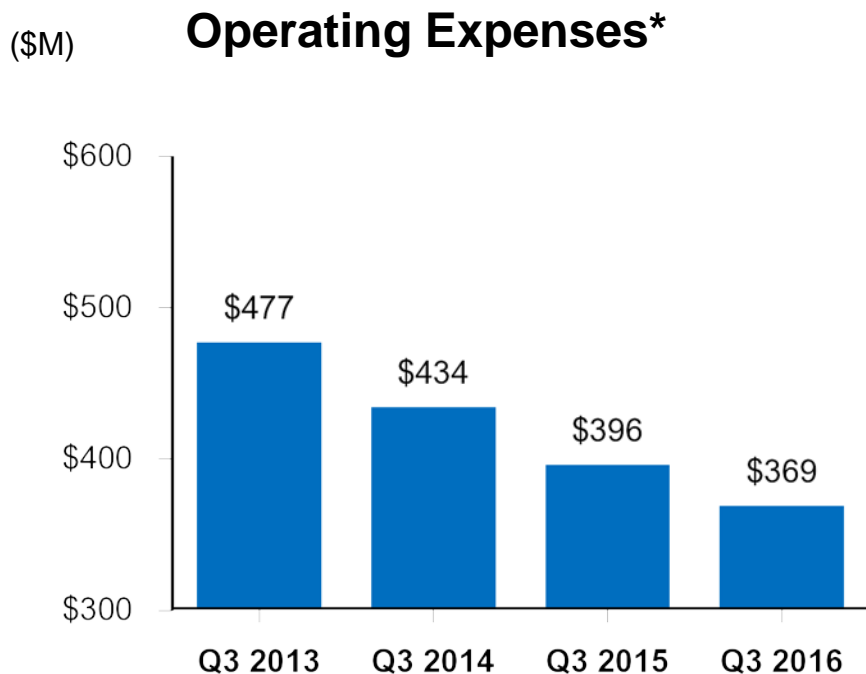
# FINANCIAL RESULTS



<b>(\$M) excluding per share amounts</b>	<b>Q3 2015</b>	<b>Q3 2016</b>	<b>Change</b>
Revenue	\$1,422	\$1,532	8%
Operating Earnings*	\$292	\$396	36%
Operating Margin*	20.5%	25.8%	530 bps
EPS*	\$0.82	\$1.37	67%

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

# OPERATING LEVERAGE



- Operating expenses down \$27M from year ago, including Airwave opex this quarter
- Savings across all categories: G&A, R&D, Sales & Marketing

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

# CASH FLOW - TTM



<b>(M), TTM</b>	<b>Q3 2015</b>	<b>Q3 2016</b>	<b>Change</b>
Operating Cash Flow	(\$89)	\$1,067	\$1,156
Capital Expenditures	(\$182)	(\$256)	(\$74)
<b>Free Cash Flow</b>	<b>(\$271)</b>	<b>\$811</b>	<b>\$1,082</b>

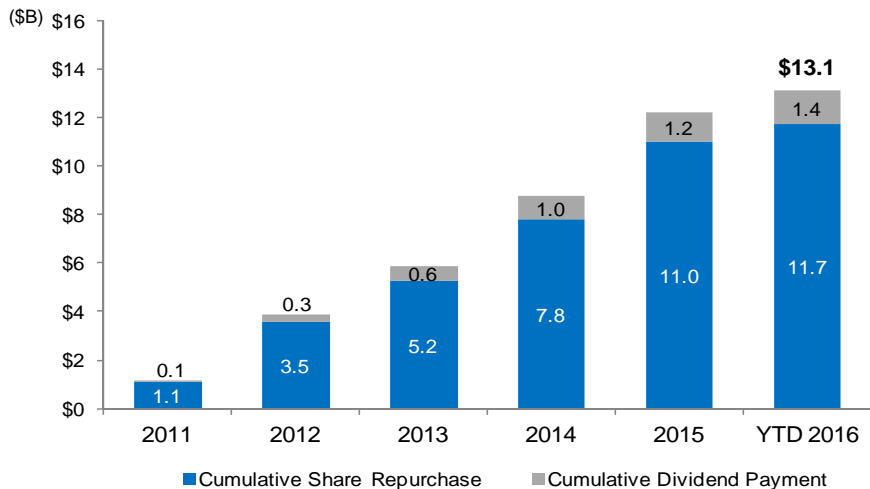
Includes \$855M of pension transaction funding for TTM Q3 2015 and \$14M of pension funding for TTM Q3 2016

# CAPITAL RETURN

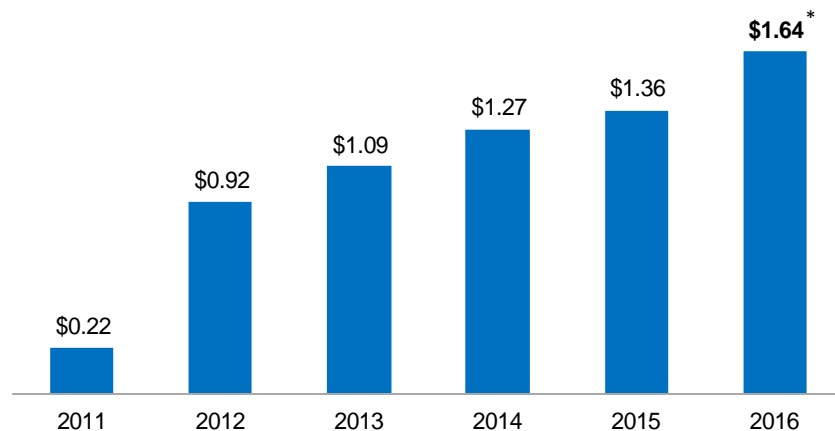


- Announced 15% increase of quarterly dividend to \$0.47
- \$109M share repurchase and \$70M in dividends paid
- 52% reduction in shares since Q3 2011
- \$13.1B of total shareholder return since 2011

## Cumulative Capital Return



## Dividends Paid



\* Includes a \$0.41 Dividend paid in October 2016

# OUTLOOK (NON-GAAP)



## Q4 Outlook:

- Revenue Growth 9% – 10%
- Non-GAAP EPS \$1.82 – \$1.87

*Includes ~\$120M of Airwave revenue*

## Full Year 2016:

- Revenue Growth 5% – 6%
- Non-GAAP EPS \$4.67 - \$4.72

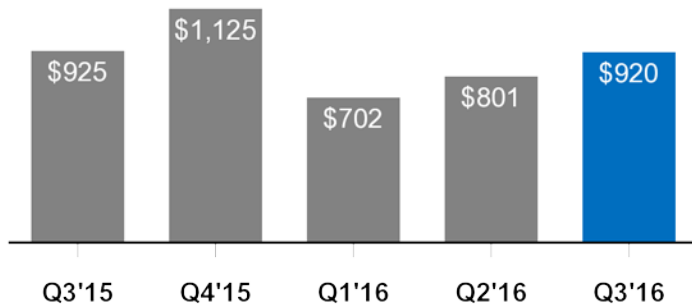
*Annual weighted average diluted share count ~173 million shares*



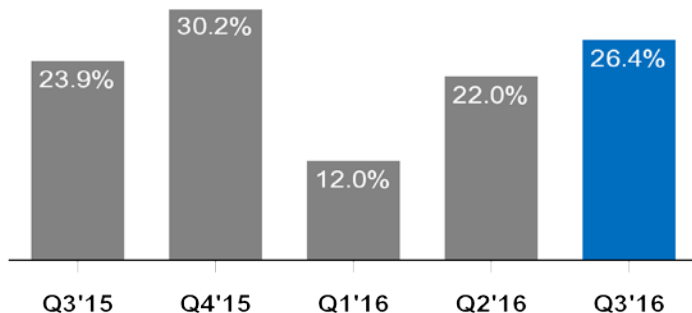
# PRODUCTS RESULTS



## Revenue (\$M)



## Operating Margin % \*



- Sales of \$920M, down 1% (\$5M) vs. LY
- Operating margin up 250 bps, driven by lower cost structure
- Notable wins and achievements:
  - \$37M contract to expand a nationwide TETRA network in Africa
  - \$34M for two P25 contracts with the U.S. federal government
  - \$28M order for a P25 network in Latin America
  - \$20M order for a P25 network with a large utility in North America

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

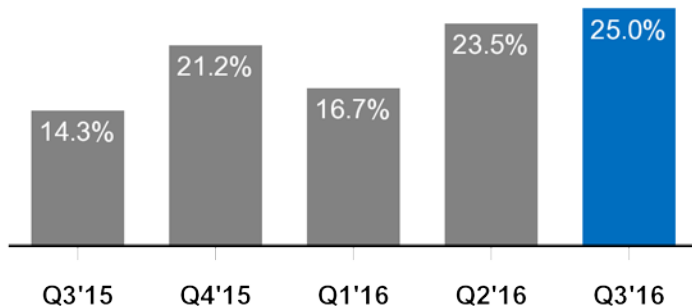
# SERVICES RESULTS



## Revenue (\$M)



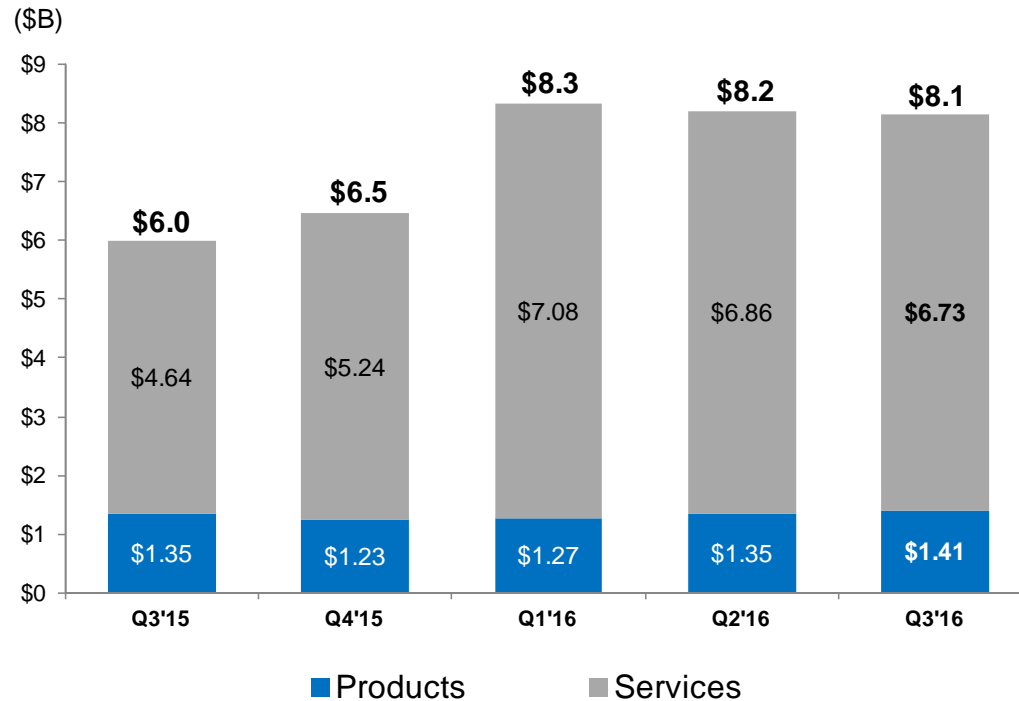
## Operating Margin % \*



- Sales of \$612 million, up 23% vs. LY
- Managed & Support up 55% vs. LY, and up 5% excluding Airwave
- Operating margin up 1,070 bps with the addition of Airwave and lower cost structure
- Notable wins and achievements:
  - \$12 million command center software award from Los Angeles Police Department
  - North America Managed & Support backlog up double digits vs. LY

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

# BACKLOG TREND



## Sequential Change (Q2'16 to Q3'16)

- Products up \$63M
- Services down \$136M
  - Includes \$50M\* unfavorable currency adjustment and \$131M of Airwave revenue

## Annual Change (Q3'15 to Q3'16)

- Products up \$62M
- Services up \$2.1B

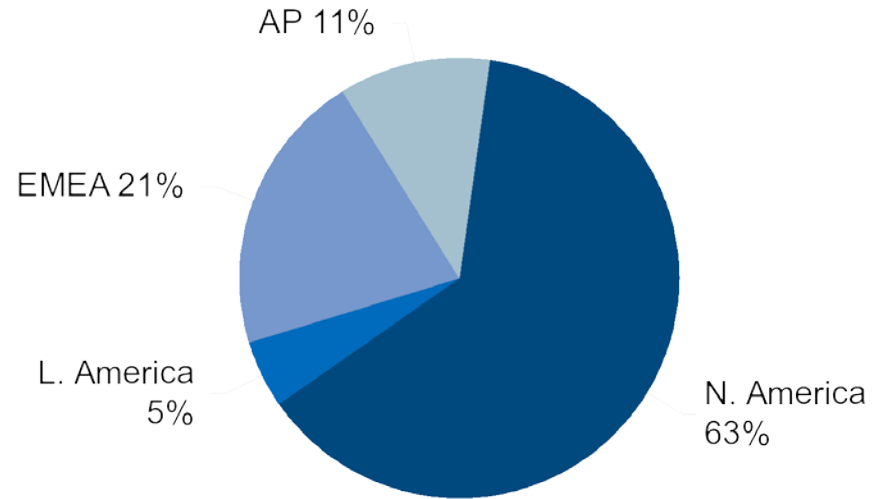
\$1.4B is Airwave

# REGIONAL REVENUE



(\$M)	Q3 2015	Q3 2016	Change *
N. America	\$922	\$961	4%
L. America	\$85	\$70	(17%)
EMEA	\$244	\$327	34%
AP	\$171	\$174	2%
<b>TOTAL</b>	<b>\$1,422</b>	<b>\$1,532</b>	<b>8%</b>

## Q3 2016 REVENUE BY REGION



**North America** - Growth in Products and Services. Solid backlog growth

**Latin America** - Down as expected including \$9M iDEN decline

**EMEA** - Growth from Airwave, partially offset by Norway

**Asia Pacific** - Growth offset by expected softness in China

\* Values may differ due to rounding

# Q&A PARTICIPANTS

**Greg Brown** - Chairman and CEO

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

**Bruce Brda** - Executive Vice President,  
Products & Services

**Jack Molloy** - Executive Vice President,  
Worldwide Sales

**Chris Kutsor** - Investor Relations

# USE OF NON-GAAP MEASURES



In addition to the GAAP results provided during this event, Motorola Solutions has provided certain non-GAAP measurements. Motorola Solutions has provided these non-GAAP measurements as a measure to help investors better understand its core operating performance, enhance comparisons of Motorola Solutions' core operating performance from period-to-period and to allow better comparisons of Motorola Solutions' operating performance to that of its competitors. Among other things, the Company's management uses these operating results, excluding the identified items, to evaluate the performance of its businesses and to evaluate results relative to incentive compensation targets. Management uses operating results excluding these items because they believe this measure enables them to make better period-to-period evaluations of the financial performance of its core business operations. There are inherent limitations in the use of operating results excluding these items because the company's GAAP results include the impact of these items. The non-GAAP measures are intended only as a supplement to the comparable GAAP measures and the Company compensates for the limitations inherent in the use of non-GAAP measures by using GAAP measures in conjunction with the non-GAAP measures. As a result, investors should consider these non-GAAP measures in addition to, and not in substitution for, or as superior to, measures of financial performance prepared in accordance with GAAP.

Details of these items and reconciliations of the non-GAAP measurements provided during this presentation to GAAP measurements can be found in the Appendix to this presentation and on Motorola Solutions' website at [www.motorolasolutions.com/investor](http://www.motorolasolutions.com/investor)

# USE OF NON-GAAP MEASURES



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

**Adjusted EBITDA** - represents net income before interest expense, interest income, income taxes, depreciation, and amortization, as adjusted for net other income, income from discontinued operations, and special items including charges or income related to restructuring and other charges, acquisition related charges, impairment charges, and other income or charges, if any. We believe Adjusted EBITDA provides improved period-to-period comparability for decision making and because it better measures the ongoing earnings results of our strategic and operating decisions by excluding the earnings effects of restructuring activities and divested businesses.

**Free Cash Flow** - Operating Cash Flow minus CAPEX. We believe Free Cash Flow provides useful information to investors as it provides insight into the primary cash flow metric used by management to monitor and evaluate cash flows generated from our operations. This measure is also used as a component of incentive compensation.

**Operating Expenses** - R&D and SG&A expenses adjusted for stock based compensation expenses, reorganization charges, intangibles amortization expenses, and other highlighted items.

# SUPPLEMENTAL NON-GAAP MEASURES

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

	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16
Net sales	\$ 1,396	\$ 1,497	\$ 1,517	\$ 1,817	\$ 1,228	\$ 1,393	\$ 1,436	\$ 1,823	\$ 1,223	\$ 1,368	\$ 1,422	\$ 1,682	\$ 1,193	\$ 1,430	\$ 1,532
GAAP gross margin	693	750	765	901	577	656	685	912	548	648	685	838	502	676	762
Non-GAAP gross margin adjustments:															
Stock-based compensation expense	5	4	4	4	4	3	2	2	3	2	2	2	2	2	2
Reorganization of business charges	—	5	5	7	1	3	7	—	2	3	1	4	16	8	1
Non-GAAP gross margin	698	759	774	912	582	662	694	914	553	653	688	844	520	686	765
GAAP Operating earnings (loss) ("OE")	174	203	246	325	107	138	207	(1,459)	119	254	231	389	100	224	341
Non-GAAP OE Adjustments:															
Stock-based compensation expense	30	23	25	26	25	23	18	18	18	17	16	18	15	16	15
Reorganization of business charges	7	13	16	34	9	25	13	15	12	13	14	38	7	19	6
Intangibles amortization expense	—	—	—	—	1	1	1	1	2	3	2	2	13	38	31
Other highlighted items	—	—	—	—	(21)	8	11	1,906	—	(32)	26	5	13	17	—
Non-GAAP OE	\$ 216	\$ 248	\$ 296	\$ 396	\$ 126	\$ 201	\$ 259	\$ 483	\$ 156	\$ 260	\$ 292	\$ 458	\$ 166	\$ 324	\$ 396
GAAP OE%	12.5%	13.6%	16.2%	17.9%	8.7%	9.9%	14.4%	(80.0)%	9.7%	18.6%	16.2%	23.1%	8.4%	15.7%	22.3%
Non-GAAP Adj %	3.0%	3.0%	3.3%	3.9%	1.5%	4.5%	3.6%	106.5 %	3.1%	0.4%	4.3%	4.1%	5.5%	7.0%	3.5%
Non-GAAP OE %	15.5%	16.6%	19.5%	21.8%	10.3%	14.4%	18.0%	26.5 %	12.8%	19.0%	20.5%	27.2%	13.9%	22.7%	25.8%



# SUPPLEMENTAL NON-GAAP MEASURES

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

	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16
GAAP Other income (expense)	(19)	(35)	5	(19)	(18)	(40)	(56)	(39)	9	(39)	(34)	(12)	(78)	(57)	(48)
Non-GAAP Below OE adjustments	—	—	23	—	—	—	(27)	—	46	—	—	39	(36)	—	—
Non-GAAP Other income (expense)	(19)	(35)	(18)	(19)	(18)	(40)	(29)	(39)	(37)	(39)	(34)	(51)	(42)	(57)	(48)
GAAP Earnings (loss) from continuing operations*	157	223	261	293	85	78	66	(926)	87	150	126	277	17	107	192
Non-GAAP OE adjustments	42	45	50	71	19	63	52	1,942	37	6	61	69	66	100	55
Non-GAAP below OE adjustments	—	—	(23)	—	—	—	27	—	(46)	—	—	(39)	36	—	—
Non-GAAP tax adjustments and effect	(57)	(11)	(2)	(6)	(32)	(20)	9	(728)	5	(13)	(21)	(27)	(27)	(27)	(14)
TOTAL Non-GAAP Earnings from continuing operations	\$ 142	\$ 257	\$ 286	\$ 358	\$ 72	\$ 121	\$ 154	\$ 288	\$ 83	\$ 143	\$ 166	\$ 280	\$ 92	\$ 180	\$ 233
GAAP Continuing operations earnings per share ("EPS")	\$ 0.56	\$ 0.81	\$ 0.98	\$ 1.12	\$ 0.33	\$ 0.30	\$ 0.27	\$(4.02)	\$ 0.40	\$ 0.72	\$ 0.63	\$ 1.56	\$ 0.10	\$ 0.61	\$ 1.13
Non-GAAP Continuing operations EPS adjustments	(0.05)	0.13	0.10	0.25	(0.05)	0.17	0.35	5.27	(0.02)	(0.04)	0.19	0.02	0.42	0.42	0.24
Non-GAAP Continuing operations EPS	\$ 0.51	\$ 0.94	\$ 1.08	\$ 1.37	\$ 0.28	\$ 0.47	\$ 0.62	\$ 1.25	\$ 0.38	\$ 0.68	\$ 0.82	\$ 1.58	\$ 0.52	\$ 1.03	\$ 1.37
Diluted, weighted average shares outstanding	280.7	274.7	265.3	261.2	258.3	256.2	248.2	230.5	217.8	209.5	201.3	177.5	177.0	174.8	169.6



**MOTOROLA  
SOLUTIONS**  
Q3 2016 Earnings Call

November 3, 2016