



# MOTOROLA SOLUTIONS

Q4 2016 Results

February 2, 2017

# 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)

This presentation is being made on the 2nd day of February, 2017. 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.

# Q4 HIGHLIGHTS



- **Sales of \$1.9B, up 12%**
  - Products sales up \$101 million or 9%
  - Managed & Support Services sales up 50% including \$124M of Airwave
- **Non-GAAP operating margin\* of 28.7%, up 150 bps**
- **Operating cash flow of \$513M, up \$98M**
- **Non-GAAP EPS\* \$2.03, growth of 28%**
- **Backlog up \$1.9B vs. last year**
  - Products up \$279M
  - Services up \$1.6B, including \$1.2B from Airwave
- **\$114M in share repurchases and \$68M in dividends**

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

# 2016 HIGHLIGHTS



- **Sales of \$6.0B, up 6% including \$462M from Airwave**
- **Non-GAAP operating margin\* 23.6%, up 310 bps on increased sales and lower cost structure**
- **Non-GAAP EPS\* \$4.92, growth of 48%**
- **Operating cash flow of \$1.2B, up \$144M**
- **\$842M in share repurchases and \$280M in dividends**
- **Acquired Airwave, the second largest public safety network in the world**
- **Acquired Spillman, Gridstone and Cyfas, expanding MSI offerings in Command Center software and mobile applications for public safety**

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

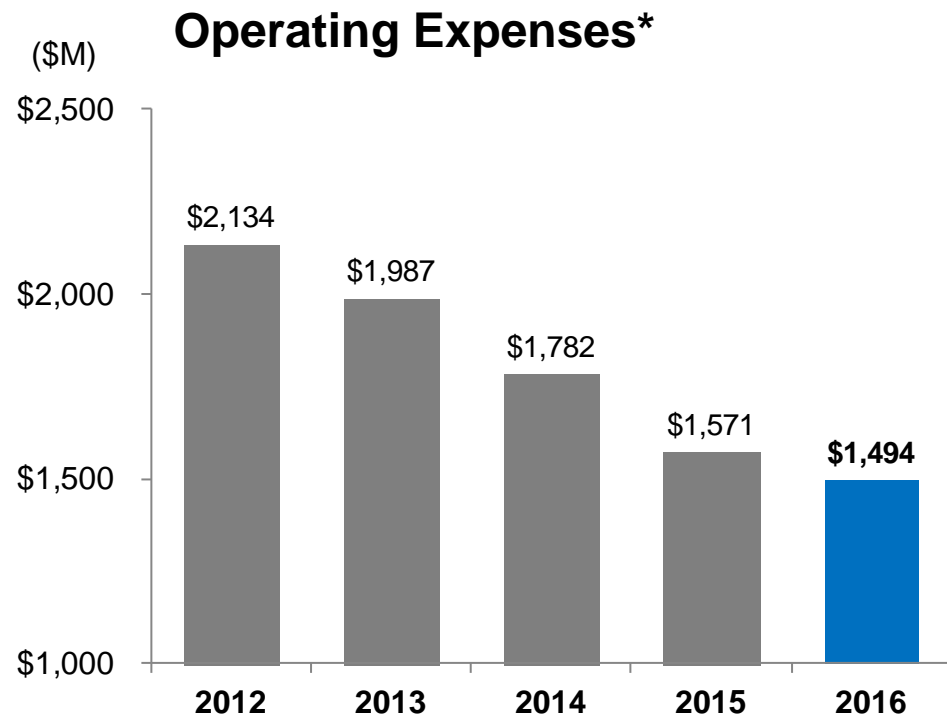
# FINANCIAL RESULTS



(\$M) excluding per share amounts	FOURTH QUARTER			FULL YEAR		
	Q4 2015	Q4 2016	Change	2015	2016	Change
Revenue	\$1,682	\$1,883	12%	\$5,695	\$6,038	6%
Operating Earnings*	\$458	\$541	18%	\$1,166	\$1,427	22%
Operating Margin*	27.2%	28.7%	150 bps	20.5%	23.6%	310 bps
EPS*	\$1.58	\$2.03	28%	\$3.33	\$4.92	48%

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

# OPERATING LEVERAGE



- **2017** Expecting lower operating expenses

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

# CASH FLOW - TTM



(M), TTM	2015	2016	Change
Operating Cash Flow	\$1,021	\$1,165	\$144
Capital Expenditures	(\$175)	(\$271)	(\$96)
<b>Free Cash Flow</b>	<b>\$846</b>	<b>\$894</b>	<b>\$48</b>

Higher Capital Expenditures associated with

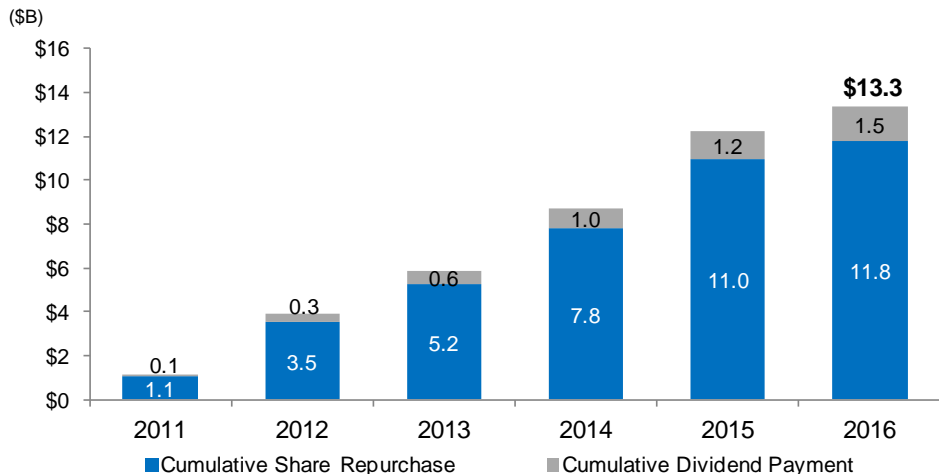
- UK Home Office Public Safety LTE contract
- Higher IT spending on new ERP system
- Illinois real estate rationalization

# CAPITAL ALLOCATION

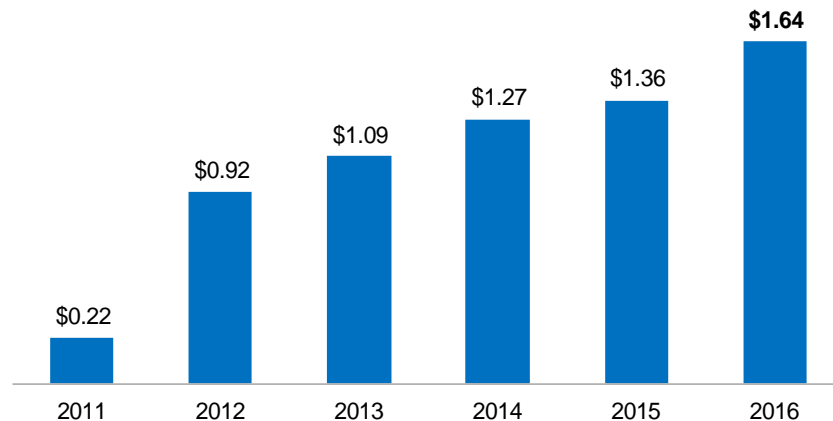


- Invested \$1.3B in acquisitions for 2016
- \$842M share repurchase and \$280M in dividends paid in 2016
- 52% reduction in shares since Q3 2011
- \$13.3B of total shareholder return since 2011

## Cumulative Capital Return



## Dividends Paid





# OUTLOOK (NON-GAAP)



## Q1 Outlook:

- Revenue Growth 3% – 5%\*
- Non-GAAP EPS \$0.52 – \$0.57

## Full Year 2017:

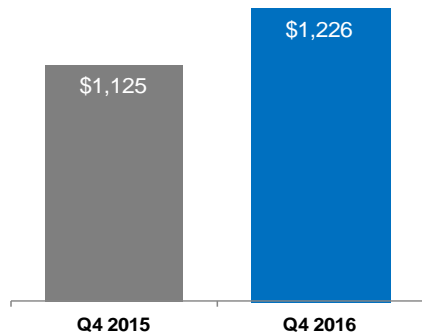
- Revenue Growth 1% – 2%\*
- Non-GAAP EPS \$5.05 – \$5.20

\* At current F/X rates

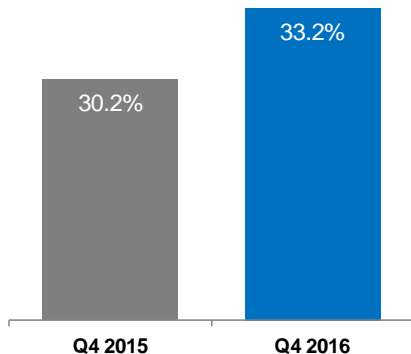
# Q4 PRODUCTS RESULTS



## Revenue (\$M)



## Operating Margin % \*



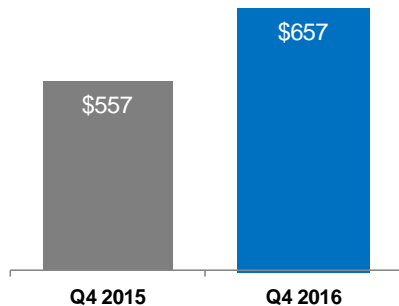
\* Non-GAAP, excluding highlighted items, stock-based compensation, and intangible amortization

- Revenue \$1,226M, up 9% or \$101M vs. LY
- Operating margin up 300 bps, driven by higher sales
- Growth in every region
  
- Notable wins and achievements:
  - \$140M P25 system deployment for the Washington Metro Area Transit Authority
  - \$60M P25 system upgrade and services for the metro San Francisco area
  - \$40M P25 system and devices upgrade unifying 8 cities in Argentina

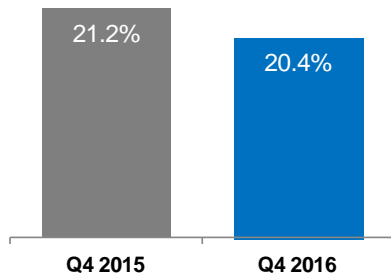
# Q4 SERVICES RESULTS



## Revenue (\$M)



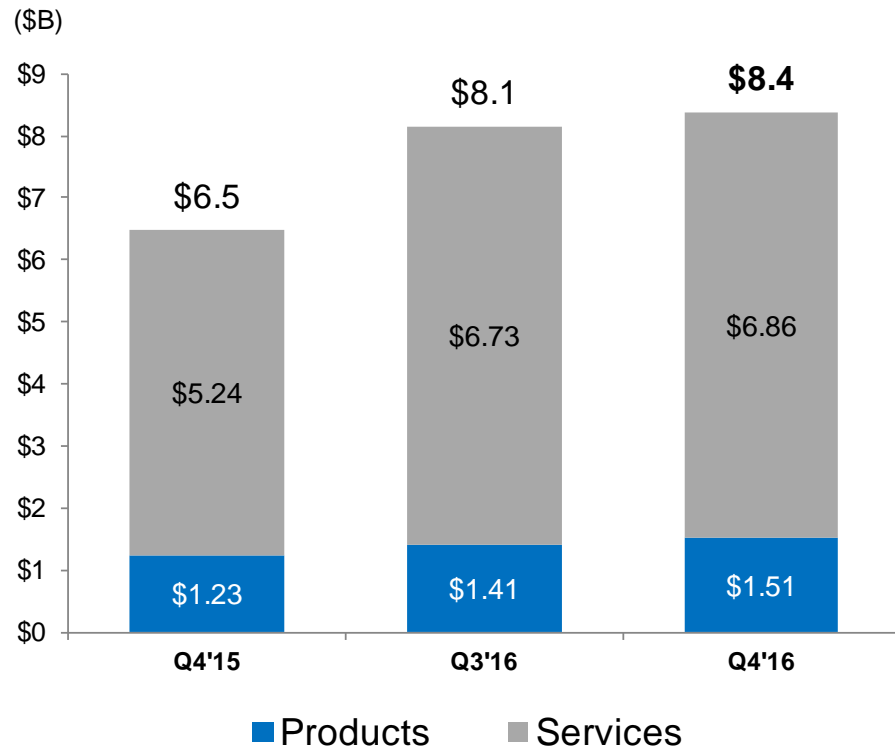
## Operating Margin % \*



- Revenue \$657M, up 18% or \$100M vs. LY
- Managed & Support up 50% vs. LY, and up 5% excluding Airwave
- Operating margin down 80 bps primarily due to the completion of the Norway integration project
- Notable wins and achievements:
  - Managed & Support Services backlog up ~\$300M, or 7% (excluding Airwave)
  - Managed Services multi-year contracts include wins in Texas, South Carolina, California, United Kingdom, Argentina, China, Latvia
  - \$17M Command Center award including software and services to Indianapolis

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

# BACKLOG TREND



## Sequential Change (Q3'16 to Q4'16)

- Products up \$102M
- Services up \$133M
- Includes \$215M\* unfavorable currency adjustment and \$124M of Airwave revenue

## Annual Change (Q4'15 to Q4'16)

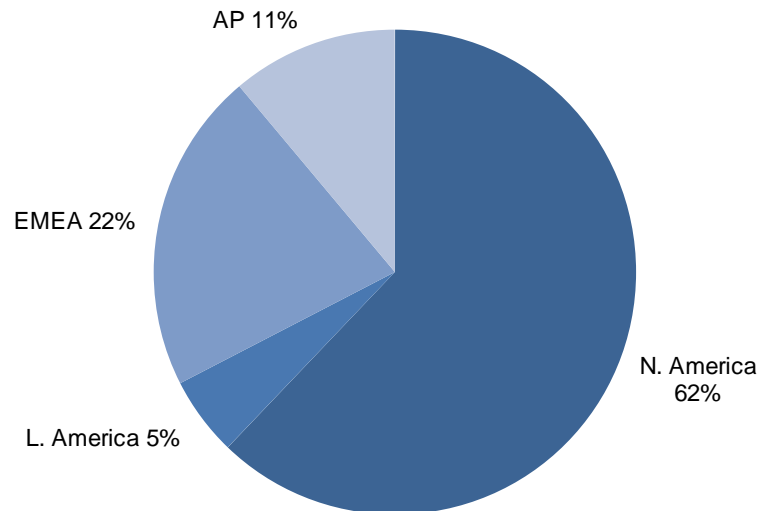
- Products up \$279M
- Services up \$1.6B
- Includes ~\$450M\* unfavorable currency adjustment and \$1.2B of Airwave backlog

# Q4 REGIONAL REVENUE



(\$M)	Q4 2015	Q4 2016	Change *
N. America	\$1,138	\$1,170	3%
L. America	\$82	\$99	21%
EMEA	\$280	\$405	45%
AP	\$182	\$209	15%
<b>TOTAL</b>	<b>\$1,682</b>	<b>\$1,883</b>	<b>12%</b>

## Q4 2016 REVENUE BY REGION



**North America** - Growth in Products and Services

**Latin America** - Growth in Products partially offset by iDEN decline

**EMEA** - Growth in Products and Airwave partially offset by decline in systems integration

**Asia Pacific** - Growth in Products and Managed & Support services

\* Values may differ due to rounding

# 2016 REGIONAL REVENUE



(\$M)	2015	2016	Change *
N. America	\$3,713	\$3,789	2%
L. America	\$358	\$285	-20%
EMEA	\$974	\$1,292	33%
AP	\$650	\$672	3%
<b>TOTAL</b>	<b>\$5,695</b>	<b>\$6,038</b>	<b>6%</b>

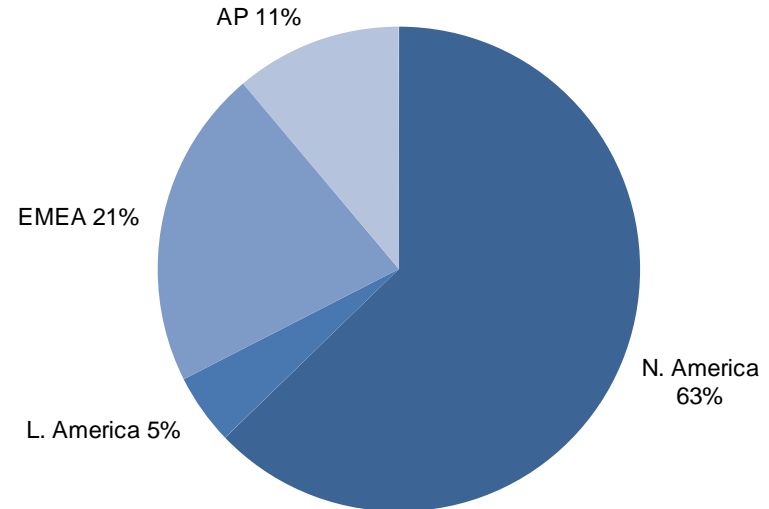
**North America** - Growth in Products and Services

**Latin America** - Down on first half macroeconomic weakness and iDEN decline

**EMEA** - Growth from Airwave, offset by declines associated with completing the Norway integration phase

**Asia Pacific** - Growth in Products and Services offset by China weakness

## 2016 REVENUE BY REGION



\* 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** – Vice President,  
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



“Constant Currency,” “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:

**Constant Currency** - We evaluate our results of operations on both an as reported and a constant currency basis. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We calculate constant currency percentages by converting our current period local currency results using prior-period exchange rates, and then comparing these adjusted values to prior period reported results.

**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	Q4 '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	\$ 1,883
GAAP gross margin	693	750	765	901	577	656	685	912	548	648	685	838	502	676	762	928
Non-GAAP gross margin adjustments:																
Stock-based compensation expense	5	4	4	4	4	3	2	2	3	2	2	2	2	2	2	3
Reorganization of business charges	—	5	5	7	1	3	7	—	2	3	1	4	16	8	1	18
Non-GAAP gross margin	698	759	774	912	582	662	694	914	553	653	688	844	520	686	765	949
GAAP Operating earnings (loss) ("OE")	174	203	246	325	107	138	207	(1,459)	119	254	231	389	100	224	341	403
Non-GAAP OE Adjustments:																
Stock-based compensation expense	30	23	25	26	25	23	18	18	18	17	16	18	15	16	15	13
Reorganization of business charges	7	13	16	34	9	25	13	15	12	13	14	38	7	19	6	48
Intangibles amortization expense	—	—	—	—	1	1	1	1	2	3	2	2	13	38	31	30
Other highlighted items	—	—	—	—	(21)	8	11	1,906	—	(32)	26	5	13	17	—	26
Non-GAAP OE	\$ 216	\$ 248	\$ 296	\$ 396	\$ 126	\$ 201	\$ 259	\$ 483	\$ 156	\$ 260	\$ 292	\$ 458	\$ 166	\$ 324	\$ 396	\$ 541

# 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	Q4 '16
Non-GAAP OE	\$ 216	\$ 248	\$ 296	\$ 396	\$ 126	\$ 201	\$ 259	\$ 483	\$ 156	\$ 260	\$ 292	\$ 458	\$ 166	\$ 324	\$ 396	\$ 541
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%	21.4%
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%	7.3%
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%	28.7%
GAAP Other income (expense)	(19)	(35)	5	(19)	(18)	(40)	(56)	(39)	9	(39)	(34)	(12)	(78)	(57)	(48)	(41)
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)	(41)
GAAP Earnings (loss) from continuing operations*	157	223	261	293	85	78	66	(926)	87	150	126	277	17	107	192	243
Non-GAAP OE adjustments	42	45	50	71	19	63	52	1,942	37	6	61	69	66	100	55	138
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)	(35)
TOTAL Non-GAAP Earnings from continuing operations	\$ 142	\$ 257	\$ 286	\$ 358	\$ 72	\$ 121	\$ 154	\$ 288	\$ 83	\$ 143	\$ 166	\$ 280	\$ 92	\$ 180	\$ 233	\$ 346
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	\$ 1.43
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	0.60
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	\$ 2.03
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	170.4



# MOTOROLA SOLUTIONS

Q4 2016  
Earnings Call

February 2, 2017