

July 25, 2012

# MOTOROLA SOLUTIONS Q2 2012 EARNINGS CONFERENCE CALL



# SHEP DUNLAP

## VICE PRESIDENT INVESTOR RELATIONS



# 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 Solution's 2011 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 25th of July 2012. 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.

# GREG BROWN

## CHAIRMAN AND CEO



# Q2 HIGHLIGHTS

- Increasing quarterly cash dividend by 18% to \$0.26 per share
- Expanding share repurchase program by \$2.0B to \$5.0B
- Sales of \$2.1B, up 8%
- Government sales of \$1.5B, up 14%
- Non GAAP\* operating earnings growth of 15%



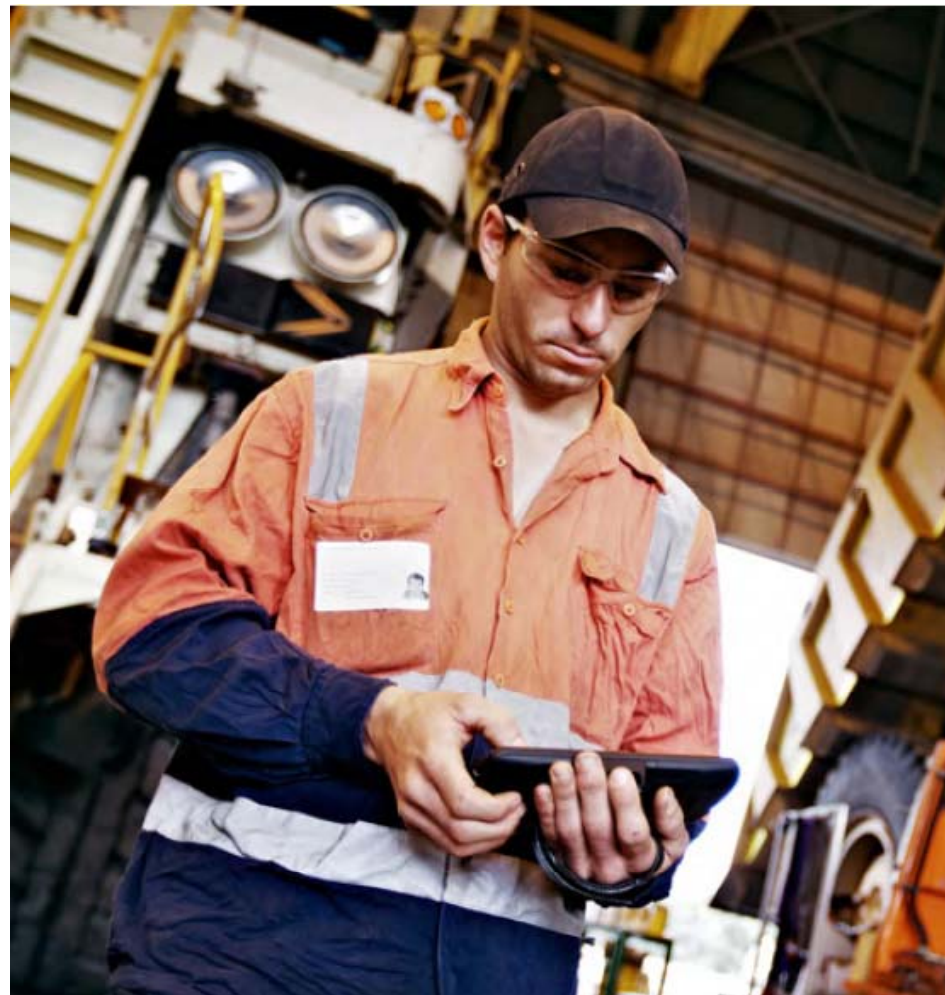
\* Excluding highlighted items, stock-based compensation, and intangible amortization

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# ED FITZPATRICK

## EXECUTIVE VICE PRESIDENT AND CFO



# Q2 2012 FINANCIAL RESULTS



(\$ in Millions)

GAAP	SECOND QUARTER	
	2012	2011
<b>Sales</b>	\$2,148	\$1,984
<b>Operating Earnings</b>	\$278	\$159
<b>Operating Margin</b>	12.9%	8.0%
<b>EPS from Continuing Operations*</b>	\$0.60	\$0.14

Non-GAAP**	SECOND QUARTER	
	2012	2011
<b>Operating Earnings</b>	\$350	\$304
<b>Operating Margin</b>	16.3%	15.3%
<b>EPS from Continuing Operations*</b>	\$0.70	\$0.54

\* Amounts attributable to Motorola Solutions Inc. common shareholders

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

# CASH FLOW

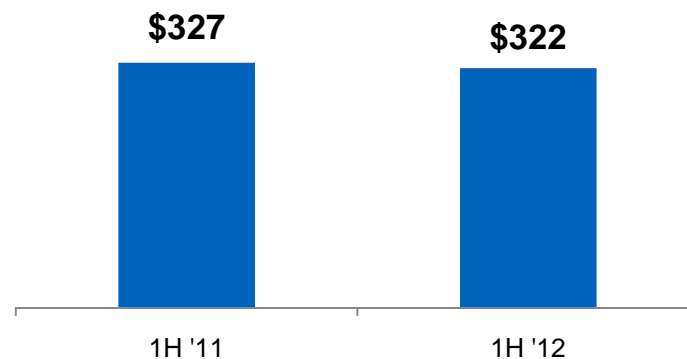


**1H '12 operating cash flow  
\$322M and \$327M in 1H '11**

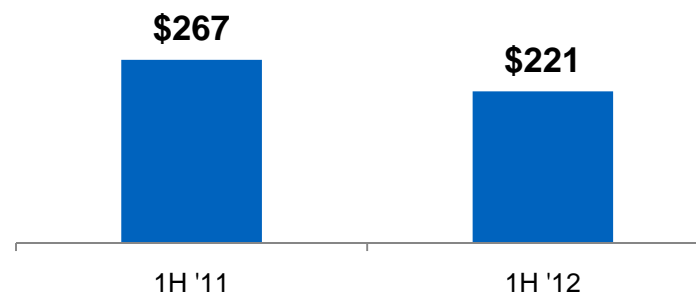
**Capex \$101M in 1H '12 vs.  
\$60M in 1H '11, driven by  
Services and IT investments**

**1H '12 free cash flow \$221M**

## Operating Cash Flow



## Free Cash Flow\*



\* Free cash flow = Net cash provided by operating activities – Capital expenditures



# BALANCE SHEET



**\$3.7B in total cash\***

## Debt

- Issued \$750M notes at 3.75%
- Early retirement of \$400M of notes due Nov. 2012

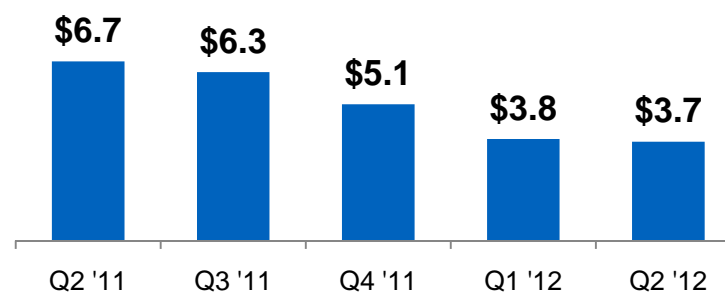
## Share repurchase

- \$439M in Q2
- \$2.9B total program-to-date

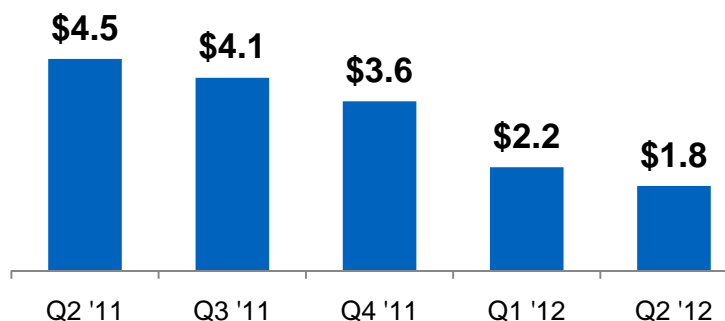
\* Total Cash includes cash and cash equivalents, Sigma Fund (current and non-current) and short-term investments

\*\* Net Cash = Total cash – Notes Payable and current portion of long-term debt and Long term debt

## Total Cash\*



## Net Cash\*\*



# OUTLOOK



## Expected Third Quarter 2012

- Sales growth ~3%
- Non-GAAP\* EPS \$0.69 - \$0.74

## Expected Full Year 2012

- Sales growth 5 - 6%
- Operating earnings\* ~ 17%
- Effective tax rate 34 – 35%

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





# GOVERNMENT



# GOVERNMENT



(\$ in Millions)

GAAP	SECOND QUARTER	
	2012	2011
Sales	\$1,459	\$1,284
Operating Earnings	\$197	\$105
Operating Margin	13.5%	8.2%

Non-GAAP*	SECOND QUARTER	
	2012	2011
Operating Earnings	\$240	\$168
Operating Margin	16.4%	13.1%

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

# Q2 GOVERNMENT HIGHLIGHTS



- 14% sales growth Y/Y driven by global industry growth, new product introductions & U.S. narrowbanding
- Operating margin\* of 16.4% vs. 13.1% last year
- Customers such as Apopka, Florida; Maryland FiRST; and Toronto selecting our ASTRO system with Phase II TDMA
- Large ASTRO projects: State of Ohio \$80M, Lakeland Florida \$12M, Centre County Pennsylvania \$13M
- Introduced the MTP3000 handheld radio at TETRA World Congress in Dubai and awarded TETRA contracts with Beijing Metro and Hong Kong Mass Transit Rail
- Double-digit growth in Professional & Commercial Radio; expanded MOTOTRBO portfolio with XPR 7000 & XPR 3000

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



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# ENTERPRISE





# ENTERPRISE



(\$ in Millions)

GAAP	SECOND QUARTER	
	2012	2011
Sales	\$689	\$700
Operating Earnings	\$81	\$54
Operating Margin	11.8%	7.7%

Non-GAAP*	SECOND QUARTER	
	2012	2011
Operating Earnings	\$110	\$136
Operating Margin	16.0%	19.4%

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

# Q2 ENTERPRISE HIGHLIGHTS



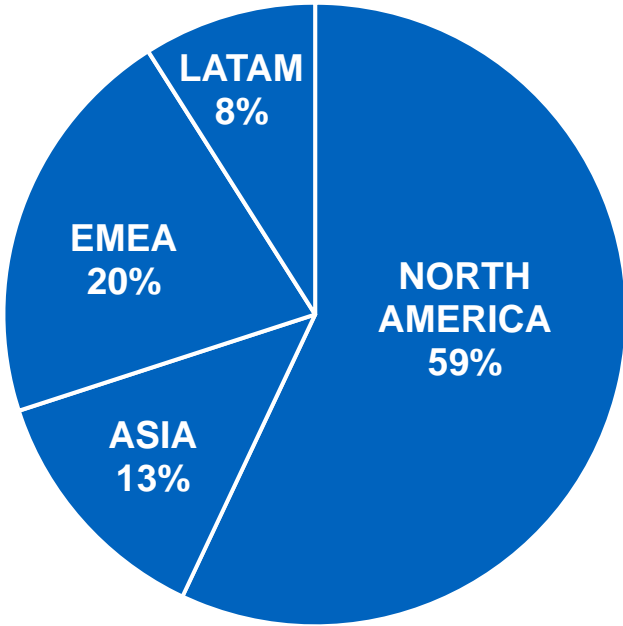
- Sales decline of 2% Y/Y including iDEN
- Announced a recommended cash offer to acquire Psion, another pioneer in the mobile computing industry, for \$200M
- CVS \$3M Wireless LAN, UK Mail Group \$2M managed devices, Tesco \$2M personal shopping/MC17 project
- Introduced new devices like the SB1 wearable smart badge and MC40, a sleek touch-screen solution





# Q2 REGIONAL HIGHLIGHTS

	Q2 2012	Q2 2011	Change
<b>N. America</b>	\$1,258	\$1,145	10%
<b>L. America</b>	180	164	10%
<b>EMEA</b>	428	407	5%
<b>Asia</b>	282	268	5%
<b>TOTAL MSI</b>	<b>\$2,148</b>	<b>\$1,984</b>	<b>8%</b>



### NORTH AMERICA

- Double-digit growth in Government driven by ASTRO and professional & commercial Radio
- Enterprise growth in data capture and mobile computing

### INTERNATIONAL

- Double-digit growth in Government in Latin America & EMEA
- Asia strength in professional & commercial radio and data capture

# Q&A PARTICIPANTS

## **GREG BROWN**

Chairman and CEO

## **ED FITZPATRICK**

Executive Vice President and CFO

## **MARK MOON**

Executive Vice President,  
Sales and Field Operations

## **SHEP DUNLAP**

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).

# SUPPLEMENTAL NON-GAAP MEASURES





# SUPPLEMENTAL NON-GAAP MEASURES



	Q1 '10	Q2'10	Q3'10	Q4'10	Q1 '11	Q2'11	Q3'11	Q4'11	Q1 '12	Q2 '12
Net Sales	1,673	1,869	1,890	2,185	1,834	1,984	2,085	2,300	1,956	2,148
GAAP gross margin	825	938	960	1,089	924	1,007	1,055	1,160	973	1,060
Non-GAAP gross margin adjustments										
Stock-based compensation expense	4	4	6	4	3	5	6	6	6	7
Reorganization of business charges	1	6	5	7	3	-	-	3	-	3
Non-GAAP gross margin	830	948	971	1,100	930	1,012	1,061	1,169	979	1,070
GAAP Operating earnings ("OE")	111	154	214	272	169	159	254	276	232	278
Non-GAAP OE Adjustments										
Stock-based compensation expense	29	32	33	32	36	34	39	39	37	45
Reorganization of business charges	(1)	14	22	19	5	17	10	20	9	11
Intangibles amortization expense	51	50	51	51	50	50	50	50	6	6
Other highlighted items	(29)	0	(39)	(39)	0	39	0	50	0	0
Non-GAAP OE	166	260	292	346	266	304	359	444	290	350
GAAP OE%	6.6%	8.2%	11.3%	12.4%	9.2%	8.0%	12.2%	12.0%	11.9%	12.9%
Non-GAAP Adj %	3.3%	5.7%	4.1%	3.4%	5.3%	7.3%	5.0%	7.3%	2.9%	3.4%
Non-GAAP OE %	9.9%	13.9%	15.4%	15.8%	14.5%	15.3%	17.2%	19.3%	14.8%	16.3%

# SUPPLEMENTAL NON-GAAP MEASURES



	Q1 '10	Q2'10	Q3'10	Q4'10	Q1 '11	Q2'11	Q3'11	Q4'11	Q1 '12	Q2 '12
GAAP Other income/(expense)	(11)	(33)	(19)	(24)	3	(98)	(16)	(9)	12	(38)
Non-GAAP Below OE adjustments	-	(31)	-	-	-	81	-	-	(16)	-
Non-GAAP Other income/(expense)	(11)	(64)	(19)	(24)	3	(17)	(16)	(9)	(4)	(38)
GAAP Earnings (loss) from continuing operations	91	(2)	(12)	167	367	50	153	177	159	177
OE adjustments	55	106	78	74	97	145	105	168	58	72
Below OE adjustments	-	(31)	-	-	-	81	-	-	(16)	-
Tax adjustments and effect	(40)	45	115	(23)	(277)	(84)	(35)	(59)	(12)	(41)
TOTAL Non GAAP Earnings	106	118	181	218	187	192	223	286	189	208
GAAP Continuing EPS	\$ 0.27	\$ (0.01)	\$ (0.04)	\$ 0.49	\$ 1.07	\$ 0.14	\$ 0.45	\$ 0.54	\$ 0.50	\$ 0.60
Non GAAP Continuing EPS adjustments	\$ 0.05	\$ 0.36	\$ 0.58	\$ 0.15	\$ (0.53)	\$ 0.40	\$ 0.21	\$ 0.33	\$ 0.09	\$ 0.10
Non GAAP Continuing EPS	\$ 0.32	\$ 0.35	\$ 0.54	\$ 0.64	\$ 0.54	\$ 0.54	\$ 0.66	\$ 0.87	\$ 0.59	\$ 0.70
Diluted, weighted average shares outstanding	334.5	332.7	334.1	341.3	344.2	348.5	339.5	328.4	317.7	296.1

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