

January 23, 2013

# MOTOROLA SOLUTIONS Q4 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)

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# GREG BROWN

## CHAIRMAN AND CEO





# Q4 HIGHLIGHTS

- Sales of \$2.4B, up 6%
- Government sales of \$1.7B, up 10%
- Non-GAAP Earnings per share\* growth of 26%
- Operating cash flow of \$564M
- Continued capital return\*\* to shareholders of \$399M



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

\*\*Includes share repurchases and dividends paid



# 2012 HIGHLIGHTS

- Sales of \$8.7B, up 6%
- Government sales up 12%
- Non-GAAP Earnings per share\* growth of 23%
- Operating cash flow of \$1.1B
- Continued capital return\*\* to shareholders of \$2.7B



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

\*\*Includes share repurchases and dividends paid

# ED FITZPATRICK

## EXECUTIVE VICE PRESIDENT AND CFO



# 2012 FINANCIAL RESULTS



(\$ in Millions)

GAAP	FOURTH QUARTER		FULL YEAR	
	2012	2011	2012	2011
<b>Sales</b>	\$2,441	\$2,300	\$8,698	\$8,203
<b>Operating Earnings</b>	\$423	\$276	\$1,256	\$858
<b>Operating Margin</b>	17.3%	12.0%	14.4%	10.5%
<b>EPS from Continuing Operations*</b>	\$1.18	\$0.54	\$2.95	\$2.20

Non-GAAP**	FOURTH QUARTER		FULL YEAR	
	2012	2011	2012	2011
<b>Operating Earnings</b>	\$476	\$444	\$1,503	\$1,373
<b>Operating Margin</b>	19.5%	19.3%	17.3%	16.7%
<b>EPS from Continuing Operations*</b>	\$1.10	\$0.87	\$3.20	\$2.61

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

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



# CASH FLOW

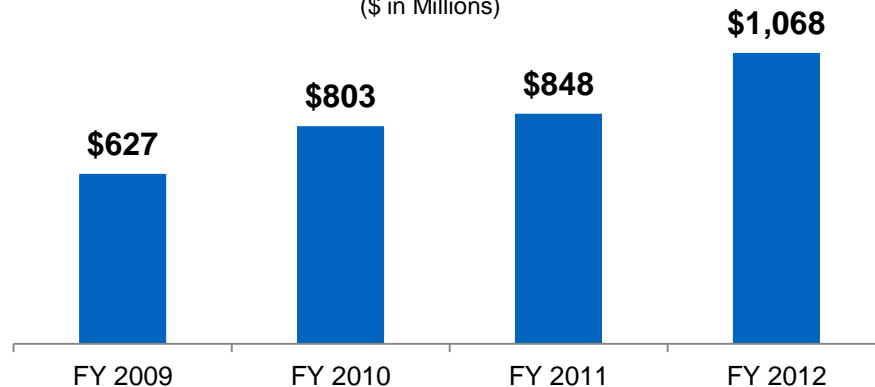
- Q4 '12 operating cash flow \$564M and \$1,068M in 2012
- \$340M of US Pension Funding completed by Q3
- 2012 CAPEX spend of \$187M
- 2012 free cash flow of \$881M

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



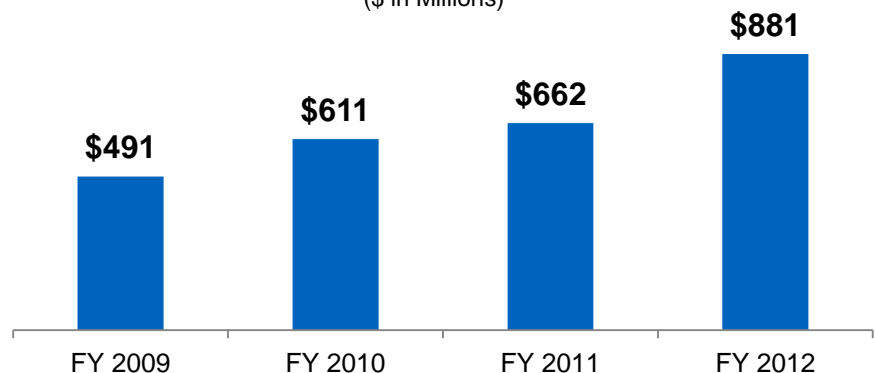
## Operating Cash Flow

(\$ in Millions)



## Free Cash Flow\*

(\$ in Millions)



# WORKING CAPITAL TREND



## Y/Y changes

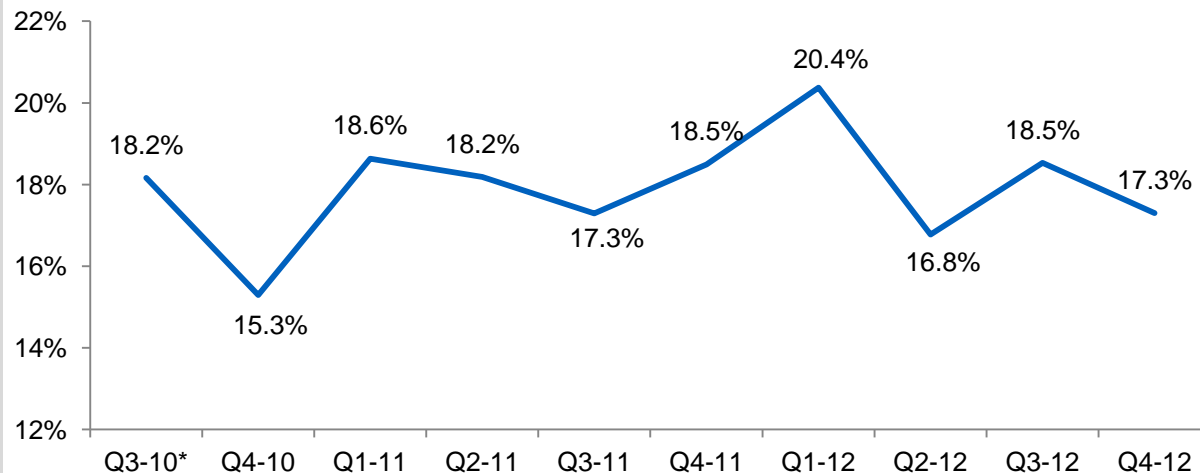
- A/R decreased \$15M
- Inventory ~ flat
- A/P increased \$28M

## Working capital historically

~16-18% of sales

\* Includes pro-forma balance sheet amounts  
Note: Working capital as % of revenue = working capital  
(AR+Inventory-AP)/quarterly revenue annualized

## Working Capital Performance



# BALANCE SHEET



**\$3.6B in total cash\***

## Share repurchase activity

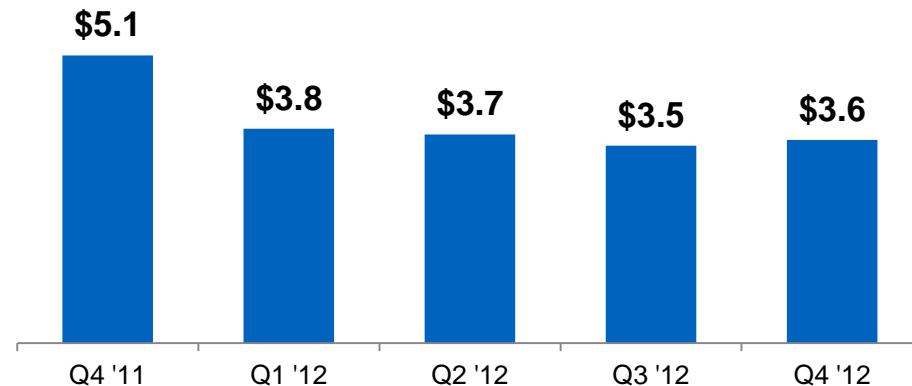
- \$326M in Q4 (6.1M shares at \$53.69)
- \$2.4B in 2012 (49.6M shares at \$49.14)
- \$3.5B total since July 2011 at \$46.57 average price
- Reduced net shares outstanding 20% since July 2011 buyback announcement

\* 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

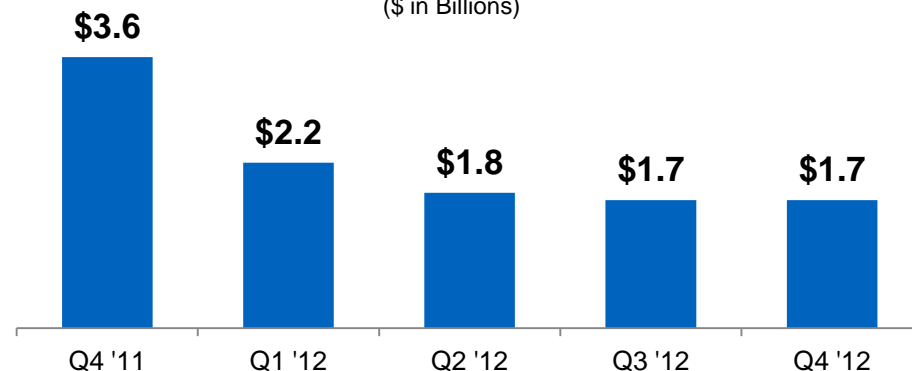
## Total Cash\*

(\$ in Billions)

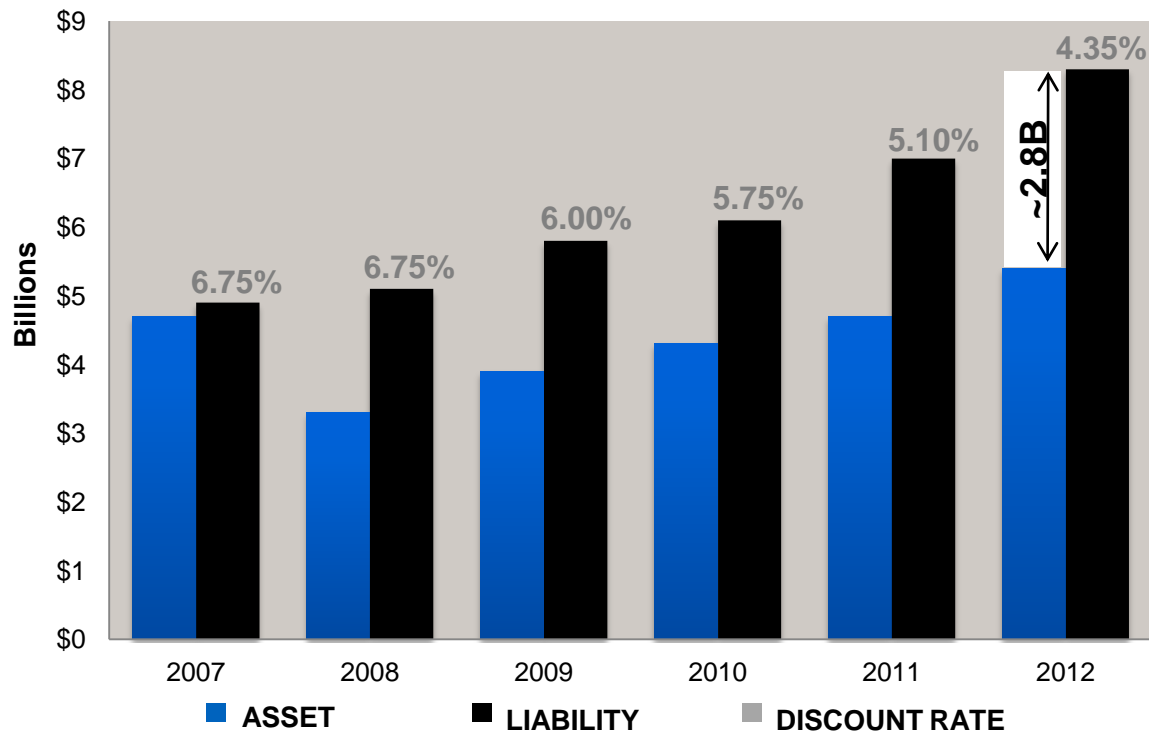


## Net Cash\*\*

(\$ in Billions)



# U.S. PENSION STATUS



- 2012 contribution \$340M
- 2012 expense ~\$185M
- 2013 expectations
  - ~\$300M cash contribution
  - ~\$130M expense
- 2013 expense decline driven by change in amortization period

Plan frozen in 2009... no further service costs

# OUTLOOK



## Expected First Quarter 2013

- Sales growth 4 – 5%
- Non-GAAP\* EPS \$0.62 - \$0.67

## Expected Full Year 2013

- Sales growth 5 – 5.5%
- Operating earnings\* ~18%
- Effective tax rate\* ~34%

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





# GOVERNMENT



# GOVERNMENT



(\$ in Millions)

GAAP	FOURTH QUARTER		FULL YEAR	
	2012	2011	2012	2011
<b>Sales</b>	\$1,708	\$1,547	\$5,989	\$5,358
<b>Operating Earnings</b>	\$346	\$226	\$965	\$616
<b>Operating Margin</b>	20.3%	14.6%	16.1%	11.5%

Non-GAAP*	FOURTH QUARTER		FULL YEAR	
	2012	2011	2012	2011
<b>Operating Earnings</b>	\$373	\$307	\$1,108	\$833
<b>Operating Margin</b>	21.8%	19.8%	18.5%	15.5%

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

# Q4 GOVERNMENT HIGHLIGHTS



- 10% sales growth Y/Y driven by growth across the portfolio and in all regions
- Double digit growth in ASTRO & TETRA
- Operating margin\* of 21.8% vs. 19.8% last year
- Contracts with Montgomery County Pennsylvania for \$39M, Tacoma Washington for \$28M, City of Austin for \$32M, Colombia Ministry of Defense for \$12M



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





# ENTERPRISE



# ENTERPRISE



(\$ in Millions)

GAAP	FOURTH QUARTER		FULL YEAR	
	2012	2011	2012	2011
<b>Sales</b>	\$733	\$753	\$2,709	\$2,845
<b>Operating Earnings</b>	\$77	\$50	\$291	\$242
<b>Operating Margin</b>	10.5%	6.6%	10.7%	8.5%

Non-GAAP*	FOURTH QUARTER		FULL YEAR	
	2012	2011	2012	2011
<b>Operating Earnings</b>	\$103	\$137	\$395	\$540
<b>Operating Margin</b>	14.1%	18.2%	14.6%	19.0%

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

# Q4 ENTERPRISE HIGHLIGHTS



- Sales decline of 3% Y/Y including Psion and iDEN, driven by suppressed IT spend
- 14.1% operating margin\* compared to 18.2% last year
- Continued growth in data capture portfolio, 4<sup>th</sup> consecutive quarter
- Recognized as the Best Partner Supplier to Tesco and received the retailer's Innovation Partner of the Year award



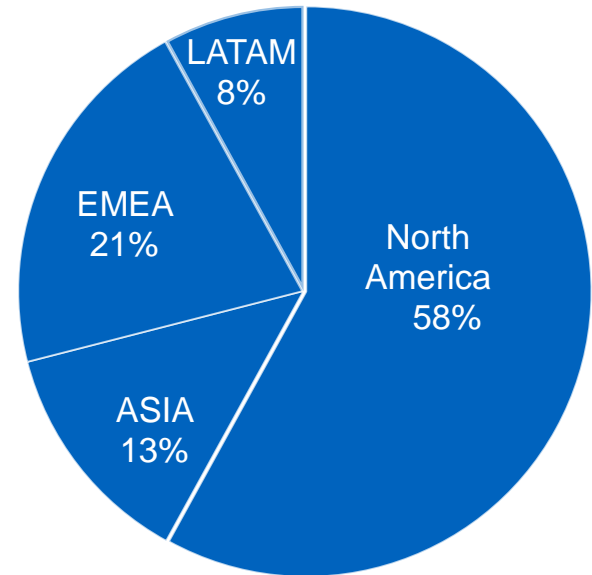
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# REGIONAL HIGHLIGHTS

	2012	2011	Change
<b>N. America</b>	\$5,083	\$4,657	9%
<b>L. America</b>	714	732	-3%*
<b>EMEA</b>	1,800	1,770	2%
<b>Asia</b>	1,101	1,044	5%
<b>TOTAL</b>	<b>\$8,698</b>	<b>\$8,203</b>	<b>6%</b>



## NORTH AMERICA

- Double digit growth in Government driven by ASTRO, professional & commercial radio, and services

## INTERNATIONAL

- Double digit growth in TETRA
- L. America 16% growth excluding iDEN\*
- Balanced growth in Asia in both Government and Enterprise

# Q&A PARTICIPANTS

## **GREG BROWN**

Chairman and CEO

## **ED FITZPATRICK**

Executive Vice President and CFO

## **MARK MOON**

Executive Vice President and President,  
Sales and Product 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	Q3 '12	Q4 '12
Net Sales	1,673	1,869	1,890	2,185	1,834	1,984	2,085	2,300	1,956	2,148	2,153	2,441
GAAP gross margin	825	938	960	1,089	924	1,007	1,055	1,160	973	1,060	1,087	1,229
Non-GAAP gross margin adjustments:												
Stock-based compensation expense	4	4	6	4	3	5	6	6	6	7	6	6
Reorganization of business charges	1	6	5	7	3	-	-	3	-	3	3	2
Non-GAAP gross margin	830	948	971	1,100	930	1,012	1,061	1,169	979	1,070	1,096	1,237
GAAP Operating earnings ("OE")	111	154	214	272	169	159	254	276	232	278	324	423
Non-GAAP OE Adjustments:												
Stock-based compensation expense	29	32	33	32	36	34	39	39	37	45	38	39
Reorganization of business charges	(1)	14	22	19	5	17	10	20	9	11	10	12
Intangibles amortization expense	51	50	51	51	50	50	50	50	6	6	6	10
Other highlighted items	(29)	-	(39)	(39)	-	39	-	50	-	-	-	(16)
Non-GAAP OE	166	260	292	346	266	304	359	444	290	350	387	476
GAAP OE%	6.6%	8.2%	11.3%	12.4%	9.2%	8.0%	12.2%	12.0%	11.9%	12.9%	15.0%	17.3%
Non-GAAP Adj %	3.3%	5.7%	4.1%	3.4%	5.3%	7.3%	5.0%	7.3%	2.9%	3.4%	3.0%	2.2%
Non-GAAP OE %	9.9%	13.9%	15.4%	15.8%	14.5%	15.3%	17.2%	19.3%	14.8%	16.3%	18.0%	19.5%



# SUPPLEMENTAL NON-GAAP MEASURES



	Q1 '10	Q2'10	Q3'10	Q4'10	Q1 '11	Q2'11	Q3'11	Q4'11	Q1 '12	Q2 '12	Q3 '12	Q4 '12
GAAP Other income/(expense)	(11)	(33)	(19)	(24)	3	(98)	(16)	(9)	12	(38)	-	(16)
Non-GAAP Below OE adjustments	-	(31)	-	-	-	81	-	-	(16)	-	(13)	-
Non-GAAP Other income/(expense)	(11)	(64)	(19)	(24)	3	(17)	(16)	(9)	(4)	(38)	(13)	(16)
GAAP Earnings (loss) from cont. operations	91	(2)	(12)	167	367	50	153	177	159	177	206	336
OE adjustments	55	106	78	74	97	145	105	168	58	72	63	53
Below OE adjustments	-	(31)	-	-	-	81	-	-	(16)	-	(13)	-
Tax adjustments and effect	(40)	45	115	(23)	(277)	(84)	(35)	(59)	(12)	(41)	(15)	(76)
TOTAL Non-GAAP Earnings	106	118	181	218	187	192	223	286	189	208	241	313
GAAP Continuing EPS	\$ 0.27	\$ (0.01)	\$ (0.04)	\$ 0.49	\$ 1.07	\$ 0.14	\$ 0.45	\$ 0.54	\$ 0.50	\$ 0.60	\$ 0.72	\$ 1.18
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	\$ 0.12	\$ (0.08)
Non-GAAP Continuing EPS	\$ 0.32	\$ 0.35	\$ 0.54	\$ 0.64	\$ 0.54	\$ 0.54	\$ 0.66	\$ 0.87	\$ 0.59	\$ 0.70	\$ 0.84	\$ 1.10
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	287.4	284.4

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