



Q4 2014 Earnings Conference Call Wednesday, February 4, 2015

PARTICIPANTS

Corporate Participants

Shep Dunlap – Vice President, Investor Relations
Greg Brown – Chairman and Chief Executive Officer
Gino Bonanotte – Chief Financial Officer & Executive Vice President
Mark Moon – Executive Vice President and President, Sales and Product Operations
Bob Schassler - Executive Vice President, Solutions and Services

Other Participants

Kulbinder S. Garcha – Analyst, Credit Suisse Securities (USA) LLC (Broker)
Ashwin X. Kesireddy – Analyst, JPMorgan Securities LLC
Ehud A. Gelblum – Analyst, Citigroup Global Markets, Inc. (Broker)
Simona K. Jankowski – Analyst, Goldman Sachs & Co.
Tavis C. McCourt – Analyst, Raymond James & Associates, Inc.
Pierre C. Ferragu – Analyst, Sanford C. Bernstein & Co. LLC
Keith Michael Housum – Analyst, Northcoast Research Partners LLC
Ben J. Bollin – Analyst, Cleveland Research Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and thank you for holding. Welcome to the Motorola Solutions Fourth Quarter 2014 Earnings Conference Call. 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 made available approximately three hours after the conclusion of this call over the Internet. The website address is www.motorolasolutions.com/investor. At this time, all participants have been placed in a 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

Thanks and good morning. I'd like to welcome you to our conference call to discuss financial and operating results for fiscal 2014 fourth quarter and full year. With me this morning are Greg Brown, Chairman and CEO; Gino Bonanotte, Executive Vice President and CFO; Mark Moon, Executive Vice President and President, Sales and Product Operations; and Bob Schassler, Executive Vice President, Solutions and Services. Greg and Gino will review our results along with commentary, and Mark and Bob will join for the Q&A portion of the call.

We have posted an earnings presentation and press release at motorolasolutions.com/investor. These materials include GAAP to non-GAAP reconciliations for your reference, which we encourage you to

review. I would also like to remind you that we will be hosting our Financial Analyst Day on February 17 here at our headquarters in Schaumburg. Please feel free to contact investor relations if you have questions regarding the event.

A number of forward-looking statements will be made during this presentation and during Q&A. These statements are based on current expectations and assumptions that are subject to a variety of risks and uncertainties. Actual results could differ materially from these forward-looking statements. Information about factors that could cause such differences can be found in this morning's earnings press release, the comments made during this conference call and the risk factors section of our 2013 Annual Report on Form 10-K and Quarterly Report on Form 10-Q ended March 29, 2014, as well as other MSI reports and filings with the SEC. We do not undertake any duty to update any forward-looking statements.

I'd like to now turn it over to Greg.

Greg Brown, Chairman & Chief Executive Officer

Thanks, Shep. Good morning, and thanks for joining us today. Q4 was a solid quarter for Motorola Solutions, and we continued to see signs of recovery in large parts of our business. As I think about the quarter and beyond, there are a few thoughts I'd like to share. First, we continue to see improvement in our North America business. Q4 marked a return to growth and we're encouraged by indicators such as orders, backlog and devices sales as we move into 2015. Second, just last week, we secured a contract valued at over \$200 million with a country in the Middle East for a nationwide smart communications network utilizing our Public Safety LTE solution.

This now gives us the three largest public safety LTE awards to date with the LA-RICS contract implementation underway and a \$100 million deal in another Middle East country that begins deployment this year. It's encouraging to see investments made over the past several years starting to drive associated revenue. And third, our efforts around simplification and rationalizing our cost structure remain on course. We close the year with more than \$200 million in OpEx savings versus full year 2013 and ended the year with a run rate that should position us well to achieve approximately \$150 million of further reductions this year.

I'll now turn the call over to Gino to provide additional details on Q4 results and our outlook.

Gino Bonanotte, Chief Financial Officer & Executive Vice President

Thank you, Greg, and good morning, everyone. Q4 2014 revenue was \$1.8 billion, a slight increase over Q4 2013 and a reflection of robust order activity and faster-than-expected conversion of certain orders. These results come despite \$27 million of currency headwinds in the quarter. GAAP operating earnings were a loss of \$1 billion, which included a one-time charge of \$1.9 billion due to our pension de-risking transaction. Non-GAAP operating earnings were \$483 million or 26.5% of sales, up from the year-ago quarter of 21.8%.

GAAP EPS from continuing operations was a loss of \$4.02 compared to a gain of \$1.12 in the fourth quarter of 2013. Non-GAAP EPS was \$1.25 compared to \$1.37 in the year-ago quarter which included a \$0.42 benefit from the formation of our international holding company in 2013. For the remainder of this call, we will reference non-GAAP financial results including those in our outlook unless otherwise noted.

Turning to segment results, in Products, Q4 sales were a record \$1.25 billion, up 3% versus the prior year's quarter. Growth was driven by strong demand in North America for a P25 and PCR device product lines while TETRA devices grew robustly on a global basis. Q4 Product segment operating income was \$394 million or 32% of sales, up from \$283 million or 23% of sales in Q4 of 2013. Significant operating leverage provided by our cost reduction actions drove higher operating income. Moving to Product backlog, Products segment backlog is \$1.2 billion, which has increased for three consecutive quarters. Product backlog is up \$53 million versus last year and up \$16 million sequentially despite strong revenues in Q4. The year-over-year increase in backlog is driven by North America and APME. For the full year, operating income was \$754 million or 19.8% of sales, which is up from last year due to cost reductions realized in 2014.

Turning to Services, Q4 Services revenue was \$577 million. Excluding iDEN, Services revenue declined 2% while declining 5% overall. Q4 Integration Services revenue was down as expected versus Q4 2013's record quarter, which accompanied strong systems revenue in 2013. Q4 Lifecycle Support Services grew modestly overall and strong demand for our software maintenance contracts and steady demand for our hardware upgrades. Managed Services grew across all regions as increasing complexity and the need for enhanced capabilities to support software-centric, IT-based networks continues to drive demand. Services operating income was \$89 million, down \$24 million to 15.4% of revenue driven primarily by lower iDEN sales and lower gross margin associated with systems integration mix.

Gross margin in the Lifecycle Management, Managed Services and Smart Public Safety was relatively flat. While we will continue to see project-mix related pressure in the first half of 2015, we expect gross margins to return to the mid-30% range going forward for our overall services business. Total company operating expenses from continuing operations were \$431 million, down \$86 million or 17% from the year-ago quarter driven by continued cost reduction activities. G&A and R&D posted the largest year-over-year declines and we expect significant savings across all major categories again for 2015.

Q4 other income and expense was a net expense of \$39 million compared to \$19 million in the year-ago quarter. The difference was primarily driven by ongoing higher interest expense in Q4 of 2014 and gains on investment sales in the prior year quarter. In Q1, we expect OIE of \$45 million versus \$19 million in Q1 of 2014, driven primarily by higher interest expense. Other income and expense is expected to be approximately \$180 million for 2015. With respect to taxes, our Q4 effective tax rate was 35%. Our Q1 and full year 2015 effective tax rate are expected to be approximately 33%. More importantly, we expect our cash tax rate to be approximately 15% for 2015 and continuing through 2019.

Turning to cash flow, Q4 cash flow from operations was a net use of \$700 million, which includes \$850 million in funding related to the U.S. pension de-risking actions coupled with funding our U.K. plan. For the year, operating cash flow from continuing operations was a net use of \$685 million, driven by pension contributions of \$1.3 billion. We ended 2014 with \$4 billion in total cash and \$3.4 billion in debt. In Q4, we repurchased \$1.4 billion of stock. For the full year, we repurchased \$2.5 billion in stock. We have reduced our net share comp by 36% since the program's inception in Q3 of 2011. In addition, we paid \$82 million in dividends during the quarter and \$318 million for the year.

Turning to our outlook, we expect 2015 sales to be flat to down 2%. In constant currency terms, this translates to growth of 1% to 3% versus the prior year. For the year, we expect growth in North America, growth in Latin America excluding iDEN, growth in the Middle East, we expect to be flat in Asia Pacific, inclusive of currency headwinds, contraction in Europe and Africa due to currency headwinds and the Norway implementation completion and a decline in iDEN of between \$25 million to \$50 million.

We also expect OpEx to be down approximately \$150 million year-over-year. Significant improvement in profitability with: EBITDA in the range of \$1.3 billion to \$1.36 billion; EPS of \$3.15 to \$3.35; and operating

cash flow of approximately \$1 billion for the full year. In Q1, we expect sales to decline 2% to 4%, reflecting better-than-anticipated order conversion in Q4 along with approximately \$40 million in currency headwinds. In constant currency terms, we expect revenue to be down 1% to up 1%. This outlook assumes North America growth for the quarter and a contraction in Europe and Asia driven primarily by currency headwinds. We expect Q1 EPS of \$0.22 to \$0.27.

I'll now turn it back to Greg.

Greg Brown, Chairman & Chief Executive Officer

Thanks. I'll now provide some additional color on our Q4 results and outlook. I'm generally pleased with our Q4 results and more specifically the improving trends we're seeing in North America. Q4 revenue was up slightly and marked a quarterly record for the company. Despite stronger-than-anticipated end-of-the-year order conversion and currency headwinds, our backlog position still continued to grow and we ended Q4 with a higher total backlog, higher product backlog and a higher backlog scheduled to ship in 2015.

From a regional perspective, our North America business was up 4% in Q4. North America backlog is up \$50 million in Products and \$586 million in Services versus last year, which is a positive sign for this region. The Europe and Africa region declined 5% in Q4, which marked the first decline in nine quarters. Currency headwinds was the key contributor to this decline and is expected to weigh in our full year results in the region; however, I believe we have and will continue to execute well relative to the market in this region and are well-positioned for long-term growth as these factors dissipate.

Turning to the Asia Pac/Middle East region, we saw an 8% sales decline in Q4. This decline was driven by Asia Pac; however, sales are starting to stabilize in this region and backlog is up sequentially as we're seeing some improvements in the customer pipeline. Our Middle East business continues to grow and build momentum in both Product and Services backlog. By the way, these backlog numbers will continue to improve with the addition of the \$200 million country-wide public safety LTE contract I referenced earlier.

And finally our Latin America business in Q4 increased 3% excluding iDEN and 1% overall. Backlog in Latin America is up modestly year-over-year and up significantly from a sequential view driven by Services. The wind out of iDEN will continue to negatively impact this region disproportionately in 2015.

Turning to the segment highlights, first in Products. We secured several strategic Product awards in Q4 that include \$148 million with the state of Michigan to upgrade their statewide ASTRO network including over \$30 million in services, \$20 million with a state and local customer in the Northeast to upgrade to a fully P25 compatible solution with improved coverage and improved interoperability, \$12 million with Eastman Chemical to enable their multi-state operations.

Moving to Services, I'm encouraged by Q4 revenue, growth and Lifecycle Support and Managed Services. I think marketplace trends such as the prevalence of video and social media used in policing continue to validate our investment scenarios such as Real-Time Crime Centers, video and data analytics and CAD integration. Services backlog is up significantly on new multi-year deals despite currency headwinds.

Q4 brought several notable Services wins including a \$64 million extension with Prince George's County to provide full turnkey services and maintaining their mission critical systems and smart public safety systems while keeping their networks up-to-date with various lifecycle products, a two-year \$36 million managed services extension of the Victorian Mobile Data Network in Australia, \$31 million with the Las

Vegas Metro PD for long-term software and hardware maintenance of radio and CAD systems as well as technical support and lifecycle services, and \$15 million with Mininco in Latin America for a multi-year managed services contract to include administration and monitoring of their network as well as the maintenance on their devices and a helpdesk for end users.

So, let me close by saying this was a challenging but transformational year for our company. We divested our Enterprise business for just under \$3.5 billion, significantly improved our risk profile and cash flow through pension de-risking actions, achieved more than \$200 million on OpEx savings including over \$70 million in R&D reductions while simultaneously shifting more investment towards new growth areas. We've restructured the company to increase our focuses on services as a line of business and reaffirmed our commitment to capital return and a more efficient capital structure with \$5 billion of additional repurchase authorization and \$2.9 billion of stock buyback and dividends returned in 2014.

As a result of these actions, we're in a better position. We're in a better position to grow, drive significant operating leverage, deliver strong cash flow and drive shareholder value for years to come.

I'll now turn it over to Shep.

Shep Dunlap, Vice President, Investor Relations

Thanks. Before we begin taking questions, I would like to remind callers to limit themselves to one question and a follow-up, so we can accommodate as many people as possible. Operator, would you please remind our callers on the line how to ask a question.

QUESTION AND ANSWER SECTION

Operator: Certainly. At this time, the floor is now open for questions. We can take our first question from Kulbinder Garcha with Credit Suisse. Please go ahead. Your line is open.

<Q – Kulbinder Garcha – Credit Suisse Securities (USA) LLC (Broker)>: Hi, guys. Yes. Thanks for the question. I just want to clarify one thing about the revenue trends. At constant currency, just taking currency out of it, in Q4 you saw slight reacceleration but you're decelerating again in Q1 slightly, I know it's very slight. I was under the impression that just given the order backlog, easy comps, and visibility in government, LTE, all these things were going to kind of cause revenues to gradually reaccelerate as you went through the year, but you're kind of starting the year a little bit slow. That's kind of one question on revenues. And on the first-quarter earnings guidance, am I right that you're saying that the ops margin in the business is going to more than half sequentially? That's a bit worse than the normal seasonal trend. I know obviously we have to look what government needs to do, but it seems a lot worse. Is there something on the cost side or mix side that is going to be significant in the first quarter or first half that isn't there for the back half? Thanks.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Hello, Kulbinder. This is Gino. I'll start with Q1. I think it's instructive to note in Q1 that \$40 million – we had \$40 million of pressure from FX headwind in Q1. That's 3% – three points of growth as well as iDEN being down \$12 million, which represents another point of growth, in addition to about \$40 million or three points of growth from better conversion of Q4 orders, more revenue in Q4. So that's really what's impacting Q1. From a margin perspective in Q1, I think that was the second part of the question, earnings, we did – as you referenced, we expect to continue to see some pressure in our installation services margin based on project mix and the projects that we're expected to deploy continuing from Q4 into Q1, but we do expect that to stabilize and return to normal gross margin rates of approximately 35%. Also, incremental interest in OIE as well is driving a little bit of the EPS.

<Q – Kulbinder Garcha – Credit Suisse Securities (USA) LLC (Broker)>: So Gino, just to understand that point, this project mix – can you elaborate a little bit? Because it's causing quite a seasonality if I get your comments right in the margin trends, so what exactly is it, and it goes away quite quickly it sounds like? I'm just trying to understand what exactly is going on.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: It does. It references some projects that we're currently deploying. As an example, the Nødnett project and we're deploying the northern part of Norway right now, and the cost to deploy that is more challenging than normal deployments. So it's really a reflection of the mix of projects we've had in Q4 and Q1. As those projects roll off, the margin stabilizes.

<Q – Kulbinder Garcha – Credit Suisse Securities (USA) LLC (Broker)>: Okay. Okay. Thank you.

Operator: And we can take our next question from Rod Hall with JPMorgan. Please go ahead.

<Q – Ashwin Kesireddy – JPMorgan Securities LLC>: Yes. Hi. Thanks for taking my question. This is Ashwin on behalf of Rod. Greg, I was hoping you could comment on the recent FCC spectrum auctions and if there are any change in your thinking on the pace of U.S. public safety LTE rollouts. Also if you could give us some sense of how much U.S. public safety LTE is included in your 2015 revenue guidance, and is there any chance you can give us a growth rate excluding that for 2015?

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah. Just a few things. So we had talked about public safety LTE being about double in 2015 versus our run rate in 2014. We still believe that that's the case, and we feel even better about that amount with the securing of the third contract I talked about in the

Middle East. So, we remain pretty resolute and expect that that will occur, a little bit north of \$100 million in 2015. I think the auction spectrum developments recently are a positive, specifically as it relates to FirstNet. The \$44 billion of proceeds by the federal government allows the fully funding of the \$7 billion that's contemplated in the Middle Class Jobs Relief Act. So at the end of the day here in the U.S., the two most important things to facilitate and enable public safety LTE to be rolled out are dedicated spectrum and funding.

The spectrum has been dedicated, as you know, at the 700 megahertz slice. That remains dedicated to public safety, and the \$7 billion is now fully funded with a very successful close of the AWS auction. The only other thing I'd comment is, our focus is on continued engagement globally on public safety LTE, and there's still a pipeline of opportunities we'll pursue, but I think this year is quite important for us to implement the deals that we have, to implement LA-RICS, to start the implementation on the deal we just secured last week, and to implement in the second half of this year the other Middle Eastern country that we referred to with our \$100 million deal. And as we continue to compete and win on these deals, we see no chilling or impact on LMR, and continue to see LMR purchases and public safety LTE to be additive to those purchases. So I think the auctions are positive.

<Q – Ashwin Kesireddy – JPMorgan Securities LLC>: Okay. Thanks.

Operator: And we can take our next question from Ehud Gelblum from Citigroup. Please go ahead. Your line is open.

<Q – Ehud Gelblum – Citigroup Global Markets, Inc. (Broker)>: Hey. Good morning, guys. Appreciate it. Couple of clarifications. Can you give us a sense as to what the headwind from Norway looks like as we go into 2015? And then the product backlog looked strong, keeps going up. One of the things that I wonder, you said, Greg, that the product backlog with respect to what falls in 2015 was strong as well. Can you give us a sense to what the duration of that backlog did from the end of 2014 to the end – I'm sorry, from the end of 2013 to the end of 2014 with respect to if you were to say kind of the average of the backlog time wise? Did it stay relatively constant or are we putting more long-term contract into the backlog, just to get a sense of how immediate that backlog is?

And then lastly, Gino, on the guidance, can you give us a sense as to where you think that the gross and operating margins kind of settle out? We can back into it a little from the EPS, but it's a wide range of EPS guidance for 2015. I just want to make sure we're kind of on the right page as to where the operating margin settles out, and what share count you were using given all the buybacks that are going to happen to get us into that right range of \$3.15 to \$3.35? Thanks.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Sure. Ehud, this is Gino. I'll start. With respect to the Norway project, we're completing the implementation this year – later on this year, and year-over-year 2015 versus 2014 there's less implementation revenue, approximately \$50 million of less revenue from an implementation perspective. As we talked about the gross margins, the system – I'll remind you that the system is primarily deployment of the infrastructure, the initial part of the project with the opportunity for incremental handsets and multi-year services beyond implementation. The phase that we're talking about is the implementation phase of the project. With respect to margins, we expect gross margin profile to be consistent with last year overall in gross margins in product and services to be consistent.

<A – Greg Brown – Motorola Solutions, Inc.>: And backlog.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Yeah, the comment on backlog product, backlog as we mentioned product backlog is up. The duration of product backlog hasn't really changed significantly. In services backlog, as we incrementally add multi-year service deals, the duration of the services

backlog does extend further than our traditional services backlog which didn't include that magnitude of multi-year, in some cases, 15-year, 20-year service deals.

<A – Mark Moon – Motorola Solutions, Inc.>: Just a quick add on backlog though, and I think part of your question Ehud was aging, as we talked about last year in Q1, for this year \$125 million additional aged into the year of our backlog.

<Q – Ehud Gelblum – Citigroup Global Markets, Inc. (Broker)>: Okay. That's helpful.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: And in constant currency terms, that's reflected in the 1% to 3% growth.

<Q – Ehud Gelblum – Citigroup Global Markets, Inc. (Broker)>: Correct. Correct. On the OpEx, you mentioned that OpEx would be down \$150 million I believe next year. That gets us to around \$165 million if I'm doing the math right, a little bit lower than before. There are more actions that you said – a new program that's being implemented. Or is my math wrong or does FX help you a little bit on the OpEx line as well?

<A – Greg Brown – Motorola Solutions, Inc.>: I think, Ehud, as we continue to march forward and we go through this organization in a very systemic way under what we call a program run by Michael Annes, we continue to find opportunities to streamline and cost save. We had \$208 million in savings last year. We've raised it to your point to approximately another \$150 million which by the way the majority of that from a run-rate standpoint is already behind us given actions taken last year. I don't think that's a limit or a floor, but from a planning standpoint, we think that's the most useful amount to use at this point in time, but we will continue to simplify the organization, rationalize cost, and as a pure play, we think those opportunities are extended to us.

<Q – Ehud Gelblum – Citigroup Global Markets, Inc. (Broker)>: Okay. I appreciate it. Thank you.

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

Operator: Our next question comes from Simona Jankowski with Goldman Sachs. Please go ahead.

<Q – Simona Jankowski – Goldman Sachs & Co.>: Hi. Thanks very much. I wanted to just clarify on your backlog comment. Is your shippable backlog for 2015 up and if you can just quantify by how much? And then I just had a question on your federal exposure in the quarter. I know that was something you had expected to come back. If you can just give us some comments on how big that was and how you see that going for forward.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Simona, this is Gino. I'll start with the backlog question. Aged backlog in 2015 is up, and it's up \$125 million. With respect...

<Q – Simona Jankowski – Goldman Sachs & Co.>: Okay. And that's across products and services together?

<A – Gino Bonanotte – Motorola Solutions, Inc.>: That's correct.

<Q – Simona Jankowski – Goldman Sachs & Co.>: Okay. Great.

<A – Mark Moon – Motorola Solutions, Inc.>: So this is Mark. With respect to our federal government sales, as we talked about last year, we expected the federal government business to stabilize. We did

actually realize slight growth in 2014, so it did perform as expected. We still see that business continuing as we expect. We're kind of expecting flat to modest growth this year, and we think it will relatively follow the way it normally has with first quarter, and then ramping towards the federal close, first quarter being a little bit slower, but really no big changes. That business now, unlike what happened at the end of 2013 where we saw a real drastic reduction, it has stabilized for us as we go forward.

<Q – Simona Jankowski – Goldman Sachs & Co.>: And, Mark, is that business about 10% of the total? And with it being up a little last year and expected to be up a little this year, it feels like it's still kind of run rating maybe 20% or 30% below where it used to be kind of back in 2012 before all of these sequester actions and so forth came into place. So would you expect that to come back to those levels at some point, or is this a permanent decline?

<A – Mark Moon – Motorola Solutions, Inc.>: So the size of the business is roughly 7% to 8% of our total. It was slightly over \$450 million last year. You are correct that it declined, as we talked about when we had that \$150 million reduction, 25% to 30%. We're trying to not estimate a big ramp to grow back, we're trying to take a view that it will grow back slowly. I don't know that it's permanently lost, but I don't expect that increase to be as drastic as the fall-off that happened at the end of 2013.

<Q – Simona Jankowski – Goldman Sachs & Co.>: Great. Thank you.

Operator: And our next question comes from Tavis McCourt with Raymond James. Please go ahead.

<Q – Tavis McCourt – Raymond James & Associates, Inc.>: Hey, guys. Thanks for taking my question. First, on the gross margin guide, Gino, you indicated flattish year-over-year. I imagine foreign currency, although a modest headwind on the topline has got to be a pretty material headwind on gross margin. So I'm guessing what, I'm just asking, what is the offset there that allows you to feel comfortable in kind of a flattish year-over-year despite the FX headwind? And then Gino, I think Airbus's DS Communications business has been up for sale for a little while. Is there any strategic impact depending on who buys that? Any update on – do you have a preferable buyer, is there any update on kind of timing of that, or is that something that you think just won't affect you either way? Thanks.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Thanks, Tavis. On gross margin, the headwind from a product cost perspective is not as significant as I think you're modeling. Certainly we do have headwind. We also have some tailwind based on where we manufacture and where some of our – from a BGM perspective, where some of the work is done, as well as from a manufacturing perspective.

<A – Greg Brown – Motorola Solutions, Inc.>: And as it relates to – Tavis, as it relates to Airbus, I think that their announcement to exit the business clearly has been positive for us. I think it provides disruption and dislocation to a number of customer installations that rely on them. They have some interesting assets. We'll see how that plays out. But in the meantime, we are competing pretty vigorously on some key opportunities where we are not the incumbent, and we view that as an opportunity for us to pursue in 2015 and 2016. It's a good development for us.

<Q – Tavis McCourt – Raymond James & Associates, Inc.>: Okay. Thanks a lot.

Operator: And our next question comes from Pierre Ferragu with Bernstein Research. Please go ahead.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Thank you. Good morning. Just a quick question on international. So if I understand where your comments in Asia excluding currency, you'd have actually been growing in South America as the situation looks sort of slightly stable, and perhaps in

Europe and Africa, the most offshore decline is, so my first question is Europe and Africa, excluding Norway, excluding currency, how do you feel the year, like, 2015 looks like?

And then my second question would be what's like the longer-term outlook for international? Is it a place where you would expect a still very solid growth driver, and would you expect international to actually grow faster than group average beyond this currency headwind, beyond like the test compare that Norway created for this year? Thanks.

<A – Mark Moon – Motorola Solutions, Inc.>: So, Pierre, this is Mark. As I think about international, I'll kind of give you a little color around the world. I'll start with EA as you said. If you think of EA minus Norway and minus the currency headwinds as you said, the demand is still very positive in Norway. Our growth across the business has been good, again excluding the currency headwinds which you asked me to do. The pipeline is also good which was referenced in the comment of Greg saying, he think as these factors dissipate you'll see Europe and Africa return to growth. We also see Africa is a good growth area for us in the future.

Latin America, as you mentioned, has been growing minus iDEN. We expect that trend to continue. iDEN will take down the overall numbers. But the core business in Latin America continues to grow. Middle East is actually coming off of really strong growth and we've made some organizational changes to even put greater focus on the Middle East. We've announced the large public safety LTE deal today, but we also see good growth in that region. And then when we turn to Asia, as we've talked about for a while, we've been disappointed with our recovery in Asia. But with that being said, we have built backlog. We actually have recognized some large deals, one of which was mentioned about Australia. We've got a good short-term pipeline in addition to our backlog. So we see the Asia region stabilizing and being relatively flat inclusive of currencies and would be growth without the currency headwinds. So all in all to summarize and to answer your final question, we do see international as a growth area. The region again minus the large project and minus currency headwinds we would expect to grow at a faster rate than North America.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: That's great. Thanks, Mark.

Operator: Thank you. We'll take our next question from Keith Housum with Northcoast Research. Please go ahead.

<Q – Keith Housum – Northcoast Research Partners LLC>: Good morning, guys. Thanks for taking my question. If we assume that FX rates stay roughly where they are today, does that change the competitive dynamics of where you guys do business around the world? I mean does it give Airbus or some of the Chinese competitors an advantage over you guys based on how you guys go to market?

<A – Greg Brown – Motorola Solutions, Inc.>: No. I don't think so and especially with Airbus too given the disruption on what they're doing but generally, Keith, I would say broad-based, no.

<Q – Keith Housum – Northcoast Research Partners LLC>: Okay. And then you guys talked obviously on topline about the impact that FX is going to have but as it rolls down to the bottom line is for both the fourth quarter and as you look out into the guidance, what impact is FX having on your EPS numbers?

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Well, it clearly has a commensurate flow through benefit on the cost structure as well. I think that is in part incorporated into the revised \$150 million of cost target that we are now committing to incremental in 2015. That said, what I would say is despite fluctuation of foreign exchange rates because I'm pretty confident that they will bounce around, regardless of that, we are still pursuing approximately \$150 million despite currency fluctuation.

<Q – Keith Housum – Northcoast Research Partners LLC>: But would it be safe to say that \$0.05 or \$0.10 would be higher if FX was not, I guess, has drastically changed over the past few months?

<A – Gino Bonanotte – Motorola Solutions, Inc.>: I think it'd be fair, closer to \$0.05 than to \$0.10.

<Q – Keith Housum – Northcoast Research Partners LLC>: Got you. And then for the fourth quarter?

<A – Gino Bonanotte – Motorola Solutions, Inc.>: For the fourth quarter really in EPS terms, perhaps \$0.01 or \$0.02.

<Q – Keith Housum – Northcoast Research Partners LLC>: Okay. Thank you.

Operator: Thank you. And we'll take our last question from Ben Bollin with Cleveland Research. Please go ahead.

<Q – Ben Bollin – Cleveland Research Co. LLC>: Good morning. Thanks for taking the call. First question, when you look at the OpEx reductions that you've been identifying up the high-end of that target now, another \$50 million, Greg, how much more opportunity would you expect? Is there any risk that you cut too deep?

And then the second part question, a little different, looking at LTE in North America, Greg, you identified funding and spectrum as being kind of the key hurdles. When you think about kind of a third hurdle being the political aspect, getting everyone on the same page and building consortium and understanding, where do you think we are in that process? Thanks.

<A – Greg Brown – Motorola Solutions, Inc.>: On the cost side, as I said, we've gotten – I think the team has responded really well in simplifying and re-engineering business processes and getting unnecessary cost out largely as a result of being a pure play from a portfolio standpoint and we're going to continue to do that. I don't think there's a limit or a ceiling. My team knows that too, so we're pleased. And by the way, when you think about and dimensionalize the \$350 million of cost reduction coming off of 2013 that more than replaces the earnings that the Enterprise business was contributing that we just monetized to Zebra. So we like that fact. And this business is set up well from an operating leverage standpoint when the topline returns. On LTE in the United States, I think funding and spectrum are enablers. I don't think they're hurdles, because they've been achieved. The spectrum's been dedicated and the funding has now been fully populated at \$7 billion.

On the political front, you're right. It's the continual battle between Federal and State, Local control, what kind of architecture in a number of regions. The only thing I would say, Ben, is we work more closely with FirstNet than we've ever done before, and we're committed to their success and working with them, in particular an NTIA to make sure LA-RICS gets rolled out appropriately. So the political side of that will continue to unfold in 2015 and 2016. And our government affairs team and the business development people at the sales organization are working hand-in-glove with them, so we are coordinated and achieving the opportunities and the expectations that people have of that network.

<Q – Ben Bollin – Cleveland Research Co. LLC>: Thank you.

<A – Greg Brown – Motorola Solutions, Inc.>: You bet.

Operator: And as we have no further questions, I'll turn the floor back over to Mr. Shep Dunlap, Vice President of Investor Relations, for any additional closing remarks.

Shep Dunlap, Vice President-Investor Relations

Thanks. As mentioned at the outset, we made a number of forward-looking statements during the call, including outlook related to OpEx, gross margins, other income expense, sales, EBITDA, EPS, operating cash flow, as well as effective and cash tax rates, currency impact, growth and contraction by region, iDEN revenue decline and backlog, as well as the growth of public safety LTE. Thanks, and we'll talk to you soon.

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