



**MOTOROLA  
SOLUTIONS**

**Q2 2016 Results**

**August 4, 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)

This presentation is being made on the 4<sup>th</sup> day of August, 2016. 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.

# Q2 HIGHLIGHTS



- **Sales of \$1.4B, up 5%**
- **Non-GAAP operating margin\* up 370 bps on increased sales and lower cost structure**
- **Operating cash flow of \$292M, up \$143M**
- **Non-GAAP EPS\* growth of 51%**
- **Backlog up \$2.2B, or 37% vs. last year**
  - Up \$64M in Products
  - Up \$2.2B in Services, driven by \$600M of core business and \$1.6B from the Airwave acquisition
- **Returned \$555M in share repurchase and \$72M in dividends**

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

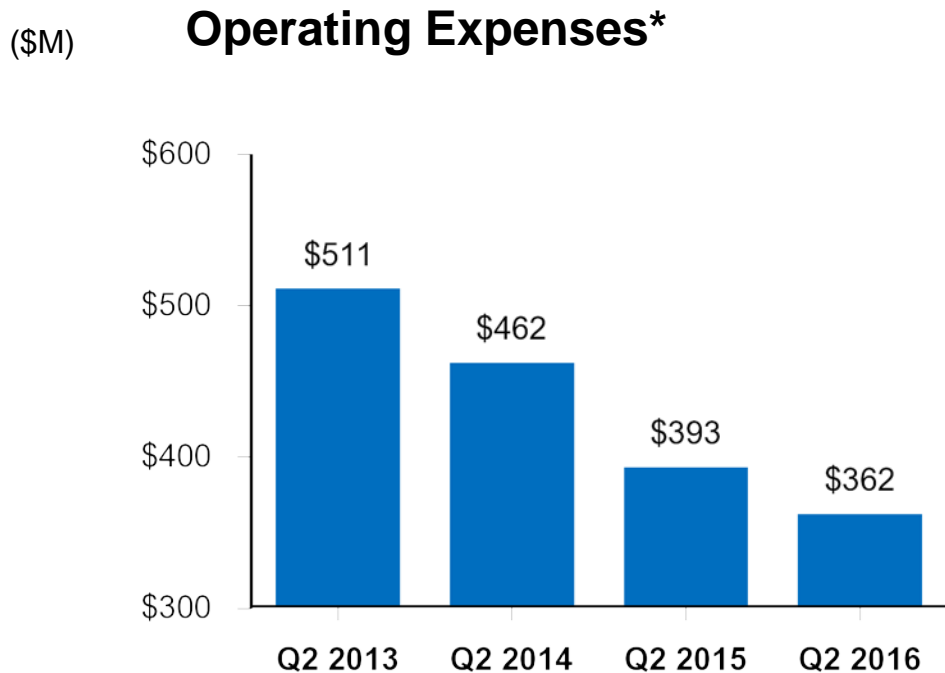
# FINANCIAL RESULTS



<b>(M) excluding per share amounts</b>	<b>Q2 2015</b>	<b>Q2 2016</b>	<b>Change</b>
<b>Revenue</b>	<b>\$1,368</b>	<b>\$1,430</b>	<b>5%</b>
<b>Operating Earnings*</b>	<b>\$260</b>	<b>\$324</b>	<b>25%</b>
<b>Operating Margin*</b>	<b>19.0%</b>	<b>22.7%</b>	<b>370 bps</b>
<b>EPS*</b>	<b>\$0.68</b>	<b>\$1.03</b>	<b>51%</b>
<b>Adjusted EBITDA*</b>	<b>\$298</b>	<b>\$368</b>	<b>23%</b>

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

# OPERATING LEVERAGE



- Q2 '16 operating expenses down \$31M vs. last year, inclusive of Airwave opex this quarter
- Significant savings across all categories: G&A, R&D and Sales & Marketing
- Continue to expect \$1.45B in 2016 opex

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

# CASH FLOW – TRAILING TWELVE MONTHS



(M), TTM	Q2 2015 *	Q2 2016 *	Change
Operating Cash Flow, <i>adjusted for pension</i>	\$754	\$1,029	\$275
Capital Expenditures	(\$180)	(\$237)	(\$57)
<b>Free Cash Flow,</b> <i>adjusted for pension</i>	<b>\$574</b>	<b>\$792</b>	<b>\$218</b>
Weighted Avg Diluted Shares Outstanding	227.2	183.8 **	(19%)
<b>FCF per share</b> <i>adjusted for pension</i>	<b>\$2.53</b>	<b>\$4.31</b>	<b>70%</b>

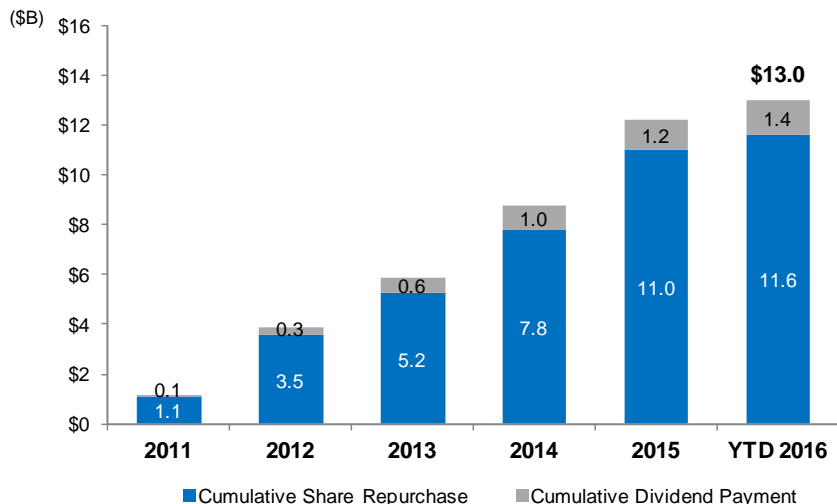
\* Excludes \$1.3B of pension transaction funding for TTM Q2 2015, and excludes \$10M of pension funding for TTM Q2 2016

\*\* Q2 2016 Weighted Avg Diluted Share count is 174.8 million shares, and ending share count is 166.7 million shares

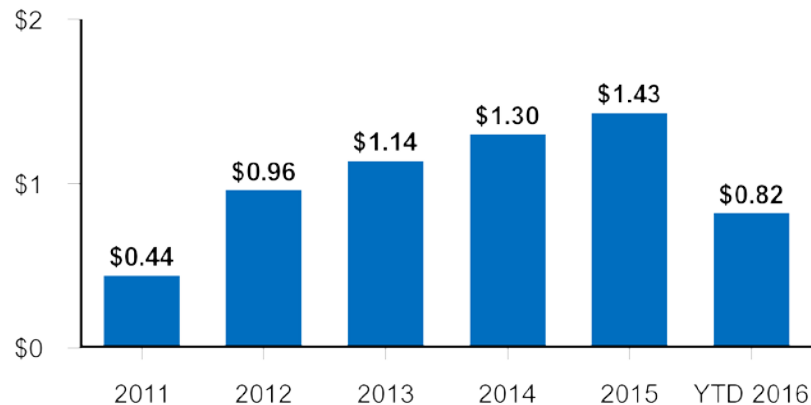
# Q2 CAPITAL RETURN



## Cumulative Capital Return



## Significant Dividend Growth



- **\$555M share repurchase and \$72M in dividends paid**
- **Ended Q2 in net debt\* position of \$3.5B**
- **Announced \$2B increase to share repurchase program**

\* Net Debt = Cash & Cash Equivalents, minus LT Debt including current portion

# OUTLOOK (NON-GAAP)



## Q3 Outlook:

Revenue Growth	6% – 7%
Non-GAAP EPS	\$1.17 – \$1.22

*Includes ~\$130M of Airwave revenue*

## 2016 Outlook:

Revenue Growth	5% – 7%
Non-GAAP EPS	\$4.45 – \$4.65
Operating Cash Flow	~\$1.1B – \$1.2B

*Includes ~\$450M of Airwave revenue*

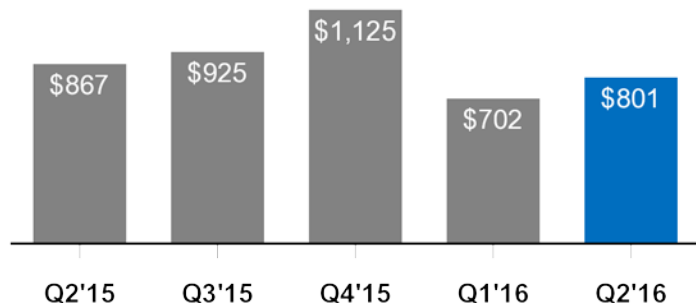
**Unchanged**



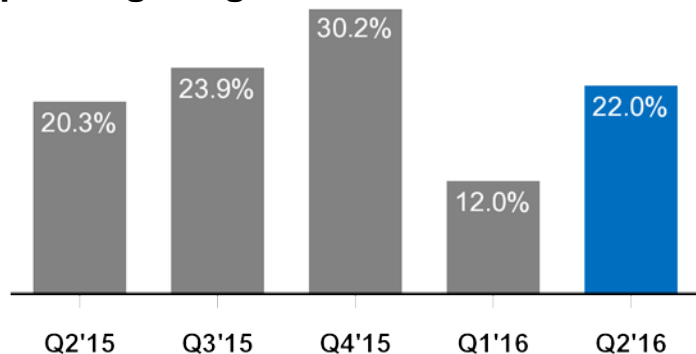
# PRODUCTS RESULTS



## Revenue (\$M)



## Operating Margin %\*



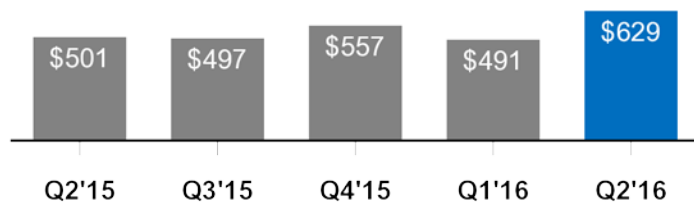
- Sales of \$801M, down 8% vs. last year primarily on weakness in Latin America, Europe, and China
- Operating margin\* up 170bps, driven by steady gross margin and lower cost structure
- \$200M award for a multi-county P25 ASTRO system in the Richmond, Virginia area
- \$44M order for a P25 ASTRO system with a large utility in North America

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

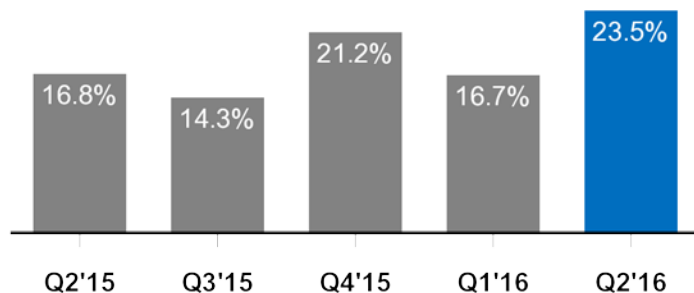
# SERVICES RESULTS



## Revenue (\$M)



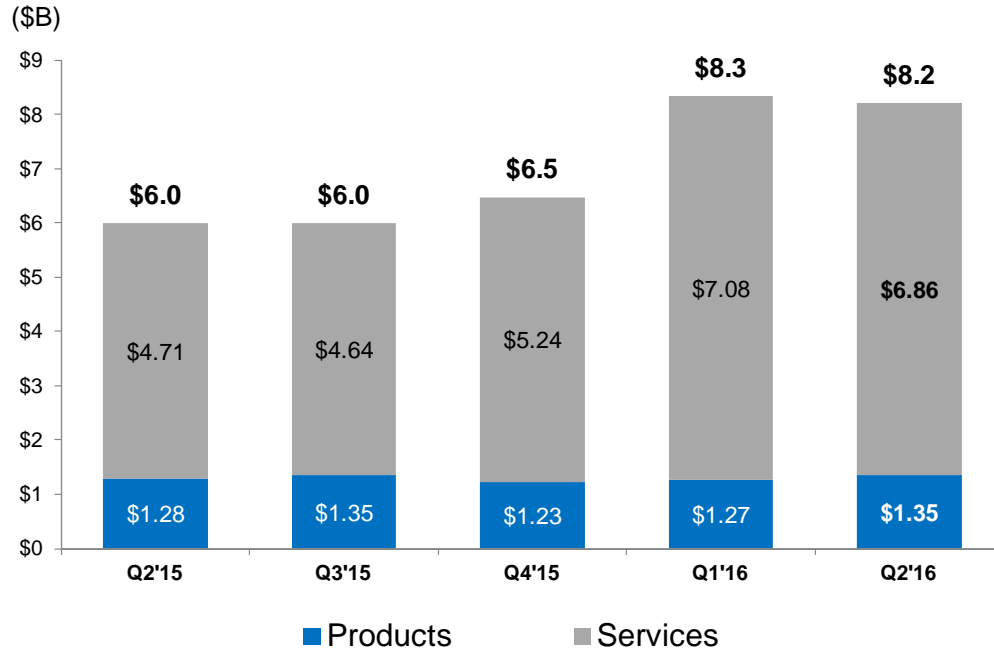
## Operating Margin %\*



- Sales of \$629M, up 26% vs. last year
- Managed & Support up 60% vs. last year, and up 4% excluding Airwave
- Operating margin\* up 670 bps
- \$19M extension for Managed & Support services agreement in Australia
- Launched WAVE Cloud Connect SaaS in Australia, delivering broadband-based push-to-talk communications, connecting traditional radio devices with smart cellular devices
- Won multiple North America software and services deals in the Command & Control center

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

# BACKLOG TREND



## Annual Change (Q2'15 to Q2'16)

- Products up \$64M
- Services up \$2.2B
  - \$1.6B is Airwave, ~\$600M is organic Managed and Support services

## Sequential Change (Q1'16 to Q2'16)

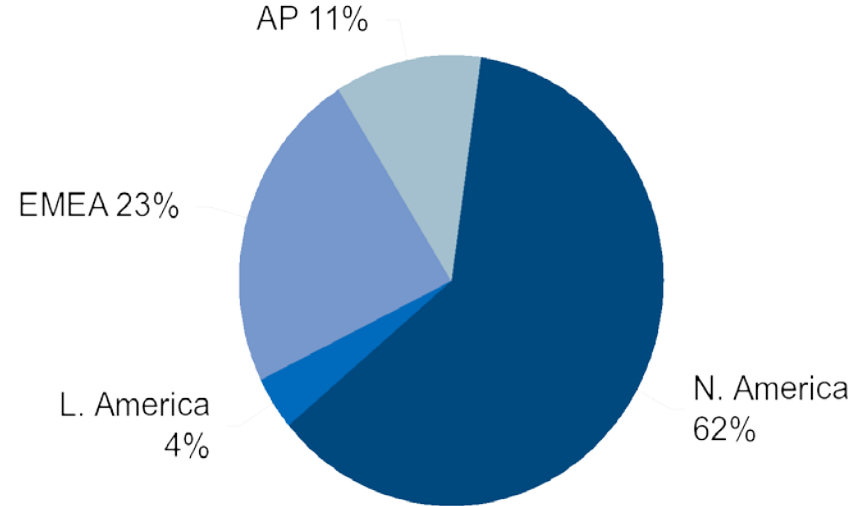
- Products up \$82M
- Services down \$214M
  - Includes ~\$170M\* unfavorable currency adjustment

# REGIONAL REVENUE



(\$M)	Q2 2015	Q2 2016	Change *
N. America	\$883	\$875	(1%)
L. America	\$95	\$61	(36%)
EMEA	\$228	\$335	47%
AP	\$163	\$159	(2%)
TOTAL	\$1,368	\$1,430	5%

## Q2 2016 REVENUE BY REGION



**North America** - Strong backlog growth in Products and Services

**Latin America** - Down on macro-economics weakness

**EMEA** - Growth from Airwave partially offset by Norway project completion

**Asia Pacific** – Growth in constant currency; solid Managed & Support services growth offset by weakness 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,” “Free Cash Flow per Share,” 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.

**Free Cash Flow per Share** - Operating Cash Flow minus CAPEX, divided by weighted average diluted shares outstanding. We believe Free Cash Flow per Share provides useful information to investors as a measure of the strength and sustainability of our business model.

**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
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
GAAP gross margin	693	750	765	901	577	656	685	912	548	648	685	838	502	676
Non-GAAP gross margin adjustments:														
Stock-based compensation expense	5	4	4	4	4	3	2	2	3	2	2	2	2	2
Reorganization of business charges	—	5	5	7	1	3	7	—	2	3	1	4	16	8
Non-GAAP gross margin	698	759	774	912	582	662	694	914	553	653	688	844	520	686
GAAP Operating earnings (loss) ("OE")	174	203	246	325	107	138	207	(1,459)	119	254	231	389	100	224
Non-GAAP OE Adjustments:														
Stock-based compensation expense	30	23	25	26	25	23	18	18	18	17	16	18	15	16
Reorganization of business charges	7	13	16	34	9	25	13	15	12	13	14	38	7	19
Intangibles amortization expense	—	—	—	—	1	1	1	1	2	3	2	2	13	38
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
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%
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%
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%



# 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
GAAP Other income (expense)	(19)	(35)	5	(19)	(18)	(40)	(56)	(39)	9	(39)	(34)	(12)	(78)	(57)
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)
GAAP Earnings (loss) from continuing operations*	157	223	261	293	85	78	66	(926)	87	150	126	277	17	107
Non-GAAP OE adjustments	42	45	50	71	19	63	52	1,942	37	6	61	69	66	100
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)
TOTAL Non-GAAP Earnings from continuing operations	\$ 142	\$ 257	\$ 286	\$ 358	\$ 72	\$ 121	\$ 154	\$ 288	\$ 83	\$ 143	\$ 166	\$ 280	\$ 92	\$ 180
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
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
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
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

# SUPPLEMENTAL NON-GAAP MEASURES



## Reconciliation of Non-GAAP Free Cash Flow Per Share (Diluted earnings per common share)

	Twelve Months Ended	
	July 2, 2016	July 4, 2015
Earnings (loss) from continuing operations attributable to Motorola Solutions, Inc. common stockholders	\$ 2.86	\$ (2.74)
Earnings attributable to noncontrolling interests	0.02	0.01
Earnings (loss) from continuing operations	<u>\$ 2.88</u>	<u>\$ (2.73)</u>
Depreciation and amortization	1.16	0.74
Non-cash other charges	0.24	(0.02)
Pension curtailment gain and pension settlement loss	—	8.15
Share-based compensation expense	0.40	0.35
Deferred income taxes	0.96	(2.24)
Working capital	0.23	(0.88)
Other assets and liabilities	(0.33)	(5.58)
Net cash provided by (used for) operating activities from continuing operations	<u>\$ 5.54</u>	<u>\$ (2.21)</u>
Capital expenditures	<u>\$ (1.29)</u>	<u>\$ (0.8)</u>
Free Cash Flow per Share	<u>\$ 4.25</u>	<u>\$ (3.01)</u>
Add back: Pension contributions	<u>\$ 0.06</u>	<u>\$ 5.54</u>
Free cash flow per share adjusted for pension contributions	<u>\$ 4.31</u>	<u>\$ 2.53</u>
Weighted average number of common shares, diluted	183.8	227.2



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Q2 2016 Earnings Call

August 4, 2016