



# EARNINGS PRESENTATION

Q3-2017 Results | Nov 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 21 in Item 1A of Motorola Solutions' 2016 Annual Report on Form 10-K, on page 37 in item 1A of Motorola Solutions' Quarterly Report on Form 10-Q for the quarter ended July 1, 2017, 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 November, 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.

**Non-GAAP Statements:** Where we have used non-GAAP financial measures, reconciliations to the most comparable GAAP measure are provided, along with a disclosure on the usefulness of the non-GAAP measure, in the appendix of this presentation. These measures include “Constant Currency,” “Free Cash Flow,” “Operating Expenses” and “Organic Revenue”

# Q3 HIGHLIGHTS



- **Sales of \$1.6B, up 7%**
  - Organic revenue\* growth of 5% with organic growth in every region
  - North America organic revenue growth of 5%
  - Products sales up \$69M or 8%
  - Services sales up \$44M or 7%
- **Non-GAAP EPS\*\* of \$1.53, up 12%**
- **Backlog up \$768M or 9% vs. LY**
  - Products up \$344M or 24%
  - Services up \$424M or 6%
- **\$100M share repurchases, \$76M dividends paid, \$205 million related to Kodiak acquisition**
- **Announced quarterly dividend increase of 11% to \$0.52 per share**

\* Organic Revenue reflects net sales calculated under GAAP excluding net sales from acquired business owned for less than 4 full quarters

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

# OUR MISSION CRITICAL LMR PERFORMANCE DURING HURRICANE IRMA



## PUBLIC SAFETY LMR USERS WERE NEVER WITHOUT COMMUNICATIONS

- No P25 system<sup>1</sup> was ever down
- 10 systems<sup>1</sup> in 8 Florida counties hit by Hurricane Irma
- Users maintained communication capabilities at all times
- LMR is built with several layers of redundancy. In a rare instance when a site is off air, the radio joins adjacent LMR sites or utilizes unit-to-unit direct mode communications.



**“In that time, there were no sites down, no outages and all LMR communications worked flawlessly...Our officers were working in flood-prone areas, and in those areas, LMR was the only communication working.”**

*Greg H., Director of Public Safety  
Communications for Lake County, FL*

**“I have never dealt with a company such as Motorola Solutions that is so responsive and supportive... LMR is the safest thing. Best way to protect responders. I can't tell you how lucky we are to have that radio system.”**

*Jackie W., Radio and Technology Director  
Pinellas County, FL Public Safety Services*

**“The system is meeting all our expectations and performed flawlessly before, during, and after Hurricane Irma.”**

*Alexander R., Chief of Police,  
City of Homestead, FL*

1. Florida P25 systems hit by Hurricane Irma where MSI monitors the LMR sites

# FINANCIAL RESULTS



<b>(\$M) Excluding per share amounts</b>	<b>Q3 2016</b>	<b>Q3 2017</b>	<b>Change</b>
Revenue	\$1,532	\$1,645	7%
Operating Earnings*	\$396	\$423	7%
Operating Margin*	25.8%	25.7%	(10 bps)
Earnings Per Share*	\$1.37	\$1.53	12%

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

# CASH FLOW



<b>(\$M) Trailing Twelve Months</b>	<b>Q3 2016</b>	<b>Q3 2017</b>	<b>Change</b>
Operating Cash Flow	\$1,067	\$1,098	\$31
Capital Expenditures	(\$255)	(\$266)	(\$11)
<b>Free Cash Flow</b>	<b>\$812</b>	<b>\$832</b>	<b>\$20</b>

## Q3 2017

- OCF \$270M, down \$78M vs LY
- FCF \$185M, down \$95M vs LY
- Lower due to working capital timing associated with ERP implementation and higher tax payments

## YTD 2017

- OCF \$585M, down \$67M vs LY
- FCF \$379M, down \$62M vs LY
- Lower due to working capital timing associated with ERP implementation and higher tax payments

## Trailing 12 Months

- Higher OCF driven by higher earnings, offset by working capital timing associated with the ERP implementation
- Higher capital expenditures driven by UK ESN project and ERP implementation

# OUTLOOK (NON-GAAP)



## Q4 2017

Revenue Growth	Approx. 3%
Non-GAAP EPS	\$2.00 - \$2.05

## Full Year 2017

## Prior

## Current

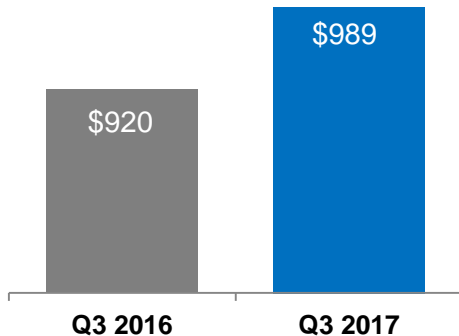
Revenue Growth	3% - 4%	Approx. 5%
Non-GAAP EPS	\$5.20 - \$5.30	\$5.35 - \$5.40

*Assumes current F/X rates and ~169m fully diluted shares for FY'17*

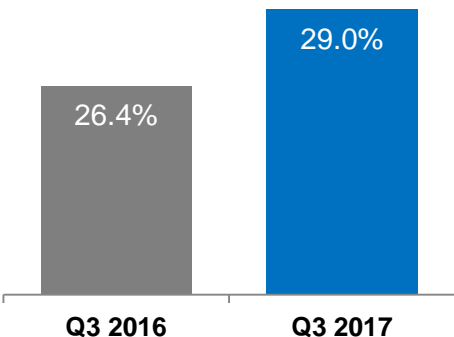
# Q3 PRODUCTS RESULTS



## Revenue (\$M)



## Operating Margin % \*



- Revenue up 8% vs. LY driven by strong demand in the Americas and EMEA
- Operating margin up 260 bps, driven by higher sales and lower operating expenses
- Backlog up \$344M vs. LY driven by North America
- Notable orders:
  - \$79M for P25 system serving three counties in Oregon
  - \$54M for P25 system in Memphis, TN
  - \$24M for P25 system in Burlington, NJ
  - \$10M for radio system expansion in Ecuador

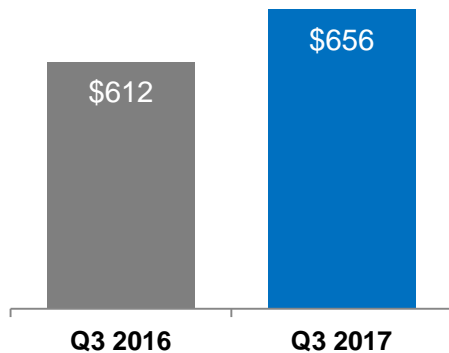
\* Non-GAAP, excluding highlighted items, stock-based compensation, and intangible amortization



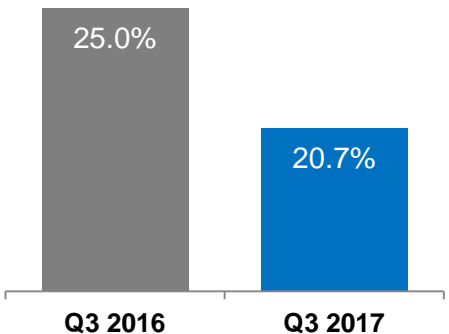
# Q3 SERVICES RESULTS



## Revenue (\$M)



## Operating Margin % \*

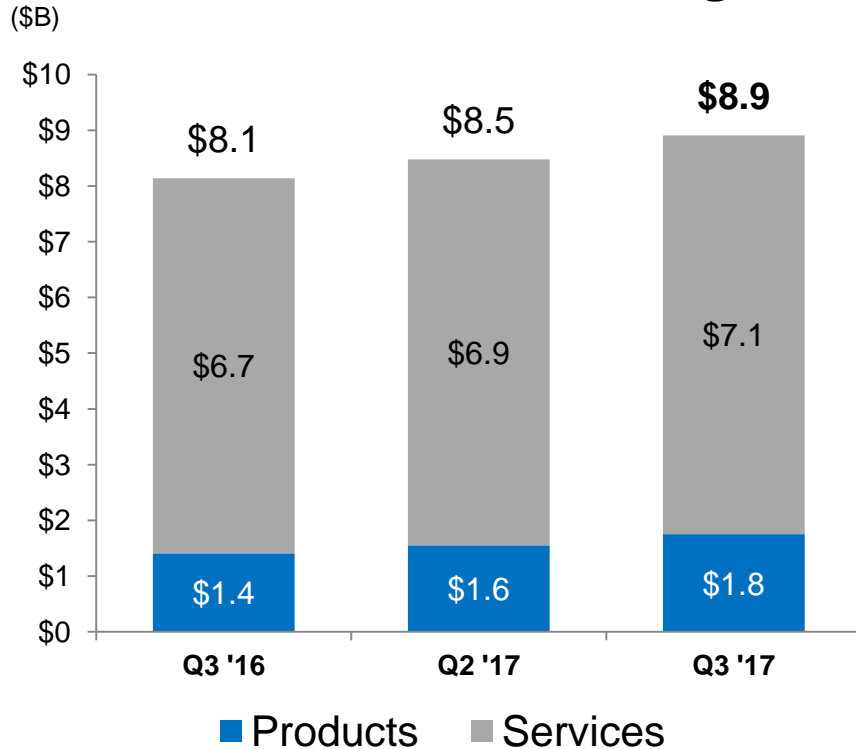


- Revenue up 7% vs. LY on strength in the Americas
- Managed & Support up 8% vs. LY
- Operating margin decline due to gross margins returning to normalized levels as expected and higher opex related to acquisitions
- Backlog up \$424M vs. LY driven by North America
- Notable new Managed & Support contracts signed through 2028
  - \$26M for Phoenix area P25 system
  - \$12M for Stafford County, Virginia
  - \$10M for North Fulton Regional System in Georgia

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



## Record backlog in both Products and Services



### Annual Change (Q3'16 to Q3'17)

- Products up \$344M on strong orders in North America
- Services up \$424M on strong orders in North America

### Sequential Change (Q2'17 to Q3'17)

- Products up \$203M on strong orders in North America
- Services up \$228M on strong orders in North America

# Q3 REGIONAL REVENUE



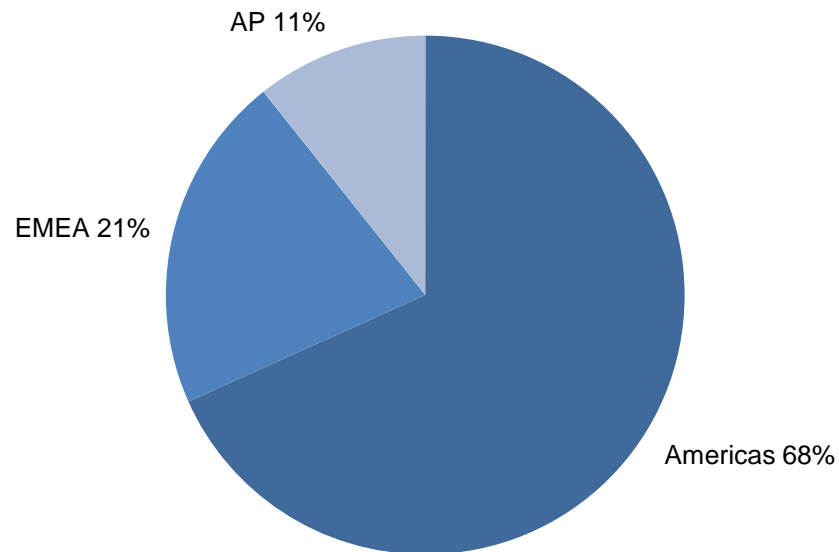
(\$M)	Q3 2016	Q3 2017	Change *
Americas	\$1,031	\$1,123	9%
EMEA	\$327	\$346	6%
AP	\$174	\$176	1%
<b>TOTAL</b>	<b>\$1,532</b>	<b>\$1,645</b>	<b>7%</b>

**AMERICAS** – Growth driven by P25 LMR products and services.

**EMEA** – Growth driven by Products.

**Asia Pacific** – Growth driven by Services.

## Q3 2017 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 & Solutions

**Jack Molloy** - Executive Vice President,  
Worldwide Sales and Services

**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,” “Operating Expenses” and “Organic Revenue” 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.

**Organic Revenue** - Reflects net sales calculated under GAAP excluding net sales from acquired business owned for less than 4 full quarters

# 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	Q1 '17	Q2 '17	Q3 '17
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	\$1,281	\$1,497	\$1,645
GAAP gross margin	693	750	765	901	577	656	685	912	548	648	685	838	502	676	762	928	570	690	794
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	2	2	2
Reorganization of business charges	—	5	5	7	1	3	7	—	2	3	1	4	16	8	1	18	4	2	2
Non-GAAP gross margin	698	759	774	912	582	662	694	914	553	653	688	844	520	686	765	949	576	694	798
GAAP Operating earnings (loss) ("OE")	174	203	246	325	107	138	207	(1,459)	119	254	231	389	100	224	341	403	176	257	338
Non-GAAP OE Adjustments:																			
Stock-based compensation expense	30	23	25	26	25	23	18	18	18	17	16	18	15	16	15	13	15	14	14
Reorganization of business charges	7	13	16	34	9	25	13	15	12	13	14	38	7	19	6	48	15	1	6
Intangibles amortization expense	—	—	—	—	1	1	1	1	2	3	2	2	13	38	31	30	36	37	39
Other highlighted items	—	—	—	—	(21)	8	11	1,906	—	(32)	26	5	13	17	—	26	(24)	15	22
Non-GAAP OE	\$ 216	\$ 248	\$ 296	\$ 396	\$ 126	\$ 201	\$ 259	\$ 483	\$ 156	\$ 260	\$ 292	\$ 458	\$ 166	\$ 324	\$ 396	\$ 541	\$ 224	\$ 328	\$ 423

# 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	Q1 '17	Q2 '17	Q3 '17
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 %	13.7 %	17.2 %	20.5 %
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 %	3.8 %	4.7 %	5.2 %
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 %	17.5 %	21.9 %	25.7 %
GAAP Other income (expense)	(19)	(35)	5	(19)	(18)	(40)	(56)	(39)	9	(39)	(34)	(12)	(78)	(57)	(48)	(41)	(56)	(52)	(52)
Non-GAAP Below OE adjustments	—	—	23	—	—	—	(27)	—	46	—	—	39	(36)	—	—	—	3	(1)	—
Non-GAAP Other income (expense)	(19)	(35)	(18)	(19)	(18)	(40)	(29)	(39)	(37)	(39)	(34)	(51)	(42)	(57)	(48)	(41)	(59)	(51)	(52)
GAAP Earnings (loss)*	157	223	261	293	85	78	66	(926)	87	150	126	277	17	107	192	243	77	131	212
Non-GAAP OE adjustments	42	45	50	71	19	63	52	1,942	37	6	61	69	66	100	55	138	48	71	85
Non-GAAP below OE adjustments	—	—	(23)	—	—	—	27	—	(46)	—	—	(39)	36	—	—	—	(3)	1	—
Non-GAAP tax adjustments and effect	(57)	(11)	(2)	(6)	(32)	(20)	9	(728)	5	(13)	(21)	(27)	(27)	(27)	(14)	(35)	(2)	(14)	(38)
TOTAL Non-GAAP Earnings	\$ 142	\$ 257	\$ 286	\$ 358	\$ 72	\$ 121	\$ 154	\$ 288	\$ 83	\$ 143	\$ 166	\$ 280	\$ 92	\$ 180	\$ 233	\$ 346	\$ 120	\$ 189	\$ 259
GAAP 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	\$ 0.45	\$ 0.78	\$ 1.25
Non-GAAP 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	0.26	0.34	0.28
Non-GAAP 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	\$ 0.71	\$ 1.12	\$ 1.53
Diluted, w eighted 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	169.9	169.0	169.0

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



# SUPPLEMENTAL NON-GAAP MEASURES

## Motorola Solutions, Inc. and Subsidiaries Non-GAAP Organic Growth

Total Motorola Solutions			
Three Months Ended			
	September 30, 2017	October 1, 2016	% Change
Net sales	\$ 1,645	\$ 1,532	7 %
Non-GAAP adjustments:			
Acquisitions	(40)	—	
Organic revenue	\$ 1,605	\$ 1,532	5 %
Nine Months Ended			
	September 30, 2017	October 1, 2016	% Change
Net sales	4,423	4,155	6 %
Non-GAAP adjustments:			
Acquisitions	(213)	(61)	
Organic revenue	\$ 4,210	\$ 4,094	3 %

## Motorola Solutions, Inc. and Subsidiaries Non-GAAP Organic Growth

North America			
Three Months Ended			
	September 30, 2017	October 1, 2016	% Change
Americas net sales	\$ 1,123	\$ 1,031	9 %
Adjustments:			
Latin America	(96)	(70)	37 %
North America acquisitions	(19)		
North America organic revenue	\$ 1,008	\$ 961	5 %
Nine Months Ended			
	September 30, 2017	October 1, 2016	% Change
Americas net sales	\$ 2,989	\$ 2,804	7 %
Adjustments:			
Latin America	(262)	(186)	41 %
North America acquisitions	(40)		
North America organic revenue	\$ 2,687	\$ 2,618	3 %



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**MOTOROLA SOLUTIONS**