

Motorola Solutions, Inc.  
Q4 2011 Earnings Conference Call  
Wednesday, January 25, 2012

## **PARTICIPANTS**

### **Corporate Participants**

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**Shep Dunlap** – Vice President-Investor Relations  
**Greg Brown** – Chairman and Chief Executive Officer  
**Edward J. Fitzpatrick** – Chief Financial Officer & Executive Vice President  
**Mark Moon** – Executive Vice President, Sales and Field Operations, Motorola Solutions, Inc.

### **Other Participants**

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**Peter Misek** – Analyst, Jefferies & Co., Inc.  
**Jim Suva** – Analyst, Citigroup, Inc.  
**Stan Kovler** – Analyst, Morgan Stanley & Co. LLC  
**Craig M. Hettenbach** – Analyst, Goldman Sachs & Co.  
**Tavis C. McCourt** – Analyst, Morgan Keegan & Co., Inc.  
**Jeff Thomas Kvaal** – Analyst, Barclays Capital, Inc.  
**Lawrence M. Harris** – Analyst, CL King & Associates  
**Deepak Sitaraman** – Analyst, Credit Suisse (United States)  
**Steve Tusa** – Analyst, JPMorgan Securities LLC  
**Brian Modoff** – Analyst, Deutsche Bank Securities, Inc.  
**Matt Thornton** – Analyst, Avian Securities LLC

## **MANAGEMENT DISCUSSION SECTION**

**Operator:** Good morning, and thank you for holding. Welcome to the Motorola Solutions Fourth Quarter 2011 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 available approximately three hours after the conclusion of this call over the Internet. The website address is [www.motorolasolutions.com/investor](http://www.motorolasolutions.com/investor). [Operator Instructions] I would now introduce Mr. Shep Dunlap, Vice President of Investor Relations. Mr. Dunlap, you may begin your conference.

### **Shep Dunlap, Vice President-Investor Relations**

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Thanks, and good morning. Welcome to our conference call to present Motorola Solutions' fourth quarter results. With me this morning are Greg Brown, Chairman and Chief Executive Officer; Ed Fitzpatrick, Executive Vice President and CFO; and Mark Moon, Executive Vice President Sales and Field Operations. Greg and Ed will review fourth quarter results along with commentary and Mark will join us for Q&A.

I would like to point out the results Greg and Ed will highlight in their prepared remarks refer to continued operations and exclude the Amateur, Marine and Air-band Radio businesses we recently exited. Updated financials reflecting this transaction can be found on our investor website. We have posted an accompanying earnings presentation and press release at [motorolasolutions.com/investor](http://motorolasolutions.com/investor). In addition, we have posted updated pro forma non-GAAP financials that reflect the recent move of the Amateur, Marine and Air-band Radio businesses to discontinued operations. I encourage you to review these materials.

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.

With that, I will now turn the call over to Greg.

### **Greg Brown, Chairman and Chief Executive Officer**

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Thanks, Shep, and good morning, and thank you for joining us today. Q4 marked another great quarter for Motorola Solutions as we achieved a record performance for sales, operating earnings and operating margin. These quarterly results helped cap a very strong and exciting year for our company. 2011 was a year in which we streamlined and strengthened our portfolio, generated excellent cash flow, delivered substantial operating earnings expansion and returned significant capital to our shareholders. Highlights for the quarter included growth in all regions, strong Government growth, improved operating leverage and the continuation of a meaningful capital distribution program for our shareholders.

This morning, we reported sales in the fourth quarter of \$2.3 billion, an increase of 5% from Q4 of last year. On a GAAP basis, net earnings were \$0.54 per share from continuing operations compared to \$0.49 in the year-ago quarter. Non-GAAP net earnings from continuing operations were \$0.87 per share compared to \$0.64 per share in Q4 of last year, a 36% increase. For the full year, we posted revenue growth of approximately 8% while increasing non-GAAP operating earnings by 29%. For the remainder of this call, we'll reference non-GAAP financial results unless otherwise noted.

So, overall, our Government business revenues increased 6%. North America, Asia and Latin America all saw steady growth while EMEA was down slightly due to continued challenges in Western Europe but also the Modules business divestiture we had earlier. Operating earnings in the Government business grew 39% due to strengthen in sales, a stronger product portfolio and continued expense management. Government sales increased 6% for the full year, exceeding our outlook of low single digits.

In our Enterprise business, sales increased 3% from the year-ago quarter including an anticipated decline in iDEN. Growth in Enterprise excluding iDEN was 9% for the quarter. Growth was driven by enterprise mobile computing and wireless LAN including managed services as customers continue to view us as a strategic partner enabling them to increase efficiencies, revenues and customer satisfaction. Operating earnings in the Enterprise business grew 10%. On a full year basis, the Enterprise business delivered revenue growth of 11%.

The sales growth this past year in both businesses is a result of our continued focus on new product innovation and delivering solutions recognized by Enterprise and Government customers as an investment with high returns. We continue to enhance the features available in our products, and we have expanded or tiered many of our product portfolios including mission-critical voice and enterprise mobile computing.

With respect to capital allocation, I am pleased with our continued progress. During the quarter, we paid \$72 million in dividends and repurchased \$366 million in MSI stock, bringing the total repurchase amount to over \$1.1 billion during the first two quarters of the program that we announced last July.

I'll now turn the call over to Ed to discuss our financial results in more detail. Then I'll return to discuss some operational highlights and provide additional thoughts on our business performance.

**Edward J. Fitzpatrick, Chief Financial Officer & Executive Vice President**

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Thanks, Greg, and good morning. As Greg mentioned, our Q4 sales included growth across all our regions and much of our product portfolio. Along with solid revenues, our disciplined expense management yielded another excellent quarter of operating leverage. On a full year basis, revenue grew 8% to \$8.2 billion while operating earnings, as a percent of revenue was 16.7%. This represents a 29% increase in operating earnings from 2010.

In our Government business, we saw continued growth in the fourth quarter with sales of \$1.5 billion, an increase of 6% from the prior year. 2011 full-year Government revenues were \$5.4 billion, growing 6% over 2010. The Enterprise business grew 3% to \$753 million in Q4 driven by enterprise mobile computing, wireless LAN and related managed services. These Enterprise results include a \$37 million decline in iDEN revenues. For 2011, the Enterprise business posted revenues of \$2.8 billion, growing 11% year over year.

Earnings from continuing operations were \$0.87 per share compared to \$0.64 per share a year ago, a 36% increase. Operating expenses were \$725 million or 31.5% of revenue, which represents a 300 basis point improvement from the year-ago quarter. Operating expense dollars were up slightly on a sequential basis and generally in line with our expectations, which we shared with you on the Q3 call.

Our operating earnings for the fourth quarter were \$444 million or 19.3% of sales compared to \$346 million or 15.8% in Q4 2010. Operating earnings growth was over five times the top-line growth in the quarter. Similar to Q3, this accelerated increase in earnings growth was driven by continued expense management focus, as we lowered both R&D and SG&A as a percentage of revenue.

Total Other income and expense was a net expense of \$9 million in the quarter compared to a net expense of \$24 million in Q4 2010. This quarter's results benefited from lower interest expense due to a decline in outstanding debt. In future quarters, we expect this line item to be a net expense of approximately \$15 million to \$20 million.

Our effective tax rate was 33.7% for the quarter. For 2012, we'd expect our tax rate to be in the range of 34% to 35%. The average cash tax rate is still expected to be approximately 20% or approximately six years as we utilize available tax credits.

Cash flow from operations was \$44 million this quarter, which was impacted by an incremental \$250 million cash contribution to our U.S. pension plan, which I'll cover in a moment. For the full year, we generated operating cash flow of \$847 million including a total of \$480 million of contributions to the U.S. pension plan. We ended the quarter with \$5.1 billion in cash and investments and \$1.5 billion in debt, which reflects the \$600 million debt payment in the quarter. We also spent in excess of \$438 million in cash this quarter for share repurchase activity and dividends.

As Greg mentioned earlier, that we repurchased \$366 million in stock in the quarter which brings us to over \$1.1 billion in share repurchases through the first two quarters of the plan. This amounts to a total of 26.6 million shares at average price of \$41.77. In addition, we paid \$72 million in dividends during the quarter.

Before I turn to our outlook, let me spend a moment summarizing some of the important items surrounding our U.S. pension plan including our liability, cash contributions and expenses going into this year. As you all know, pension deficit is impacted by the volatility of corporate bond rates, which are used to determine the plan discount rate as well as return to the pension plan asset portfolio. The discount rate used to measure the liability at the end of 2011 came in at 5.1% compared to 5.75% in the prior year.

Due to the new discount rate, our total under-funded U.S. pension plan at year-end increased to \$2.2 billion. Our plan contributions of \$230 million and the incremental \$250 million contributed in Q4 helped to partially mitigate the impact of the lower discount rate on our net obligation and future pension costs. Based on the company's current position, we are projecting an increase of approximately \$60 million in operating expenses in 2012 compared to 2011 related to pension costs. In terms of the funding for this upcoming year, we plan to contribute approximately \$340 million to the U.S. pension plan. As a reminder, the U.S. pension plan was frozen in 2009 and has no future service costs.

Now, turning to Q1 and full-year outlook. For Q1, we expect sales growth of approximately 4% over the first quarter of 2011, including an estimated \$35 million year-over-year decline in iDEN revenues. We expect Q1 operating earnings of 14% to 14.5% compared to 14.5% in the first quarter last year. Our outlook is for non-GAAP earnings per share of \$0.50 to \$0.55 from continuing operations utilizing the Q4 ending share count. This compares to non-GAAP EPS in Q1 2011 of approximately \$0.55 per share. As we discussed in our Q1 call last year, the \$0.55 per share in Q1 2011 benefited from several non-operating items within Other income and expense primarily relating to investment and foreign currency gains.

The net impact of those items on a year-over-year basis is approximately \$0.08 cents per share. This outlook excludes items historically highlighted in our quarterly earnings releases and stock-based compensation and intangible amortization expenses of approximately \$0.11 per share. Intangible amortization declined from \$50 million to \$7 million approximately per quarter as certain intangible assets associated with the Symbol acquisition became fully amortized in 2011.

Moving to full-year 2012, our outlook is for sales growth of approximately 5%, which includes an anticipated \$70 million iDEN decline. We expect full-year operating earnings to be approximately 17%. The first quarter and full-year outlooks factor in the previously mentioned \$60 million in additional pension expense we will incur during 2012.

Finally, we expect to grow operating cash flow in line with improvements in net income for 2012. As Shep mentioned at the beginning of this call, the outlook I share with you is based on recently updated financial results, which reflect the exit of Amateur, Marine and Air-band Radio business.

I will turn the call back to Greg for business highlights for the quarter.

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**Greg Brown, Chairman and Chief Executive Officer**

Thanks, Ed. In Government, our sales for the quarter were \$1.5 billion, up 6% over Q4 of 2010. Profitability for the business also improved with operating earnings of 19.8% of sales this quarter compared to 15.2% in Q4 of last year. Our growth in the Government business of 6% for the quarter and 6% for the full year demonstrates that mission-critical communications remain a priority for our public safety customers and the communities they serve. We had a strong finish to a very good year in North America Government was full-year sales growth of almost 6% in the region consistent with historical trends. Growth in Asia and Latin America was also very good. EMEA saw a modest decline for the quarter and the year driven primarily by the divestiture of the Modules business.

There are many common demand drivers across all geographies as public safety users seek improved capability and coverage, enhanced features from digital and interoperability. In ASTRO, our market-leading P25 compliant radio system, we won several new large awards including St. Louis County for \$65 million to design and build one of the largest local radio systems in the Midwest; and Washington State Patrol for \$25 million, which will integrate with the existing Department of Justice P25 trunk system in the state. The State of Tennessee chose us to implement phase one of a statewide radio system to replace a decades-old system. The \$29 million upgrade will improve communications across public safety agencies and includes new safety enhancements such as emergency man-down notification and GPS capabilities along with improved coverage and multi-agency interoperability.

We also won ASTRO awards with several counties in Florida including St. Johns for \$26 million, Seminole for \$15 million, Osceola for \$11 million. In Latin America, we won a \$20 million contract with the National Police of Ecuador to expand their P25 system and an ASTRO system with the Mexico Federal Electric Commission. We won a five-year, \$22 million contract to build a digital radio network for Western Australia's Emergency Services, upgrading the existing police metropolitan radio network.

The project, when complete, will mark the first time three public safety agencies in Western Australia will share the same network. We expanded our ASTRO Apex line-up of radios to include an Apex 4000 portable radio for public works, utilities and rural public safety. Apex now represents the first complete portfolio of P25 Phase 2 TDMA two-way portable radios in the industry.

Our portfolio extends beyond voice communications into other areas core to public safety such as dispatching in the operations center. This past quarter, we were selected by the City of Atlanta to integrate their surveillance camera system, which will enable Atlanta Police Department to observe incidents real-time and deploy law-enforcement personnel more efficiently. Douglas County, Nebraska, recently chose our PremierOne, computer-aided dispatch application to serve their needs and adjoining counties. The Douglas County project represents the first installation of our PremierOne software into a customer-managed, virtualized environment and will result in more efficient use of the county's mission-critical IT hardware resources.

We continue to invest in our next-generation public safety LTE solutions and achieved another milestone this quarter with the first commercial shipment of our public safety LTE devices. We also were awarded a \$4 million LTE contract with Irving, Texas, as part of a larger voice communication system. Our LTE solution gives public safety agencies the ability to immediately prioritize users most critical to serving an incident and allocate network resources when disaster strikes. In addition, our solution is interoperable with public carrier LTE networks, providing a way for public safety agencies to extend their coverage through roaming agreements.

Growth in Professional and Commercial Radio portfolio continued this quarter driven by customers replacing analog systems with digital using our MOTOTRBO platform. This trend drove solid double-digit sales growth for the portfolio and was evident in mature markets as well as growth markets. For example, in Q4, we won major deals in Russia, Afghanistan and in Nigeria where we sold 25,000 MOTOTRBO radios to the Ministry of the Interior in the biggest MOTOTRBO project to date in the EMEA region.

Moving on to our Enterprise business. Sales in the Enterprise were \$753 million, an increase of 3% from Q4 of 2010. This included a \$37 million decline in the iDEN business and solid demand for the rest of the Enterprise portfolio. Operating earnings expanded to 18.2% of sales from 17.1% last year. For the full year, 11% growth in Enterprise was driven by demand for our enterprise mobile computing, advanced data capture and WLAN infrastructure products. Each of these product portfolios grew at double-digit rates.

Demand remains strong in our largest Enterprise vertical of retail. The traditional retail landscape is rapidly incorporating new technologies around mobility that influence customer buying behavior. Our solutions and enterprise mobile computing devices and WLAN infrastructure help retailers meet consumer expectations for service and convenience, from stocking to customer service and checkout.

Shoppers Drug Mart, a leading Canadian provider of pharmacy products and services, is installing micro kiosks for price checking in most of their 1,200 locations. And retail customers continue to invest in our compelling RFID solutions, like Lord & Taylor who is deploying handheld RFID readers in their stores to maintain accurate inventory levels and prevent out-of-stock situations, thereby improving customer service and sales.

In Transportation and Logistics, we saw a continued momentum during the quarter including projects with Italian Post and a Dutch company specialized in logistic services. In addition, UPS recently awarded us a new contract for WLAN products that provide advanced Wi-Fi for mobile computing. This WLAN infrastructure will support UPS' next generation package scanning solution at its sorting facilities utilizing our wireless terminals and imagers.

Growth in Enterprise was in part driven by this category, expanding devices like the ES400, which appeals to a customer base that requires a ruggedized device in a smaller form factor. The ES400 has proven to be a beneficial portfolio addition, particularly in EMEA where it's seen adoption by field mobility workers who make use of productivity and location applications running on the device.

Another win with Iron Mountain demonstrates continued momentum with enterprise mobile computing for field mobility. Iron Mountain is currently deploying MC9590 dual WAN-enabled mobile computing devices with a proof-of-delivery application providing accurate tracking and real-time status updates.

This quarter, we introduced the MC2100 industrial series addressing the need for a smaller, rugged enterprise mobile computer that expands the range of solutions available for large enterprises and small and medium businesses. The lightweight and ergonomic MC2100 is ideal for inventory management, stock replenishment, price marking and labeling. It is also the first [ph] value to your (19:52) rugged handheld in the industry to support HTML5 via the RhoElements' application framework that we announced last quarter.

Turning now to a regional view for the company. For the quarter, North America sales grew 6% while EMEA grew 4% driven by continued strength in Enterprise. Growth in Asia was 7%, and Latin America grew 2% due to the planned decline in iDEN. For the full year, our regional sales performance included healthy growth in every region including North America, 5%; EMEA, 9%; Asia-Pac, 14%, and Latin America, 10%.

We also continue to scale our global services team and build advanced services offerings around our core Enterprise and Government portfolio. An example of the depth of the team is that we signed recently a new \$134 million agreement with the State of Victoria in Australia to support the Metropolitan Mobile Radio ASTRO System, an contract that began in 2004 to design, build and manage the network for emergency services organizations.

And recently, we reached an agreement to take over Norwegian nationwide TETRA network from Nokia Siemens Networks. Upon closing of this transaction, we'll broaden our scope from a sub supplier of core TETRA radio infrastructure to become the prime contractor including all managed services for the roll out and implementation of the mission-critical systems serving emergency and public safety services in Norway.

Every day, our solutions are helping people be their best in the moments that matter. This past year, there were numerous examples where customers and communities experienced natural disasters and emergency incidents. Our communication systems are relied upon during these difficult moments and our long-term commitment to this marketplace is exemplified as we help with rebuilding and recovery efforts.

In closing, our Q4 results were a terrific finish to an outstanding year. We exceeded our financial performance goals in 2011 while executing on our capital allocation plans which included \$1.2 billion of capital returned in the form of share repurchase and dividends. I would also like to thank our people and partners for their outstanding accomplishments throughout the entire year. They continue to respond to the needs of our customers and partners in each business and region where we do business. Given our leadership position and market leading innovation, I look forward to continued growth as we provide best-in-class solutions to both our government and enterprise customers.

### **Shep Dunlap, Vice President-Investor Relations**

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Thanks, Greg. Before we begin taking questions, we want to remind callers to limit themselves to one question and one follow-up so we can accommodate as many people as possible. Operator, please instruct our callers on how to ask a question.

### **QUESTION AND ANSWER SECTION**

**Operator:** [Operator Instructions] Our first question comes from Peter Misek with Jefferies and Co. Your line is open. Please go ahead.

**<Q – Peter Misek – Jefferies & Co., Inc.>:** Thank you. Nice quarter, guys. I guess if we look at two key factors, if we look at 2013, I know it's next year and we look at public safety legislation if it were to pass this year given Congressional support, never mind the bickering they have, how many quarters do you think it will be before we would see a ramp in revenue for that if we make assumption that it passes this year?

**<A – Greg Brown – Motorola Solutions, Inc.>:** Peter, if you are referring to D block, it's a close call. It's tough to say whether it will go this year or not. But what I would say is that we remain pretty confident that eventually additional spectrum will be made to public safety. To remind you and I think you referenced it, we are not anticipating any material revenue contribution in 2012 from LTE but I think eventually, they'll get there and they'll coalesce around a plan to give public safety more spectrum, that as we referred to, LTE is incremental to the plan and included and incorporated in the guidance we've given for this year.

**<Q – Peter Misek – Jefferies & Co., Inc.>:** And just to sneak one in on the guidance for next quarter, if we look at historical patterns and what seems to be your backlog going into the quarter, it looks like the growth that you are forecasting seems very conservative. Can you give us a little bit more detail there in terms of puts and takes, seasonality on how we should be thinking about Q1? Thank you.

**<A – Greg Brown – Motorola Solutions, Inc.>:** Well – and I'm glad you mentioned that, Peter, because to remind everybody from a linearity standpoint, Q1 is typically our lowest quarter. So, our guidance incorporates looking at historical trends for revenue contribution. So, it's 4% including the decline of iDEN in Q1, which I think is \$37 million in Q1. So, if you normalize for that, we would anticipate on a normalized basis, it being higher. But you are right, Q1 is typically the lowest revenue growth quarter and then we

ramp over time. For the full year, we are expecting 5% all-in even with a \$70 million decline in iDEN. So – and we are forecasting and anticipating operating margins of about approximately 17%.

**Operator:** We will take our next question from Jim Suva with Citigroup. Your line is open. Please go ahead.

**<Q – Jim Suva – Citigroup, Inc.>:** Thank you, and congratulations to you and your team. Great results and very strong outlook. When we think about your outlook for 2012, I want to make a couple of clarifications questions and then I have a follow-up. I assume that 5% outlook in sales is excluding the exiting of businesses. Is that correct?

**<A – Edward Fitzpatrick – Motorola Solutions, Inc.>:** That's correct. The results that have been included in discontinued operations will be taken out and that guidance is provided with that in context.

**<Q – Jim Suva – Citigroup, Inc.>:** Okay. Great. And then my question is, when we think about your company has a lot of attractive cash flow and this year you paid down debt, you started issuing stock buybacks and dividends and such. When we think about your cash flow, which if I heard correctly, you think should basically mirror your sales growth of 5%. Maybe I'm off on that but let's say your cash flow does grow by 5% next year. How should we think about that cash deployment there? Are you looking at a continual reducing of your share base? Does acquisitions start to be a little bit more interesting here? How should we think about that use of cash, which is a good issue to have?

**<A – Edward Fitzpatrick – Motorola Solutions, Inc.>:** Okay. Thanks, Jim. I think a couple things. First, you know we have the \$2 billion share repurchase program as we've talked about, \$1.1 billion through that program through the end of the year, another \$900 million left to go through the end of 2012. I think when you look at the cash flow generation, the operating cash flow, I think we're still sticking to the guideline that we gave at the end of the second quarter, that framework of the allocation of cash as it's generated, 25% CapEx, approximately 30% to dividends and then that 45% remainder to a flexible combination of acquisitions and/or incremental share repurchases. So, I think we're sticking with that and I think that framework will work for us going forward.

**<Q – Jim Suva – Citigroup, Inc.>:** Thank you. And again, congratulations to you and your team. I'm looking forward to a good year ahead.

**<A – Greg Brown – Motorola Solutions, Inc.>:** Thanks, Jim.

**Operator:** We will take our next question from Ehud Gelblum with Morgan Stanley. Your line is open. Please go ahead.

**<Q – Stan Kovler – Morgan Stanley & Co. LLC>:** Thanks. This is actually Stan Kovler in for Ehud. I was wondering if you can update us on the \$1.5 billion LTE final that you talked about before? Where does that still stand, if you can give us some information there?

**<A – Mark Moon – Motorola Solutions, Inc.>:** So, Ehud, if you think about – I'm sorry, Stan. If you think about what we've talked about in the past, we still remain very confident about the LTE funnel. We've talked about in the past that it was not only a North American funnel. It has been driven somewhat by the BTOP grant and the D block that Greg mentioned earlier. But there's also strong demand in the Middle East and in parts of Asia as well as Latin America where we're doing a trial in Brazil and are talking to Colombia as well. So, that funnel is still very healthy, as we've talked about earlier. No meaningful revenue in 2012 but we do expect the ramp to start in 2013 and continue forward in the out years beyond that. So, we're still very excited about the LTE business as we go forward.



**<Q – Stan Kovler – Morgan Stanley & Co. LLC>:** Thanks. That's very helpful.

**Operator:** We will go next to the site of Craig Hettenbach with Goldman Sachs. Your line is open. Please go ahead.

**<Q – Craig Hettenbach – Goldman Sachs & Co.>:** Yes, thank you. Greg, can you touch on the backlog in the public safety business and also visibility in that business today versus recent quarters?

**<A – Greg Brown – Motorola Solutions, Inc.>:** So, Craig, I would say our visibility is pretty consistent with previous quarters, so we have talked about having a reasonable view, three to six months out. I think that's the same as it has been historically. Backlog was down slightly exiting the year as we finished 2011 but we feel good about our position and it has been incorporated into the guidance we have given.

**<Q – Craig Hettenbach – Goldman Sachs & Co.>:** Got it. And then, Ed, on the 17% operating margin target, you talked about some of the pension expense. Any other puts and takes as you think about margins as you trend through the year in terms of SG&A and gross margin?

**<A – Edward Fitzpatrick – Motorola Solutions, Inc.>:** I think the big one we talk about the pension expense of \$60 million but we also did talk about the iDEN decline to a certain extent, right? So, the \$70 million decline in iDEN, which we have talked about, a bit more profitable given the stage of that business and the position that we are there in that business. So, I think those are the two big factors. We'll get the leverage at the top line by managing the expenses but growing the operating earnings from 16.7% to approximately 17% as a result.

**<Q – Craig Hettenbach – Goldman Sachs & Co.>:** Got it. Thank you.

**<A – Greg Brown – Motorola Solutions, Inc.>:** Thanks, Craig.

**Operator:** We'll go next to Tavis McCourt with Morgan Keegan. Your line is open. Please go ahead.

**<Q – Tavis McCourt – Morgan Keegan & Co., Inc.>:** Hey, guys. Thanks for taking my question and congrats on a great first year as an independent company.

**<A – Greg Brown – Motorola Solutions, Inc.>:** Thanks, Tavis.

**<Q – Tavis McCourt – Morgan Keegan & Co., Inc.>:** The question is really on 2012 guidance, although Enterprise ex-iDEN is still growing, clearly, it decelerated throughout this year. I was wondering as we look at the 5% guidance for the full year, how should we be thinking about that split between Government and Enterprise and even if you can just talk qualitatively about that? And then a follow-up on the pension, Ed. The cash contributions you're putting into the pension both last year and this year, are those minimum requirements? And if not, what are the costs and benefits you're weighing to decide on that cash number? Thanks.

**<A – Greg Brown – Motorola Solutions, Inc.>:** So, Tavis, as you think about it, we've had really good enterprise performance for the last several quarters and very pleased with it. Going into 2012 as we look at our individual businesses and segments with Government and Enterprise, we think about Government growing low- to mid-single digits for 2012, and Enterprise growing for high-single digits and that's the mix that we're anticipating that gets incorporated for the full year annualized at 5%. I think that this push for mobility in the enterprise, specifically in retail and the press for having store operations has informed the smart consumers when they come in because more and more shoppers are smarter, is pushing retailers

and other enterprise verticals to equip and modernize from a mobility technology standpoint. And those trends serve us well.

**<A – Edward Fitzpatrick – Motorola Solutions, Inc.>:** So, on the pension front, as you mentioned, the \$230 million was more in line with what we had planned at the beginning of the year and in line with what would be required. The \$250 million was the incremental amount that was contributed this year, the voluntary amount if you will, bringing the total contributions for the U.S. plan to \$480 million. The \$340 million next year, I would view more in line with the required amounts as we look at the pension contributions for the full year 2012.

**<Q – Tavis McCourt – Morgan Keegan & Co., Inc.>:** Okay.

**Operator:** Our next question from Jeff Kvaal with Barclays Capital. Your line is open. Please go ahead.

**<Q – Jeff Kvaal – Barclays Capital, Inc.>:** Yes. Thanks very much, gentlemen. I wanted to get into the Enterprise segment a little bit because actually I'm not sure that was as strong as we would have hoped it would be – a little bit below seasonality in the fourth quarter and it seems a little bit light in the first. Now it sounds as though that iDEN is a big part of that? And if that's the case, would you mind giving us a little bit more detail on how big iDEN is as a percentage of the mix? And if there's more to it rather than iDEN, I would obviously love to hear that. Thanks.

**<A – Greg Brown – Motorola Solutions, Inc.>:** Yeah, Jeff. So, iDEN was – declined \$37 million in Q4, and as you – which is obviously included in our Enterprise results and compressed the revenue growth to all-in of 3% for Q4. If you think of 2012, iDEN is going down approximately \$70 million, of which half of that decline is hitting us, anticipated to hit us in Q1. So, that's the math. It's working its way through the Enterprise P&L. But normalized for that, we continue to see some positive demand both in Transportation and Logistics and obviously for Q4 we grew 9% and for the full year 11%. So – and it's coming off a pretty high base year of comps too. So, that's the composition of the segment.

**<Q – Jeff Kvaal – Barclays Capital, Inc.>:** Could you tell us what the total iDEN revenues were for 2011?

**<A – Greg Brown – Motorola Solutions, Inc.>:** So, in 2011, they were \$365 million, I believe. And I think they're going to be – we're planning on approximately \$300 million for 2012.

**<Q – Jeff Kvaal – Barclays Capital, Inc.>:** Okay. And would it be fair to say that they are above the segment average operating margin?

**<A – Edward Fitzpatrick – Motorola Solutions, Inc.>:** That's correct.

**<Q – Jeff Kvaal – Barclays Capital, Inc.>:** Okay. All right. That helps a lot. Thank you, gentlemen.

**Operator:** We'll go next to the side of Larry Harris with CL King. Your line is open. Please go ahead.

**<Q – Lawrence Harris – CL King & Associates>:** Yes. Thank you. Was wondering if you could perhaps discuss – and I know it's a relatively small business – but the Amateur, Marine, Air-band radio business, was that contributing about \$22 million in revenues per quarter? And was this in the Enterprise or Government segment? And why is it being discontinued? It didn't look like it had a major impact one way or another on earnings.

**<A – Mark Moon – Motorola Solutions, Inc.>**: Yeah, Larry, I think your comment is exactly right. Across both fronts, it was roughly \$90 million for the full year. We had picked up those businesses when we made the acquisition of Vertex Standard. It was really non-core to our business as you mentioned. It wasn't really substantial. So, we decided to exit that Marine, Air-band and the Amateur business and stick back to our core business. It was reported in the Government segment. So, we're going back to our core Government business. Those brands will continue on under a new brand of Yaesu as it goes forward. So, we won't be in those lines of business.

**<Q – Lawrence Harris – CL King & Associates>**: And do you expect much in the way of proceeds from this or what will happen?

**<A – Mark Moon – Motorola Solutions, Inc.>**: No, it was...

**<A – Edward Fitzpatrick – Motorola Solutions, Inc.>**: I would just say it was part of an agreement that we made with the former owner. And there was a division of assets, if you will, so not a lot of net proceeds as a result.

**<Q – Lawrence Harris – CL King & Associates>**: All right. Thank you.

**Operator**: We'll take our next question from Deepak Sitaraman with Credit Suisse. Your line is open. Please go ahead.

**<Q – Deepak Sitaraman – Credit Suisse (United States)>**: Great. Thanks very much. Greg, just a question for you. In the core Enterprise business ex-iDEN, your guidance for the full year seems to suggest a meaningful deceleration. Is that more reflective of just the cyclical nature of that business? Or are there certain geographies or verticals that are driving that view?

**<A – Greg Brown – Motorola Solutions, Inc.>**: I think, Deepak, it's more or less coming off of previous periods' strong growth, in terms of year-on-year comp, candidly. We expect – we had record years in our advanced data capture business, in our WLAN business. Enterprise mobile computing was really robust. We expect a continuity and extension of strong performance in those product areas. So, I think it's more or less that. Now, obviously, as I mentioned, we still are all-in planning on high-single digits for the Enterprise for revenue and low to mid on the Government segment.

**<A – Edward Fitzpatrick – Motorola Solutions, Inc.>**: Excluding the iDEN decline, right.

**<A – Mark Moon – Motorola Solutions, Inc.>**: The other comment around the regional clarity, we spoke in the last couple of calls about the strength of Enterprise in Europe and particularly Western Europe, which again, as we planned for this year, we have been a little more conservative given everything that's going on in that region.

**<Q – Deepak Sitaraman – Credit Suisse (United States)>**: Great. That's very helpful. Thank you.

**Operator**: We will take our next question from Steve Tusa with JPMorgan. Your line is open. Please go ahead.

**<Q – Steve Tusa – JPMorgan Securities LLC>**: Good morning.

**<A – Greg Brown – Motorola Solutions, Inc.>**: Good morning.

**<Q – Steve Tusa – JPMorgan Securities LLC>:** Just a question on the short-cycle Enterprise business. Are you seeing any kind of destocking or any kind of major movement in those businesses?

**<A – Mark Moon – Motorola Solutions, Inc.>:** I think as we look at that business, we see the trends continuing the same. In fact, as we work through all of the supply chain issues that arose last year due to the incidents in Japan and in Thailand, our distributors have continued to show strength. In fact, they continue to stock at pretty good levels. So, interestingly enough, across the board, the demand, the buying patterns as well as the trends seem to remain consistent to what we have been seeing in the past.

**<Q – Steve Tusa – JPMorgan Securities LLC>:** Great. Thank you.

**<A – Greg Brown – Motorola Solutions, Inc.>:** Thanks, Steve.

**Operator:** We will go next to Brian Modoff with Deutsche Bank. Your line is open. Please go ahead.

**<Q – Brian Modoff – Deutsche Bank Securities, Inc.>:** Yeah, hi, guys. RFID. You talked about that a few times, Greg. Can you give us an idea of the size of that market as you see it now and with the standards getting a bit more kind of settled out, what do you see that as a growth opportunity for your business? And how do you see yourself positioned? Are you primarily a readers player? Have you done anything? You used to have a packaging capability. Do you still have that? Can you give us a little bit more of a rundown on that part of your business? Thanks.

**<A – Greg Brown – Motorola Solutions, Inc.>:** So, Brian, I'm still very excited about the opportunity but candidly, it's pretty small. And I think it will remain small. Now, we've had some great client references. I mentioned Lord & Taylor is the most recent and yes, we are active and, I think, lead in the mobile reader space. More and more retailers and other enterprise clients will also look to incorporate fixed. I think there is opportunities for RFID, both mobile and fixed, and perhaps optimized with some things in our WLAN portfolio that could be unique. So, I consider us very strong in RFID. I like our patent portfolio. I like our product portfolio but it is small. And while it remains an interest of high appeal for many customers, it's not – by no means material and I wouldn't see it as such for the foreseeable future.

**<Q – Brian Modoff – Deutsche Bank Securities, Inc.>:** So, it's below 5% of revenues.

**<A – Greg Brown – Motorola Solutions, Inc.>:** Yeah, for sure.

**<Q – Brian Modoff – Deutsche Bank Securities, Inc.>:** Okay, thanks.

**Operator:** We'll go next to Matt Thornton with Avian Securities. Your line is open. Please go ahead.

**<Q – Matt Thornton – Avian Securities LLC>:** Hey, good morning, guys, and nice quarter.

**<A – Greg Brown – Motorola Solutions, Inc.>:** Thanks, Matt.

**<Q – Matt Thornton – Avian Securities LLC>:** Ed, quick question. Could you remind us, I know you guys have a debt payment coming up this year. I think it's like \$400 million. What quarter does that hit? And then secondly, on the payment to Motorola Mobility, how much is left and how will that play out?

**<A – Edward Fitzpatrick – Motorola Solutions, Inc.>:** On the debt piece, it's the fourth quarter. There's a \$400 million amount that comes due. We remain flexible on what we plan to do with that, and we'll give you more updates on that as we move forward on the quarters. On the Motorola Mobility, I believe the amount that's left to...

**<A – Greg Brown – Motorola Solutions, Inc.>**: \$75 million.

**<A – Edward Fitzpatrick – Motorola Solutions, Inc.>**: To go there is \$75 million, that will depend upon as we've disclosed, repatriation of cash from certain foreign jurisdictions. So, we'll update you on that as there is news to report.

**<Q – Matt Thornton – Avian Securities LLC>**: Got you. And how much did you guys repatriate in the quarter?

**<A – Edward Fitzpatrick – Motorola Solutions, Inc.>**: We repatriated in excess of \$400 million during the quarter.

**<Q – Matt Thornton – Avian Securities LLC>**: Okay. And just one follow-up if I could, quickly, on the WiLAN (41:00) business. I know it's a fairly small but high a growth business for you guys. Can you talk about the demand you are seeing there quarter-to-quarter and then perhaps just talk about how much of a priority you are putting on pushing outside of retail and your core cement floor verticals into other verticals in that market? Thanks.

**<A – Greg Brown – Motorola Solutions, Inc.>**: So, the WLAN business and market overall as you know, Matt, is really strong growth, and we were clearly a beneficiary of that which was reflected by the fact that we have had our best year ever. Now, we do focus and we have great success in the verticals where we're strong, so retail, transportation and logistics, energy, utilities, and that remains the power alley of where we focus our WLAN portfolio. We're not nearly as successful in the verticals where we are not as strong from a distribution and sales coverage standpoint, but the other thing I would mention, Matt, is it's becoming an interesting asset, more interesting asset as a component in our services strategy.

So, as Enterprise customers want to manage mobility behind the firewall and they're trying to do device management and security and manageability for a portfolio of devices and optimize the performance of those devices with Wi-Fi infrastructure, obviously, we bring all three elements of that stool: the devices, wireless LAN portfolio as well as the manageability software. So, it had a really good year, and I think we've got a great team leading it, and I expect it to grow pretty strongly again in 2012. And we will be targeted, our stronger verticals and using it as an anchor tenant in some of our managed services offerings.

**<Q – Matt Thornton – Avian Securities LLC>**: Terrific. That's helpful. Good luck, guys.

**<A – Mark Moon – Motorola Solutions, Inc.>**: Thank you.

**Operator**: Sir, we have no further questions at this time. I would like to turn the floor back over to Mr. Shep Dunlap, Vice President of Investor Relations, for any additional or closing remarks.

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#### **Shep Dunlap, Vice President-Investor Relations**

Okay. Thank you. I want to remind everyone the details outlining highlighted items are GAAP to non-GAAP P&L reconciliations, and other financial information can be found on our [Motorolasolutions.com](http://Motorolasolutions.com) Investor Relations site. An audio replay, together with a copy of today's slides, will also be available on the site shortly after the conclusion of this call.

During this call, we made a number of forward-looking statements within the meaning of applicable federal securities law. 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 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.

Such forward-looking statements include, but are not limited to, our comments and answers relating to the following topics: future sales growth including by segment and by region; earnings per share outlook; future tax rates and cash rates; operating cash flow growth and uses of cash; expectations for operating earnings; operating expenses including those related to pension costs and contributions; the amount of other income and expense as well as operating margins and profitability; future declines in intangible amortization; demand trends for our businesses and products such as wireless LAN, LTE, RFID and conversion from analog to digital; the ability of our products to increase efficiencies and revenues for our customers; our expected decline in iDEN; the timing and ability to repurchase shares under the share repurchase program; our ability to pay future dividends as well.

Because forward-looking statements involve risks and uncertainties, Motorola Solutions' actual results could differ materially from those stated in these forward-looking statements. Information about the factors that could cause and in some cases have caused such differences can be found in this morning's press release on Pages 12 through 25 in Item 1-A of our 2010 annual report on Form 10-K, on Page 46 in Item I-A of our first quarter 2011 quarterly report on 10-Q, on Page 50 in Item 1-A of our third quarter 2011 quarterly report on Form 10-Q and in Motorola Solutions and other SEC filings.

Thanks, and we look forward to speaking with all of you again shortly.

**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](http://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.