Operator

Good morning, and thank you for holding. Welcome to Motorola's Third Quarter 2010 Earnings Conference Call. [Operator Instructions] The presentation material and additional financial tables are currently posted on Motorola's 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 through Motorola's Investor Relations website. The website address is www.motorola.com/investor. [Operator Instructions] I would now like to introduce Mr. Dean Lindroth, Corporate Vice President of Investor Relations. Mr. Lindroth, you may begin your conference.

Dean Lindroth

Thank you, and good morning. Welcome to Motorola's Third Quarter Results Conference Call. Today's call will include prepared remarks by Greg Brown, co-Chief Executive Officer of Motorola and CEO of Motorola Solutions; Sanjay Jha, co-Chief Executive Officer of Motorola and CEO of Motorola Mobility; and Ed Fitzpatrick, Motorola's Chief Financial Officer. Dan Moloney, President of Motorola Mobility will join for the Q&A portion of the call.

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, 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 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 in this morning's press release on Pages 17 through 29 and Item 1A of Motorola's 2009 Annual Report on Form 10-K and Motorola's other SEC filings available for free on the SEC's website at www.sec.gov and Motorola Mobility Inc.'s Form 10 filing as amended and our Motorola's website at www.motorola.com.

This presentation is being made on the 28th of October 2010. 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 will not be reviewing or updating the material that is contained herein.

I'll now turn the call over to Greg.

Gregory Brown

Thanks, Dean. Good morning, and thank you for joining us. Motorola had a very good third quarter across all of our businesses. On a year-over-year basis, overall sales, earnings and total cash are all higher. Additionally, we also continue to make excellent progress on our planned separation.

Our reported sales were $4.9 billion, up nearly 13% over the same period a year ago. This excludes the portion of the Networks business to be acquired by Nokia Siemens Networks, which is classified as discontinued operations. If we were to include sales from discontinued operations, sales would have been $5.8 billion, up 6% over the year-ago quarter. This is the first top line growth quarter for Motorola since the fourth quarter of 2006, and was driven by growth in Mobile Devices, Home and Enterprise Mobility Solutions.

Non-GAAP earnings, including both continuing and discontinued operations were $0.16 a share. This exceeded our guidance of $0.10 to $0.12 per share that we provided on the last earnings call. Ed will comment further on the reporting changes associated with our planned sale to NSN and our third quarter results in a few moments.

In the quarter, Mobile Devices increased smartphone shipments to 3.8 million units and achieved operating profitability on a non-GAAP basis. In Home, sales were up sequentially and operating margin was higher. In EMS, sales grew 9% year-over-year driven by strong demand in the Enterprise markets. Operating margin and cash generation were very strong as well. In Networks, financial performance also continued to be very strong, again, in the third quarter. Solid operating profitability, combined with continued balance sheet management resulted in $502 million of operating cash flow. As a result, total cash at the end of the quarter increased to $9 billion.

During the quarter, we made further progress in our plan to create two independent public companies, which included finalizing various company agreements and completing further updates to Motorola Mobility's Form 10 Registration Statement filed with the SEC. Separation of Motorola Mobility and Motorola Solutions remains targeted for some time in the first quarter of 2011.

I'll now turn the call over to Ed to provide additional details on the financial results for the quarter. I'll then come back to review Motorola Solutions and then Sanjay will discuss Motorola Mobility. Ed?

Edward Fitzpatrick

Thanks, Greg. I'll begin today by outlining the changes we have made in our financial reporting. First, financial results related to the portion of the

Networks business to be acquired by NSN are now classified as discontinued operations. As such, they are not included in the Motorola reported sales or in earnings from continuing operations. Second, the results of operations for previously disposed businesses, which were deemed to be immaterial at the time of the disposition, have now been reclassified from the Enterprise Mobility Solutions segment as discontinued operations. These businesses include an Israel-based wireless network operator, the biometrics business and good technology.

The assets and liabilities of the portion of the Networks business to be acquired by NSN and the assets and liabilities of previously disposed businesses prior to the disposal are now reported assets and liabilities held for sale in the applicable reporting periods. Third, the iDen Infrastructure business and certain licensing activities formally related to the Networks business are now reported as part of the Enterprise Mobility Solutions segment. Finally, certain operating costs, which historically have been allocated to Networks are now allocated to EMS segment since the underlying activities will not be transferred to NSN. This is an understanding of these changes on a historical basis a revised presentation in the results of Motorola and EMS segment for 2007 to the first half of 2010 we recently filed in 8-K and can be found on our website. Previously reported segment results for Mobile Devices and Home are unchanged. With that, I'll turn to our financial results for the quarter.

Motorola sales from continuing operations were $4.9 billion in the third quarter, up 13% from the third quarter of 2009. As Greg mentioned, inclusive of discontinued operations, third quarter sales would have been $5.8 million, up 6% from the third quarter of 2009. On a GAAP basis, third quarter total earnings were $0.05 per share. These results include $0.00 per share from continuing operations and $0.05 per share from discontinued operations, which I've described earlier.

On a non-GAAP basis, total earnings were $0.16 per share, which exceeded our guidance of $0.10 to $0.12 per share. In addition to solid operating results in Mobile Devices, Home and EMS, our strong earnings performance reflected continued CDMA momentum and network favorable to other income and expense results and a lower tax rate.

Non-GAAP adjustments in the quarter totaled $0.12 per share, including piloted items, totaling a net expense of $0.08 per share. This is comprised of expenses associated with restructuring and separation and a non-cash income tax expense related to anticipated capital reductions and certain foreign operations, partially offset by income-related to an IP reserve and stock compensation and intangible amortization of $0.04 per share consistent with prior quarters.

For continuing operations, non-GAAP earnings were $0.12 per share. This compares to $0.04 per share in the second quarter and $0.01 per share in the year ago quarter. Further details on non-GAAP earnings are included as part of today's press release and available on our website. All remaining financial references will exclude discontinued operations, highlighted items, stock compensation expense and intangible amortization.

Gross margin percentage in the quarter increased to 36.8% from 33.3% in the third quarter of 2009. The increase was driven by improvements in both Mobile Devices and Home. Sequentially, gross margin percentage was up slightly, reflecting margin percentage improvement in each business offset partially by a shift in business mix. Operating expenses in the quarter were flat sequentially and up 8% year-over-year. The increase was driven by investments in sales and marketing to support business growth and new product introductions. Total other income and expense was a lower net expense and anticipated due to lower net interest expense and favorable results associated with foreign currency translation and investments held in the Sigma fund.

With the exclusion of networks and other changes in the geographical mix of income anticipated for the year, we now expect a full year ongoing tax rate of 34% to 35%, down from our previous estimate of 36% to 37%. This change, along with the favorable tax adjustment, resulted an ongoing tax rate in the quarter of 28%.

Moving now for the balance sheet. In the quarter, we generated operating cash flow of $502 million, including a third consecutive quarter of improving cash flow results in Mobile Devices. Total inventory increased by $280 million sequentially, driven primarily by anticipated fourth quarter demand in Mobile Devices. Inventory turned 9x down, compared to 11 turns in the second quarter and flat with nine turns in the third quarter of last year.

Accounts receivable also increased in the quarter, reflecting a sequential sales growth. Days sales outstanding were 60 days compared to 61 days in the second quarter and 58 days in the year-ago quarter. Total cash at the end of the quarter was $9 billion compared to $8.3 billion at the end of the second quarter. Net cash at the end of the quarter was $5.6 billion compared to $4.9 billion in the second quarter and $3.2 billion in the third quarter of 2009.

Turning now to our outlook. We expect fourth quarter earnings from continuing operations to be in the range of $0.14 to $0.16 per share. This guidance excludes a portion of the Networks business that is held for sale, stock-based compensation and intangible amortization of $0.04 per share and items historically highlighted in our quarterly earnings release.

With that, I'll pass the call to Greg to discuss Motorola Solutions.

Gregory Brown

Thanks, Ed. In the EMS, third quarter sales were over $1.9 billion, up 9% compared to the year-ago quarter. Enterprise markets continued to perform well, evidenced again by double-digit sales growth in all four geographic regions. In the government market, sales were up slightly against the year-ago quarter. New orders, particularly in the Enterprise remain solid, resulting in an increase in total overall EMS backlog compared to the end of the second quarter. Operating margin was 16.5% compared to 15.9% in the second quarter and 16.9% in the third quarter of last year.

Third quarter sales in North America grew 5% year-over-year. Growth was driven by Enterprise markets, primarily retail. On the government side, sales were higher and orders included major public safety wins with the U.S. Marshals Service, Washington Metro Area Transportation Authority, Nashville-Davidson County Metropolitan Government in Tennessee and the State of Arkansas. Demand for the recently announced ES400 Enterprise Digital Assistant has been strong. The ES400 offers Enterprise grade durability and functionality for business critical applications, and it recently began shipping and will be available globally during the fourth quarter.

In the EMEA, total sales were up 13% in the quarter. Growth continue to be driven by Enterprise markets, including personal shopping and field Mobility Solutions for retail, manufacturing, transportation and logistics customers. Radio solutions sales were also higher due in part to continued analog to digital transition.

In Asia, sales in the quarter were up 7% compared to a year ago. Enterprise markets and Public Safety continue to perform very well. And finally, yesterday, it was announced that we signed a three-year extension to our iDEN Infrastructure supply agreements with NII, a leading provider of mobile communications for business customers in Latin America. In the quarter, we expanded our mobile computing portfolio with the MC65, a compact, rugged Enterprise mobile computer with integrated GPS and data capture. The MC65 is aimed at improving productivity and task-oriented environments including Field Service, field sales, transportation and Public Safety.

We also announced MOTOTRBO connect plus, a scalable two-way radio system designed to accommodate high-volume, wide-area communications for mobile work teams. We expanded our APX P25 mission-critical two-way radio series with additional mobiles and portables, including radios designed for extreme situations and single-band users and the first encrypted mission-critical Bluetooth earpiece, enabling secure communications when paired with our APX Portable radios.

Finally, we had the next-generation interoperability solution, which increases the effectiveness of first responders by connecting disparate radio systems and allowing them to operate as one.

Regarding Public Safety broadband on our last call, we announced that we were awarded the first phase of a 700 megahertz LTE Public Safety network to serve multiple counties in the San Francisco Bay Area. This agreement represents the initial step in deploying a unified state-of-the-art private mission-critical broadband network. As Public Safety systems are expanded to include broadband data, they will need to inter-operate with carrier networks. To this end, we recently signed a significant partnership with Ericsson. In this arrangement, Ericsson will provide LTE-based station equipment to Motorola. We will configure it. We will harden it for Public Safety use, and we will provide the overall broadband network solution architecture for our customers.

With respect to the Networks business in July, we announced that NSN would purchase the majority of our wireless network assets, including CDMA, GSM, WiMAX and LTE. In this transaction, which is expected to close by early 2011, we will receive approximately $1.35 billion in value, including $1.2 billion from NSN and $150 million for retained accounts receivables. In the third quarter, the portion of the Networks business being acquired by NSN accounted for $871 million in sales and $177 million in GAAP earnings. The strong results were again driven primarily by the CDMA business in North America.

Before we move to our outlook for EMS and Networks, I want to provide some background on the EMS cost structure. As Ed mentioned earlier, there are costs associated with certain activities previously allocated to Networks which will not be part of the NSN transaction. These costs are now allocated to EMS. So as we head toward separation, we are identifying and taking the appropriate actions to better align our cost structure for the remaining businesses. These actions may include facility rationalization, discretionary spending reductions and where necessary, staff reductions. We do not expect these actions to impact our critical R&D priorities or our critical customer facing operations.

Regarding our outlook for EMS for the fourth quarter and taking into consideration the impact of our discontinued operations reporting, we expect sales and operating margin to be higher on a sequential basis, and we expect full year sales growth of 7% to 8%, with full year operating margin of approximately 16%.

For the Networks business classified in discontinued operations, in the fourth quarter, we expect sequentially higher sales, including the higher WiMAX sales and lower CDMA sales. With the change in product mix, we expect operating margin to be lower, resulting in approximately $0.03 per share for discontinued operations. This is not incorporated in the guidance Ed provided earlier of $0.14 to $0.16 per share, which comprises only continuing operations.

And with that, I'll now pass the call over to Sanjay to discuss Motorola Mobility.

Sanjay Jha

Thanks, Greg, and good morning. Mobile Devices reached a major milestone in the third quarter. We were profitable for the first time in over three and a half years. Our sales surpassed $2 billion and were up 20% year-over-year. Total shipments were 9.1 million units, including smartphone shipment of 3.8 million units. Overall, ASP increased to approximately $223 from $207 in the second quarter, driven by smartphones, which continue to account for over half of our total sales.

In North America, smartphone sales remained strong, led by our family of DROID devices. Devices at other U.S. carriers continue to perform well also. In a recent JD Power survey of smartphone users, Motorola ranked number two in the U.S. in customer satisfaction, recognition of our focus and high-quality consumer experiences.

Sales outside of North America grew 10% sequentially and accounted for 32% of total sales. Operating profit in the quarter of $3 million compares to a loss of $109 million in the second quarter. The sequential improvement was driven by a higher smartphone unit volume and improved overall gross margin percentage. Operating expenses as a percentage of sales declined also.

Since our last earnings call, we have added 12 devices to our smartphone portfolio, all of which will be in stores for the holiday season. This brings the number of smartphones we have introduced this year to 22. In North America, DROID X continues to sell extremely well. DROID 2, which features an improved keyboard and faster processor compared to the original DROID also sold well in the quarter. Earlier in the month, we announced DROID PRO, our first device optimized for both personal and business use. Usable in over 200 countries, it features a one gigahertz processor, candy bar form factor, QWERTY keyboard and Adobe Flash 10.1. To address corporate connectivity and security needs, we have added security features on top of Android OS. This makes our devices more secure and more manageable in using standard Enterprise tools and technologies. As a result, we expect DROID PRO to be very competitive with other devices in the market aimed at business users.

Finally at Verizon, we announced CITRUS, an entry-level pocketable device with an eco-friendly design for first-time smartphone users. At AT&T, we launched three more devices: BRAVO, FLIPSIDE and FLIPOUT. With a variety of screen sizes and form factors and affordable retail price points, these devices give consumers added choice in their smartphone experiences.

Another device that we believe will gain strong consumer acceptance is DEFY. Optimized for active lifestyle, DEFY is compact, water-resistant, scratch-resistant and dust-proof. It draws on our successes in designing and delivering rugged, durable Mobile Devices.

In addition to T-Mobile, DEFY is also available in a number of markets outside of U.S. Outside North America, sales growth was driven by a 30% sequential growth in smartphone revenues. In China, our second-largest smartphone market we're one of the leading Android Smartphone suppliers. Unit shipments were up over 70% sequentially. We launched five new Smartphones, including three marketed under our well-known MING brand. MING has been a Motorola brand in China since 2006. It represents devices developed specifically for Chinese consumers that featured distinctive designs, including a signature transparent flip cover. This devices bring our total China Smartphone portfolio to 13%, all released in less than a year.

In Latin America, the Smartphone market is gaining traction as mid- and low-tier devices become available. Unit shipments in the quarter were up over 20% sequentially. Earlier this month, we announced SPICE, an affordable smartphone, which we'll launch initially in Brazil and then expand into other markets. This brings the number of smartphones we have introduced in the region to 10.

In Western Europe, we are making good progress. Sales increased sequentially across a broad range of devices, including the recently launched Milestone 2 and DEFY. The majority of our new devices feature enhanced MOTOBLUR capabilities. Improvements to MOTOBLUR provide consumers with increased control over their mobile experiences, device customization and device management. In addition, with over 3 million users, MOTOBLUR provides us with important feedback for our future product and experience development.

Finally, we added to our portfolio of Bluetooth companion devices that allow consumers to stay productive and hands-free. Device shipping in the fourth quarter feature advanced noise-cancellation technology and include the first device to give consumers the option to respond to text with their voice.

As we look ahead, we will continue to enhance and broaden our smartphone portfolio. With the belief that one size does not fit all, our smartphone focus will continue in three primary areas: First, high-performance smartphones as the leading edge of innovation that deliver the best experiences to consumers who enjoy everything that mobile Internet has to offer, including multimedia, gaming and social collaboration; second, devices with broad appeal that meet the browsing and social messaging needs of consumers who are interested in intuitive, easy-to-use, pocketable devices with affordable data plans; and third, devices that address the rapidly growing opportunity with business users. These consumers want to stay informed and connected in their work life and their personal life and make their own technology choices.

Increasingly, CIO support giving employees a choice. If giving that choice, we believe a large number of business users will seriously consider an alternative to their current device brand.

Turning to the outlook for the fourth quarter on a sequential basis, we expect unit shipments and total sales to be higher. The sequential increase in smartphone shipments will be driven largely by our mid-ranged devices. We expect operating earnings to be higher due to higher sales offset partially by an increase in sales and marketing expenses to support the large number of new product launches. For the year, smartphone shipments are now expected to hit the upper end of our 12 million to 14 million unit range.

Launching over 20 Smartphone devices and achieving profitability have been major goals for us in the transition of this business. Attaining these milestones has been made possible by a tremendous amount of work by a dedicated team of people here at Motorola. These accomplishments are reflective of the innovation and determination of the Mobile Devices organization.

Turning now to the results for the Home in the third quarter. Home sales were $912 million, up 3% sequentially. Sales of digital entertainment devices were higher and reflected an improved mix, including higher demand for Mocha enabled set-tops for whole Home digital networks. Sales of video and access infrastructure were up over 30% year-over-year and continue to account for over 25% of total Home sales.

Looking regionally, sales in North America were flat year-on-year. Sales outside of North America were higher and accounted for approximately 25% of total Home sales. We continue to improve profitability, with operating margin increasing to 8.4% from 5% in third quarter of last year. Improvement in the quarter was driven by a more favorable product mix and a reduction in operating costs.

In Home, our R&D effort continues to be directed towards leveraging our video leadership to deliver solutions that support the trend towards more personalized content and services. This includes digital Home networks, 3D TV, interactive services and converged experiences. That said, with continued macro-environment challenges, we are also focused on prioritizing our current product portfolio and tightly managing the cost structure.

With respect to enhancing the portfolio, during the quarter, we launched the Motorola EDGE software solution. With these applications, operators can more easily manage broadband services in a multi-screen digital Home. They also help operators to reduce operating costs and accelerate revenue-producing services. We also announced a hosted switch to digital video solution. This solution will enable independent video operators to achieve bandwidth efficiencies previously available only to operators with on-site capabilities.

Finally, we supported Verizon with the launch of its multi-screen video service by providing our Medios software suite. This solution facilitates the preparation of content for distribution and enable subscriber to share video mix devices such as set-tops, personal computers and smartphones.

Turning to our outlook. For the fourth quarter, we expect Home sales and operating earnings to be sequentially higher. For the full year, despite the top line decline, we continue to expect to deliver higher operating margin compared to 2009.

In closing, Motorola's business has performed very well in the quarter and have good momentum heading into the fourth quarter. We also continue to focus on our preparations to create two public companies in the first quarter. Motorola Mobility will be well positioned to address the growing opportunity in Smartphones and converged experiences. And Motorola Solution will be poised to leverage its leadership position in mission-critical and business-critical communication solutions.

With that, I will turn the call back over to Dean to start the Q&A.

Dean Lindroth

Thanks, Sanjay. [Operator Instructions] Operator, can you now provide our callers with instructions on how to ask a question?

Question-and-Answer Session

Operator

[Operator Instructions] It looks like our first question is coming from Brian Modoff with Deutsche Bank.

Brian Modoff - Deutsche Bank AG

Sanjay, a question for you. Verizon as a percent of your Smartphone revenues, obviously, they got an iPhone. And a lot of speculation of an iPhone in Q1, and I'm curious as what is Verizon represents as a percent of your total smartphone sales? And how do you plan to deal with that new competition and the key customer in Q1 time frame, which is around the time you also wanted to?

Sanjay Jha

Verizon has been a very important customer for us. I don't think we have broken out our revenue partition to Verizon, in particular. But to address the substance of your question, we expect to continue a very meaningful relationship with Verizon. We think the DROID franchise is economically very valuable for Verizon, and they will continue to invest and foster the DROID franchise. And as you know, we are a meaningful participant in that franchise. We will also diversify our portfolio within United States with other operators. We are also focused on diversifying our portfolio outside of the United States. As we said, we have seen meaningful increase in our revenue in China, and we expect that we will focus in expanding our presence in China and Latin America, and to a certain extent, in Europe also. We have, as I look into 2011, we have very multiple design wins with a number of operators, both in the United States and elsewhere. And as we look further beyond just the smartphone category, I see opportunities for us in the converged category as we see convergence between computing and mobility. So if you look at all of these factors, I feel that, clearly, in first quarter, there will be some seasonality and there will be competitive pressure as there is in fourth quarter. But we feel comfortable with our position in light of some of the factors that you mentioned.

Operator

And we'll take our next question from the side of Rod Hall with JPMorgan.

Rod Hall - JP Morgan

Sanjay, I wonder if you could comment on the status of the MOTOBLUR project, particularly the investment trajectory there? Have you guys reduced significantly investment in MOTOBLUR? And then, I also wonder if you could just comment on your view of the ability that you've got now to differentiate yourself on the Android platform itself as opposed to via your hardware.

Sanjay Jha

Rod, as I mentioned, we have over 3 million subscribers now. And really close to a 12-month period, we have added 3 million subscribers to our MOTOBLUR service. We get tremendous satisfaction in our surveys from our customers with the MOTOBLUR service. And we get a great deal of value in understanding what our customers are doing and how we can serve them better. So MOTOBLUR service has been a good success for us, and our investment continues, if anything, at a higher pace moving forward. We believe that providing end-to-end solution to our consumers is going to be important. To address the second part of your question, we see the following ways that we will differentiate. First of all, we will focus on certain key experiences on top of the Android ecosystem. One, you've seen the recent focus on Enterprise experiences. Second, I think you would see us focused a lot more on MOTOBLUR as a service and making sure that we provide end-to-end services from a point of view of personalization, customization, as well as diagnostic support. These devices are getting more and more complex, and our consumers want support to make sure that their devices are working extremely well. So I think that will be very important for us. But beyond some of those differentiation, you mentioned our hardware differentiation already. I really believe that our brand, our distribution, our execution and time, our IP position and the combination of Home and Mobile Devices gives us competitive advantage in the marketplace.

Rod Hall - JP Morgan

And, Sanjay, if I could just follow-up on that. How supportive do you see as Google in your efforts to differentiate the platform, particularly in your MOTOBLUR developments? Do you feel like they're a supportive partner there?

Sanjay Jha

I think Google has taken the view that this ecosystem is better for the diversity that it supports. That, clearly, our points of views that this diversity fragments this ecosystem. I think we have taken the view that fragmentation, the definition of fragmentation as being the ability to run all applications on all devices. And we are very, in this ecosystem, careful to make sure all applications can run on all devices. And beyond that, the diversity of devices and the pace of innovation in this ecosystem has been very helpful. And our ability to differentiate has actually helped the Android ecosystem in the shipment in this category. So I think that they're supportive.

Rod Hall - JP Morgan

I just have one housekeeping question, which is EMS revenues, excluding iDEN. Is there anyway we could get that number, excluding the iDEN adjustment for the quarter?

Edward Fitzpatrick

It's, Rod, it's actually pretty minor. We had revenue growth of 9% all in, including iDEN Infrastructure. If you take out iDEN Infrastructure, revenue growth goes to 8%, 8.5% to 8%. So it's very modest.

Operator

And we'll go next to the side of Mark Sue with RBC Capital Markets.

Mark Sue - RBC Capital Markets Corporation

Sanjay, does continuing with a meaningful relationship with Verizon next year imply a sharp increase in sales and marketing spend for Motorola? In aggregate, will carriers, their supported advertising it include others such as AT&T next year, will that be greater next year than this year? Or does Motorola have to make up the balance to push the incremental unit?

Sanjay Jha

Mark, let me just restate the question so I got it. You're saying given the relationship with Verizon, I think the highest level question is, would you have to spend more marketing to support your products as you diversify in U.S. Did I get that right? Okay well, I'll proceed with that assumption. I think that, let me just say it this way, that I think we will make sure that we support our products. As I said, from fourth quarter of this year, we will take special care to support our products. We expect this fourth quarter to be particularly competitive, and we will spend the marketing dollars to support it in fourth quarter. As we go into 2011, I really am quite pleased with the traction that we've got with our portfolio across a number of operators. Our relationship with Verizon continues to be very good, and the support that we expect from carriers continues to be very good. But my anticipation is that we will be flat to higher in our marketing spend in 2011 compared to 2010.

Operator

We'll take our next question from the side of Tim Long with the Bank of Montréal.

Tim Long - BMO Capital Markets U.S.

Sanjay, if I could just follow-up on that same line of thinking a little bit. You talked about Europe growing a little bit sequentially. Could you just talk to us a little bit. Obviously, it's a very important smartphone market, and if you want to be really successful outside of the U.S., you're going to need that market. How do you go about restarting a market where Motorola used to have a pretty strong position, but now is coming from a very low market share. What are the costs? And what's kind of the timing that you think that we could see Europe become more meaningful part of your business?

Sanjay Jha

Throughout 2010, we've had products in France, in U.K., in Germany. And in Germany, in particular, actually we've done well. You would see going forward in fourth quarter, we will have DEFY and Milestone 2 in particular in a number of countries with a number of operators in Europe. So we are making progress in Europe, even in fourth quarter of this year. In 2011, I think we will have opportunities to expand our presence. But the central question facing us is will we make a substantial investment to make a big re-entry into European market? And I frankly can't tell you the answer today. We always have to make the calculation of whether those dollars are better spent in the U.S., China, Latin America or Europe. We will make that determination as our relationship, continued improvement in our relationship happens in Europe. But second half 2011 is the earliest that I can anticipate making that decision, but we've not made that decision yet.

Operator

We'll take our next question from the side of Maynard Um with UBS.

Maynard Um - UBS Investment Bank

If I could start with a clarification. Sanjay, you talked about some seasonality in Q1, is that a commentary on total handsets or smart phone units? And then the question is that, you've done a great job of lowering your break-even point in the Mobile Device business. If we assume that there is a decline in the handset units and revenue in Q1, even for this quarter's levels. And then, taking your comment about flat to up sales and marketing in 2011, should we assume that Q1 might go back into the red? Or are there some other variable costs within the business where you can further lower your break-even mark?

Sanjay Jha

Maynard, as you know, we tend not to guide two quarters in advance. So I will not give you precision, but I understand your question. I'll make the following comments. First of all, my comments with relation to seasonality where for industry seasonality, we have seen over the last few years between 7% and 10% seasonality, and we expect that quarter-on-quarter, from fourth quarter to first quarter, we will see a decline in smartphone sales. As I said earlier, there are some particular competitive situations developing in first quarter. And of course, we have large number of new product introductions, and execution and timing of those launches will be very important for us. But as I look more broadly at our portfolio in 2011, I feel extremely comfortable, extremely comfortable that we are well positioned. I won't guide you with specificity about some of the particular things that you talked about. The only thing I would say is that we have been very diligent about managing our cost structure and optimizing our cost structure as the need has arisen. So we will keep that in mind also.

Operator

We'll take our next question from the side of Matthew Hoffman with Cowen.

Matthew Hoffman - Cowen and Company, LLC

Sanjay, your pro forma profitable with ASP is up and units growing faster at the market. But if I heard you right, it seemed that you're pointing more toward the midrange be forward. Was that a signal that ASPs have stopped going up, or just be going up more slowly, especially here in the fourth quarter? And I was also hoping we could just get a comment from you on integrating Androids' Gingerbread 3.0 on tablets and maybe what the impact is there on the ASPs?

Sanjay Jha

A few comments there. First of all, your question was what is my expectation can I guide to ASP in fourth quarter. I've actually -- it really does depend, as you point out, to the product mix. We have some very, very good high-end products in the marketplace, and they're performing extremely well. But as we see our base expanding, we see more midrange shipments. So I can't, with precision, tell you what our ASP will be, but those are the factors that will drive that. Going forward, in terms of tablets, it's not clear if gingerbread is the right platform for tablets or not. I think that will become clear over a period of time. We are very engaged in the tablet market. And certainly, I think tablets have the possibility, depending on the volume and mix, of driving our ASP higher.

Operator

And we'll go next to the side of Tal Liani with Bank of America.

Tal Liani - BofA Merrill Lynch

The first one is this past quarter, you had system competition at Verizon with other Android devices. And in volume, and there was even a Buy One Get One free, I think for Samsung. So can you describe the environment, what happened at Verizon from all aspects kind of pricing, margins, advertisement, money you had to put in? What happened when you had new competition coming from multiple vendors? So that's question number one. Number two is about accounts payable, cash flow was positive but majority or all of the increase was obtained from account payable increase. Can you elaborate on that?

Sanjay Jha

The first question I think was what happened with the competition in this quarter at Verizon. I mean, I think if you look at our shipment, I've felt that DROID X and DROID 2 continued to perform extremely well. There is clearly a big increase in Android shipment at Verizon going on, and I believe that was highlighted in their earnings call just recently. We see HTC and Samsung as our primary competitor in Android, and we feel like we're very well positioned, both with our brand name, with our support, with the consumer satisfaction, with JD Powers satisfaction rating and the quality of our products at Verizon and other carriers in the United States. And I think that, that was reflected somewhat in our results. In terms of accounts payable, what was the...

Edward Fitzpatrick

What was the question? Can you please repeat the question in accounts payable, Tal, please?

Tal Liani - BofA Merrill Lynch

So, Sanjay, my question was not about the success of Verizon but about your changes. Did you have to change anything in the way you deal with Verizon during the quarter because you had new competition. So did you have to lower prices, or did you have to increase the marketing expenses? I'm trying to understand how to change behavior when you have a new competition with the carrier for the same kind of class of phones. About the account payable cash flow went up but all of the cash flow increase came from accounts payable, so I'm wondering if there's anything there or it's just quarterly fluctuations?

Edward Fitzpatrick

On the first question, accounts payable, it's strictly timing guided. It all relates to linearity of shipments and linearity of products coming in the door. We pay our bills as they come due like clockwork. So there's really no fluctuation there as a result of anything other than fluctuations in levels of business.

Sanjay Jha

And, Tal, with respect to how we respond to competitive pressure, I think probably a little of both. Certainly, there's greater ASP pressure, but also we look to support our products a little more aggressively with marketing dollars. But probably a little of both, on the other hand, I think the quality of our product has also shown through and the shipments support that.

Operator

And we'll take our next question from the side of Ehud Gelblum with Morgan Stanley.

Ehud Gelblum - Morgan Stanley

First of all, as we look at the various version of Android and it goes into gingerbread, honeycomb, et cetera, there's been some talk that you may not be able to do things like BLUR on future versions of Android. If you can just talk about, if there are modifications or future versions of Android that would limit your ability to do some of the overlays like BLUR and how you would treat that? Or if that's not really an issue that would be helpful to understand that. And then, following up with some other questions. When you look at your Q4 guidance, you're now talking about the high end of $12 million to $14 million does that imply a certain number north of $5 million for the fourth quarter? Can you talk about how you get there vis-à-vis your current main customer base? Obviously, the larger is AT&T, but how much more is China going to be in the mix? I believe China right now is somewhere around 12%, 13% of your units. Where does that go in the fourth quarter to get you up almost 1.5 million to 2 million units from Q3? And if you can kind of, again, just talk about at least geographically, if not more specific as to how you get from the 3.7 million now into the 5 million more, where they are coming from so we could feel comfortable that you can actually get there without relying continually on, essentially Verizon and the same guys that you have them? And then, just for Greg, North America seem to have slowed in government to decelerate let's say about 5% year-over-year growth versus I believe it was north of 10% last quarter. Is that just a function of how the seasons work and the ups and downs of the year-over-year, or is there something going on with North America maybe going to the end of the year?

Sanjay Jha

Ehud, I will take the first two part of your questions, Andriod OS. I have no indication from anybody that our ability to differentiate is going to be limited. I think that question has come up a couple of times, and I've been consistent my response on that. In fourth quarter, what will drive our growth? Two things really: One, continued performance of our what we call high-tier performance category products; and then secondly, diversification in the mid-tier at other carriers in United States, but also China and internationally, Latin America and Europe. I think those are the things that will drive it. Generally, as you know, fourth quarter, there's general uplift in sales in our business. There's that effect. But also the diversification with mid-tier products will be a very important part of our sales growth. And on the other hand, I don't want to minimize the importance of DROID X and DROID 2 for us also.

Ehud Gelblum - Morgan Stanley

So should we be looking for international perhaps getting as high as 40%?

Sanjay Jha

I don't know that I will guide you with that precision, but there will be growth in international sales, yes.

Edward Fitzpatrick

Ehud, as it relates to EMS, North America as you mentioned, grew 5%. I think if you'd take a composite look for all of Q3 across EMS, government grew about 1.5% and Enterprise grew about 20%. So we had very strong performance from the Enterprise Mobility or traditionally the Symbol Group. But having said that, backlog was up slightly, generally stable for government and up more strongly for the Enterprise Mobility group. So I think we're solidly positioned into Q4. And the annual guidance reflects our expectations for the fourth quarter.

Ehud Gelblum - Morgan Stanley

Do you expect government to recover next year, or do you expect it to still be in 1% to 2% range?

Edward Fitzpatrick

Not going to guide at this point consistent with Sanjay around ability. I think we'll give you that color in Q1. But we feel pretty comfortable coming into

Q4 in terms of the disposition of the business, and it's reflected in the guidance we gave. And I'll update you over the next few months.

Operator

And we'll go next to the side of Mark McKechnie with Gleacher & Company.

Mark McKechnie - Gleacher & Company, Inc.

So a question for Ed on the cash flow side. So how much do your cash is onshore? And then also for Q4, what was your outlook for cash flow? And then, I have a follow-up question for Greg.

Edward Fitzpatrick

So cash -- I'll give you kind of rough terms in the area of 45% U.S., the balance outside North America. And we expect the balance to be roughly comparable as we end the year in that range.

Mark McKechnie - Gleacher & Company, Inc.

And then for Q4 in terms of cash flow?

Edward Fitzpatrick

Our overall cash flow. So, as you know, we have a $530 million thereabouts debt payment due in the quarter. We're going to offset that much of that as possible. If I had to arrange it for you, we're probably in the 8 7 to 8 8 range is where we are. And there are a lot of things that can happen with foreign currency fluctuations as we mentioned on the call that could leave it out as far and as well as linearity in the business. So I think in the 8 7 to 8 8 range is where should be looking right now.

Mark McKechnie - Gleacher & Company, Inc.

For Greg, this LTE deal, kind of curious as to why you selected Ericsson over Nokia. And then also, how will that partnership impact your Infrastructure business over time? And when do you expect that LTE with Ericsson to ramp?

Gregory Brown

So Ericsson was selected after a pretty comprehensive due diligence process of a couple of quarters with the Public Safety team. We picked Ericsson because they lead worldwide both in market share domestically in the U.S., as well as worldwide, they're number one in cellular-based wireless infrastructure. We also were very impressed with the quality of their LTE development. The Ericsson discussions were ongoing before we did the deal with Nokia Siemens. Now having said that, we're also evaluating Nokia Siemens, and there's nothing to preclude or prevent us from adding an additional partner beyond Ericsson. But we were impressed with the capability of their technology. Obviously, their significant footprint and incumbency, and we think it's a great partnership. The interesting part of that, it doesn't -- so we're divesting of the net wireless Networks business, and what you'll see is Motorola Solutions have a very strong position in public safety LTE or private network LTE. So we're developing LTE infrastructure for private networks and for private broadband within our Public Safety group. As we inter-operate or roam onto a carrier network, we will take the e-node B equipment from Ericsson, harden it, provide encryption and software, secure it and provide it as an overall Public Safety solution with the Ericsson-based station embedded in an overall Motorola Solutions architecture and solution to our end-user customer. So we're very optimistic about it. We think it's a very important strategic alliance. But to the extent there's other opportunity with Nokia Siemens for us to consider their infrastructure, we are able to do that.

Operator

And we'll go next to the side of Simona Jankowski with Goldman Sachs.

Simona Jankowski - Goldman Sachs Group Inc.

Sanjay, just as a couple of questions. One is if I got this numbers correctly, I think you said you're international sales were up about 10% sequentially. And within that, you cited China shipments up 70% and Latin America up 20%. Assuming I got those numbers right, that would seem to imply that either something else fell off quite a bit or that ASPs fell off. So can you just help explain the full picture there?

Sanjay Jha

Simona, I don't think the ASPs fell off.

Edward Fitzpatrick

Simona, just to make sure we got your question correct, could you repeat the question, sorry?

Simona Jankowski - Goldman Sachs Group Inc.

I might not have gotten all the numbers right. But I think you said international sales in Mobile Devices were up 10% sequentially and China shipments were up 70% and Latin America shipments up 20%. And so since those two are the two biggest chunks of international that would seem to have driven more than the 10% sequential growth. So just wanted to kind of see what helps it add up to that 10% overall growth?

Sanjay Jha

Simona, I think we'll have to get back to you with precision on that one. We don't see the conclusion that you've drawn we'll get back to you on that.

Simona Jankowski - Goldman Sachs Group Inc.

And then the second question, Sanjay, was on the DROID PRO and you highlighted an increased focus on the Enterprise. Can you just expand on that a little bit? So is it going to be specific to introducing a product similar to this one over time? Or is it going to also include you investing in your own Enterprise-oriented sales force? Or do you think you're going to be leveraging more of the sales force in the marketing efforts of your partners like Google or the carriers as you ramp up your focus on the Enterprise?

Sanjay Jha

Simona, it's going to be all three. We'll clearly leverage the efforts of carrier partners. And as you know, Google has a presence in this space as well. But we will invest modestly to grow and support Enterprise sales also from the point of view of making sure we have a specific call support for CIOs that we have sales calling on Fortune 500. So we will have that. But remember, our strategy here is a very specific strategy in the first instance. The strategy is to deliver devices, which consumers like to use as a consumer device, but it has the Enterprise capability which allows the CIOs to accept it into enterprises. So our sales effort is to make sure that CIOs don't bar these devices or put it in an excepted list, but the sale is to the consumers. 80% of people in enterprises pay for their own device, and it is to that audience that we are selling primarily?

Operator

We'll go next to the side of Kulbinder Garcha with Credit Suisse.

Kulbinder Garcha - Crédit Suisse AG

A question on cash flow and how it's going to be used. You've got $5.6 billion of net cash. You'll probably generate $1.5 billion in separation, and you're going to get $1.3 billion from NSN. So that will take you to about $8 billion of cash. I think you've implied that devices would get $3.5 billion. So a question for Greg is what are you going to use this cash pile, which should be approaching $5 billion by the end of Q1. Is it something that we should think about cash distribution? I assume acquisitions of any significant value isn't something that you want, but maybe could comment on that?

Gregory Brown

So, Kulbinder, just a couple of things as it relates to some of the assumptions that you outlined. As Patrick talked about ending the year, call it at approximately $8.8 billion of cash. That assumes we paid down, and we plan to do that the $527 million note in November. But I think you're also -- in your calculus there, assuming that we would close Networks in fiscal 2010. And we have guided that, that may occur in early 2011. So that shouldn't be assumed in the calculation of the cash end of your forecast that you're calculating. And having said that, we obviously remain co-Motorola Solutions will be keeping the debt. We'll also have other obligations. We'll have to look at our net cash position as we exit Q4 and doing to next year. I think it's premature to speculate on how we ultimately make decisions with Motorola Solutions in the optimal allocation of capital. But we want to finish the year strong across all of the businesses, which Sanjay and I want to successfully separate the firm sometime in Q1 of 2011. And then in terms of future capital allocation plans and what we would do, we would update you accordingly at that point in time.

Kulbinder Garcha - Crédit Suisse AG

I just want to understand the comments of diversification. So I understand you're going to bring out new products, new devices, converged devices as well, and trying to grow international. But for all of this to play out, it's going to take some time. Is it fair to assume that we're looking at maybe a year from now until your sales split is much more resembling what invested in the hands of the Smartphone industry looks like as opposed to this very significant Americas buyers that you have today?

Sanjay Jha

Kulbinder, I caught most of what you asked. I think your question was with respect to diversification and the timing thereof. I would say that clearly, we have a North American buyers to our sales focus at the moment, and we're looking to diversify both within United States and as well as outside of United States. And you're right, it won't happen instantly. But I think we feel with the diversification, which is already happening and the increased focus on diversifying, combined with our opportunity that exist for us within the convergence of computing and mobility, I think that such competitive pressures as we may see in first quarter, we will be able to cope with that circumstance in a relatively good way. I would actually like to take this opportunity to say one more thing that I see what is happening in Home, and the convergence between ourselves and Home is being very important factor. And in fact, I'd like Dan to just comment on Dan's view on what is happening in Home and the convergence opportunities there.

Daniel Moloney

Thanks, Sanjay. I think we now have been at this combined Mobile Device and Home for a little over eight months. It's very clear that some of the ideas that led to putting these two businesses together really are becoming much more positive. We see many opportunities for content linkages between the set-top and the mobile device world, sharing content back and forth and our focus on being able to deliver solutions in 2011 that demonstrate that capability. Sanjay touched on the tablet space and our future participation in this space, and that creates another new great opportunity in the converged world. When you think about adding the screen in the Home and the ability to supplement your large viewing screen with a smaller viewing screen simultaneously around content. So collectively, we have energy today focused around expanding that capability that could be provided on the set-top, as well as in the mobile space to enable it. And finally, I just say on the convergence piece, as we look at what MOTOBLUR is doing today and we talked about the EDGE capability from the Home, linking those together and being able to enable us to manage and enhance those capabilities to the consumer and really bring this converged world such that the consumer gets their content on any of their device that they want creates some wonderful opportunities into the future. So you'll start beginning to see in 2011 some converged experiences from us. And then as we move forward more, more opportunity to differentiate our products, both Home, Mobile in this converged world.

Operator

And we'll take our next question from the side of Jim Suva with Citi.

Jim Suva - Citigroup Inc

A quick question on the handset side. Motorola really has a leading position in Android as an earlier adopter of it. But it's pretty clear that some of the bigger players such as Samsung and such as kind of for the first part of this year not come to market. Sanjay, can you talk a little bit about your positioning relative to as you see the additional competition heating up there? Do you think you can get to kind of industry average smartphone profitability longer term, I guess, longer term should the industry average profit will it become lower? And where do you kind of see that industry average profitability going for the Android marketplace?

Sanjay Jha

Jim, definitely I see Android ecosystem is expanding pretty dramatically, and Samsung has entered with some very good products in the marketplace galaxy. I think it's a very competitive good product in the marketplace. HTC continues to deliver good products in the marketplace. On the other hand, I think you're right in characterizing Motorola as the leading, if not, one of the leading handset manufacturers here. I see no reason for us not to get to industry standard profitability and gross margin and profitability over the long period of time. And I see in my guidance, I've always said that this is going to be high single-digit, low double-digit kind of number is where we want to end up in terms of our operating earnings in the long term. But clearly, as I've said in a number of recent comments, I see that the job of transforming this organization is half done. We have some more work to do in terms of becoming a much more software-centric, experience-focused organization. But in one year, we have delivered 22 products. Our focus and execution, our focus and innovation and differentiation is far greater today. And I feel we've very well positioned, not just in the fundamental or transformation that we're making in the organization but the response we're getting to the portfolio in 2011 from our customers. So again, we can -- things that we have a good portfolio. Until our customers accept our products and range our products, we don't have real basis to be optimistic. On the basis of that feedback, on the basis of ranging that we're seeing of our products not just in the United States but elsewhere, I feel pretty comfortable that we're making good progress. And more precisely, I feel that we should definitely get to industry level profitability.

Operator

And we'll go next to the side of Edward Snyder with Charter Equity.

Edward Snyder - Charter Equity Research

I mean, you've been big in the U.S. and as you stated, the markets keeping a lot more competitive fast. It seems inevitable that you're non-U.S. growth would probably outstrip the U.S. fairly soon, and I think that's kind of folded into your guidance here. But what's the cost and profitability of a lot of markets you're entering into? I mean, it seems the U.S. is, I think we all know, is the most lucrative smartphone market out there and you're getting big carrier subsidies which kind of to alleviate your marketing spend. That sounds like it's all changing coming up ergo, is focused on the mid-tier phones. Why should we expect to see OpEx in handsets as a percent of unit sales to start going up from here on out, given A, the competition in U.S. and B, your focus on your international markets?

Sanjay Jha

Ed, that's a very good question. First of all, what I call the performance tier or the high tier of smartphone market today carries the disproportionately high amount of gross margin with it. Because, as you know, off the price points that has been said, $199 and $99, and the lifetime ownership costs of these devices is such that you're biased towards buying a higher-tier in U.S. I actually continue to believe that we will do well, if not extremely well, in that tier. So I think in your question, you'll assume that the competitive pressure is there forced us to diversify in the middle. I don't think it's a matter of one or the other. I think that you will see us do both. You will see us focus very, very much in leading in the performance tier because the halo of performance tier is probably just as important in driving mid tier as anything else, and the performance in North America actually is just as important in driving outside U.S. smartphone sales as anything else. You will see our brand name being relevant in China and Latin America, and we will focus there as a matter of first step. But Europe, I think is a very important marketplace. And the dynamics there, particularly right now, potentially create an opportunity for us to capitalize on. So we will focus on those things. But I think we have not, by the way, guided you to improving OpEx as our sales increase. But I really believe that performance tier is important for us to succeed on as I think you imply in your comments. But the diversification with mid tier is also important because the base of smartphone is increasing and more feature phone consumers are coming to smartphone. And we have to win in both places.

Edward Snyder - Charter Equity Research

Maybe Dan should jump in here. It seems to be clear that Motorola's doing hardwork for this tablet, Google is using the software for it. And I could see that the thesis that kind of a converged solution like Apple is approaching in terms of their ecosystem would be beneficial. But doesn't this put you at a steep disadvantage if you're not controlling the OS in the software and then hold, look and feel from a UI point of view versus, let's say, Apple and maybe some of your other competitors?

Sanjay Jha

Well, I think this goes back to the fundamental discussion around OS, but I think, Ed, we've had multiple times here. My view is that over a period of time, whenever we do what is called a Google experience device, clearly Google is disproportionately responsible for developing the software. But over a period of time, we have demonstrated that we can build on that platform and differentiate. And I think tablet is no less open to that differentiation. And I think I'll let Dan comment on his views in some of the possibilities as that convergence occurs with Home. And this is a place where I think we are better positioned than anyone else in the industry

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Daniel Moloney

I think, Ed, when you look at the opportunity to provide the linkage up between the Home and the Mobile space whether it's a tablet or another mobile device, the fact that we have a beachhead today in the Home space it's continuing to evolve to an IP video world inside the Home. And that provides us with the opportunity to add new software capability into those Home devices that we can then link together with the capability running on top of the OS sitting in the tablet gives us as strong a position as anybody to own this converged experience opportunity in the future.

Edward Snyder - Charter Equity Research

And then finally, Sanjay, I mean there was a lot of chatter in the last couple of weeks about softness in the end the part of the quarter from Motorola, a few of the OEMs. How linear was the quarter would, let's say, have started stronger than it ended?

Sanjay Jha

Nothing remarkable to report there, Ed. I saw that, and I won't comment more precisely, except nothing remarkable in the development of this quarter.

Operator

We'll take our final question from the side of Tavis McCourt with Morgan Keegan.

Tavis McCourt - Morgan Keegan & Company, Inc.

First, a clarification for Sanjay. I think you said 32% of handsets were sold outside of North America. Can you give us the percentage of smartphones that are now outside the U.S. or outside with America? And then for Greg, you mentioned you didn't want to talk about what you may or may not do with the cash. But can you at least talk about you believe the capitalization upon the separation is suboptimal? Can we at least expect some desire to put the cash to work even if you don't want to talk about what exactly it will be used for?

Sanjay Jha

So, Tavis, first of all, I said that 32% of the revenue was outside of U.S. and in terms of the precise numbers, I don't think we've provided you with that guidance. Let me just take one second on the cash question and I'll turn it over to Greg. I really think that with the cash performance that Motorola organization has delivered this year, I think we placed ourselves in a very good position to make both parts Motorola Solution and Motorola Mobility a strong, vibrant organization with solid balance sheet. And I think that that's the primary purpose right now for the organization is to make sure that both parts of the organizations are very well positioned to succeed in the marketplace. In terms of what Greg will do the cash afterwards, I think he can comment.

Gregory Brown

Yes, Tavis, I think your question was more around Motorola Solutions balance sheet post-separation. And again, just to remind you that, as Sanjay just referenced, we want to position both businesses for sustainable long-term success. We have articulated that for Motorola Solutions at separation, we're targeting solid investment grade ratings. So that, by definition, drives us to a certain cash position, and we will also look to optimize and maximize the U.S. cash disposition within the overall balance. Again, after that, I think we'll have other things to consider. The Motorola Solutions business is a market-leading business in Public Safety. Its market-leading in Mobile Computing and Advanced Data Capture, we'll have a very strong IPR position. And from an organic standpoint, has a solid path of growth, irrespective of some of the headwinds we've had with state and local government budgets, we're still growing. And the business is still contributing a 16% operating margin business. So the organic business is strong. The opportunities to grow it organically are strong. After separation, we'll evaluate other uses to put to use for optimal capital allocation for shareholder return.

Dean Lindroth

I want to remind everyone that an audio replay and this morning's slide presentation will be available on our website shortly after this call. During this call, we have 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, 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: Plans and progress relating to the separation of Motorola's businesses into two independent publicly traded companies and the sale of our Networks business; guidance from Motorola's earnings per share; future strategic plans; potential cost reductions; expected timing for the announcement, launch and shipment of new products; expectations for the volume and financial impact of handset shipments, including Smartphones; guidance for future sales, operating expenses, expected cash position, margins, profitability, ASP and demand trends or market share for each of Motorola's businesses and their products. Because forward-looking statements involve risks and uncertainties, Motorola's 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 17 through 29 in Item 1A of Motorola's 2009 annual report on Form 10-K and in Motorola's other SEC filings. Thank you for joining us this morning. This now concludes our call.