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PARTICIPANTS

Motorola Solutions Executive Participant

Jason J. Winkler – Executive Vice President & Chief Financial Officer

Other Participants

Adam Tindle – Analyst, Raymond James & Associates, Inc.

MANAGEMENT DISCUSSION SECTION

Adam Tindle, Analyst, Raymond James & Associates, Inc.

All right. Why don't we go ahead and get started. Thanks, everybody, for joining early on Wednesday morning. We're on our last day of the conference. It's been a great event so far. So, really appreciate you and all your participation. Very happy to have the team from Motorola Solutions here this morning. CFO, Jason Winkler, is going to do a fireside chat with me.

Many of you know this, it's been a great story. A great stock continues to be a great stock, and a near-term opportunity, in my opinion. Obviously, the stock has kind of pulled back here with the rest of the market. We're going to touch on some of those dynamics, a lot of the transformation that has happened at the company for the better.

If you do have questions, we'd love to keep it interactive. Just raise your hand during the course of the presentation and we'll certainly field your questions. But I'll start at a high level and get into some more specific topics here in a bit.

So, with that, Jason, thanks again for joining today.

Jason J. Winkler, Executive Vice President & Chief Financial Officer, Motorola Solutions, Inc.

Great. It's great to be here. Felt strange last night, but now normal. So, it's good to be back in person.

Adam Tindle, Analyst, Raymond James & Associates, Inc.

Yes, I couldn't agree more. Well, investors that are looking for more detail just as a heads up, they do have a really great slide deck. We've got Tim here this morning from Investor Relations. Very detailed slide deck on the Investor Relations website, but maybe you could start with a few minutes summarizing the business for investors that are newer to the story, core markets, customer base and the strategic focus of the company.

Jason J. Winkler, Executive Vice President & Chief Financial Officer, Motorola Solutions, Inc.

Sure. So, we are a leader in public safety and government communications systems. About 75% of our revenues comes from government and public safety. Additionally, we're leader in enterprise and fixed video security, and about 25% of our revenues come from the enterprise market. We have three technologies within the company. The first are land, mobile radio and two-way communications devices, systems, network services that serve both public safety and enterprise. And secondly, video, which is now over \$1 billion business for us and that's largely an enterprise play, although we're building a large go-to-market presence for government sales into video as well, we now have over \$350 million of government sales into video as well. And the final one is command center software. And for that, you would find our solutions in a 911 center. And we'd be on the other end of a 911 phone call and helping people get the help that they need quickly.

QUESTION AND ANSWER SECTION

<Q – Adam Tindle – Raymond James & Associates, Inc.>: One will certainly appreciate that. Topic du jour, maybe we'll just kind of start and get it out of the way, just a quick clarification. Could you talk about your exposure to Russia and Ukraine?

<A – Jason Winkler – Motorola Solutions, Inc.>: Very limited in terms of sales and extremely limited in terms of operations or any presence. So, not a big market for us at all.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: Okay. Right. And then, so we kind of summarized some of the key characteristics, obviously, video command center software increasing part of the business and then, of course, a very core – a strong core business. Can you tie that into the high-level financial profile and key metrics that you focus on?

<A – Jason Winkler – Motorola Solutions, Inc.>: Sure. So, last year, \$8.2 billion in sales, grew 10%, OE profile of 26%, EBITDA closer to 30%. And just looking at that OE profile just five years ago, it was closer to 20%. So, we've grown substantially and grown profitably while transforming the company. A lot of the growth has come from services, software. And in today, in fact, half of our revenues come from services, software and video, which is quite different than five years ago where only 20% came from those categories.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: Right. Yeah. And then, in terms of growth, your CEO, Greg Brown, outlined an expectation for I think it was 7% total company growth for 2022. And you've been providing some helpful granular detail on actual results by segment and Tim has done a great job of helping with those disclosures. Maybe you could speak to the forward expectation of that 7% by segment that builds up to the total company guidance.

<A – Jason Winkler – Motorola Solutions, Inc.>: Sure. Sure. So, we have two segments that we report our results under products and integration of those products and then software and services. But additionally, and what you're referencing is over a year ago, we introduced an aggregation of revenue clarity around the technologies that are really behind those two segments. First would be LMR and that's the mission-critical systems, devices and services. That LMR entirety of the business is expected to grow mid-single digits this year.

The second technology, video, is expected to grow approximately 20% this year. It grew 21% organically last year and the market is growing at about a third of that rate. So, we're capturing market share. I should note that the market opportunity for us in total as a company is \$47 billion TAM. \$18 billion of that TAM is within video. So, it's our largest TAM. It's our highest growth profile and we have a – I'm very proud of the team and the portfolio that we have.

And the final one is Command Center Software and on that part of the business, we expect approximately low-double-digits growth this year in 2022.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: Okay. I wasn't expecting that number. So...

<A – Jason Winkler – Motorola Solutions, Inc.>: Low-double digit?

<Q – Adam Tindle – Raymond James & Associates, Inc.>: Yeah, yeah.

<A – Jason Winkler – Motorola Solutions, Inc.>: The portfolio is terrific and is being cloud-ready. Customers also are on different parts of their journey. Command centers are very complex operations and we're finding that customers want an upgrade and they want their operations to become more current. But they may choose that next upgrade is actually an on-premises one, which is how they do their operations today.

But in doing that, we are taking them and giving them a path to the cloud and plus one upgrade. So, we call that a hybrid strategy, meeting customers where they're at. Mahesh, who leads that business, is continuing to invest in cloud and also meeting customers with their next on-premises upgrade, which is leading to the growth that I mentioned. And the software and subscription nature of that business is actually growing in 2x, the low-double digits that we have expectations for the entirety of the business.

<Q – Adam Tindle – Raymond James & Associates, Inc.: Okay. That's helpful. And I'm going to double click on that segment here in a second. But you're coming off your annual Partner Expo here in Orlando. Maybe you could talk about the state of the core PCR market and the demand that you're seeing here in 2022.

<A – Jason Winkler – Motorola Solutions, Inc.: Sure. I was here maybe two weeks ago in Orlando. Our Professional and Commercial Radio business, which is two-way communications, they use them at the hotel here, I saw our brand on the hotel, which is great. They serve markets like this hotel, retail, transportation, logistics, events, stadiums and the like.

The business prior to 2019 and the pandemic was about \$1 billion of radio sales into those markets. The pandemic, with the economic activity suppressed and the like, it fell almost 30%. Last year, it grew back to about \$800 million, so down to \$700-and-some million back up to \$800 million. But we're not at 2019 levels yet in terms revenue.

The good news is that the order profile for that part of the business is extremely robust. The supply chain challenges, which I'm sure we'll talk about with respect to semiconductors, are squarely in that part of the portfolio. Professional commercial radios use a bit more common semiconductor parts, and that's where some of our constraints on semiconductors that we're navigating are impacting that business. So demand is very strong. We'll navigate through the supply lines and get that business growing. It will grow this year and it will eventually become again a business just like 2019.

<Q – Adam Tindle – Raymond James & Associates, Inc.: And I think I talked to a lot of investors that are excited about that opportunity to kind of rebound in that segment. If you can talk about the margin profile of the PCR segment?

<A – Jason Winkler – Motorola Solutions, Inc.: It's a good margin profile. It's commensurate with the company-type gross margins, and it's not quite the margin profile of our highest tier radios. It's more of a mid-tier price point, but the costs are commensurate with that. It's a good margin profile business.

<Q – Adam Tindle – Raymond James & Associates, Inc.: Great. You alluded to it and I think in the last answer, but I wanted to double click on Command Center Software, really important piece of the business for investors, obviously, for valuation as this piece of the business grows. You can imagine the software multiples of those types of stocks are very different than hardware.

Total reported revenue growth was a little bit more modest in this past Q4, and we've been fielding some investor questions on that. That's why I said I was surprised by the low-double digit that you just mentioned in the buildup to 2022. But I think that reported revenue doesn't necessarily reflect the true health of the business because of some accounting nuances around cloud. Maybe you can talk about the transition from subscription to SaaS in that business and how it impacts financial metrics.

<A – Jason Winkler – Motorola Solutions, Inc.: Sure. So last year, the entirety of this Command Center Software business which was \$537 million was the print last year grew 10% on the year. It was slower than that in Q4. But for those of you who've been in a command center, it's a pretty protected and core environment. And frankly, the Omicron variant really took things backwards in terms of access to sites, protecting the employees and the dispatchers, so we had some delays in terms of implementations there.

Secondly, as I mentioned, the transition to a cloud journey but one that is first an on-premises upgrade with the promise and rights to the cloud thereafter does change the revenue profile from a onetime revenue event to one over time. Of course, that's stickier. We like that, and it puts us in a good position with customers. We have 6,000 – there are, in North America, 6,000 PSAPs or 911 centers, and we're present in 3,500 of those. So we have a strong starting point to take customers on their journey to the cloud.

<Q – Adam Tindle – Raymond James & Associates, Inc.: And maybe we can double-click on the competitive environment for Command Center Software. Like I said, investors are really excited about that opportunity within the total company profile. Could you talk about the competitive landscape and how Motorola's end-to-end workflow strategy is a little bit different than others?

<A – Jason Winkler – Motorola Solutions, Inc.>: Sure. So as I mentioned, it's a complex operation from the moment the call comes in to the dispatch, and it is integrated with a radio system because ultimately your phone call as a citizen gets routed to the nearest officer responder and gets, ultimately if there's an incident, a case, right, crime happened. That case goes into our records management, goes into someone might go to jail. Ultimately, the case is closed. And that kind of beginning-to-end workflow, if you look at our portfolio, we have the most comprehensive one and we're tying it even more centrally together including the ingestion of video, which is an important integration point. Because more and more of these events are being captured in video, you want to record that, you want to analyze that and you want to make that part of your case file. So we're well-positioned in what is a fragmented market and continuing to integrate our offers and doing well in terms of a journey for customers.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: And maybe you could talk about attending some of the industry conferences, and oftentimes, it's incredible to me to see these individual silos and these kind of regional software vendors that might just do dispatch for this particular area or records for this particular geography. How customers are responding and the desire to have maybe one single vendor across those different workflows. You've talked about adoption within the customer base as well in Command Center Software. Maybe you could tie into some?

<A – Jason Winkler – Motorola Solutions, Inc.>: Yeah. So I think the starting point of being in these 3,500 customers with one or more solutions gives us a strong point to add a second, a third, a fourth and to bring them on that journey of more integrated platform. And today, the buying decisions tend to be pretty fragmented. You buy a CAD or a record system, you buy a 911 call dispatching system, you buy a Video Evidence Management system, we think as customers integrate their platform and we have the best integrated platform that it positions us well and again what is, as you described, a very siloed competitive environment. And we've invested both organically and inorganically in putting together our portfolio, having bought call-taking operation and also most recently 911 Datamaster, which helps with our portfolio with location, better location services among finding again that officer, that responder who's nearest to the incident and getting them there as fast as possible.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: So, I'm going to talk about video here in a second, but does anybody have any questions so far for Jason? Yes, please.

<Q>: Can you talk about how you compete and differentiate in command center software versus a company like Axon?

<A – Jason Winkler – Motorola Solutions, Inc.>: Sure. So, within the core Command Center software environment, we have a much more comprehensive portfolio of not only products, but also customer. So, Axon has aspirations to enter the business through a video route. We have command center, call records, jail, evidence, 911, call taking, call dispatching, all of those are things we have today with customers. And we're taking all of those things, integrating them in a platform development and offering them to customers in a more seamless way. So, our starting point in the 3,500 customers that we have is much more rich and robust than theirs.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: Good question. Tavis, yes, please.

<Q –> Can you talk about how many of your customers are buying the full suite today versus buying individual solutions?

<A – Jason Winkler – Motorola Solutions, Inc.>: So, buying patterns today, as I mentioned, are very siloed. So, the RFPs that are even last year hitting the Street are for a specific part of the portfolio. We believe with the investments that we're making and the dialogues we're having with customers, we'll continue to meet that RFP and respond to it in an, say, on-premises way if that's their choice and then again give them the rights and entitlement to the cloud so that the next occurrence of their needs is right there and embedded and we have an opportunity to serve them without an RFP. So, we're in the early innings of an integrated purchasing decision although the dialogues with customers indicate that that's where things will go.

<Q – Tavis McCourt – Raymond James & Associates, Inc.>: Can you talk a little bit about your free cash flow expectations for the year and then touch on capital allocation?

<A – Jason Winkler – Motorola Solutions, Inc.>: Sure. So, last year's operating cash flow was \$1.837 billion. This year, we are expecting approximately \$1.9 billion in operating cash flow. That includes – the \$1.9 billion is despite two discrete

items, one being the \$75 million impact of having to capitalize R&D which many companies are facing under the US tax legislation. And secondly, our budgeted employee incentive pool this past year paid closer to 100% of plan where last year it was 50%. That's an additional \$75 million. So, the \$1.9 billion is inclusive of those two items.

Our capital requirements are less than \$300 million a year, Tavis, and that will continue. So, it's a pretty – and of that capital – CapEx, almost half of that is for what we describe as customer success. So, it's investing in networks, customer networks like Airwave, like other operations that we operate on behalf of customers.

And in terms of capital allocation, since, Tavis, you've covered us back in 2011, we've had the same capital allocation framework, which has served us well. About half of our operating cash flow, we allocate to either M&A or share buybacks, 30% to support the dividend, which, in every year since 2011, has increased double digits is 30% of OCF and the final 20% or less is for the capital requirements that I mentioned.

So, that's our capital strategy we've taken out in the 11 years that Motorola started from Motorola Solutions. In 2011, we've taken out nearly half the float of the shares.

<Q>: You stole my later question. Yes, please.

<Q>: International, what percent of your business is International and how are you navigating the European requirements around video?

<A – Jason Winkler – Motorola Solutions, Inc.>: So at a total company level, North America is around 65% of revenues, the rest internationally. And with respect to your question around video, video is probably a little – that was total revenues for the company. Video revenues probably tilted a little bit more than the third internationally, and Europe is a strong market for us. We are navigating the EU compliance requirements around video storage, responsible use, GDPR, our products which are implemented. Customers implement policies. We sell them robust solutions along with options for them to implement, and they, in turn, are responsible for configuring them in a way that's response – that is compliant with EU or any required mandate.

<Q>: Good questions. Any others?

<Q>: When you sell your command center software suite, what kind of price point is that at?

<A – Jason Winkler – Motorola Solutions, Inc.>: With respect to Command Center Software, the pricing on the products – on the suite of products is dependent around the number of positions, so the number of, say, dispatchers that a complex operation has, that's one of the pricing drivers as well as the number of ingestion points of, say, video, the number of officers that are integrated with it or are dispatched to.

So, there's a variety of inputs around the pricing of the suite. But again, given that the market is currently RFP-ing in a very siloed approach, we are pricing according to what the RFP's mandate, and then we'll go forward from there.

Did I miss anything on capital allocation from Tavis?

<Q – Adam Tindle – Raymond James & Associates, Inc.>: We'll get there.

<A – Jason Winkler – Motorola Solutions, Inc.>: I don't want to...

<Q – Adam Tindle – Raymond James & Associates, Inc.>: I'm not going to let you escape.

<A – Jason Winkler – Motorola Solutions, Inc.>: I don't want to jump the gun.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: Let's double click on video. Maybe you can – I mean, this is an area that really, for all intents and purposes, didn't exist within Motorola just five years ago or so. Maybe take us through the core thesis that got you into the video market, particularly around the Avigilon acquisition. And how this has

evolved as you've broadened from more that fixed camera to more holistic ecosystem? And not to throw a two-parter, but you also did a recent acquisition. If you wanted to tie that into this answer that'd be great.

<A – Jason Winkler – Motorola Solutions, Inc.>: Sure.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: No pressure.

<A – Jason Winkler – Motorola Solutions, Inc.>: So, in 2018, we acquired Avigilon. What we liked about Avigilon is that it was an integrated platform, much like our radio systems. Our radio systems work best together. So our infrastructure on our devices, on our services is generally how customers buy. Similar for Avigilon, a camera, a storage platform and the analytics or video management system, at the time, 80%, 85% of when a customer bought Avigilon, they were buying all three of those things together. So, that's a solution sale. We like that. We like their agile nature. They're Vancouver-based. They were a market entrant and winning rapidly against Pelco and others at that time. And so it's been a great acquisition frankly. It brought us \$400 million-plus in revenue in the full year of 2018. And since then, it's continued to grow at a terrific rate.

By the way, we've invested as well in increasing R&D and increasing the go-to-market presence particularly in North America around Avigilon. We since bought Pelco, which was a legacy great platform, but one that wasn't as advanced, and we're investing in Pelco to bring that platform into the ecosystem. And then also IndigoVision, which is a bit more of a niche European player.

So, those three fixed video operations are all integrated and led by the same teams, same engineering group, same go-to-market group. And so, we have a – one of the most robust platforms of offering of camera, storage and the analytics that go with it. And then as you mentioned, Adam, we recently bought Ava, which is a cloud-based technology. And for those customers who don't want to have on-premises operations or storage, and prefer a cloud route, we are planning to integrate that into our total offer as well. So in the entirety of the fixed video, video last year was a \$1.2 billion revenue for us. About 70% of that was fixed video, and the other 30% is mobile video. So, includes body-worn cameras, license plate recognition, the analytics that go with it. And we have a great offer there, grounded in North America with a platform called WatchGuard based in Texas and an international platform called Edesix based in Edinburgh, Scotland. So strong momentum as well in body-worn camera and the analytics that go with it.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: Let's double click on that, because one of the investor concerns was one of your major competitors kind of specialized in that body-worn piece, that's kind of how they grew up Axon, right, and they had been kind of leading with that offering, landing big deals and running away with that market, doing really well, but here, over the last few quarters, you've talked about some major body-worn camera deals, right, particularly internationally. What's changed in that perception? What have you done to start taking share and winning large deals, particularly in that body-worn market?

<A – Jason Winkler – Motorola Solutions, Inc.>: Sure. So I'll start internationally. I think referencing our French Mol deal which was, as we know it, one of the largest total deployments of body-worn cameras. That was based on Edesix VB400 camera, which, again, we acquired maybe 2.5 years ago and we've been investing in that platform. So that's helping us win internationally. It's resonating quite well. We're also taking that camera platform, which in North America would be more of a value-based platform and bringing it into North America as well.

In North America, with our WatchGuard camera, offers both on an officer and also in a car where we are a leader in the car cameras. That market, as you said, has been led by Axon. They have an incumbent advantage although we're finding customers are looking for an alternative and we're doing well in that market as well and continuing to invest again. In that market, our cameras are fully featured. Our battery life is better than the competition and it's about the back-end video storage, evidence management, analytics and that's where we're continuing to make our investments.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: Right. So, the ecosystem is likely to be a flywheel that helps with market share...

<A – Jason Winkler – Motorola Solutions, Inc.>: Absolutely. The data – and I mentioned earlier that data is making its way into integrated workflows around Command Center and evidence management. So, that's where the intersection of

mobile video and what's ingested in the field and Command Center software, which is the ERP of the workflows, is coming together.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: And it's not a zero-sum game at this point. There's a lot of greenfield opportunity. Axon is a great company. So, we just want to make sure everybody understands. We do have a question over here.

<Q>: A couple of years ago, there was a lot of conversations around defunding the police. Can you talk about what you're currently seeing with government budgets?

<A – Jason Winkler – Motorola Solutions, Inc.>: Good question. So, a couple years ago, that was an inbound narrative. We never saw the actuality of budget shifting. So, while it was in the press and perhaps a possibility in terms of public safety budgets and how police are allocating funds, they've remained robust. And in fact, the body-worn camera, in many cases, mandates that are coming from local governments that officers need to have cameras has actually helped the overall environment of demand for body-worn cameras. And today, even in the State of the Union, President Biden talked about the solution being funding the police. So, the environment around prioritization and public safety and police helping people stay safe remains healthy.

<Q>: Do you have an estimate of what percentage of police departments have body worn cameras?

<A – Jason Winkler – Motorola Solutions, Inc.>: I don't have that estimate. I know it's increasing. And in many cases, the mandates which some of which are funded, some of which are unfunded in Illinois, for example, there's local communities that are adding body-worn cameras, it's generally a positive momentum in terms of how many people are going – officers have it.

I should also mention I work with the Chicago police quite a bit. I'm the Treasurer of a foundation that benefits fallen officers and really the psyche around wearing these devices has really changed, right? So, at some point in time, maybe officers didn't like the idea. They've embraced it by far now, because you want to capture both sides. Transparency leads to better outcomes on both sides, for police as well as potential activity, criminal activity. So, the sentiment has changed dramatically in terms of these are a part of just like a gun, just like a vest and a body-worn camera.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: Questions?

<Q>: Can you talk about supply chain issues you're currently seeing?

<A – Jason Winkler – Motorola Solutions, Inc.>: So, in LMR, our number one challenge within supply chain is around access to the semiconductors that are within our products. It's a constraint that we navigated through last year. The delivery commitments from many of our supply chain partners or semiconductor partners were extended in Q4. And that, in turn, led to our requirements this year, and we talked about it in the Q1 call or the Q4 call that about \$120 million of incremental cost this year, \$100 million of which will be in the first half of this year. We are allocating two the pursuit of the parts that we need to fulfill the demand. So there's three principle strategies we're using to navigate a complex supply chain semiconductor environment.

Number one, over 40% of our company is engineers and we're asking those engineers, in addition to working on new products, to help if Part A, semiconductor A is unavailable. Find Part B, which is a substitute which may be available. We're doing that.

Number two, Greg, I, Jack and Mahesh are actively engaged with the handful of semiconductor suppliers for allocation. And given our gear is public safety, we do get prioritized. We're not creating printers. We're enabling public safety.

And then thirdly, where necessary and it has been necessary from time to time. We are paying a premium for those who do have these commonly available parts, semiconductors. And those premiums are pretty high in the broker market right now, which is a temporary demand and supply phenomenon, and we'll continue to navigate around those. But all three of those are going to help us – those strategies are going to help us continue to get the supply on the semiconductors we need and enable the growth that we've forecast for this year of 7%.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: And that probably plays into your EPS guidance for the year. That's been another topic for investors. It's more back-half weighted in terms of the inflection and margins and profitability. Maybe you could just clear the air on the expectations for the full year and what went into this back half weight?

<A – Jason Winkler – Motorola Solutions, Inc.>: Sure. So our expectations on earnings per share between \$9.80 and \$9.95 for the year, that's our guide. And the shape is the first half will be, as I mentioned, largely impacted by about \$100 million of those increased year-over-year incremental costs related to the pursuit of getting the supply chain higher cost. Secondly, as we saw these pricing and these broker requirements emerge, we did take action in pricing of our own products. We have record backlog, I should mention that \$13.6 billion and a very good demand backdrop. We've taken a comprehensive review of pricing and implemented pricing actions that will largely benefit of us in the second half as we churned through backlog.

So backlog and the \$13.6 billion is largely captured at prior pricing, that gets delivered. New orders get captured at a higher price, that benefits the second half as well. So that's a little bit about why the shape of the year is a bit different.

Adam Tindle, Analyst, Raymond James & Associates, Inc.

Perfect. Well, time flies when you're having fun. We're out of time, unfortunately, but we'll continue the discussion downstairs. Go ahead.

Jason J. Winkler, Executive Vice President & Chief Financial Officer, Motorola Solutions, Inc.

Sure. I have other thing on capital allocation because we didn't get to it. But given them the current market environment and as you mentioned disruptive, we are actively repurchasing shares. In fact, we acquired almost \$400 million already quarter-to-date, which is a pace that's higher than in the past.

Adam Tindle, Analyst, Raymond James & Associates, Inc.

I'm glad that you clarified that. That's a good place to end the discussion and we'll continue it downstairs. Thank you so much, Jason.

Jason J. Winkler, Executive Vice President & Chief Financial Officer, Motorola Solutions, Inc.

Thanks.