



Q1 2018 Earnings Conference Call Thursday, May 3, 2018

PARTICIPANTS

Motorola Solutions, Inc. Executive Participants

Chris Kutsor – Vice President, Investor Relations
Greg Brown – Chairman & Chief Executive Officer
Gino Bonanotte – Executive Vice President & Chief Financial Officer
Bruce Brda – Executive Vice President, Products & Solutions
Jack Molloy – Executive Vice President, Worldwide Sales & Services

Other Participants

Matthew Cabral – Analyst, Goldman Sachs & Co. LLC
Keith Housum – Analyst, Northcoast Research Partners LLC
Vijay Bhagavath – Analyst, Deutsche Bank Securities, Inc.
Kyle McNealy – Research Associate, Jefferies LLC
Mike Koban – Research Associate, Raymond James & Associates, Inc.
Paul Coster – Analyst, JPMorgan Securities LLC
Jim Suva – Analyst, Citigroup Global Markets, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Operator: Good afternoon and thank you for holding. Welcome to the Motorola Solutions First Quarter 2018 Earnings Conference Call. Today's call is being recorded. If you have any objections please disconnect at this time.

The presentation material and additional financial tables are currently posted on the Motorola Solutions Investor Relations website. In addition, a replay of this call will be available approximately three hours after the conclusion of this call over the Internet. The website address is www.motorolasolutions.com/investor.

At this time, all participants have been placed in a listen-only mode and the line will be opened for your questions following the presentation.

I would now like to introduce Mr. Chris Kutsor, Vice President of Investor Relations. Mr. Kutsor, you may begin your conference.

Chris Kutsor, Vice President, Investor Relations

Thank you, and good afternoon. Welcome to our 2018 first quarter earnings call. With me today are Greg Brown, Chairman and CEO; Gino Bonanotte, Executive Vice President and CFO; Bruce Brda, Executive Vice President, Products & Solutions; and Jack Molloy, Executive Vice President, Worldwide Sales & Services. Greg and Gino will review our results along with commentary, and Bruce and Jack will join for Q&A.

We've posted an earnings presentation and news release at motorolasolutions.com/investor. These materials include GAAP to non-GAAP reconciliations for your reference. During the call, we reference non-GAAP financial results, including those in outlook, unless otherwise noted.

A number of forward-looking statements will be made during this presentation and during the Q&A portion of the call. These statements are based on current expectations and assumptions that are subject to a variety of risks and uncertainties. Actual results could differ materially from these forward-looking statements.

Information about factors that could cause such differences can be found in today's earnings news release and the comments made during this conference call in the Risk Factors section of our 2017 Annual Report on Form 10-K and in our other reports and filings with the SEC. We do not undertake any duty to update any forward-looking statement.

I'll now turn it over to Greg.

Greg Brown, Chairman & Chief Executive Officer

Thanks, Chris. Good afternoon, and thanks for joining us today. I'll now share a few thoughts about the overall business before Gino takes us through the results and outlook.

First, Q1 was an outstanding quarter and a strong foundation for what I expect to be an excellent 2018. Total revenue grew 15%, with organic revenue up 10%, and we grew organically in every region led by North America organic growth of 8%.

Second, we're raising full-year guidance for both revenue and EPS on continued growth throughout the year. We now expect full-year 2018 revenue growth of approximately 14%, which includes organic constant currency growth of about 4%, up versus our prior guidance of about 2.5%, and we now expect higher EPS of \$6.70 to \$6.85.

And finally, our LMR business continues to perform exceptionally well. We grew revenue in every region. We grew EPS by 55% and we ended the quarter with record backlog. This strong performance, coupled with the acquisition of Avigilon, which increases our total addressable market by \$11 billion-plus, provides strong momentum for the remainder of 2018 and beyond.

I'll now turn the call over to Gino to provide additional details on Q1 results and outlook, before returning for some closing thoughts.

Gino Bonanotte, Executive Vice President & Chief Financial Officer

Thank you, Greg. Q1 results include revenue of \$1.5 billion, up 15% versus last year, including \$49 million of revenue from acquisitions and \$15 million of revenue related to the adoption of accounting standard ASC 606.

Organic revenue, which excludes acquisitions and the accounting changes, was up 10%. Organic revenue in constant currency was up 7%, including \$39 million of favorable FX.

During the quarter, the company adopted ASC 606. The primary change for MSI was the reclassification of third-party sales commission, which had historically been presented as a reduction of revenue. Starting in Q1, these commissions are now reported as operating expenses.

For the full year, we expect incremental revenue from the adoption of ASC 606 of approximately \$75 million and approximately \$0.01 of incremental EPS, which occurred in Q1.

GAAP operating earnings were \$171 million, down \$2 million from last year. Non-GAAP operating earnings were \$260 million, up \$48 million or 23% from the year-ago quarter. And operating margins were 17.7% of sales, up 120 basis points from last year.

GAAP earnings per share was \$0.69, up 53% from \$0.45 last year. Non-GAAP EPS was \$1.10, up 55% from \$0.71 last year. Ending backlog was \$9.6 billion, up \$1.1 billion versus last year. Products segment backlog was up \$166 million or 11% and Services segment backlog was up \$973 million or 14%.

Q1 Products sales were \$801 million, up 14% from last year on growth in every region. North America Product revenue was up 14% in the quarter. Q1 Products segment operating income was \$127 million or 15.9% of sales, up 250 basis points from last year, driven primarily by higher sales.

Products segment backlog ended the quarter at \$1.7 billion, up \$166 million or 11% versus last year, driven by North America and EMEA. This is the 14th consecutive quarter of year-over-year backlog growth. Sequentially, product backlog was down \$178 million, driven primarily by the adoption of the accounting standard ASC 606.

Turning to Services. Q1 Services revenue was \$667 million, up 15% from last year with growth in every region. Managed & Support Services grew 21% to \$496 million, inclusive of \$32 million from acquisitions.

Services operating income was \$133 million or 19.9% of sales, down 50 basis points from last year, driven by higher OpEx related to acquisitions, FX and R&D investments in our software business. Gross margins were up 40 basis points on continued Managed & Support growth.

Services backlog ended at \$7.9 billion, up \$973 million or 14% versus last year, driven primarily by recurring Managed & Support Services. Sequentially, Services backlog is up \$175 million or 2%.

Total OpEx in Q1 was \$416 million, up \$52 million from the year-ago quarter. Acquisitions added \$15 million, FX added \$12 million and the adoption of ASC 606 added \$13 million. The balance is related to higher incentive payments and legal costs associated with the Hytera litigation, offset by cost reductions in the underlying business.

For the full year, we expect OpEx of approximately \$1.8 billion versus \$1.54 billion last year. The change is driven by approximately \$200 million of OpEx related to acquisitions and approximately \$75 million as a result of the adoption of ASC 606. We continue to expect operating expenses in the underlying business to be down approximately \$20 million versus 2017.

Other income and expense was \$27 million compared to \$47 million in the year-ago quarter. Net interest expense was \$46 million compared to \$51 million a year ago. And the Q1 effective tax rate was 19%.

Q1 operating cash flow was an outflow of \$500 million versus \$142 million of cash flow last year. The decline is attributable to \$500 million pension contribution; \$40 million of incentive payments, some of which was accelerated from Q2 in order to take advantage of the new tax legislation; \$15 million of higher

cash taxes; and it's also worth noting that we had a \$52 million collection of a legal judgment in the prior year.

Free cash flow was a negative \$541 million. Capital expenditures were lower by \$27 million versus last year, as a result of lower IT spend related to the ERP implementation in 2017.

Normalized for pension, we continue to expect approximately \$1.4 billion in operating cash flow for the year. The \$1.4 billion now includes a \$50 million payment related to a legacy Iridium settlement in India and \$50 million of costs related to the acquisitions of Avigilon and Plant.

During the quarter, we issued \$500 million of senior unsecured debt, which was contributed to the U.S. pension plan. We also secured \$400 million of prepayable short-term debt and use \$400 million from our credit revolver, as well as cash on hand to fund the acquisitions of Avigilon and Plant. Additionally, we repurchased \$66 million of stock at an average price of \$101.54 and paid dividends of \$84 million.

Turning to our outlook. We are raising our revenue and EPS guidance for 2018. We expect Q2 sales to be up approximately 15%, with organic growth of approximately 4%. We expect EPS between \$1.34 and \$1.39. We now expect full-year 2018 revenue growth of approximately 14%, up from the prior guidance of 10% to 11% we provided at our Financial Analyst Meeting in February.

Organic growth for the full year is now expected to be approximately 5%, with organic constant currency growth of approximately 4%, up 150 basis points from our prior guidance. This updated guidance includes approximately \$75 million of currency tailwinds, versus \$130 million of currency tailwinds in our prior guidance.

EPS is expected to be \$6.70 to \$6.85, versus a prior outlook of \$6.50 to \$6.65. This assumes a weighted average diluted share count of approximately 172 million shares and an effective tax rate of approximately 25%.

Also contemplated in guidance is now approximately \$450 million of revenue from Avigilon and Plant with approximately \$0.04 of EPS, net of higher interest expense and lower share repurchases. This is up \$100 million and \$0.04 of EPS from our February 27 guidance. Revenue from the adoption of ASC 606 is approximately \$75 million with approximately \$0.01 of EPS.

Looking at regional results. Americas revenue was up 15%, with organic growth of 8% in North America. The Americas growth was driven by strong demand for LMR products and services, serving public safety and commercial customers. Additionally, Q1 included a large customer shipment of approximately \$50 million that was not expected to ship until later in 2018. This shipment was the largest single shipment we have had in any Q1 period.

And finally, Q1 backlog is up approximately \$900 million year-over-year. EMEA revenue was up 18% on strength across both Products and Services, including \$31 million from favorable FX. Backlog was also up in the region year-over-year.

And in Asia Pac, revenue was up 5% on growth in both Products and Services, including \$6 million from favorable FX rates, while backlog was up on strong Services demand.

Finally, I'd like to end with some notable highlights. First, we were selected by the State of Florida to build and manage a new statewide public safety network. This multi-year award, which is not yet reflected in our backlog, is another proof point of the longevity of land mobile radio.

Additionally, we won a \$40 million Managed & Support Services contract with the State of Maryland, a \$20 million Managed & Support Services contract with the State of Indiana, a \$15 million award for a P25 system upgrade for Miami-Dade County in Florida, a \$6 million Managed & Support Services contract with Petrobras in Latin America, and we announced the LEX L11 mission-critical LTE handheld device for global broadband networks, including FirstNet in the U.S.

Finally, we closed the acquisition of Avigilon, a leader in advanced video surveillance and analytics; and Plant, a leader in command center software and Next-Generation 911.

I'd now like to turn the call back over to Greg.

Greg Brown, Chairman & Chief Executive Officer

Thanks, Gino. Let me just close with two thoughts. First, Q1 was a great start with overall growth of 15% and organic growth of 10%, but I'm particularly pleased with our record backlog position, which further reinforces my confidence in raising our full-year guidance.

Second, I want to update you on our progress with the UK Home Office and our Airwave contract. Since I last referenced this a couple of months ago at our Financial Analyst Meeting, our discussions have been ongoing, active and productive. As a result, we now believe the Airwave contract will be extended by five or more years.

And with that, I'd like to turn the call back over to Chris.

Chris Kutsor, Vice President, Investor Relations

Thank you, Greg. Before we begin taking questions, I'd like to remind callers to limit themselves to one question and one follow-up. Operator, would you please remind our callers how to ask a question?

QUESTION AND ANSWER SECTION

Operator: Certainly. The floor is now open for questions. [Operator Instructions] Thank you. Our first question is coming from Matt Cabral with Goldman Sachs. Please go ahead.

<Q – Matt Cabral – Goldman Sachs & Co. LLC>: Yeah. Thank you. Wanted to ask about organic growth. So, clearly, very strong start to the year. Can you just expand a little bit more on what's behind that strength and just the biggest sources of upside you saw versus 90 days ago?

And then the second part of the question. So, guidance for 5% for the full-year organic implies a little bit of a decel as we get through the balance of the year. Just wondering if there are any big drivers of that we should be thinking about, or if it's more just conservatism given where we are in the year at this point?

<A – Greg Brown – Motorola Solutions, Inc.>: Matt, I think that on the first part I just think the overall demand is strong, which is reflected in our performance both for Q1 and embedded contextually in why we're raising the full year.

Now, it's worth noting that in Q1 we had the largest shipment we've ever had in the history of the company in a Q1. That was four times larger than the next largest shipment, and that's great.

But even absent that, overall demand remains quite solid. If you normalize for that, I think it's more informative to look kind of first half, second half and full year. And when you do that, first half organic growth constant currency is about 4%, second half is 4% and the full year is 4%.

I think our aged backlog position and record backlog position overall coming out of Q1 supplements that. So I wouldn't get too caught up. We don't look at it as a deceleration normalized for that large order. We look at it more as a constant linearity of demand throughout the year.

<Q – Matt Cabral – Goldman Sachs & Co. LLC>: Got it. And then, for my follow up so, Greg, you closed out your prepared remarks talking about Airwave. Just, first, curious when do you think ultimately that will get to the resolution and that will be a finite thing that will come through?

And second, just on the Services backlog. Is there any increase from Airwave in there? Or is that on the come when we think about the additional five years that you talked about?

<A – Greg Brown – Motorola Solutions, Inc.>: First part, I think our expectation is we would look to finalize the agreement either this quarter or next quarter. And any extension of backlog that's contemplated in that extension of that agreement is not contemplated in the overall backlog or the Services segment backlog.

<Q – Matt Cabral – Goldman Sachs & Co. LLC>: All right. Thank you.

<A – Greg Brown – Motorola Solutions, Inc.>: You bet, Matt.

Operator: Our next question comes from Keith Housum with Northcoast Research. Please go ahead.

<Q – Keith Housum – Northcoast Research Partners LLC>: Good afternoon, guys. Appreciate the opportunity. As we look at the Services margins. Obviously, they've been increasing well and your Managed & Support Services had a great quarter this quarter. How should we think about the Services gross margins going forward? Is there an opportunity for those to rise over time?

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Yeah. Keith, this is Gino. Our expectation for margin for 2018 is for margin to be up slightly, even if we exclude ASC 606. Clearly, with the \$75 million of incremental revenue, that's expansion in the Product segment.

So the way to think about it is we expect Services gross margin to be up year-over-year. We expect Product margins to be comparable to what they were in 2017 and, overall, we do expect margin expansion in 2018.

<A – Greg Brown – Motorola Solutions, Inc.>: Yes, I think Kelly Mark is doing some really good work on the Services side and on cost of goods and cost of delivery, as well as Jack. We reviewed that a few days ago. So, specifically on the Services gross margin, we do expect Services gross margin to be up this year over last year. Good work by the team.

<Q – Keith Housum – Northcoast Research Partners LLC>: Great. Appreciate the color. And just a follow-up for you. On FirstNet, we didn't hear anything about FirstNet I guess in the script. Any new thoughts on the progress of FirstNet and Motorola's involvement in that?

<A – Greg Brown – Motorola Solutions, Inc.>: We continue to work closely with AT&T. We had minimal revenue, virtually none, in Q1 from any contribution as it relates to FirstNet activity. We have talked about annual revenue guidance of \$20 million to \$40 million. Candidly, we're in May. We look at Q1. I know there's a lot of work to be done. I know a lot of good work is being done.

As Jack and I talk about this opportunity, I think we're going to be anchored more towards the low end of that guidance on revenue for 2018. But we continue to work closely with our customers and with our partner AT&T.

<Q – Keith Housum – Northcoast Research Partners LLC>: Great. Thank you.

Operator: Our next question comes from Vijay Bhagavath with Deutsche Bank. Please go ahead.

<A – Greg Brown – Motorola Solutions, Inc.>: Vijay, we can't hear you.

Operator: Vijay, your line is open. Do you have us on mute? And my apologies, Vijay. [Operator Instructions] Go ahead. Your line is open.

<Q – Vijay Bhagavath – Deutsche Bank Securities, Inc.>: Can you guys hear me now? Yes. Yeah. Sorry, I was speaking to myself. Yeah. Hi. Good afternoon. My question is on the acquisitions, Avigilon and also the Plant Holdings, seem very interesting. Greg, you might have a thought process in mind as to how to, like, waterfall this or ramp this through the course of the year and through next year.

I'd like to get your thought process from a management point of view, how do you plan to take these acquisitions into the MSI sales and marketing and product complex, and how should we look from both a marketing point of view and then also from your lens, how do you ramp it through the rest of the year and over the next few years? Thanks.

<A – Jack Molloy – Motorola Solutions, Inc.>: Yeah. So, Vijay, I'll start with – it's Jack. I'll start with Avigilon. Early days been very impressed. Avigilon is a great company. I think the thing that we've spent our time is really around creation of revenue synergy. Obviously, as Greg has alluded to in the previous call, we kept this company as operating as they were before. And we've got a couple significant opportunities.

First and foremost, the United States Federal Government. Avigilon did not sell into the Fed's space, either the federal or the military space. We have opportunities really throughout that market. And obviously, we're using our direct sales force as a conduit or a channel to the Federal Government.

The second piece is in the U.S. and the public safety market. A lot of these, like, safe city, the Detroit Green Light like projects, we've got a list of probably 30 or 40 targeted cities that we're working with Avigilon and going after.

And the last thing is really heavy industry or enterprise Fortune kind of 300 kind of companies in both North America but throughout the world, and we're also looking to work closely with them on that.

So, from an Avigilon perspective, obviously great company. We think we've got opportunities. We've talked about our growth rates in 2018 for Avigilon as we modeled them are comparable to 2017.

<A – Jack Molloy – Motorola Solutions, Inc.>: And I think that was the question. Was there a follow-on, Vijay?

<Q – Vijay Bhagavath – Deutsche Bank Securities, Inc.>: Yeah. I think, yeah, the follow-on was around OpEx. I mean, honestly, the company has been doing a much better job, more credit to you and team, on OpEx as a percentage of revenues. That said, how should we think about this line item through the course of the year?

<A – Gino Bonanotte – Motorola Solutions, Inc.>: So, Vijay, this is Gino. From the full-year, OpEx we expect to be \$1.8 billion versus \$1.54 billion in 2017. Approximately \$200 million of that comes from the acquisitions from Plant and Avigilon, and \$75 million from ASC 606, which is the accounting change.

The underlying business we continue to expect to be down approximately \$20 million from 2017.

<Q – Vijay Bhagavath – Deutsche Bank Securities, Inc.>: Yeah. Perfect. Thank you.

<A – Greg Brown – Motorola Solutions, Inc.>: Thank you, Vijay.

Operator: Our next question comes from George Notter with Jefferies. Please go ahead.

<Q – Kyle McNealy – Jefferies LLC>: Hi, guys. Thanks a lot. This is Kyle on for George. Thanks for taking the question. I guess I want to ask a little bit more about Avigilon and how you think that now that it's layered in, what it does to the steady state kind of market growth rate of the combined company?

I know that it's a smaller piece of the business but I believe it was running at, at least a high-teens growth rate. So, just wanted to see if I can get your thoughts on how you see kind of the combined company growth through the end of the year 2018 and into 2019? Thanks.

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah. Kyle, a couple of things. As Jack just referenced, I think there's a number of ways we can extend, expand the Avigilon reach with: A, into the federal business; B, with global partners; and C, working with our direct sales team in the commercial markets, utilities, oil, gas and other critical verticals.

I think the way we're modeling this business and what's contemplated in our full-year growth is a double-digit revenue growth comparable to last year. Look, they were a public company. You've seen what they did. I think they were \$353 million to \$408 million, publicly traded on the Vancouver Exchange. That kind of growth rate is our current expectation by the way.

I mean, I think we want to be very prudent in modeling the business and don't get out ahead of our headlights. But there's no question the demand is pretty strong. Video is there. I think there's tremendous synergies and we'll update you accordingly between execution between now and the end of the year.

<Q – Kyle McNealy – Jefferies LLC>: Great. Thanks. And I know that Avigilon, obviously, had more exposure to the commercial sector versus government. And how much has that changed your total company exposure in terms of commercial as a percent of sales? I know that you've historically been 70% to 75%. Has that changed much for Avigilon?

<A – Greg Brown – Motorola Solutions, Inc.>: I think it's too early to tell. I mean, we're about 75% government and public safety and 25% commercial markets overall. Obviously, the opportunity is open-field running on federal and public safety. I think it's too early to predict a revenue composition per se, but clearly the opportunity is there.

<Q – Kyle McNealy – Jefferies LLC>: Okay. Thanks. And one quick last one. How much in terms of the backlog did the Avigilon and Airbus acquisitions add to backlog? And then, do you have a quantification of the ASC 606 impact on backlog?

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Yeah. Kyle, this is Gino. Avigilon doesn't come with a tremendous amount of backlog. It's in-quarter activity. So it was minimal. The Plant backlog was about \$200 million and there was the last – oh, ASC 606 was a reduction in backlog of a little over \$100 million.

<Q – Kyle McNealy – Jefferies LLC>: Okay, great. Thanks a lot. And congrats on the quarter. Really fantastic results, so looking forward to hearing more. Thanks.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: All right. Thanks, Kyle.

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah. We were pleased with backlog. It is very seasonally normal for this business, where overall backlog declines from a very robust Q4 into Q1. It was flat, which I think is another demand indicator, positively in terms of the trends and what we're seeing.

<Q – Kyle McNealy – Jefferies LLC>: Yeah. Sure, great. Thanks.

Operator: Our next question comes from Adam Tindle with Raymond James. Please go ahead.

<Q – Mike Koban – Raymond James & Associates, Inc.>: Hey, guys. This is Mike Koban on for Adam Tindle. Thanks for taking my question. Just a little bit more on Avigilon. So I'm just wondering if there's any more like investments or if there's any maybe obstacles you see in the future in kind of transferring your sales force's focus from what might be chiefly government into more commercial? And then I have one follow-up.

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah. And I'll let jump Jack jump in too. But I don't see any obstacles. And as Jack referenced, we're keeping Avigilon basically intact as a wholly-owned subsidiary. They do a different thing than we do. So I don't want to disrupt or unintendedly put any organizational or operational obstacles. This is a very well-run company.

We want to add capital to it. We want to add people to the sales force. We want to invest more. Avigilon is all about top-line growth. So I think it's a channel story, which is why it sits under Molloy, both direct, indirect and federal. And Jack's been given the green light by Gino and myself to provide the necessary capital investment to facilitate the growth that's in front of it.

<A – Jack Molloy – Motorola Solutions, Inc.>: Yeah. And Greg, maybe just one follow-on. Mike, so from an enterprise and commercial market perspective, frankly, they do a superb job. They've got a channel that serves that market very well. So we think the incremental lift we can provide them, maybe is some heavy industry kind of companies I talked about. But interestingly enough, they don't do much business because they were a smaller company and they found that the business turned better, focused on enterprise securities space. They haven't focused on public safety.

Now, we have done large cities. Obviously, we manage the City of Chicago's video network, which is the largest public safety video network in the country. We've done Cleveland and the Detroit project as well. So we really – frankly, James Henderson and I have talked about this. We look at government and public safety as, frankly, open space. And we think that is a market, obviously, our sales team knows very well and we think there's only uplift as it applies to public safety and government in terms of Avigilon.

<Q – Mike Koban – Raymond James & Associates, Inc.>: Got you. Thanks. Thanks. Great color. And then, about FirstNet, just it looked like AT&T, I think they said recently that they were planning to hit about 20,000 sites in 2018. And I was just wondering if that was – how do you view that as maybe like an acceleration about what you expect? I know you touched on your kind of expectations for them. Just kind of wondering how the overall ramping process is moving along as far as in relation to how you expected it to go?

<A – Greg Brown – Motorola Solutions, Inc.>: Well, remember, FirstNet through the lens of us, the partner, provides economic contribution in three ways; device sales, mainly push-to-talk device sales; mission-critical software applications; and thirdly, interoperability between LMR and public safety LTE.

Now, AT&T reported recently, they talked about some traction and uplift on their own results. I won't speak for them as it relates to FirstNet. But, for us, what matters is FirstNet users that are utilizing push-to-talk and we can only report on our end.

And again, as Jack referenced, the revenue contribution was virtually \$0 in Q1. And the low end of guidance that we're anchoring now more toward on the \$20 million to \$40 million simply reflects our expectation based on the current view and Q1 around FirstNet's ability to provide economic impact to us, mainly through push-to-talk or related push-to-talk.

<Q – Mike Koban – Raymond James & Associates, Inc.>: Got you. Thanks. Great. That's all I got, guys. Thank you.

<A – Greg Brown – Motorola Solutions, Inc.>: Okay.

Operator: [Operator Instructions] Our next question comes from Paul Coster with JPMorgan. Please go ahead.

<Q – Paul Coster – JPMorgan Securities LLC>: Yes. Thank you very much for taking my questions. First up, as we layer in the Avigilon business, how do we split out the Product from the Service component of that business? And what does it do to recurring? I think you exited last year with about 28% recurring. I imagine it's a lower proportion, probably doesn't impact it much, but would be good to know how that evolves.

<A – Greg Brown – Motorola Solutions, Inc.>: Avigilon is primarily Product and has very little recurring. Overall, by the way, just from a Motorola Solutions standpoint, our recurring revenue was 34% coming out of Q1 as an overall enterprise, which of course we like.

Now Avigilon has very little recurring revenue. So, as more that revenue gets contemplated and factored into the full year, that number may compress a little bit. But absent Avigilon, we like the annual recurring revenue trends of the inherent business.

<Q – Paul Coster – JPMorgan Securities LLC>: And the recurring revenue trend originates in the higher Service growth rate? Or is it the nature of the contracts that you're entering into?

<A – Greg Brown – Motorola Solutions, Inc.>: I think it's primarily driven by a higher Managed & Support Services growth rate.

<Q – Paul Coster – JPMorgan Securities LLC>: Got it. Thank you very much.

<A – Greg Brown – Motorola Solutions, Inc.>: Which by the way was 21% in Q1, with 13% organic contribution. It was strong.

<Q – Paul Coster – JPMorgan Securities LLC>: Got it. Thank you.

Operator: Thank you. Our next question comes from Jim Suva with Citi. Please go ahead.

<Q – Jim Suva – Citigroup Global Markets, Inc. (Broker)>: Thanks very much. In your prepared comments, you mentioned about a very large shipment which happened in Q1 that was supposed to be happening later in the year.

My question to you is, does that open up the potential for follow on shipments later in the year because the customer has received those shipments, they'll be testing, using, implementing, rolling them out, something great? And also is there a Service element attached to those which also again potentially kind of earlier than expected?

<A – Jack Molloy – Motorola Solutions, Inc.>: Jim, it's Jack. And I believe the question was around the large shipment that Greg referenced in the prepared remarks. We always had that \$60 million opportunity factored into the revenue in the year. We were going through some bureaucratic challenges within the customer and we were able to alleviate and work through.

And so, obviously, we moved the deal early into the year into Q1. But no, that \$60 million, we shouldn't think of that as something that was based on timing. We just accelerated the full project and turned the revenue in the first quarter.

<A – Greg Brown – Motorola Solutions, Inc.>: And I think his other question was, do you see any Services content that could attach to that shipment.

<A – Jack Molloy – Motorola Solutions, Inc.>: Minimal.

<A – Greg Brown – Motorola Solutions, Inc.>: Okay.

<A – Jack Molloy – Motorola Solutions, Inc.>: It was a device sale. So it's minimal.

<Q – Jim Suva – Citigroup Global Markets, Inc. (Broker)>: Okay. Thanks so much. I appreciate all the details and clarification.

Operator: Thank you. Gentlemen, it appears we have no further questions at this time. I will turn the floor back over to Mr. Chris Kutsor, Vice President of Investor Relations, for any additional or closing remarks.

Chris Kutsor, Vice President-Investor Relations, Motorola Solutions, Inc.

I think that will do it for this afternoon. Thank you for your time.

Operator: Ladies and gentlemen, this does conclude today's teleconference. A replay of this call will be available over the Internet in approximately three hours. The website address is www.motorolasolutions.com/investor. We thank you for your participation and ask that you please disconnect your lines at this time. Have a great day.