



Citi Global Technology Conference  
Thursday, September 8, 2022

## PARTICIPANTS

### Motorola Solutions Executive Participants

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

### Other Participants

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**Jim Suva** – Analyst, Citigroup Global Markets, Inc.

## OPENING COMMENTS

Welcome to day two of Citigroup's Global Technology Conference here, live in person in New York City. Thank you so much for joining us here. Please find a seat. It's great to see you all in person. This session is featuring Motorola Solutions stock ticker, MSI. A few housekeeping items. No media and no press are allowed. Disclosures are available at the check-in desk and on Citi Velocity site. Motorola Solutions disclosures, safe harbor and forward-looking statements can be found on their Investor Relations site as well as please have a look at their recently filed SEC documents, including their recent 10-Qs and 10-Ks. We do note that anybody who is subject to MiFIDII, please make sure you have the applicable research agreement in place.

With that, I'd like to introduce Motorola Solutions. Joining me here in the center of the stage is Jason. He's the Chief Financial Officer of Motorola Solutions. We have a handful of prepared questions. We're seeing that the audience is quite large. We're going to allow ample time for you to ask Jason questions directly. We do ask that you raise your hands, so we can get the microphone over to you. That way, the people on the webcast can also hear it and I will join Jason on stage as I ask my first question.

## QUESTION AND ANSWER SECTION

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: So, Jason, thanks so much for joining us. But can you just give – because you're a pretty diverse company, a brief overview of each of your businesses within the different segments and what you do there?

**<A – Jason Winkler – Motorola Solutions, Inc.>**: Sure, Jim. And it's great to be here back in person. For those of you who aren't here, Citi is feeding us like pre-COVID and putting us in hotel rooms with headboards and meeting and squidding in conference rooms, which feels good because it feels normal. So, it's nice to see everybody back in person.

So, our three technologies, Jim. I'll start with the land mobile radio, which is a critically important communications technology for first responders, government and critical infrastructure. We're a leader in that market and have been for since its inception. We continue to innovate and support our customers. We have over 13,000 major networks that our customers have deployed that we continue to support, serve and sell products around thousands of customers in the US, as well as international presence. It's part of the company's heritage. It's really where Motorola began. We've continued to lead and innovate, and we're very proud of the work that we do in support of LMR and public safety.

The second technology I'd highlight, and this one's a bit newer for those of you who haven't followed us for a number of years. In 2018, we made an acquisition of Avigilon, which was a disruptive, soon-to-be leader in fixed video cameras. And we've taken that business and continued to grow it. We've made a number of acquisitions to support it. So that today, last year, we had \$1.2 billion in revenues associated with video surveillance, both fixed video cameras, as well as mobile on body-worn cameras and all the data that goes there in.

This year, like last year, we expect that business to grow approximately 20%. So we're planning for at the end of this year to celebrate \$1.5 billion milestone for video. And we're very excited about the investments we're making around that. We're making investments in R&D, in acquisitions, and in sales and marketing to support our continued growth in video, which by the way, is our largest available market now. It's almost \$20 billion of market potential that we want to get after.

And the final technology is command center software. And really, it's the heart and the engine behind 911 workflows. So, if you call 911 and you get a first responder to come help you, it's likely that Motorola's technology played a critical role in getting that first responder to the incident quickly, could be receiving the call, could be dispatching the nearest police officer or fire person, and it could be all the way through records and the records process of taking an event all the way through the workflow that that entails. So, that business is expected to be low double-digit growth for us this year. It was \$540 million last year.

So, that's – and really, the heart of all these things, Jim, is that, we're critical to enterprises in keeping them safe and we're critical to public safety in enabling them to keep us safe.

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: Yeah. I wish we didn't have to talk about all the crime, whether it'd be in school or the carjackings or robberies that are happening. But it's great to see your company to be a solution provider for all of that, which brings me to my next question about software and services.

All the things you talked about, talk about software and services, whether I hit the emergency button of officer Suva down or they do video of something that's happening on a school site or the command center of locations and connecting San Francisco and Oakland police departments, which aren't integrated currently, seems like software and solutions have had a good run here, but there's still a lot more to do and they're positive to margins if I understand it. Can you talk about Software and Services a little bit?

**<A – Jason Winkler – Motorola Solutions, Inc.>**: Sure. So, just as a baseline, our company last year, 62% of our revenues came from products and the related implementation of those products. 38% was from Software and Services, which is the part of the business you're inquiring about now. That is a strong part of the business. It has expanded its operating earnings from just a few years ago below 30% to last year's 36.4%. And we've done that on growth leverage and expanding our offering. Our customers and our networks and the things we do are very sticky. So – and they're complicated networks and we're best positioned to help customers maintain the networks. In some cases, our customers calling us to run and monitor the networks. And that's been a significant growth driver for that part of the business this year in Software and Services, we expect roughly comparable OE to last, and that's impacted by two things. One, we're investing in Software and Services through some recent M&A; and two, the FX impact that we and many companies are facing this year of \$170 million for us headwinds this year in our guidance. A large part of that impacts that part of the business Software and Services. That said, we have expectations for that part of the business to continue to grow and expand operating earnings looking forward.

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: I've talked to you about this in the past. I've always felt video as a really big addressable market, and the world needs more video. Despite privacy concerns, when something bad happens, a lot of times the media only gets half the story or half the video link. They don't get the altercation that happened ahead of time.

Can you talk to investors a little bit about how do you built up this video and the great success kind of that you are starting to see and expectations going forward for your video?

**<A – Jason Winkler – Motorola Solutions, Inc.>**: Sure. So, again, our video business is this year expected to be \$1.5 billion. If I aggregate – disaggregate that, about 70% of those revenues are coming from fixed cameras, brands like Avigilon, Pelco and others. The intelligence to run the cameras, which we call the video management system or VMS, and then some storage to store the video that customers deploy. That part of the business is – it sees continued robust demand. The technology is advancing. It can replace or supplement the need to watch a lot of screens with artificial intelligence. Alerts can be derived so that video cameras can be more constructive in deterring events, and certainly for responding and then detecting what eventually happened.

And then, the second part of the business is mobile video. And here, think body-worn cameras, license plate recognition, and the information that that presents to law enforcement and others around number one, transparency; number two, accountability and ensuring that not only are officers safe, but they're responding and being in the communities as they should. So, it's an important part of our business. And the two technologies – the two fixed and mobile together share a lot of commonalities. It's about processing the streams of video. It's about the intelligence layer and the investments we're making with our CTO around being best in breed of this intelligence layer around video is an important investment that we're making.

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: We've got a packed room here. I don't want to go through all my questions here because I feel I disservice the people who should be investing in your company and stocks. So, what I'd like to do is see if there's any questions from the audience, if you could please raise your hand and we'll circulate the microphone amongst the investors in the room. Otherwise, I'll continue with my questions. Any questions out there? Please raise your hand. So, they tend to be a little bit shy until we kind of break the ice and get it going. Any questions from anybody?

**<A – Jason Winkler – Motorola Solutions, Inc.>**: I can't see. It's very bright lights, so...

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: It is bright lights. I get asked a lot about LTE versus LMR and will first responders start using things such as iPhones and things like that. Can you kind of address that concern?

**<A – Jason Winkler – Motorola Solutions, Inc.>**: Sure, Jim, and we talked about this earlier. You've covered our company for a long time. The technology that LTE presents is not a substitute for LMR. It can complement LMR, and you've seen us invest in some new product offerings like this new radio that's serving public safety called APX NEXT. And that radio is a radio first. It has a full operating system that supports that button that's critically important to an officer, first responder, to communicate. And that's where they go first. That's network-driven, that's device-driven.

And the interesting thing about APX NEXT, it has a second operating system, Android-based, and that will enable LTE benefits to come to that radio. There's a couple I can think of. One, today before APX NEXT, if a radio needs to be reprogrammed, we've developed a new upgrade, a new feature or a customer has deployed a new agency or talk group, as it's called, that radio has to come into the shop and get cabled and reprogrammed. Think about that. That's like the cell phone world 20 years ago. That's very inefficient for our customers.

Today, with the benefits of LTE, that radio can be reprogrammed, talk groups enabled remotely. That's the benefits of LTE coming to that device.

The GPS or positioning on it gets better. And additionally, there's a failover component where in the unusual and certainly rare circumstance that the LMR network were not available, there's a voice fail over on to LTE, but that is a insurance policy, not a primary effect. So, we've seen continued growth in our new offering of APX Next. We've seen that device is being deployed in North America across both carriers, both AT&T and Verizon. And our customers are telling us that the device is not only a better radio, a smarter radio, and does the job better than ever. And we're pretty excited about that platform, which is a demonstration that LTE coexists and complements as a data network, what's tried and true of voice network for LMR.

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: And I always get asked about what about iPhones and other phones coming in to displace your company, and I've asked how many times have people driven over their iPhones and smashed it and taken it into a fire and doesn't survive. But any thoughts around just the common smartphone kind of...

**<A – Jason Winkler – Motorola Solutions, Inc.>**: Yeah. It comes down to that button on the side. And, yes, our APX radios now have a screen and there's some additional features that sort of mirror what might be capable on touch. But it's that button on the side that is the critical communications that's enabled on the network. And by the way, if the LMR network were not to be there or didn't work or you're in a non-coverage area, the radio has a high enough wattage

coverage in that antenna. It can speak to the other radio without the benefit of the network. You can't do that in cellular. Cellular, the backbone of the network is the network.

In the case of LMR again, redundancy, if the network weren't available, the radios talk to each other. And that criticality is built into procedural workflows and the expectations of our customers. LMR is an important part. The same principles exist within TETRA, which is another technology serving Europe and parts of Asia where we also are a leader. And so, the networks are getting smarter, but they remain anchored around this redundancy of coverage and criticality.

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: We have a full room here. All right. Now we've got some questions going on front row starting things off. Thank you.

**<Q>**: One common thing yesterday, people were worried about the macro economy. Can you talk about what you're seeing from your customer budgets?

**<A – Jason Winkler – Motorola Solutions, Inc.>**: Sure. So, within the construct of our company, 75% of our sales come from governments, 25% from enterprise. So, I think your comment is targeted at the 75% and customer budgets that are large. Let's start with North America, state and local. We have thousands of customers. They buy for their needs and they each have a budget cycle. July 1 is a common changeover for state and local budget cycle, as well as January and perhaps October. We're seeing them set their budgets for the first time with the backdrop of this real stimulus that's available to them through ARPA. With \$350 billion targeted at state and local, that's available to them through 2024. There's \$170 billion that's available to education through about the same timeline. So, they're prioritizing all of their funding streams, tax receipts, use taxes, local taxes, property taxes, and this available funding, which is unprecedented, and they're setting their priorities and they're setting their priorities. Our equipment generally is top of the list in terms of prioritization. So as they have these additional funds available to them, and we're in the early days of seeing how they prioritize it, we're getting good funnel activity. Our sales team is identifying many opportunities that they're engaged with that could be funded through ARPA. And ARPA and government budgets being what they are, provides a backdrop for communities and budgets to spend other monies as well, which could benefit us, too. So that the funding environment is, as Greg described, the best key we have seen in a number of years. And it's going to be available to our customers in their budget setting cycles for a number of years.

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: Thank you for the question. Additional questions from the audience? Online? Funding environment, though, it seems like also the past couple of years' real estate values have been going up. And when you think about typically property tax inflows to governments, counties is based upon that, it seems like they've also got a pretty healthy budget. But they kind of look more backward rather than fears of a concern going forward, is that right?

**<A – Jason Winkler – Motorola Solutions, Inc.>**: Yeah. There's a bit of a trailing effect there for certain, but property taxes being, as you described, positive. Many of the states weathered the economic down cycle of COVID quite well, too. Cities less so because a lot of their tax receipts are based on people being in the cities, hotel taxes and things like that, but with that activity having returned, the state of – our state local budgets in North America, our customers is good are complemented by the funding that I described being available to them as they set their priorities.

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: We have a question right here on the front row.

**<Q>**: Thank you. You talked about the government funding and the stimulus. What about on the enterprises side because that's still 25%, and we've talked about deals, deal cycles lengthening across several of your competitors or even a lot of the companies that are present here. So, given that you guys operate in critical mission technologies, are you seeing any impact from just cautious commercial customers or cautious enterprise?

**<A – Jason Winkler – Motorola Solutions, Inc.>**: On the enterprise side of the business, demand remains strong. Our challenge there is in obtaining the requisite supply to meet the demand levels that are there. So, lead times for customers in video and in our professional, in commercial radio set, are longer than they typically are. We have not seen order cancellations and believe that we're doing as good or better of job in getting products to customers faster

than the competition. So, demand is good, and we continue to work alternative routes of supply to get what we need to get and fulfill the demand.

In some cases, the backlog, for example in professional commercial radio, think radios that are used at this hotel or in the buildings here in New York or at the Yankees' game for security. That's a B2B kind of sale. Demand is strong and the supply availability of which we're constrained is largely impacting that part of the business. So, we'll continue to be agile in finding ways to supply, get the supply primarily semiconductors. But demand in the enterprise space remains strong, too.

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: And Jason, following on to that, are your margins being pressured a little bit by you having to use like secondary distributors or ways to secure components?

**<A – Jason Winkler – Motorola Solutions, Inc.>**: They are. Around semiconductors, as we opened up the year in February, we talked about needing to allocate an envelope of about \$120 million this year for premium purchases, paying more brokers, distributors, etcetera for the parts that we need to fulfill the demand that we've talked about. And that – the shape of that was largely \$100 million or so of incremental costs in the first half of this year versus the first half last year. And we'll expect \$20 million or slightly higher than that of incremental cost to last year second half during this second half.

One reason it's lower in the second half this year, incrementally, is because last year, about August, September is when the supply environment really became tight and we had to then begin using deployment of these methods in brokers.

It's not our principal way of getting the supply. We need to use it. 40% of our company is engineers and we have a pride of engineering, and we're challenging our engineers frequently to find alternative sources. If Part A we think is tight or unavailable, we asked them to find Part B, and I'm proud of the work that they're doing and to keep our supply chain teams able to find the necessary parts. And I think we're doing better now that we're in the probably 10th month of this environment of figuring out alternatives and keeping the supply lines of semiconductors flowing.

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: Additional questions from the audience. Please raise your hand. Police video, it seems like if I were a police chief, I would mandate all my police officers to have it just to protect them and protect me and the citizens and such. But we're still in a very minority stage of officers that have video, right?

**<A – Jason Winkler – Motorola Solutions, Inc.>**: Both officers, leadership departments, and now citizens, I think generally agree that transparency in that what that device entails, there's an implied mandate that officers should have it. It protects both the engagement with the citizen as well as the officer. So, we've seen a lot of uptake in demand for mobile video cameras. We are the – not the market leader there. We are, as customers say it, an exciting and viable second choice. And we're doing a lot of investment in not only the device but also, again, the artificial intelligence and the processing and the storage of that video streams. There's a lot of ingestion of video.

That's a differentiator as to how you can store, use that data. And ultimately, that data video of an incident will make its way into the command center and records part of our business. It's – it all starts with the police report and what happened, and that information flows into the ERP that is command center software. So, it's a good environment. We're doing well. We have a couple different portfolios, one is more North America-centric, one is international, doing quite well. And we're actually bringing the two portfolios together so that we have a more robust offer in both international and North America regions. And we like where we're at. We're going to continue to invest. We've made some very interesting business model offers for lower tier agencies where they can buy the camera and the storage for a monthly fee. That's creating some interesting opportunities in the market, and we'll continue to get after a market that we don't lead in but has a lot of opportunity.

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: And Jason, I wish I didn't have to talk about this but I'm going to, education. Right now, the school systems where my kids go, all the announcements are made on a PA or a public announcement system including a hostile situation. It just seems like there's so much technology that your company could offer to help prevent, whether it be facial recognition, car license plate recognition, scanning of what's on a body

or backpack coming in and out of school, communicating to the various teachers. Can you talk a little bit about the education market?

**<A – Jason Winkler – Motorola Solutions, Inc.>**: Sure. So, it's an important market for us. There's two portfolios that – of ours that make their way into securing the education environment. It starts with two-way radios and having those in the classroom and in many cases having them connected back to the 911 center or the police department so that they can respond accordingly. The second is, as you say, video cameras. Those have a role in, of course, preventing. And with the technology that's available for our products and some of the features like weapons detection, unusual activity at a door, those are – can fire off an alert to either in the administrative office, the teachers, the nearest police department. And the technology, what we're working on is not only having the best LMR technologies in the school and the best video cameras around the school

But making those two work together, and we envisioned through the Safe Schools initiative that we are working on, an ecosystem where those two things work together to complement and drive workflows and ultimately keep schools safe. So, we see opportunity there. We're investing to make the portfolios not only best in breed, but work more collaboratively together. And as I mentioned earlier, there's a number of funding sources pointed at securing schools here in North America.

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: One last call or two for questions in the investor audience, please raise your hand? We have a question here at front.

**<Q>**: Hi. Can you talk a little bit about the Next Gen 911 opportunity? I think you guys participate in that. And that's, like, I think you mentioned it was a double-digit growth expectation. What are some of the drivers there? What are you seeing on the competitive front, given that the growth is pretty attractive? Are you attracting other competitors to that market? And sort of where is MSI differentiated from the rest of the competition?

**<A – Jason Winkler – Motorola Solutions, Inc.>**: Sure. So, I'll start with the anchoring around. There are about 6,500 public safety answering points or 911 centers across the United States. These are the – where your 911 call goes. We are in 60% of them, with one or more parts of our solutions. So, it's a strong base upon which we are growing, and serving those PSAPs with one or more technologies, it's – today, the environment is pretty complicated, and there's a lot of interfaces between products.

Our vision and where we're investing is to take an end-to-end workflow from a call being received to a dispatch to the records, and integrating that platform so that ours works better together than anything else and can eliminate the complexities of the current environment.

There are funding opportunities. The state of the next generation or current 911 centers is many of them can't ingest a text or a picture. So think about that for a minute. I mean, that's how we run our lives and we need to get those infrastructures upgraded so that they can receive an inbound text or a photo alerting of where 911 is and as well as location.

So, it's an opportunity in terms of the state of the technology. And we'll continue to invest there. And customers are looking to us to simplify their complicated operating environments. That's where we're seeing the low double-digit growth. And it's a good market for us and one we continue to invest in making it simpler for customers.

The final thing I'll add is these 911 centers or PSAPs generally are on-premises type environments, and customers still today are looking to upgrade in that format while looking for certainty to the cloud. So our investments have not only enabled us to offer an on-prem solution, but also a path to the cloud, because ultimately we think that's where customers will go and we're timing those investments and making them now while making available the portfolio today in the way customers prefer to buy. So we're future proofing and improving that portfolio now.

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: Any other questions from the audience? Jason, I got it – oh, we got one in the middle and then I got an e-mail question for you.

**<Q>**: Yeah. It seems like you're kind of trying to move away from point products to more of a solution-based systems. As you move into that, how does LMR fit in the picture? How exactly – how does LMR really fit in the picture as providing a whole solution based?

**<A – Jason Winkler – Motorola Solutions, Inc.>**: So. LMR is a solutions-based platform. We lead in the innovation of the products and the services around those products, and the software is an incredibly great business. One of the reasons that we entered into video and started with the Avigilon is we like the systems orientation or the end to end that Avigilon was representing.

Avigilon is not just a camera buy. Customers buy an end-to-end solution. They buy Avigilon cameras. They buy Avigilon VMS and they buy Avigilon storage, almost all the time. So that was one of the things about starting in video and acquiring Avigilon that we liked is it reflected a lot of the end-to-end systems orientation and solutions orientation that we had built over time with LMR. And one of the things we're doing with the additional acquisitions we've done in video is continuing to enhance and extend that solutions orientation.

We have parts of the portfolio like Pelco that are very good cameras and can run on third party VMSs. So we're positioned well there, but our preference is for the full solution sale to be our VMS, our storage whether it's on-prem or alternatively. So the systems orientation is one of the things that we believe matches LMR certainly command center software and now video. And that's what we like about the businesses. That's one of the commonalities. And we think about it end to end. Video, for example, is in the early phases of developing software – excuse me, a services business. And we see opportunity there as well. So, we'll continue to invest. And our goal would be for us to lead and have that video business reflect more and more of our leadership position that we do have in LMR.

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: Jason, the question I got asked was about, can you ask Jason about uses of cash, cash flow, as CFO? What's his plans for that? And I will point out that you do pay a dividend and you do have a stock buyback.

**<A – Jason Winkler – Motorola Solutions, Inc.>**: Yeah. So, our framework, which has guided us for a number of years, is for – of operating cash flow. We'll start with the dividend. 30% of it goes to support the dividend. We've – since 2011, we've annually raised our dividend double digit that aligns with the cash flow increases that we've seen. 20%, maybe a little bit less than that, is allocated for CapEx. So, we're pretty capital light. Most of our capital, by the way, that we do deploy is in support of our customer managed and/or owned networks. So, we're investing in customer success in that capital.

And then finally, the remaining 50% of operating cash flow, we've allocated for either M&A or the acquisition or buyback of our shares. That's a framework that served us well. Our operating cash flow this year is expected to be \$1.9 billion. It's – like every in many years, our cash flow is back half driven given the ramp in volumes that we see. And I would also point to we are investing strategically in the inventory to navigate the environment that we're in. And that inventory position has served as well in getting more timely products out the door to our customers.

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: And to the audience here and all the webcast. What do you think investors do not fully appreciate our grasp about MSI?

**<A – Jason Winkler – Motorola Solutions, Inc.>**: I think it starts with the video business that we've built, both inorganically and the investments we've made around that. We are soon to be a leader in North America around video and have opportunities across the globe. I think that's one thing that's new. It's only four years in of defining a new market for us and one that we believe we can differentiate in. And I think the second one is the – just the platform business that around LMR and the incumbency we have with customers. Our sales team is unrivaled in terms of how they know and serve their customers. The sales cycles in LMR can be a number of months or quarters and we're positioned there well. And now the sales force that we've built around video this year has come to be even greater number of sales resources serving video now, Jim, than in LMR. And we have a great sales team, great products, great customers and an opportunity to grow profitably this business.

**Jim Suva, Analyst, Citigroup Global Markets, Inc.**

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I want to thank Motorola Solutions for joining us here today and sending their Chief Financial Officer as well as Investor Relations. And this now concludes the MSI fireside chat. Thank you.

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

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Thank you.