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OPENING COMMENTS

Tim Long – Barclays: Thank you everybody for joining. Tim Long here at Barclays IT hardware analyst. Thank you for joining us for Motorola Solutions fireside chat here. Happy to have Jason Winkler, CFO, today. So Jason, thank you.

Jason Winkler - Motorola Solutions: Pleasure to be here. Thanks, Tim.

QUESTION AND ANSWER SECTION

<Q - Tim Long – Barclays>: Yes, let's start off kind of a little high level here. Last earnings call, you guys talked about kind of endorsing about \$10.5 billion, 6% top-line growth, for next year. Talk about comfort around the visibility and the outlook into next year if we could start there?

<A - Jason Winkler - Motorola Solutions>: Sure. So we did give some color to the next year and \$10.5 billion top line. And reminded everybody that that includes overcoming some Airwave, an incremental \$200 million related to Airwave and ESN lower revenues next year; \$115 million to the Airwave price control as well as \$85 million lower revenues because we are done and completing the ESN contract this year. So -- and what gave us an indicator on providing color for next year is really the nature of our business. Strong backlog position, \$14.3 billion.

In Q3, we printed 8% growth, had strong orders, and backlog was up 6%. So that strength along with the nature of our services and software business, which is over 1/3 of our business, which gives us good predictability and the overall demand environment for our business, particularly public safety, being strong are what gave us some insights into next year.

<Q - Tim Long – Barclays>: Right. Okay. Let's start with the public safety part of it. Talk a little bit about how -- what's driving the strong backdrop for public safety for the company? And how do you think about macro impacts on that piece of the business?

<A - Jason Winkler - Motorola Solutions>: I think the need for our communications technology across public safety is clear. Our equipment, software and services gets prioritized. The environment in which we live, we are reminded everyday that there are public safety emergencies. There's wars going on. We mentioned, for example, on the call that this year, we'll have \$100 million of orders in support of Ukraine.

Crime and public safety across the U.S. will be a ballot issue for the election and republicans and democrats alike will try to articulate how they can continue to curtail and get ahead some of the state of crime across the U.S. I think that bodes well for where we're positioned in technology and the state of budgets across all of our customers, the thousands of customers that we have in North America, remains very strong.

<Q - Tim Long – Barclays>: Great. Could you talk a little bit about government stimulus and funding that's helping? How dependent are you on that? Is that kind of icing on top of the cake? How do you factor that in?

<A - Jason Winkler - Motorola Solutions>: More of the latter. ARPA, \$350 billion, which has been available and will be available to our customers through 2026 gets a lot of attention. But to dimensionalize it for you, last year, we booked almost \$6.5 billion of orders in North America, and less than 5% of those orders were funded by ARPA.

So what that means, and we grew, that 95% of the time, our customers are finding their usual budget sources as sufficient to fuel what they need to do in terms of upgrades. The state of budgets, for example, is solid across cities, states, it certainly didn't decline as what people anticipated coming out of COVID, it's actually gotten better. Say, for inflation, for example, has a positive impact on many forms of taxes.

So ARPA is a good backdrop, but it is definitely a minority of what our customers are using and prioritizing in their funding cycles. So we'll continue to expect that customers will prioritize us in the budget cycles they do have.

<Q - Tim Long – Barclays>: Okay. Great. Digging down a level deeper into ARPA, one of the areas we're excited about Safer Schools. That seems like it's going to be a very big focal for that vertical. So can you talk a little bit about what Motorola's doing for Safe Schools and how you think that's going to drive that? I think it's in your enterprise vertical. How that whole education piece plays into the model.

<A - Jason Winkler - Motorola Solutions>: Education is an important vertical, starting with -- all of us who kids in schools and wanting them to be safe in the U.S., starts there. In terms of a market opportunity, it's a very good one for us. It's a strong vertical for us across our video business.

Supplying voice communications to schools and the SROs, and the officers that support them. And then more recently, last year, no better example of what we can do for schools than SOS in rapid response through Rave, which is a panic button alert, mass notification, can receive inputs as to a problem can also direct people where to go and how to respond.

And that integration layer of Rave has been really exciting for our customers. It crosses all of our portfolios, video, voice as well as the 911 center. So we're excited about what Rave can do in and around schools and the investments we're making around video, and AI and analytics to prevent outcomes. If you think about a feature that we have around weapons detection... if a camera detects an anomaly in a perimeter, we also have an access control business, so somebody who's a bad actor could, through video analytics, communicate via voice, could lock doors, and prepare proactively for that incident. So it's a very exciting space and it's one where we continue to integrate our platform to support education.

<Q - Tim Long – Barclays>: Okay. Great. Yes. Listen, at IACP, we saw some Rave demos, it's pretty powerful stuff. And where are we with -- is that an area where you think the federal funding will really help budget this, for the school environment?

<A - Jason Winkler - Motorola Solutions>: There's a variety of funding sources. ARPA had over \$100 billion to support schools as well, that's in addition to the \$350 million that was to state and local. And the demands from parents to schools about keeping kids safe will continue to make funding available and these technologies to prevent outcomes, I think, are what are really important.

<Q - Tim Long – Barclays>: Okay. Great. Maybe before we get into kind of the video software businesses, talk a little bit high level about M&A. I think it's been a part of the DNA of the company to be acquisitive and build on areas both organically and inorganically.

I think the company does a great job of making acquisitions and making them accretive. So it's been a little quieter time lately on the M&A front. Where are you guys now? And what are some holes you need to fill or some areas that require a little bit more investment?

<A - Jason Winkler - Motorola Solutions>: We have been -- I know we've acquired almost 40 companies in the last 7 or 8 years. And we built our video business around Avigilon which we acquired in 2018, and we have acquired about 8 other companies to build, what this year will be, \$1.7 billion to \$1.8 billion of revenue for video. So it is an important part of our strategy.

We haven't done an acquisition this year. We have had activity, Tim, and our teams are actively looking at opportunities that would complement our video portfolio as we have it today, yet we are disciplined. I think in my experience, you know, our cost of capital, everyone's cost of capital has increased.

And as buyers, we're going to remain disciplined, reflecting that, the hurdle rates that we've long sought to achieve. And in many cases, I don't think the sellers have necessarily adjusted their expectations.

So we'll continue to be patient. We have a strong balance sheet, there are opportunities ahead, and we'll continue to do what I'm proud of, what the team's have done, which is look for assets that we can own, to look for synergies, both revenue and cost and meet the financial hurdles that we put out.

<Q - Tim Long – Barclays>: Okay. Great. A few mentions of video in there. Can you talk a little bit about -- it's obviously your business has been very high growth for Motorola. Talk a little bit about sustainability of growth and kind of what you see as the drivers of that video business?

<A - Jason Winkler - Motorola Solutions>: So video this year, expect 15% growth. The market is growing into mid to high single digits so we're capturing share. That's been our true north, capturing share at a multiple since the day we bought Avigilon in 2018. We've done that. A few ways that we were uniquely able to do that. Avigilon did about \$400-plus million revenue the year when we acquired them, near zero in government. We like their portfolio, we like their leadership in AI, it was a systems orientation much like what we do in Motorola Solutions, or did then around voice and 911.

So it's been a strong fit. But taking that very good portfolio and making it available to our sales channels, our LMR sales team that's very, very good and giving them the opportunity to sell to a city, state, counties, video needs an important synergy.

We've taken the business that was near zero, now this year, in that \$1.7 billion to \$1.8 billion I mentioned of revenue for video, 30% of that is going to come from government. So that is a unique opportunity that we brought and will continue to bring in terms of driving revenues synergies around video with sales into government.

Additionally, we've increased R&D and selling and marketing for the video parts of the business because, when I think about the enterprise parts of the sale, critical infrastructure, education, hospitals, by the way, the cameras here in the gym are Avigilon. Did you see them today?

Tim Long – Barclays: I didn't see them this morning, I'll try later.

<A - Jason Winkler - Motorola Solutions>: Those markets are enterprise and important for us, and we're adding sales people because there's a \$22 billion TAM in total. We see opportunity. And Jack Molloy, our COO who leads sales, his sales force now, the largest portion of the sales force, the largest in total is actually video. So we see opportunity, and we're resourcing it accordingly.

<Q - Tim Long – Barclays>: And you mentioned the 30% coming from the government vertical. Where are we in penetration or opportunity there? Is that a number that still sees a lot of upside potential to it?

<A - Jason Winkler - Motorola Solutions>: It's, as I mentioned, starting with zero in 2018, it's been our fastest growing. Our expectations will be and continue to be, the fastest growing because of that opportunity that we have around sales synergies and meeting the needs that governments have around video solutions. And it also complement to the 911 center. If you think about the 911 center, they're ingesting tons of video; public, private, and the single pane of glass or the analytics or AI to help the 911 centers ingest lots of forms of video, that's the software layer. Also a leader in there in terms of the AI that we have across our video platform. We have a new camera platform, H6A with analytics and AI. And we just released the latest version of our VMS, ACC8, all of which continue our leadership position in AI and differentiating around the cameras and the software layer.

<Q - Tim Long – Barclays>: Okay. Yes, maybe if you could expand on kind of the software and the different aspects of the video business, I think it's about 1/3 software in your video business.

Just talk a little bit about how Motorola competes there and really has evolved into a more tech savvy software type of company from what was probably considered a more old school technology company. How did the company do that? And how do you guys continue to be on the cutting edge on the AI and software side?

<A - Jason Winkler - Motorola Solutions>: So we're an engineering-based culture at Motorola. We have 20,000 employees, over 40% of them are engineers. And the majority of those 8,000 are software engineers. That's true across the firm. We've amplified our software across the LMR platforms, both new offers and monetizing it around LMR, certainly within the 911 command center.

It's always been a software business. We've continued to invest and take that to a now cloud and hybrid strategy. And then finally, in video, what we liked about Avigilon when we acquired it in 2018 is it was an end-to-end sale. So when you buy Avigilon, 90% of the time, a customer is committing to a very good camera portfolio a very good software layer and storage.

There isn't a competitor that has the same breadth as us. Now we compete against, in the software layer, for the VMS, Genentech, Milestone, a part of Canon, and we are the largest, in that order, software players. But they don't -- none of them have the integrated solution that we do. So we like being end-to-end and continue to invest to make sure that we have not only the best on-premise portfolio, but as customers increasingly look to the cloud for their video solution deployment needs, we equally have a portfolio there.

So we're well positioned with what we call Avigilon Alta, which is anchored by Ava, an acquisition we made a couple of years ago and Openpath, which does video and access control. So I think it's important that we're in a position to serve the market as it is today as well as how it evolves. We feel good about our position and our investments there.

<Q - Tim Long – Barclays>: Okay. Great. Maybe just one more on video. Talk a little bit about -- you mentioned synergies with your LMR business.

And obviously, that's helped with the government vertical. But just talk a little bit about how video fits in the broader scope and how that provides opportunities for cross-sell? Obviously, even some fixed cameras are going to be influenced by a police department or fire department? How do those synergies work?

<A - Jason Winkler - Motorola Solutions>: So in government, the synergy is both a very good sales team, starts there. But also an increasing need for the technologies to be integrated. That's a product integration, right? So how our video portfolio, how it's being integrated with our voice communications. An example of that would be our latest device in voice communication, an excellent voice device, but it's complemented by an LTE backbone that has a screen and can deliver and receive video. So there you have an example of where voice and video are converged, and we're in a great position for the product integrations that we continue to do.

So it starts with a very good sales team and giving them in their bag, the ability to sell the entirety of the portfolio for video and the work that our CTO is doing to continue to integrate all of these video, LMR, as well as, 911 portfolio, we think puts us in a very good position for continued growth in government.

<Q - Tim Long – Barclays>: Okay. Great. Maybe let's dig down on command center software a little bit. Maybe just start off, talk about high-level strategy. I know you guys have built a pretty good suite of products there. So maybe if you can walk us through the high-level strategy for command center software.

<A - Jason Winkler - Motorola Solutions>: So our 911, command center business, is really in any 911 center and there's 6,000 of them in the U.S. There's a technology platform to receive the call, 911 caller. There's a technology to route or dispatch the call to the nearest first responder. And then there's a technology for the recordization of everything that took place from the call all the way to the case being closed.

Those are 3 platforms and we have one in each and we're integrating those to make it easier for customers to have a single solution. Most operations today are hybrid, where they've chosen a vendor for A, B or C. We're positioned well with 60% share in those 6,000 PCAPs or 911 centers. We're seeing an increasing number of customers add a plus 1 or look to a more native integration, which we can provide for them.

Additionally, there is an opportunity for customers to leverage the cloud. They're generally slow-moving customers. They're complex operations. No different than an ERP upgrade would be for a commercial company like ours. So they're thoughtful, but they want to see a path to the cloud. And the work that we've done to give customers the choice around today's upgrade and tomorrow's opportunity to connect to the cloud is positioning us well. So we'll grow double digits in that business this year in 911 command center, complemented by the Rave acquisition, we mentioned, it will be 20% all-in.

The market itself is growing mid-single digits. So again, we're capturing share. We like the opportunity we see there within the 911 center.

<Q - Tim Long – Barclays>: Okay. Yes, I mentioned that IACP conference, as I said we were there, we met with some of your competitors in this area. Just seems like a very fragmented end market. So -- and your market share isn't all that high yet so how do you think about taking share? It sounds like you're in a lot of these PCAPs, it's more about selling that plus one, that plus 2. How does that work? It seems like it could be a timely process, but how do you work through that?

<A - Jason Winkler - Motorola Solutions>: Well, we like are starting point, being there 60% of the time with at least 1. The 3 technologies I mentioned generally are procured at different points in time. So these operations don't do a lift and shift of all three. So our opportunity is to win at each of those 3 technology inflection points at a given customer, and that's where we're seeking to add the plus one.

Is it the next given RFP, can we position ourselves, leverage our incumbency perhaps, explain to the customer that a native integration is far better than the work necessary and the complexities of interfaces and the like.

So I think we're in a good position. And as customers look to make changes, we would seek to win more and to sustain the growth rates that we expect.

<Q - Tim Long – Barclays>: Okay. And then there's a lot more beyond these 3 buckets that you're describing. What's Motorola's aspirations to get into other software areas, jail, there's a whole other line of software that's sold into the government businesses? Where is Motorola's head there?

<A - Jason Winkler - Motorola Solutions>: We're focused on the 3 opportunities I mentioned call receiving, call routing, dispatch, and CAD and records, and we see opportunities continuing there. It would be complemented by the work that we're doing in video. Many of these 911 centers... I'll take you to Chicago, for

example, there's a public-private partnership where Chicago is bringing in a number of private data feeds for cameras into a their 911 center and that single pane of glass and the AI around telling the operators, what cameras are witnessing something unusual happening is a powerful way of augmenting humans in the loop as ultimately that's who's monitoring these cameras.

I think the power of video, combined with our 3 platforms and integrated one in command center is where we'll remain focused. I mentioned R&D earlier too, Tim. I think given video and command center which is our highest growth opportunities. We've pivoted where this year, almost half of our \$800 million R&D will be in support of those two lines of business. And so that's us believing in our future and putting investment dollars in a place where we see the highest amount of growth.

<Q - Tim Long – Barclays>: Okay. Great. You did mention the cloud. I think some of your competitors kind of were cloud-first. You guys, I think, in command center making that evolution now. So what's customers' appetite for cloud? What's the Motorola value position? What does it mean for financials as these companies move to more of a cloud-base model?

<A - Jason Winkler - Motorola Solutions>: Yes. We've seen a good growth. I mentioned the double-digit core growth in command center. Some of our subscription offers within that are growing faster. Customers within the 911 center are looking at cloud. They want a path. They also want the assurance and control, really in governments, whether it's an LMR network, a command center operation, local governments want control -- they want control of where they're headed. They want to control the technology road map.

Our position and Dr. Mahesh Saptharishi, our CTO, I think assessed this well as he took over R&D a couple of years ago for this portfolio is to give customers choices and have a well-integrated portfolio along with choices to the cloud and that'll meet customers wherever they're at on their journey. That can include a Tier 1 kind of NFL cities, which are very complex operators or it could include a Tier 3 city that is more vanilla in characteristics. It's important that we have a portfolio that meets those very different requirements and incorporates the possibility and the extension to the cloud.

<Q - Tim Long – Barclays>: Okay. Great. Maybe if we could touch on the PCR business a little bit. I think it -- through COVID, it came more in the spotlight for investors? Talk a little bit about the outlook there. Where are we kind of in the macro impacted areas, which verticals look stronger? Obviously, education we mentioned is in there as probably one of the stronger ones.

<A - Jason Winkler - Motorola Solutions>: Sure. So professional and commercial radio. So most of our LMR business is focused on public safety. We do have a portfolio, lower tier, if you will, that serves enterprises, this hotel, for example.

And that's about \$1 billion. You're right, Tim, it's gotten to and grown above pre-COVID levels, and we see continued demand there. It's one area as we always prioritize public safety as we navigate and continue to navigate supply challenges for semis, public safety gets priority. And so as a result, our PCR business, while it has grown, we've also had some challenges in getting customers the products they need when they need it. And I think as we come out of the supply chain challenges, we'll continue to see PCR get prioritized with the available componentry. But despite the challenges it's had in terms of supply availability, it's grown and so it's an important part our portfolio.

<Q - Tim Long – Barclays>: Okay. Great. You mentioned supply chain. Talk a little bit about where we are now. It feels like there was a lot of headwind there for a while now it's become a little bit of a tailwind. So for margin impacts, product availability, things like that, where are we with supply chain.

<A - Jason Winkler - Motorola Solutions>: Sure. You see it in two places. So I'll start with P&L. In '22, we had to pay premiums to get what supply was available. This was through brokers, intermediaries, et cetera, pretty extreme premiums that were in our P&L in '22. This year, fortunately, that requirement is abating. And we'll see \$70 million of lower COGS in this year's P&L because we'll need to use them less.

And then we've also indicated that for next year, we see an opportunity for \$60 million of relief on top of this year's \$70 million. And what that means is we're coming off of those '22 inflated levels. Our suppliers, and keep in mind, we're competing for 40 nanometers and above. We talked to your semi analyst last night and the state of play there remains still tight in EV, automotive, et cetera.

But the supply lines we have with our manufacturers are improving. They're not back to normal yet in terms of lead times. It should take 16 weeks for us to get the parts that we need after ordering. It's still in the high 20s. We're planning for and navigating that current environment. The good news is we're having to spend less to get the materials we need and the overall environment is improving, and that's what's factored into our expectations.

<Q - Tim Long – Barclays>: Okay. Great. You love talking about Airwave so might as well throw that out there. So I guess you're kind of in a holding pattern now, we're still waiting for the final resolution and litigation to start. But detail to us a little bit about the financial impact you guys have faced and obviously taking it out of the numbers is good to derisk the model on that. And how do we handicap what the outcome could be here?

<A - Jason Winkler - Motorola Solutions>: Sure. So just to ground everybody, Airwave is our operation of the public safety network serving the U.K., 300,000 users, really important network and customer and the CMA, we've appealed their price control to the CAT, Competition Appeals Tribunal. We're awaiting that decision. August 2nd and 3rd, we presented our case, Tim, and we're awaiting the decision on what we believe is on strong grounds for our appeal.

In the meantime, in August, we began to defer the revenues assuming we'd have to live with the price control. So what that means for '23 is \$80 million of revenue is being deferred and I mentioned earlier an additional \$115 million is expected to be deferred into 2024. I won't speculate on outcomes. It's been a bit of a roller coaster in terms of time lines. The important part, I think, is told me earlier is that we provided the clarity for what the base case is and have a strong appeal that we will continue to argue for.

CLOSING

Tim Long – Barclays: Great. I think that's it for me. Really appreciate having you here and appreciate your time.

Jason Winkler - Motorola Solutions: Thanks for covering us. Look forward to our dialogues and appreciate the Barclays invitation.

Tim Long – Barclays: Excellent. Thank you everybody.