



Q1 2024 Earnings Conference Call Thursday, May 2, 2024

PARTICIPANTS

Motorola Solutions, Inc. Executive Participants

Tim Yocum – Vice President, Investor Relations
Greg Brown – Chairman & Chief Executive Officer
Jason J. Winkler – Executive Vice President & Chief Financial Officer
Jack Molloy – Executive Vice President & Chief Operating Officer
Mahesh Saptharishi – Executive Vice President & Chief Technology Officer

Other Participants

Tim Long – Analyst, Barclays Capital, Inc.
George C. Notter – Analyst, Jefferies LLC
Jamie Reynolds – Analyst, Morgan Stanley & Co. LLC
Adam Tindle, Analyst, Raymond James & Associates, Inc.

MOTOROLA SOLUTIONS, INC. MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and thank you for holding. Welcome to the Motorola Solutions First Quarter 2024 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 posted on the Motorola Solutions Investor Relations website. In addition, a webcast replay of the call will be available on our website within three hours after the conclusion of this call. The website address is www.motorolasolutions.com/investor. All participants have been placed in a listen-only mode. You will have an opportunity to ask questions after today's presentation.

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

Tim Yocum, Vice President, Investor Relations

Good afternoon. Welcome to our 2024 First Quarter Earnings Call. With me today are Greg Brown, Chairman and CEO; Jason Winkler, Executive Vice President and CFO; Jack Molloy, Executive Vice President and COO; and Mahesh Saptharishi, Executive Vice President and CTO. Greg and Jason will review our results along with commentary, and Jack and Mahesh 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 our 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 2023 Annual Report on Form 10-K report and filings with the SEC. We do not undertake any duty to update any forward-looking statements.

And with that, I'll turn it over to Greg.

Greg Brown, Chairman & Chief Executive Officer

Thanks, Tim, and good afternoon, and thanks for joining us today.

Thanks, Tim. Good afternoon, and thanks for joining us today. I'm going to share a few thoughts about the overall business before Jason takes us through our results and outlook. First, Q1 was an outstanding start to the year. We achieved revenue growth of 10%, earnings per share growth of 27%, expanded operating margins by 220 basis points, and generated record Q1 operating cash flow of \$382 million. We also finished the quarter with \$14.4 billion of backlog up \$300 million versus last year.

Second, our outstanding Q1 performance was broad-based. In our Products and SI segment, revenue was up 14% and operating margins increased 590 basis points, as we continue to see strong demand for our feature-rich LMR products, including APX NEXT and our refreshed PCR portfolio.

In software and services revenue was up 4%, inclusive of the Airwave charge control and our exit from the ESN contract. Excluding UK home office revenues, software and services revenues increased double digits, driven by continued strong demand for our LMR service offerings and our software applications in video security and command center.

And finally, based on our strong start to the year and continued robust demand, we're raising both our revenue and earnings guidance for the full year.

I'll now turn the call over to Jason.

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

Thank you, Greg. Revenue for the quarter grew 10% and was above our guidance with strong growth in all three technologies. GAAP operating earnings were \$519 million or 21.7% of sales, up from 18.4% in the year-ago quarter. Non-GAAP operating earnings were \$638 million, up 20% from the year-ago quarter and non-GAAP operating margin was 26.7%, up 220 basis points.

The strong year-over-year increase in both GAAP and non-GAAP operating earnings was driven by higher sales, a favorable mix-shift as our customers invest in more feature-rich LMR products, and improved operating leverage, offset by the UK CMA charge control related to Airwave.

GAAP earnings per share was a loss of \$0.23 and included a \$585 million charge, resulting in a \$3.42 per share pre-tax non-operating loss due to the accounting treatment for the settlement of the Silver Lake convertible notes. We settled these notes entirely in cash for approximately \$1.59 billion, inclusive of the conversion premium, which eliminated potential dilution to our share count and reflected a favorable negotiated settlement price compared to the indenture terms.

As a result, we recognized a non-operating loss for the settlement during the quarter, according to the current accounting rules for convertible notes, which were updated in 2022. Non-GAAP EPS was \$2.81, up 27% from \$2.22 last year. This strong growth in EPS was driven by higher sales and margins, lower interest costs, and a lower diluted share count. OpEx in Q1 was \$568 million, up \$38 million versus last year, primarily due to higher employee incentives and acquisitions.

Turning to cash flow, operating cash flow was a Q1 record of \$382 million, up \$390 million versus last year and free cash flow was \$336 million, up \$398 million. The strong increase in cash flow was driven by improved working capital and higher earnings net of non-cash charges.

Capital allocation for Q1 included \$163 million in cash dividends, \$46 million of CapEx, and \$39 million of share repurchases. We also used \$593 million of cash to settle the Silver Lake conversion premium and we closed the acquisition of Silent Sentinel, a provider of specialized long-range cameras for \$37 million net of cash acquired.

Moving to segment results. In Products and SI, sales were up 14% versus last year, driven by continued strong demand combined with improved supply availability and a favorable mix-shift in LMR products. Operating earnings were \$370 million or 24.8% of sales, up from 18.9% in the prior year, driven by higher sales, favorable mix, and improved operating leverage. Some notable Q1 wins and achievements in this segment include a \$22 million P25 device order for a large U.S. customer, a \$16 million LMR order for an international customer, a \$13 million order for the State of Tennessee, and a \$13 million mobile video order for North Carolina State Highway Patrol.

In software and services, revenue was up 4% compared to last year. S&S revenues excluding the U.K. Home Office were up 12%, driven by strong growth in all three technologies. Operating earnings in the segment were \$268 million or 29.8% of sales, down from the 32.9% of sales last year due to the impact of the Airwave charge control. Excluding the impact of the UK Airwave Charge Control, software and services margins increased year-over-year, driven primarily by higher sales and improved operating leverage.

The notable Q1 highlights in this segment include a \$25 million LMR services order for Douglas County, Colorado, a \$25 million LMR services order for UK Department of Health, an \$18 million command center order for the City of San Francisco, a \$14 million LMR services order for Lithuania, and an \$11 million services order for Sao Paulo State Police in Brazil.

Moving next to our regional results, North America Q1 revenue was \$1.7 billion, up 13% on strong double-digit growth in both segments. International Q1 revenue was \$696 million, up 3% versus last year with growth in video and LMR offset by lower U.K. Home Office revenues related to the UK Home Office Airwave charge control and our exit of ESN. International revenue excluding the UK home office impact increased double-digits year-over-year in both segments.

Moving to backlog, ending backlog was a record \$14.4 billion, up \$331 million versus last year, driven primarily by strong demand for multi-year software and services contracts in both regions. The year-over-year increase is inclusive of the reduction of \$777 million booked in the fourth quarter of 2023 related to the Airwave charge control and revenue recognition for Airwave and ESN over the last year.

Additionally, in the first quarter of 2024, we recorded a \$748 million of backlog related to the receipt of a three-year extension notice from the U.K. Home Office for years 2027 through 2029. Our total backlog, excluding the U.K. Home Office was up over \$500 million compared to last year. Sequentially, backlog was up \$138 million driven by the extension notice related to Airwave that I just mentioned, partially offset by our typical Q4 to Q1 order seasonality in North America and some unfavorable FX.

In the Products and SI segment, ending backlog was down \$74 million, primarily due to unfavorable FX. Sequentially, backlog was down \$354 million due to the Q4 to Q1 North America order seasonality that I mentioned. And in Software and Services backlog was up \$404 million compared to last year, driven by strong demand for multiyear software and services contracts in both regions. Our S&S backlog, excluding the U.K. Home Office, was up almost \$600 million compared to last year. Sequentially, backlog was up \$492 million, driven primarily by the extension notice related to Airwave, partially offset by Q4 to Q1 order seasonality.

Turning to our outlook. We expect Q2 sales to be up between 7% and 8% with non-GAAP earnings per share between \$2.97 and \$3.02 per share. This assumes a weighted average diluted share count of approximately 170 million shares and an effective tax rate of approximately 24%. And for the full year, we are increasing both our revenue and EPS guidance. We now expect revenue growth of approximately 7%, up from our prior guidance of approximately 6%.

And with that, we expect non-GAAP earnings per share between \$12.98 and \$13.08 per share, up from our prior guidance of \$12.62 to \$12.72 per share. In addition, with the U.S. dollar strengthening since our last call. This full-year outlook now

assumes an FX headwind of \$30 million, primarily in the second half. It also includes a weighted average diluted share count between 170 million and 171 million shares and an effective tax rate of 23% to 24%.

And finally, as a result of the debt issuance and Silver Lake settlement we completed in Q1, we now expect full-year interest expense to be approximately \$240 million, up \$25 million year-over-year.

Before turning the call back to Greg, I want to highlight just a couple of balance sheet-related items. During the quarter, we used \$593 million to settle in cash, the premium for the Silverlake notes that I mentioned. We also repurchased \$39 million of shares resulting together in a combined total of \$632 million targeted at reducing our diluted share count.

Also during the quarter, both S&P and Fitch upgraded our credit ratings to BBB, underlying the strength of our business and the balance sheet. Following the upgrades, we issued \$1.3 billion of debt, \$900 million of 10-year and \$400 million of five-year notes, further extending our average debt maturity, which is now over eight years, all fixed at an average rate below 4.5%. We used the portions of the proceeds from the new debt issuance to pay off the \$1 billion convertible notes and plan to use the remainder to settle the approximately \$300 million of debt maturity coming due later this year.

I'll now turn the call back to Greg.

Greg Brown, Chairman & Chief Executive Officer

Thanks, Jason.

And let me just close with a few thoughts. First, Q1 was outstanding across the board. We achieved strong revenue growth in all three technologies. We significantly increased operating margins, we generated record Q1 operating backlog -- excuse me, operating cash flow and our strong ending backlog positions us well going forward. As a result, we're raising our expectations for both revenue and earnings for the full year.

Second, during the quarter, we announced that we mutually agreed with Silver Lake to settle the convertible notes. Silver Lake has been a great partner since their initial investment in 2015, and I'm very pleased that Greg Mondre is remaining on our Board.

And finally, as I look forward, I'm exceptionally pleased with how well we're positioned. The investments we've made in our LMR product portfolio are driving meaningful revenue growth and margin expansion. Our recurring revenues are increasing as a result of the continued strong demand for our services. We continue to see accelerated adoption of our cloud offerings, including Rave in Command Center and Avigilon Alta in video security, and our strong balance sheet positions us well to invest both organically and inorganically for continued growth.

We ended the quarter with \$1.5 billion in cash, still expect to generate \$2.2 billion of operating cash flow for the year. We refinanced and extended a portion of our debt portfolio and we received upgrades from two credit rating agencies during the quarter. All of this provides us with significant continued flexibility in how we deploy capital going forward.

I'll now turn the call over to Tim and look forward to your questions.

Tim Yocum, 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 to accommodate as many participants as possible. Operator, would you please remind our callers on the line how to ask a question.

QUESTION AND ANSWER SECTION

Operator: The floor is now open for questions. [Operator Instructions] The first question is from Tim Long with Barclays. Your line is now open.

Tim Long

Analyst, Barclays Capital, Inc.

Thank you. Maybe the first question would be on video and then I have a follow-up on LMR. On the video side, decent growth in the quarter. I'm just hoping you could talk about a few things there. First, where are we with impacts of movements to cloud, and what that -- what effect that had on the quarter?

And the second piece, Jason, it looks like a very high, if you're looking at the software services percentage of the video business, it was over 40%. So just curious if we're starting to see an inflection there or is it just an anomaly because maybe the hardware piece was a little bit lower this quarter.

Then after that, I'll follow back with the LMR follow-up.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Yeah. Tim, on video, pleased with the results in Q1. As you know, we remain convicted around the 10% for the full year. We did talk about last quarter that we are seeing an increased adoption to Avigilon Alta and cloud adoption. We talked last quarter and it remains unchanged. That's probably about -- probably a \$40 million estimated headwind in terms of the top line growth number that informs the 10%, but feel very good about Q1's performance. And by the way, in particular, orders for video were strong both in fixed and mobile.

Jason J. Winkler

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

And Tim, on the second part of your question, you're right, software within video is growing faster than the product side. That's a trend we've been seeing. And keep in mind, it's not just Alta, it's all of the exciting developments that we have around analytics. Both of our VMSs are software products and recorded there. Mobile video is also there, all complemented by cloud subscription. So that's a very important and fast-growing part of our business.

Tim Long

Analyst, Barclays Capital, Inc.

Okay, great. (Multiple Speakers). So just on LMR, Greg, you talked about a lot of the investments there, and obviously, it's bearing fruit in other, you know, growth rate above expectations. Can you just talk about kind of where we are in the cycle there? That would be great.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Yeah. I think I -- look, I can't be more pleased with the performance of LMR product and services. And Jack talked about the continued strong demand. Last quarter, it's the same as this quarter, in terms of APX NEXT, as an example,

a lot of customers are indexing and in Q1 indexed to more feature-rich devices, which helped drive revenue and quite frankly, Tim, margin expansion.

But I'd actually -- I think the way to think about LMR growth is APX writ large the entire segment for APX Radio. They're newer, they've been upgraded. We talk about APX NEXT, which is the very high end, but the whole portfolio of which we also talk about APX originals performing exceptionally well. And then when you go over to TETRA and PCR, where we've refreshed devices there as well, that's gone very well. In fact, PCR, we now expect to grow slightly up off of record levels last year. So I'd say, we're still in the middle of the game on device refresh with a lot more to run. Really pleased on that front.

Jack Molloy

Executive Vice President & Chief Operating Officer, Motorola Solutions, Inc.

The only thing, Tim, I'd add on top of that is, as Greg pointed out, it's the breadth of the portfolio is a strength. But what's particularly driving the APX NEXT adoption are the applications. So in the quarter in Q1, we secured two large state patrols as well as one Department of Transportation. And as you think about what drives those, it's location, it's the ability to extend the network vis-a-vis SmartConnect and smart programming with large fleets, their ability to reprogram and the like in a more expeditious fashion. So...

Jason J. Winkler

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

And Jack, you've seen customers embrace a blended fleet too.

Jack Molloy

Executive Vice President & Chief Operating Officer, Motorola Solutions, Inc.

That's exactly right. In fact, all three of those customers have APX original, and like a third of those are APX NEXT.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Good point. Thanks Tim.

Tim Long

Analyst, Barclays Capital, Inc.

Thank you, guys. Appreciate it.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Yep.

Operator: The next question is from the line of George Notter of Jefferies. Your line is now open.

George C. Notter

Analyst, Jefferies LLC

Hi, guys. Thanks a lot and congrats on the strength here. I guess, I'll go back to kind of the Airwave situation. I saw the renewal and extension of the contract. Anything new there in terms of the CMA situation? Obviously, you guys adjusted your financials to reflect the negative outcome. But I know there's a court case and appeal that's going on. I mean, any expectations or any anything you can tell us about what's going on there would be great. Thanks.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Yeah. Thanks, George. So we recorded the backlog of the extension of years '27, '28, and '29 because in March we received notice from the U.K. Home Office for the extension of Airwave. Aside from our disputes, let's put that off to the side for a minute. I think it confirms our belief all along in the durability, longevity, and quite frankly criticality of mission-critical LMR, particularly in this case, Airwave. So it reaffirms the longstanding need of how critical that technology is and that's one of the best-performing from a network performance standpoint, emergency networks in the world.

To your point, we took the backlog and recorded it at kind of worst-case scenario, i.e., it's logged -- the logged backlog is at the charge control rates, which we are still contesting. As it relates to the Court of Appeal, we -- the CMA issued their final decision. We appealed to the CAT, the Competition Appeal Tribunal. We lost that, and as a result, appealed to the Court of Appeal, the UK Court of Appeal, to see if they'll hear that case. We would expect to get clarity on that either in .May or June. But having said that, we will continue to defend our position on the circumstances and conditions that extended Airwave and we will defend ourselves accordingly.

George C. Notter

Analyst, Jefferies LLC

Got it. And then just as a quick follow-up, any evidence that there is any spread of other managed services customers looking at trying to reprice contracts with you guys anywhere else in the world?

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

No. No, I think the UK is very, very unique in many ways, but the answer is, no.

George C. Notter

Analyst, Jefferies LLC

Okay. Thank you.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Thank you George.

Operator: (Operator Instructions) The next question is from the line of Meta Marshall with Morgan Stanley. Your line is now open.

Jamie Reynolds

Analyst, Morgan Stanley & Co. LLC

Hey, everybody. You've got Jamie Reynolds on for Meta. I appreciate you taking the question. I think last quarter, you guys had highlighted a \$100 million headwind from less business in Ukraine. I guess, has your thinking change there, as it relates to the recent aid package that got passed?

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Our view on the full year and what's informing our raise does not change from what we updated you on the Ukraine situation last year. We did talk about \$100 million. Jack referenced it, about \$100 million headwind. By the way, that headwind still exists. It's primarily in the second half of this year, which informs kind of the seasonality that's implied in both Q2 and our full-year guide. By the way, we remain engaged -- I'm thrilled -- we're thrilled that the foreign aid bill got passed for \$95 billion and Molloy's team remains actively engaged on multiple fronts, but our view in terms of the full-year guide is unchanged from what we said last time.

Jamie Reynolds

Analyst, Morgan Stanley & Co. LLC

Got it. Thanks. And then just as a quick follow-up, is the thinking change around what you expect from the command center piece of the business to contribute to growth this year?

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Still very enthusiastic about command center overall as a category. We still expect 10% growth for the full year. By the way, I might add that, remember, ESN and the way we record revenue was in the command center technology bucket. So Q1 would have grown a handsome double-digits normalized for U.K. Home Office. And quite frankly, when you look at the 10% guide implied for command center for the full year, it's a number higher than that when you normalize for ESN as well. And you may want to mention just some of the other things going on.

Mahesh Saptharishi

Executive Vice President & Chief Technology Officer, Motorola Solutions, Inc.

We just actually finished our summit. This has been our largest summit, I think ever, over 1,300 customers attending. We launched our VESTA NEXT refreshed product both for cloud and for on-prem, along with quite a few other new launches, our responder, our mobile app. So it's been -- traction has been amazing and we see greater than 60% of our command center customers now adopting a cloud-connected product and Rave and our other command center cloud products are doing exceptionally well beyond expectations.

Jamie Reynolds

Analyst, Morgan Stanley & Co. LLC

Great. Thank you so much for the time.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Thank you.

Operator: The next question is from the line of Adam Tindle with Raymond James. Your line is now open.

Adam Tindle

Analyst, Raymond James & Associates, Inc.

Okay, thanks. Good afternoon. I just wanted to start maybe first for Jason. Great performance on margins in the product segment. Just wondering how much of the pricing benefit and supply-chain cost is reflected in this versus how much is left in future quarters. I know Q1 is typically the low point for margins in that segment. I'm wondering if that's still going to hold for 2024 and improve from there.

And Greg, just conceptually on the topic of margins, I know expanding margins is important to you. The drivers are very clear to us in fiscal '24, price, cost, et cetera. But it's a little bit less obvious as we think about fiscal '25 and beyond. Just if you could help us maybe with conceptual levers to continue to drive margin expansion beyond this year or do you think we're sort of at optimal margin and the focus might be more on growth, how to balance that equation? Thanks. .

Jason J. Winkler

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

Sure. So I'll take the first one. We remain seeing the \$60 million of lower broker costs, we called it PPV, that we guided to 90 days ago. That's a full-year number. Q1 included some of that benefit. There's more to go in getting to the total \$60 million, we're on a path for that. We are seeing certainly the need to use far less and the supply improvements are from our direct vendors are helping us get the parts we need at the price we need. That's in part what informed our Q1 as well as our expectations for the year, complemented by the continued strong demand. So on plan in terms of the margin improvements related to lower supply-chain costs, I would also point to what we talked about on the call is the continued benefit of customers adopting more feature-rich parts of the portfolio. That comes with a margin improvement for us as well.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

And in terms of margins, you know, we -- by the way, this year, we do expect gross margins to be up slightly and we also now expect operating margins to be up about 75 basis points. As we think about it holistically and kind of on a pro forma basis, we think the levers are volume, mix which we're enjoying now, some surgical price increases, primarily around services where we have contracts that have appropriate cost-of-living mechanisms built into multiyear services contracts. And as they come due, we will be disciplined in making sure we're recovering appropriate cost increases that come and hit the firm.

We look at the way we price new products as well and we continue to refresh the device portfolio and also fixed and mobile video. And then OpEx, by the way, OpEx probably will be up about \$100 million this year, year-on-year. Last quarter, we told you it was about \$80 (million). That \$20 million increase -- I actually think it's a good thing. We're investing more in the business, indexing, particularly around video. We're likely to have some higher incentives around sales commissions, reflective of the higher revenue guide we're giving you for the full year and there is some ancillary legal costs, which I actually consider investments in the business, as we defend our position both with the U.K. Home Office and continue to fight the good fight on Hytera. And we'll report hopefully, more news between now and the end of the year on that front.

And the other thing I'd tell you on the OpEx side, as you know, we acquired Silent Sentinel. Given the balance sheet, the aperture is pretty wide, but disciplined on acquisitions we may pursue and close. And if we do that, we do that because it's

financially accretive, it's strategically important, it's culturally compatible, and we can operate it or operationalize it and integrate it operationally, but also because we expect synergies on that front too.

We are built, I think as a team and executive team and as a company that growing is not good enough. You got to grow top line, you got to grow margins, you got to grow operating cash flow and you got to take share. That's when you know the firm is cooking on all cylinders. And we always look at operating margins. We're proud of them, but we know there's all -- there's more work to be done.

And by the way, I didn't even mention AI. I know a lot of companies tout it, but we'll be disciplined in our use of that internally. Mahesh and Jack have built it into a lot of our products in the analytics that Jason mentioned. I love what we're doing on descriptive and generative AI, as it relates to the ecosystem around public safety and physical security. But obviously, we'll also use it in customer service internally, in legal and contract management with Co-Pilot and engineering efficiencies. So that really isn't factored in at this point, and I'm not making any declaration or promises, but we'll always be able to, I think, aspirationally drive toward operating margin improvement. And I think we have the assets where we can continue to do that.

Adam Tindle

Analyst, Raymond James & Associates, Inc.

Okay. And maybe just a quick follow-up. I know that was a two-parter, but I'll do a quick follow-up since I'm going to get asked on this tonight. Backlog trends, obviously, we've got a record here, but correct me if I'm wrong, I think that \$14.4 billion includes \$748 million of incremental backlog on Airwave. It may be unfair to strip that out, but if we do, it's down about \$500 million sequentially. And I know there is some seasonality to that, but that's kind of two times normal seasonality. What would that concern, stripping that out and looking at kind of a worse-than-typical seasonal decline in backlog be missing, and how do you think about backlog trends from here? Thanks.

Jason J. Winkler

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

So Adam, I mentioned it earlier, if I -- if we exclude the home office impact on a multi-quarter basis, total backlog is up over \$500 million and S&S backlog is up over \$600 million. So while we recorded the \$748 million in this Q1 related to the extension of years '27, '28, and '29, we also in the quarter before that, reduced the backlog related to the pricing control implemented for years '24, '25, and '26. So there is a bit of a cancellation, if you will, and then the core of the business ex-home office is absolutely growing.

Adam Tindle

Analyst, Raymond James & Associates, Inc.

Very helpful. Thank you.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Thank you.

Operator: I will pause for a few seconds to see if we have any additional questions. [Pause]

This concludes our question-and-answer session. I will now turn the floor over to Mr. Greg Brown, Chairman and Chief Executive Officer for any additional comments or closing remarks.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Yeah. Thank you. First and foremost, I want to thank the Motorola Solutions employees around the world and our channel partners. It's a great team, very proud of the performance in the quarter and very proud of what I think we can do between now and the end of the year. I do want to highlight, we had some great significant events in Q1. Mahesh mentioned one of them, the Solutions Summit in Dallas, a week ago, we had 1,300 customers. It's the largest-ever event we had on that front. We demonstrated operationally working public safety and enterprise security ecosystem. It was significant, well attended, and lots of good feedback.

We had our first-ever joint channel partner -- executive partner forum in February in Orlando. The significance of that is it brought together LMR, Land Mobile Radio, channel partners, and video security and access control under one roof, with common vernacular, common language, relationships we're looking to develop and you know, Molloy has had this mantra, cross-sell, upsell. I thought that was an excellent event that was a catalyst to the kind of culture and focus items we need around upselling the writ large broader portfolio between now and the end of the year.

And we had a great presence at ISC West, which highlighted, of course, the video security access control rolled out our enterprise body-worn camera, which we're getting great traction on body-worn on the enterprise. So a lot of good stuff in Q1. Look, at the end of the day, the print is great in Q1, but I'm actually more excited about our momentum, raising the year, strong backlog, but also a strong funnel of opportunity and a strong balance sheet.

I couldn't be more proud. I want to thank everybody. Thanks for listening, and we'll talk to you in a quarter.

Operator: This does conclude today's teleconference. A replay of the call will be available over the Internet within 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.
