



MOTOROLA SOLUTIONS

Q1 2025 Earnings Conference Call
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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

Alyssa Shreves – Research Associate, Barclays Capital, Inc.
Joseph Cardoso – Analyst, JP Morgan Securities LLC
Jamie Reynolds – Research Associate, Morgan Stanley & Co. LLC
Keith Housum – Analyst, Northcoast Research Partners LLC
Louie DiPalma – Analyst, William Blair & Co. LLC
Ben Bollin – Analyst, Cleveland Research Co. LLC
Tomer Zilberman – Analyst, BofA Securities, Inc.
Matthew Niknam – Analyst, Deutsche Bank Securities, Inc.
Irvin Liu – Research Associate, Evercore ISI

MOTOROLA SOLUTIONS, INC. MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and thank you for holding. Welcome to the Motorola Solutions First Quarter 2025 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 this call will be available on our website within three hours after the conclusion of this call. The website address is www.motorolasolutions.com/investors. All participants have been placed in a listen-only mode. You will have an opportunity to ask questions after today's presentation.

[Operator Instructions]

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 2025 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/investors. These materials include GAAP to non-GAAP reconciliations for your reference. And during the call, we'll 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, in the comments made during this conference call, in the Risk Factors section of our 2024 annual report on Form 10-K, or any quarterly report on Form 10-Q, and in our other reports and filings with the SEC. We do not undertake any duty to update any forward-looking statements.

And with that, I will turn it over to Greg.

Greg Brown, Chairman & Chief Executive Officer

Thanks, Tim. And good afternoon. Thanks, everybody, for joining us today. I'll begin with a few thoughts of the business, before turning it over to Jason.

First, Q1 was an excellent start to the year with record first quarter revenue, record operating earnings and record cash flow. In Software and Services, sales were up 9%, driven by continued strong adoption of software applications across our safety and security ecosystem and by our LMR services. In Products & SI, sales were up 4%, with significant operating margin expansion, driven by growth for our higher tiered public safety devices as well as lower material costs.

Second, our investments in video and software continue to drive meaningful revenue growth for the company. During the quarter, our Command Center and Video technologies both grew double digits and achieved record Q1 orders and ending backlog. We also closed on the acquisitions of RapidDeploy and Theatro, adding to our software offerings for both public safety and enterprise customers. And just last week, we launched SVX and Assist, two groundbreaking technologies that will transform how public safety officers protect and serve.

And finally, as we navigate the current environment, I like how we are positioned. Our customers are continuing to prioritize investments in safety and security. Our public safety ecosystem continues to expand with new products and solutions, and we're taking actions to offset cost increases related to tariffs. All of this is driving our continued expectation for strong revenue, earnings and cash flow growth for the year.

And with that, I'll now turn the call back over to Jason.

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

Thank you, Greg. Revenue for the quarter grew 6% and was above our guidance with growth in all three technologies. FX headwinds during the quarter were \$25 million, while acquisitions added \$32 million.

GAAP operating earnings were \$582 million, or 23% of sales, up from 21.7% in the year-ago quarter. Non-GAAP operating earnings were \$716 million, up 12% from the year-ago quarter, and non-GAAP operating margin was 28.3%, up 160 basis points, driven by higher sales, favorable mix and lower direct material costs, partially offset by acquisitions.

GAAP earnings per share was \$2.53, up from a \$0.23 loss in the year-ago quarter, which then included a non-operating loss due to the accounting treatment for the settlement of our Silver Lake convertible debt. Non-GAAP EPS was \$3.18, up 13% from \$2.81 last year. The growth in EPS was driven by higher sales and margins in the current year. OpEx in Q1 was \$603 million, up \$35 million versus last year, driven by investments in video and acquisitions.

Turning to cash flow. Q1 operating cash flow was \$510 million, up \$128 million versus last year, and free cash flow was \$473 million, up \$137 million. The increase in cash flow was primarily driven by higher earnings and improvements in working capital. For the full year, our expectations for double-digit operating cash flow growth or

approximately \$2.7 billion are unchanged. Capital allocation for Q1 included \$325 million in share repurchases, \$182 million in cash dividends, and \$37 million of CapEx.

During the quarter, we closed two acquisitions for a combined total of \$414 million: RapidDeploy, a cloud-native next-generation 911 provider; and Theatro, a maker of AI and voice-powered communication and digital workflow software for frontline workers. Both acquisitions are included in Command Center within our Software and Services segment.

Moving to segment results. In Products & SI, sales were up 4% versus last year, driven by growth in LMR. Currency headwinds were \$14 million in the quarter. Operating earnings were \$434 million, or 28.1% of sales, up from 24.8% in the prior year, driven by higher sales, favorable mix, and lower direct material costs.

Some notable Q1's achievements in this segment include: a \$19 million TETRA award for a customer in Germany; a \$10 million fixed video order for Duke Energy; a \$10 million P25 system order for a customer in North Africa; a \$10 million P25 device order for a U.S. state and local customer; and a \$7 million P25 device order for Aurora, Colorado.

And in Software and Services, revenue was up 9% compared to last year, driven by strong growth across all three technologies. Revenue from acquisitions was \$32 million and FX headwinds were \$11 million. Operating earnings in the segment were \$282 million, or 28.7% of sales, down from 29.8% of sales last year, primarily due to acquisitions.

Some notable Q1 highlights in Software and Services include: a \$19 million LMR managed services extension for an international customer; an \$18 million LMR services renewal for a U.S. utility; a \$9 million fixed video services contract renewal for the City of Chicago; a \$7 million Command Center order for a U.S. federal customer; and a \$5 million Command Center order for Denver's Public Transport.

Moving next to our regional results. North America Q1 revenue was \$1.9 billion, up 9% on growth in all three technologies. International Q1 revenue was \$676 million, down 3% versus last year, with growth in Video and Command Center, offset by foreign currency headwinds and lower LMR revenue from Ukraine in the current year.

Moving to backlog. Ending backlog for Q1 was \$14.1 billion, down \$306 million, or 2% versus last year, driven by strong LMR shipments and revenue recognition from the U.K. Home Office, partially offset by strong growth across all three technologies within Software and Services. Sequentially, backlog was down \$605 million, or 4%. The sequential decline was driven by strong LMR shipments, revenue recognition for the U.K. Home Office, as well as order seasonality that's typical of the first quarter of the year.

In the Products & SI segment, ending backlog decreased approximately \$1 billion versus last year due to strong LMR shipments and \$533 million sequentially, driven by the order seasonality pattern that I just mentioned. In Software and Services, backlog increased \$732 million compared to last year, driven by strong demand for multiyear contracts across all three technologies, partially offset by the revenue recognition for the U.K. Home Office. Sequentially, Software and Services backlog was down \$72 million, primarily driven by revenue recognition for the U.K. Home Office.

And turning now to our outlook. We expect Q2 sales growth of approximately 4% with non-GAAP earnings per share between \$3.32 and \$3.37 per share. This assumes a weighted average share count of approximately 170 million shares and an effective tax rate of approximately 23.5%. For the full year, we continue to expect revenue growth of 5.5% and non-GAAP EPS between \$14.64 and \$14.74 per share. This full year outlook assumes \$40 million of foreign

currency headwinds, a weighted average share count of approximately 170 million shares, and an effective tax rate for the year of approximately 23%.

And before I turn the call back to Greg, I wanted to spend a moment on a few additional topics. First, with respect to tariffs. As I mentioned earlier, we are reaffirming our full year guidance despite higher costs from the current tariff environment, which we estimate to be up to \$100 million this year. We are navigating this dynamic environment with a number of supply chain actions, and we're implementing cost-saving measures, along with finding price opportunities as well.

Second, our continued investments in software across the entire portfolio are driving strong adoption of our cloud and SaaS offerings, resulting in more recurring revenue contributions and driving our expectations of strong Software and Services growth this year.

One example to mention on this increase in software adoption has been the success of APX NEXT and the suite of software applications that are available on these devices. Our customers recognize the operational efficiencies these deliver. And by year-end, we expect to have over 200,000 APX NEXT devices with an app subscription in North America, generating an average \$300 per year per device in revenue. This recurring revenue stream and its associated multiyear backlog are recorded within our S&S segment.

Furthermore, the latest extension of APX NEXT platform with the introduction of Assist and SVX provides us with even greater opportunities to deliver value-added software applications on the platform.

And finally, a couple of notes on our balance sheet. Last week, we successfully renewed and extended our \$2.25 billion revolving credit facility with improved pricing and flexibility. The new five-year facility extends into 2030 and further complements our maturity profile. This, combined with our \$1.6 billion of cash on hand and the \$2.7 billion of operating cash flow we expect to generate this year, gives us continued flexibility in capital allocation.

Greg, back to you.

Greg Brown, Chairman & Chief Executive Officer

Thanks, Jason. I'm just going to end briefly with a few thoughts. First, I'm very pleased with how we're executing in the current environment. Our quarterly results were outstanding with Q1 record sales, earnings and cash flow. Our pipeline of new opportunities remains strong. And we've implemented mitigation actions to offset higher costs related to tariffs.

Second, I'd like to take a minute to talk about our latest product launches of SVX and Assist. Born from the trusted foundation of our APX NEXT radio and inspired by who we serve, SVX and Assist represent significant leaps forward in public safety technology.

SVX is a first-of-its-kind video remote P25 speaker mic that converges secure voice, video and AI and eliminates the need for a separate body-worn camera. Assist is our interactive AI platform that bridges AI-enabled features across the portfolio to provide the public safety community with contextual and actionable information when and where a decision needs to be made.

The convergence in the SVX device brings video and even more AI to first responders' most trusted lifeline, their radio, and it creates a whole new category of technology to reduce response time and save lives. In addition, it significantly improves the performance of applications like AI-assisted report writing by utilizing our extensive experience in public safety audio technology enhanced by advanced noise cancellation.

The SVX will be exclusively available with our APX NEXT family of radios, which we believe will drive increased adoption of these higher tier radios and significantly increase our opportunity to provide software apps across the APX NEXT platform. The early engagement with the public safety community has exceeded our expectations, and I'm excited for them to start experiencing the benefits of these game-changing solutions.

And finally, as I think about the remainder of the year, I'm encouraged on a number of fronts. Our need to have solutions in safety and security are continuing to be prioritized by our customers. The increased adoption for Software and Services apps helps drive continued growth in recurring revenue within our Software and Services segment, which we expect will make up almost 40% of our revenue this year.

And we had a strong start to the year with regards to capital allocation, with over \$800 million already deployed between acquisitions and share repurchases year-to-date. Additionally, we have a very strong balance sheet and robust cash flow that allows us to continue to play offense when the opportunity presents itself.

And with that, I'll now turn the call over to Tim and open it up for questions.

Tim Yocum, Vice President, Investor Relations

Thanks, 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] Thank you. The first question is from Tim Long from Barclays. Your line is now open.

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Alyssa Shreves

Research Associate, Barclays Capital, Inc.

Hi. This is Alyssa Shreves on for Tim Long. Just two quick questions. You mentioned the strength in the software services as a service. Can you kind of walk us through the video product revenue performance in the quarter? Was the product weakness driven by the shift to the cloud? And then I have one follow-up.

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Jason J. Winkler

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

Sure. Alyssa, thanks for the question. So, I think you're picking up on the fact that video grew nicely for the quarter and is on path for our video growth that we expect for the year of 10% to 12%. Software is leading that growth and has been for a number of quarters. That's consistent with how we've invested in the portfolio. And it's been performing nicely in that regard. And we expect continued growth. And part of that, yes, is the performance of Alta, our cloud video offer which is growing quite nicely.

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Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

And Alyssa, even with cloud growing exponentially stronger than product, we also still expect products to grow for the full year as well.

Alyssa Shreves

Research Associate, Barclays Capital, Inc.

That's helpful. Thank you. And then just a quick one on tariffs. Are you seeing any change in customer behavior with this uncertainty? Are you seeing any pullback, any elongation of deals? Any color there would be great. Thank you.

Jack Molloy

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

Yeah. Alyssa, we're not. I mean, we're not either internationally or in North America, what's happening in the field right now is pretty consistent with what we've seen over the last number of years.

Jason J. Winkler

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

And I would add, in terms of how we're navigating the environment and getting past the about \$100 million impact this year, proactively dual sourcing, moving around our flexible footprint. We are implementing some discretionary cost controls across the company as well as some pricing opportunities as I mentioned.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

And the tariff, Alyssa, the increased tariff of about \$100 million or up to is driven by higher input costs from different theaters. It's production associated with Malaysia. And even though we are out of China, as you know, from any and all manufacturing and development, we still have a few, very few actually, commodity components that are sourced from China. And with the rate sitting at 145%, that's included and informing that about \$100 million estimate, which, by the way, on an EPS basis is about \$0.40 of full year EPS.

Operator: The next question is from the line of Joseph Cardoso with JPMorgan. Your line is now open.

Joseph Cardoso

Analyst, JP Morgan Securities LLC

Hey. Good afternoon. Thanks for the question. So maybe the first one here. Just wanted to touch on the demand trends that you're seeing. Appreciate it. It sounded like you're not seeing any change in the environment. But if I take a step back and look at the full year revenue guide and strip out the FX impact that was embedded 90 days ago versus what you're embedding today, it does look like there's a bit softness embedded there relative to what you were originally expecting.

And maybe I'm pulling at hairs here, but maybe you could just touch on that with some of the moving pieces, what you're seeing across demand and the pipeline. And particularly just curious, just given kind of what we're hearing in

terms of concerns on the macro, can you maybe differentiate between what you're seeing in maybe your core public safety vertical versus maybe on the enterprise side of the business? And then I have a follow-up. Thank you.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Yeah. On the first part, Joseph, yeah, you're right on the FX, but I think in this environment, given the volatility and uncertainty and while FX is a good guy now to the difference of the \$80 million you talked about, obviously, it wildly fluctuates. And I think for us to bake it in and just take it to the bank in this volatile and uncertain environment, and the 90-day tariff pause supposedly being lifted on June 8 and all the things flurrying around, we thought it was prudent to just hang tight on top and bottom line for now. But that should not be interpreted as any softening demand because we don't see that.

Jason J. Winkler

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

And we have improvements ahead of us really in the second half.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Exactly. So to quote you, I would – bit pulling on hairs, I'm not concerned about what you described.

And in terms of seeing any difference in behavior between North America and international.

Jack Molloy

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

I think the first thing I think I'd note is Q1 North America, we had record orders. So I think that's a statement to kind of the state of play for public safety in North America. Internationally, I'd remind everybody, we have a very resilient revenue source in that, our two biggest markets are EMEA and Australia, which are both largely driven by managed service agreements.

And as it relates to our commercial and enterprise market segment, we had, I think as Jason just pointed out, very strong Q1 in Video Security. And for our PCR business, if you outboard FX in Ukraine, we expect another year, a very good year in 2025.

And I'd also, the last thing I'd circle back is remind everybody that our verticals that drive our enterprise security business, their healthcare, their critical infrastructure and education, those markets tend to be more resilient.

Joseph Cardoso

Analyst, JP Morgan Securities LLC

No, fair guys. And I appreciate the detail. Maybe just as a quick follow-up on the tariff commentary. Like you obviously mentioned Malaysia, but curious if you could just touch on your Mexico manufacturing footprint there. And any details around whether you're USMCA compliant there and so little bit less of a concern nowadays.

And then the second part of that question on tariffs is just more around the mitigation that you're embedding in the guide. Like is the expectation or the assumption that you're making is that \$100 million eventually goes to zero? Or how should we think about the impact of that as we kind of progress through the year and the mitigation efforts that you're putting in? Thanks for the questions.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

So good – yeah. Joseph, good question on Mexico. The good news is overwhelmingly, as Jason mentioned last quarter, we are USMCA compliant. So that's a big factor, which is why I highlighted Malaysia. Because with USMCA compliance and looking at the totality of our production outside of the United States, Malaysia would be the single country as it relates to production. That's the biggest driver toward the up to \$100 million.

Jason J. Winkler

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

And with respect to the second part of the question, the tariff impacts, which we've sized at up to \$100 million, our mitigation plans fully cover that. So that's why we are reaffirming our prior guidance of EPS and expect to cover the impact of tariffs through the three things that I mentioned, discretionary costs, some flexibility in moving around the supply chain that we do have to avoid some tariffs, and thirdly, some pricing across our portfolio, which we continue to look for.

Joseph Cardoso

Analyst, JP Morgan Securities LLC

Got it.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

And the nice thing about that is, even with all of those ingredients into the blender and maintaining and reaffirming full year, we still expect operating margin expansion for the full year. And I would say for the full year on gross margins to be comparable.

Joseph Cardoso

Analyst, JP Morgan Securities LLC

No, that's great to hear. Appreciate the color, Greg and Jason.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

You bet. Thank you.

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

Jamie Reynolds

Research Associate, Morgan Stanley & Co. LLC

Hey. Good afternoon, everyone. This is Jamie on for Meta. And I guess just the first question. With the new SVX product and Assist feature, are you able to give us a sense of any sort of, like, early demand signals that you're seeing or launch – or feedback from early launch customers? And then how should we think about kind of the monetization?

Jack Molloy

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

Yeah. I think the first thing I'd point out is we're really excited. But interest is high from both our customers, our body-worn customers as well as our competitors' body-worn customers. I'll give you an example.

I had a phone call with one of our sales executives last night who had just left the meeting with the police department in the Midwest, and there's really dual benefits as we see it. This was a customer that's a competitor body-worn camera customer today. They were going to and had planned to buy mid-tier APX radios. After the announcement and the demonstration yesterday with the SVX, their new plan is to unify on our body-worn camera solution and actually upgrade to the APX NEXT family of radios. And so, those conversations are happening throughout the country.

I think as Greg pointed out, the big piece of this where the benefit stands is there's no more need for two devices, no more need for two data plans. And I think our customers come to expect world-class audio, and with this device, I think many of us, even in the initial demonstrations we saw with the product team, were blown away with really the ambient noise-reduction capabilities as well as swappable batteries as well to elongate the product life. So really excited. But I think it's more important to look at the excitement through the lens of our customers' eyes.

Jason J. Winkler

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

In terms of how we're going to – you asked about monetization, so we expect it to drive further adoption of APX NEXT. Of course, it comes with more software attached opportunities with it. It extends our mobile video portfolio. Those are areas where we're excited about the monetization of what this means for the future.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

And the whole strategy – Sorry, Jamie. I would just reaffirm, the whole strategy there is, look, nothing is more important to a first responder than P25 secure voice. So why have two devices when you can have one? And when you can have one, we lower the total cost of ownership. And when you take front-end body-worn and the radio – speaker mic and combine it with back-end evidence, we lower the total cost of ownership for the whole experience, too.

Plus, with this converged device, we're ingesting more critical information in Assist. And maybe Mahesh, you want to dimensionalize that.

Mahesh Saptharishi

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

Absolutely. So – and Jamie, you mentioned Assist as part of this SVX, which is a critical part of the story. As Jack mentioned, that superior audio quality allows us to do more with AI as it applies to SVX. But quite importantly, if you think about helping an officer author a report, a narrative after an incident, a body-worn camera doesn't always hear everything that the officer sees and hears. The SVX, very uniquely, is capable of listening to everything that the officer may see or hear, inclusive of what is happening on an LMR radio. Perhaps that officer has an earpiece on and listening to everything that is happening across the talk-group.

We have access to all of that, including CAD data, including what the dispatcher adds as commentary about the incident, inclusive of radio metadata, such as what talk-group was that officer part of? What is the battery level? Volume? Is there any reason why an officer may not have heard something? That in totality helps us really create a more authentic and true report for that officer and really make that whole experience way better than what it could be otherwise with a traditional body-worn camera.

Jamie Reynolds

Research Associate, Morgan Stanley & Co. LLC

Great. Thank you for all the detail. I'll jump back in queue.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Thanks, Jamie.

Operator: The next question is from the line of Keith Housum with Northcoast Research. Your line is now open.

Keith Housum

Analyst, Northcoast Research Partners LLC

Thank you. Good afternoon, gentlemen. I appreciate it. In terms of like the federal business, obviously, federal is a fairly important part to your business, especially on the video side. Can you give us any commentary about what you're hearing from your federal customers in terms of bookings in the first quarter and their expectations for the second quarter and the rest of the year based on efforts from DOGE and everything else going on right now?

Jack Molloy

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

Yeah. I think so for our federal government, they're operating on a CR through 9/30. By the way, I'd note that over the course of the last handful of years, we've had great years when we've operated under CR, so this is nothing new for our team. Demand remains very strong within the federal market.

We're also keeping an eye on both the House and Senate budget bills that are being passed through because if you look at it, there's going to be a substantial increase with both borders, immigration control, with a particular lens around video technology, around next-generation LMR communications and body-worn. I think there's going to be things like that. So we're keeping an eye on that. We've got the teams in place. We expect another very strong year with our US federal government team, both here and abroad.

Jason J. Winkler

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

The only thing I'd add to that, Jack, is the focus that your team has around law enforcement. And law enforcement within federal being a majority of the business and the alignment of priorities around law enforcement and the federal law enforcement agencies, we seem to be well aligned there.

Keith Housum

Analyst, Northcoast Research Partners LLC

Okay. Great. And then just a secondary question for you guys. I understand the seasonality in terms of the backlog. But I look at your backlog over the past several years, you still have growth year-over-year in the first quarter, and it looks like your notable wins also appear somewhat lower than what we usually see. Was there any weakness in closing those deals during the quarter? Or you're not concerned at all with the prior seasonality here?

Jason J. Winkler

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

Not concerned, Keith, and the seasonality, as you mentioned, is a part of our business. The last two years have been a bit different as we navigated through supply chain and eventually unlocked that opportunity through available parts. But just to further dimensionalize it, in Q1, orders being a record, as Greg mentioned, ex-home office, \$1.9 billion, up 5%. They were similarly in the prior quarter, Q4, which is always our largest quarter, were also up 5%. And that was a \$3.7 billion ex-home office print. So that gives you the relationship of Q4 to Q1. And additionally, we're growing at a similar rate Q4 into Q1. Demand patterns, as we expect, are continuing.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

And the thing I would add is, having said all that, we still expect product orders to grow for the full year, even though we're indexing more, as we've said, to quick turn. And while product backlog, it will move around a little bit. Our expectation is for it to be, I don't know, in the ZIP code of the mid-3s by the year-end. So I think generally performing as expected and demand remains solid.

Keith Housum

Analyst, Northcoast Research Partners LLC

Great. Thank you

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Thank you.

Operator: Our next question comes from Louie DiPalma with William Blair. Your line is now open.

Louie DiPalma

Analyst, William Blair & Co. LLC

Greg, Jason, Jack, Mahesh and Tim, good afternoon.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Louie, how are you doing?

Louie DiPalma

Analyst, William Blair & Co. LLC

Great. Congrats on the launch of SVX and Assist. One of my questions, can you provide more detail in terms of how you are able to attain the superior audio quality for your microphones relative to competitors? And does it come from your decades of heritage as a radio provider? And are there codecs and AI and software involved? Or how are you able to achieve that? Thanks.

Mahesh Saptharishi

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

You mostly answered the question for me. Yes, it's our decades of experience with audio, in particular. Our expertise in microphone design, microphone diaphragm design, understanding the characteristics of the microphone. And then coupling it with the appropriate AI on the backend to effectively do ambient noise cancellation. All of that plays into this whole picture.

And I think over the past, I would say, two years or so, the level to which AI can now parse out what is noise, what is human speech, and in this particular case, understanding human speech is quite important. And that's – we have focused on that. And I think we have delivered on that with SVX.

Louie DiPalma

Analyst, William Blair & Co. LLC

Great. And secondly, for anybody, are you able to share what AI provider you are partnering with for AI Assist? I know that you have a significant cloud partnership with Google, but are you using like an open source like language learning model, generative AI provider? Or is there like a particular vendor you're using?

Mahesh Saptharishi

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

Sure. And I think we've actually talked about this publicly as well. So we leverage Anthropic's Claude for much of what we do when it comes to Assist, and all that we do with Assist. And we are constantly looking at models that help us move the ball forward. Some of our biggest concerns in how we design is safety and safeguards that we can put in place.

And not all large language models, especially open-source large language models allow us to do that. Us being able to apply our domain knowledge to the mix here, to understand exactly how we need to apply safeguards to LLMs to allow for Assist to operate the way it needs to, especially in the context of authoring, helping the – an officer author reports,

being able to understand the cognitive psychology elements of what needs to be done along with the machine learning elements of what needs to be done, we get that through Claude, and we get that through the safeguards we have implemented on top of that as well. So that's really how we leverage what we do with Assist.

Louie DiPalma

Analyst, William Blair & Co. LLC

Great. And one final one. You announced the partnership with BRINC for drones as a first responder. And I was wondering, how do you view the TAM and the market rollout for that new product? Two of your competitors have been very vocal about the market opportunity, and you guys have also invested with your CAPE software. But I was wondering, how does BRINC expand your existing CAPE software and platform? Thanks.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

We – the team, Mahesh and others have been involved and engaged with BRINC for a while. We're particularly excited by the holistic strategy we've got around drones. We counter drone strategy with SkySafe and drone as a first responder with BRINC. The thing I love about BRINC is it's progressive. It's a nimble company. It is a leading provider, specifically for public safety DFR, and all of its products are made already in the United States.

Great technical architecture, strong partnership. And it does more than just the DFR. And it can do delivery of like EpiPens or Narcan. So it does more than competitive drones do today. And we view that as expansive and additional areas for us to ingest and capture in Command Center Aware.

Mahesh Saptharishi

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

And Louie, I think the other thing to note that in the second half of 2024, we saw a fairly sharp increase in FAA waivers for DFR. We see that continuing into 2025. BRINC offers us a differentiated solution, as Greg mentioned. In addition to that, we are actively working on integrating Assist with our DFR program as well, including, with the SVX platform with the APX NEXT. So all of that combined, I think we have a fairly unique opportunity here.

Louie DiPalma

Analyst, William Blair & Co. LLC

Excellent. Thanks, everyone.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Thanks, Louie.

Operator: The next question is from the line of Ben Bollin with Cleveland Research. Your line is now open.

Ben Bollin

Analyst, Cleveland Research Co. LLC

Good afternoon, everyone. Thanks for taking the question. I guess a two-parter. I'm interested in your thoughts on what you're seeing into the current kind of state budget cycle with respect to federal grants awards. If it looks similar or different versus prior years. And then the second part. Any thoughts – as majority of states go into the new fiscal year in the back half, any thoughts on what state budgets are looking like into their fiscal 2026?

Jack Molloy

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

Yeah. Ben, so – hi. It's Jack. I think, first of all, public safety technology continues to be prioritized. And actually, the budget situation across the board from a state and local standpoint, on the surface is very good. I'd remind you federal transfer dollars are, at best, complementary in the funding environment. State and local budgets are funded largely by income, sales and property tax, which including sales tax through Q1, if you look at the receipts, are up. So the environment is very good.

As we think about the second half of the year, because we are in public safety, we're doing a lot of long-cycle selling, upgrading LMR systems where there's a lot of customer excitement around the D-Series, which essentially gives us another opportunity to refresh infrastructure. Leveraging smaller geographic footprint, more power, less energy, improved channel spacing and more capacity that actually pulls in LEO satellite capability and things that our customers have asked for.

So there's a lot of excitement there. But as we start to think about the second half of this year and beyond, pipeline continues to look robust. And so, I think that's really the nature of public safety getting a lot of attention, a lot of priority. And around some of the advances in technology and the R&D investments we continue to make that, I think, meet the market right now. So we're very encouraged.

Ben Bollin

Analyst, Cleveland Research Co. LLC

If I could add one follow-up. Greg, back in 2013, you guys saw this narrowbanding effort that kind of supported a bunch of incremental funding and urgency. And I guess I'm curious if you draw any compares to what you've seen with respect to like ARPA, for instance, or any of the stimulus over the last few years. If you see any similarities between the current environment and where we are in that cycle versus what we saw then? And that's it for me. Thank you.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Yeah. I mean, a little bit. But – and we talked and I talked about the funding environment that came out with the "the Inflation Reduction Act" and the \$1.9 trillion. Obviously, the size of that legislation and stimulus coming out of the federal government in an answer to COVID, nothing was ever larger than that.

Having said that, I think we're kind of largely through that. And since we index and orient ourselves more around the continuity of state and local budgets and sales tax and property tax, and coupled with the fact that, as you know, Ben, what we do is higher in the food chain of criticality as opposed to discretionary. I think we've reached a level a little bit more that feels steady state.

And I like the consistency of the demand we see. I do think as we've talked about with video being a higher proportion of our business, we're seeing more quick turn than more long cycle. And as we've normalized through the supply chain semiconductor backlog, kind of kink in the hose, we're more regular as well. But a little bit, narrowbanding was unique, but I think we're a little bit more steady state.

Jack Molloy

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

So Ben, this is Jack. Just the only thing I'd add on to that, if you think about 2013 on the narrowbanding, that was a mandated move. Meaning, customer State of Minnesota, State of Michigan, whoever it might be, you have to move. You have to figure a way to fund and upgrade cycle, both on infrastructure and a lot of times devices. That's far different than ARPA, which last year, if you looked at our 2024 orders, was less than 1% of our North American orders.

So that would be the only thing that I would just add on to Greg's commentary was in my 30-year career in this business, 2013/2012 was an externality unlike we've never seen because it was a mandate.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

It's required.

Ben Bollin

Analyst, Cleveland Research Co. LLC

That's great. Thanks, guys. Have a great night.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Thank you. Ben.

Operator: The next question is from the line of Tomer Zilberman with Bank of America Securities. Your line is now open.

Tomer Zilberman

Analyst, BofA Securities, Inc.

Hey, guys. I want to continue the line of questioning from earlier. If I look at the 2Q guidance, the revenue growth of 4% was, I think, give or take, \$30 million below the Street. Can you just take us through the puts and takes of the growth next quarter? Is there anything in the demand environment that's driving any conservatism?

Jason J. Winkler

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

Our growth expectations for both Q1, which we achieved, and the Q2, which we've just guided to, are consistent with the first half that we had put forward for our expectations within the firm.

If I think about Q1 and Q2, they're coming off some pretty significant comps from the past two years, which is, in part, behind the guide. And that was due to the supply chain normalization. So looking at the year, our growth expectations are affirmed at 5.5%, Q2 being the 4% that we guided to.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

And Tomer, again, like, as we always prepare, we always think about where we guide and what we want to do. And just given this environment in particular, we just thought it was prudent to keep the full year where it is at this point in time. Even though we have – I know your question is Q2, even though we have what was pointed out earlier, a tailwind on FX, let's everybody not get over our skis, be prudent, and continue to have this business perform consistently. That's kind of the psychology that's informing the full year.

Tomer Zilberman

Analyst, BofA Securities, Inc.

Got it. And as a follow-up, if we look at the rest of the year, the second half now that you're maintaining the guidance, can you maybe just share with us some indicators that you're seeing that are giving you the confidence to maintain that full year, especially as we think about as we enter 3Q, that 90-day tariff pause comes to an end?

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Yeah. I think what we're pleased about is record Q1 orders. What we're enthusiastic about is a very continued strong pipeline. I think that things continue to move quite favorably. By the way, even though, we're early into Q2, April was quite good as well. So we like that. And we just want to keep everything off hitting the guardrails and continue to execute. But the indications, the engagements, the pipeline, the quick turn conversion that Molloy's team is successfully doing, I think are all pretty good indicators overall.

Tomer Zilberman

Analyst, BofA Securities, Inc.

Great. Thanks.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

And by the way, and there's strong adoption on the cloud. There's strong adoption on the cloud as well, which came up earlier. So irrespective of the top line revenue growth number, the more and more this firm indexes to Software and Services, the more we index to cloud with Avigilon Alta, the more we index to reoccurring, that's a good trend. And we like the markers on that field as well.

Jason J. Winkler

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

And with the growth, we're expecting earnings growth as well.

Tomer Zilberman

Analyst, BofA Securities, Inc.

Got it. Thank you.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Thanks, Tomer.

Operator: The next question is from the line of Matt Niknam with Deutsche Bank. Your line is now open.

Matthew Niknam

Analyst, Deutsche Bank Securities, Inc.

Hey, guys. Thank you so much for getting me on. Two, if I could. I guess, first, if you can comment on the latest you're seeing on the M&A front, just in terms of opportunities and private market valuations. And then secondly, with Europe, I know there's been some talk of increasing defense spend. I know you primarily focus on more state and local, but I'm wondering if the opportunity or prospect of increased defense spend in Europe presents any incremental opportunities for the company. Thanks.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

I think the M&A discussions remain active, even though the environment for actual deal completion in general has been lower. I'm not saying for MSI, but lower than expected outside. We did close RapidDeploy. We closed Theatro. Love both of those. They're a little over \$400 million, coupled with, as I mentioned, the \$400 million-plus to-date in share repo.

In Q1, we bought back about \$325 million at a price of \$4.37 and change. So the opportunity to invest in share repurchase and inorganic remains strong. And I think our discussions in the private market opportunities and with more current and realistic valuations than maybe a year ago, I think they're active. And I'm pleased with the opportunities that present themselves to us and we'll continue to be opportunistic as we evaluate and/or action on any of them between now and the end of the year.

On the second part, I agree with you. I think additional defense spending in Europe overall is good, in Germany, specifically. It's good as European countries move toward a higher NATO 3% target of defense spending as a percentage of GDP, we think those are favorable trends. And Molloy's team, you may want to talk about Germany, you've done a great job there.

Jack Molloy

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

Yeah. Greg, sure. Real proud of the work we've done with the German MOD, both from a military and a naval operation standpoint. We've gone in and, by the way, worked with local partners to deploy systems. We think there's opportunities for some scale to add additional scale to those programs.

The other thing that hasn't been talked a lot is around border security leveraging video, particularly our thermal assets by way of our Silent Sentinel acquisition. A lot of interest as it relates to that. And so, we're excited about that as well.

But we're keeping an eye on the budget. It's really important to point out we have teams local that work with our customers. And I think they'll continue to work to execute and help our customers the greatest extent they can.

Matthew Niknam

Analyst, Deutsche Bank Securities, Inc.

Thank you.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Thanks, Matt.

Operator: Our final question today is from the line of Amit Daryanani with Evercore ISI. Your line is now open.

Irvin Liu

Research Associate, Evercore ISI

Hi. Thank you. This is Irvin Liu on for Amit. I have one and a follow-up. First, I hate to beat a dead horse, but on the topic of tariffs, you mentioned pricing as a component of your mitigation strategy. Contractually, are you able to pass through some of your higher costs on current backlog or would this more apply to new orders? And then can you share with us any sort of customer feedback as it relates to potential price increases?

Jason J. Winkler

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

Our pricing opportunities are within the pipeline that's ahead of us generally on new orders. Jack, if you want to talk about services, renewals and maybe how they work every year, there's an opportunity there, too.

Jack Molloy

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

Yeah. So we do have an opportunity on services. We typically have two big contractual gating, and that's in, largely, in June, and again in January. We have done – by the way, we've done, we've added cybersecurity capabilities to our – to what I kind of call an enhanced service offering with the price increase. We did that last year. We're evaluating new opportunities this year.

You also asked the question as it relates to what our customers are saying. And largely, our customers have already gotten a lot of price increases. So I think there's an expectation in the marketplace. That's what we're hearing not only from our customers, but also from our partners, that there will be some pricing actions taken in the near term.

Greg Brown

Chairman & Chief Executive Officer, Motorola Solutions, Inc.

And Irvin, just to add one last level of dimensionalization, we're mitigating about \$100 million. But the majority of that mitigation is cost reductions, not pricing opportunities, just to dimensionalize it.

Irvin Liu

Research Associate, Evercore ISI

Got it. Thank you for the color there. And then for my second question. It's great to see your AI innovation address real-world use cases out in the field. So I appreciate the color on your monetization efforts as well. I think it's great for your TAM. It's great for your pipeline. But maybe from a customer perspective as it relates to budgets, do you anticipate budget dollars shifting higher for some of the technology investments that your public safety customers are looking at? I mean, just kind of curious because – yeah, any color on budgets as it relates to AI spend would be helpful. Thanks.

Jack Molloy

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

Yeah. And maybe Mahesh will tag on this. But as it relates, and I mentioned it earlier, but I think what we're seeing and particularly with, I'm thinking about a couple RFPs that are imminent, but yeah, I think particularly within our major, what I would kind of call tier zero, tier one cities, they're starting to think about leveraging technology, pulling together the Command Center, providing more mobile capability to their officers by way of APX NEXT, our SVX device. We talked about DFR earlier. Those are the kind of things that we'll continue to draw attention and probably appropriate more money within our big city police forces in the United States.

Mahesh, I don't know if you have anything you want to add on that.

Mahesh Saptharishi

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

So just maybe from a slightly different perspective on this. How users interact with software is just fundamentally changing. AI is redefining what a user interface looks like. What that means is that across all our Command Center software products, we are embedding Assist, and Assist is part of the solution there.

We typically have three tiers of solutions across our Command Center products, there's starter, there's standard, and there's plus. For each of those, we're revealing Assist as a key capability. At the starting of levels, the first tier, it's everything that's related to search, everything that's related to summarization of information, really making information easy to find. And we do this across the entire incident timeline. And what that really does is it actually encourages cross-sell of our solutions across the products.

The next tier is really proactively surfacing information. And as we think about what we have done for Assist for 911, as an example, there was a daughter who called 911 really because her mother needed help, medical assistance. The location was associated with the daughter's phone. Assist prompted the call taker to confirm whether the mother was in the same location as the daughter. And it did turn out that they were in two different locations. That makes 911 response that much more effective.

And the third level is really where we can start automating multiple tasks, now getting closer to agentic AI, where for example, if there's an Amber Alert and that process is triggered during a call, we can do multiple things, including understanding the LPR information, being able to trigger searches automatically through our LPR network, searching video networks, being able to dispatch drones, multiple things that can really effectively solve that problem.

Those three levels are embedded into our products. And what we're fundamentally doing is making our core applications that much more powerful and tied together, making them that much more powerful as well. So it's a different perspective as opposed to thinking of Assist purely as a discrete entity that we monetize.

Irvin Liu

Research Associate, Evercore ISI

Got it. Thanks for the color.

Operator: This concludes our question-and-answer session. I'll 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.

Thanks. And thanks everybody for dialing in and listening. I want to start with thanking all of the Motorola Solutions people and all of our partners. A specific shout-out and grateful acknowledgement to the SVX team, Mahesh and Scott Mottonen and all the people, engineering, development, product, sales, everything.

It culminates in an 18-month-plus effort on just to kind of piggyback on what Mahesh just said. Look, we're interested. Innovation is the oxygen of our company. We have a robust patent portfolio. Obviously, we defend that voraciously. But we're all about innovation, particularly organic or inorganic. But we're developing around the needs through the lens of our customer.

And while we're proud of our individual products, we're doing things in mind with a total safety and security ecosystem that resonates with the public safety community that makes them more productive. We have the best products, but we also talk about user interface, productivity benefits, total emergency workflow, expanding situational awareness, and just again, in particular, the SVX team and all and everybody involved was outstanding.

I'm excited by the investments we're making in innovation. Welcome to the RapidDeploy and Theatro employees that joined the Motorola Solutions team. We talked about our excitement around drones, both counter and drone as a first responder, and some of the superior characteristics and attributes that brings us in that partnership.

SVX and Assist, we talked about. I like the fact that we had record product introductions at ISC West. So I like where we are. I'm heartened that the composition of our revenue continues to more index toward recurring and Software and Services.

And I appreciate all of you joining us. I appreciate the whole team in Motorola Solutions for your execution. And we'll see you in a quarter again. But thanks for everybody's efforts. Appreciate you.

Operator: This does conclude today's teleconference. A replay of this call will be available over the Internet within three hours. The website address is www.motorolasolutions.com/investors.

We thank you for your participation, and ask that you please disconnect your lines at this time.
