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PARTICIPANTS

Motorola Solutions Executive Participant

Greg Brown – Chairman & Chief Executive Officer

J.P. Morgan Securities, LLC Participant

Paul Coster – Analyst

MANAGEMENT DISCUSSION SECTION

Paul Coster, Analyst, J.P. Morgan Securities, LLC

Hi. Good afternoon, everyone. I'm Paul Coster. I cover IT Hardware at JPMorgan, joined by my teammates Mark Strouse and Paul Chung to co-cover with me. And it's the 45th JPMorgan TMC Conference, it's the second virtual conference. And I just want to remind the audience that you are welcome to ask questions as we proceed. And you do so by entering the questions through the website application. And I'll read them into the discussion. And the discussion today – and the session is with Greg Brown, Chairman and CEO of Motorola Solutions. And good afternoon, Greg.

Greg Brown, Chairman & Chief Executive Officer

Good afternoon, Paul. Thanks for having me.

Paul Coster, Analyst, J.P. Morgan Securities, LLC

You're welcome. And thanks for joining us from what seems to be Chicago I'm judging by the background.

Greg Brown, Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Yeah.

QUESTION AND ANSWER SECTION

<Q – Paul Coster – J.P. Morgan Securities, LLC>: And I'm very honored by your appearance. We appreciate you've raised the game for everyone. So thank you for that. And well perhaps you could also raise the game for every other company out there, by telling us what Motorola does?

<A – Greg Brown – Motorola Solutions, Inc.>: Sure. So we are not quite a 100 years old, but we do mission critical communications and analytics. And we think of our business through the technology lens of three primary technology platforms, Land Mobile Radio products and services. About 13,000 Land Mobile Radio networks around the world.

Think of Command Center Software. It's more of a North American centric strategy, Paul, but think about the 6,500 911 centers in America where we do ingesting 911 calls, as well as dispatch, as well as records and evidence management. So we're an end-to-end provider in the Command Center Software business.

And the third technology is Video Security and Analytics. We do fixed video. We do mobile video. We – And mobile video is both in-car dash-cam as well as body-worn.

And those are the three technologies that we provide that underpin basically the new Motorola Solutions from where we were several years ago. So, it's a big difference, where historically, if you go back six, seven, eight years, we were traditionally, Paul, an LMR product hardware company. And now we do services, fixed and mobile video, analytics, Command Center Software. And we've more than tripled the addressable market to – in 2021 that addressable market is about \$42 billion. That's by the way zeroing out China, putting zero on China for everything we do. So, it's a very different company, an exciting company, and we're now deriving almost, we expect to derive just under 50% of the revenues this year from video security, Command Center Software, and services. So a very different company than where we were a few years ago (00:03:32).

<Q – Paul Coster – J.P. Morgan Securities, LLC>: So I guess the theme that we're going to keep touching on through this discussion is that this is the inflection point that the company's been promising that you would pivot from your legacy business to these royalty businesses, and we're at that point right now. So how did you get here? I mean it's been quite remarkable actually. It's not just through acquisitions. It's also been lot of organic work, right?

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah. So we – it's been a – it's been a great journey. We right-sized – I mean, as you know, Paul, we exited the cell phone business and all things to do with cellular. We focused the purpose of the company around all things mission critical, and workflow in emergency and critical infrastructure communications. We lowered the breakeven from a cost structure standpoint. We got out of the mobile computing business by selling that to Zebra.

So we focused on what we want to be, we right-sized the expense structure. More recently, with COVID, we made a declaration within ourselves as management and to the board that we would come out of COVID stronger than we went in, from a cash standpoint, from an investment standpoint, and we've, to your point, invested a lot organically, investing in product refresh, on Land Mobile Radio P25 technology, Land Mobile Radio TETRA technology, refreshing the fixed video and mobile video product lines through the acquisitions that we made as well as did acquisitions along the way.

The other way to think about this journey, Paul, I look at my tenure, and I think of it in three chapters stabilize, optimize, and catalyze. So when I first got the baton, as a battlefield promotion, Carl Icahn was in the stock, we were burning \$300-million-plus a quarter. The cell phone business was very sick. This was cell phone not smart phone. So we made the decision to exit the very business we invented i.e. the cell phone. That was foundational, and it was fundamental, and it was also absolutely critical.

And after that we – I worked with Carl Icahn, we worked with ValueAct through these stabilize and optimize phase. And then, about six years ago, Silver Lake came in both with a \$1 billion pipe. And on the board, they monetized their first pipe. They re-upped, and they're in their second pipe. So stabilize, optimize, and grow. And, to your point, on the inflection point, now it's about the growth. We've got the installed base. We have the brand. We have the balance sheet. We've got the product line. We have a significantly larger addressable market.

And Paul, the other thing, quite frankly, that has worked in our favor is, what I would characterize, is the anti-Chinese sentiment in all things; public safety, national security, and mission critical communications. So in the States here, there is the National Defense Authorization Act, which names five Chinese companies by name; Hytera, Huawei, ZTE, Hikvision, and Dahua. So in the US government, they cannot procure product from those five companies nor can US federal grant money be used for any product for those companies. We're seeing that sentiment in other certain western democracies. So that clearly has also been a structural tailwind that I wish I could say I predicted. But I think that's been a circumstance which is beneficial to us here at the company.

<Q – Paul Coster – J.P. Morgan Securities, LLC>: Right. Then, you're pivoting, and just because you're pivoting to video and services, and non-sensor applications doesn't mean that what you're pivoting away from is not something you dislike, it's actually still a pretty damn good franchise right, in LMR, so it's mature. Talk to us about it, is it still – does it still have growth potential in what context?

<A – Greg Brown – Motorola Solutions, Inc.>: I absolutely think it does, and the Land Mobile Radio networks for public safety as well as critical infrastructure as you've heard me say is a need to have not a nice to have for secure encrypted private communications. So, back to technology characterization, Land Mobile Radio, Command Center Software, Video Security and Analytics with services as a wraparound, Paul. We see the LMR businesses all in, product and services as a solid mid-single digit grower. But the important thing about Land Mobile Radio, and you said it, Paul, we're not pivoting away from it, we're pivoting to utilize, we're pivoting to higher growth areas to utilize our incumbency to utilize LMR as an anchor tenant because these networks are complex, customized around feature set and workflow. Many of them have maintenance contracts that are 7, 10, 12 and 15 years in duration.

So these networks are here for a long, long time. We should also talk about LMR and LTE, FirstNet, Airwave, and we'll come back to that. But these networks are anchor tenants. And what we're doing with the other higher growth areas is not only to provide a newer area to compete with faster growth, with a larger addressable market, but we're doing the kinds of integration or orchestration if you will, as an example, fixed video security. To have fixed video security and Land Mobile Radio work in tandem through automation, through root cause analysis, through anomaly detection.

So we're looking at critical infrastructure around airports, stadiums, hospitals, schools. And if you have a Motorola Solution, a fixed video that's monitoring the perimeter, that's monitoring access control, and egress, and it's integrated with Land Mobile Radio that's feeding alarms and alerts into a 911 center; you can literally analyze, and detect, and communicate on breaches or potential crimes without any human intervention. So we're – I'm quite bullish on LMR for predictable earnings and cash flow, and the sticky durability of the installed base, and what we see here in the States with LMR and FirstNet, what we see in the UK with Airwave and ESN, and more recently we just won a large deal with German MoD which is around LTE complementing LMR in all three of these theaters Paul, we see a recognition of the criticality and duration of LMR, but also wanting higher speed LTE 4G and eventually 5G for complementary video and data to complement and integrate with LMR, not necessarily as substitute, but as complement.

<Q – Paul Coster – J.P. Morgan Securities, LLC>: Of course, with the Kodiak platform, you're in the position to bridge those two domains right ... in the technology

<A – Greg Brown – Motorola Solutions, Inc.>: Exactly. Making that acquisition and the part of push-to-talk integrated with cellular carriers, which is easier said than done is it has the OSS/BSS integration as well as the leading-edge technology to provide that seamless integration for people that want a push-to-talk solution over smartphone.

<Q – Paul Coster – J.P. Morgan Securities, LLC>: Greg, just trying to drill a little bit further on LMR, it's got – as you said, generally the infrastructure sits there. It's robust and durable, it can last decades I'm guessing. But the service contract is generally 7 to 10 years, what happens at the end of a service contract. What happens when the infrastructure itself gets to end of life, just typical scenario?

<A – Greg Brown – Motorola Solutions, Inc.>: So we're always on this "infrastructure," we're always refreshing and adding newer software releases and feature functionality. So whether it's over-the-air programming, spectral efficiency or other enriched features. Yes, the infrastructure is there a long-time, but the software releases are more current and fresh, which allows us to up sell, and monetize, and provide a server – service user contracts to continue to expand the feature functionality. So the infrastructure is there, but the performance and feature set isn't necessarily static. And we continue to up sell those customers on the infrastructure side.

On the device side, the average, and again, this is an average, radio device is replaced approximately every seven years. So more recently, we just came out with the APX NEXT, and back to capitalizing on the LMR installed base, but also taking advantage of LTE, this is a dual-mode radio. So a first responder he or she is using in the States, P25. If they roam outside of a service coverage area, they immediately go over to LTE without a dropped connection.

So we're providing the best of both worlds. And now we're just entering a new refresh cycle for radio subscribers on the P25 technology, and we're also introducing new radio devices on TETRA as well.

<Q – Paul Coster – J.P. Morgan Securities, LLC>: So, it doesn't sound like you really enter into a dialog with the customer which goes along the lines. So, we are thinking of getting rid of LMR and going through the cellular system here, it just doesn't happen.

<A – Greg Brown – Motorola Solutions, Inc.>: That's not the conversations we're having. So, there is – how do I get more out of it. What else can you do? And how can I integrate it potentially or coexist with LTE.

<Q – Paul Coster – J.P. Morgan Securities, LLC>: And as you layer in more capabilities, and the systems become more digital, I assume it becomes more difficult for the customer to self-support. So that's also driving them towards service contracts and that's also helping you grow even on the services, right.

<A – Greg Brown – Motorola Solutions, Inc.>: Exactly. So, think, I talked about the addressable market, which we characterize at about \$42 billion. Think of, in 2021. Think of the LMR product, addressable market is \$10 billion. Think of the managed and support services that are LMR centric including some cyber as \$12 billion. Then we have the video security marketplace again with zero for China at \$15 billion. These are 2021 numbers. And then Command Center Software \$5 billion.

So we've more than tripled the addressable market. We're growing faster. We're using the durability and the anchor tenant position of LMR, refreshing the radio devices, upgrading the infrastructure, cloud enabling the portfolio, we haven't talked about that yet either in a way that's allowing the firm to grow at a faster pace. And I would tell you that clearly, demand has been very strong for this year coming out of COVID, which is why we guided the full year up, on top line, and on earnings per share even on the first earnings call of the fiscal year.

<Q – Paul Coster – J.P. Morgan Securities, LLC>: Okay. So I mean – it's causing someone like me to reassess because – I was somewhat skeptical about the LMR situation, but I guess the implication is that it's a platform from which other things are now happening. It may not be growing in aggregate from an infrastructure perspective, though even that is possible, I suppose. But it's really the fact that it gives you this entrée into the adjacencies, the Command Center applications, and into video surveillance, and all of the vertical solutions you're starting to build ...

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

<Q – Paul Coster – J.P. Morgan Securities, LLC>: Right.

<A – Greg Brown – Motorola Solutions, Inc.>: I look – and Paul, I look at push-to-talk over cellular more as a complementary than a substitutionable solution. And when you get into mission critical whether it's enterprise critical infrastructure, or public safety, NYPD, Chicago PD, they're not looking to replace LMR, in fact, they're investing in it. And they're refreshing radios, and they're looking for updated software to encrypt, and they're modernizing the infrastructure. And by the way, the other obviously quite favorable circumstance is the recent Biden recovery plan, which makes available \$350 billion for state and local governments, \$170 billion for schools, and \$38 billion for airports and transit. That's over a half a trillion of stimulus that we could be eligible – our customers are eligible to use, and more importantly, Paul, than the amount is that goes through its differing schedules. But most of it goes through the end of 2024.

So as customers think about this critical technology, they think about the integration of it. They now have the available funds to tap, and they can do it over a multi-year period of time, and by the way, even this year, we're still using CARES Act money before you get to that recovery plan, and again none of this contemplates any potential infrastructure plan if, in fact, they may – that may get traction.

<Q – Paul Coster – J.P. Morgan Securities, LLC>: I know a couple of investors have been focused on the UK Airwave contracts in ESN and I took another look at it this morning, it's just a – it seems very complicated, but perhaps, you can just talk to us about what's happening there. It seems like the new platform is not ready, and is the reason for Airwave to stick around for a lot longer yet. But even if it doesn't, you're still a participant in the next paradigm, right?

<A – Greg Brown – Motorola Solutions, Inc.>: So I think right now, and I'm not going to speak for the customer, but they have said publicly, they want to extend Airwave again. We've gone through one extension when – originally when we bought it, which was a prepackaged bankruptcy with I think 17 creditors from Macquarie. We contemplated the terms and conditions of an extension and the construct around those conditions for those extensions. By contract, that has to be extended by the end of this calendar year, and the customer is already engaged in conversations deciding how long ultimately they will do that.

Again, Airwave has proven to be fantastic. It's – Paul, it's about 350,000 subscribers – users, police and fire. And again, this is a network that's been in place, that's optimized. It has 99% coverage. So when you think about a network to contemplate replacing an LMR network, the requirements for performance are breathtakingly stringent. Now, I know that the UK Home Office aspires ESN to do more and more. We support that. We will obviously fuel and work with them closely to enable ESN. But by the customer's own admission, I think Airwave and ESN much like here in the States, LMR and LTE will coexist for a lot longer. So it would be my anticipation that Airwave gets extended contractually by the end of the year. How long, we'll see. But it is clearly proven to be absolutely mission critical. And when you talk to many of the users, they will tell you that as well.

<Q – Paul Coster – J.P. Morgan Securities, LLC>: All right. Got it. Let's move onto video which I guess was catalyzed by the Avigilon acquisition, which I want to say was round about 2015 maybe 2016. That was a great success. You have now moved into mobile video as well as you mentioned wearable included police officers now wearing. Can you talk to us about that portfolio and how you see that evolving, where and what growth rates?

<A – Greg Brown – Motorola Solutions, Inc.>: Sure. So, our video business which we just commented on at the last earnings call, now, if you take video security, all in, fixed video, mobile video, analytics, video software. We now expect it to grow 20% plus this year. We've made three different acquisitions in the fixed video market Avigilon, IndigoVision and Pelco. We will rationalize those investments, but it's about reach, edge device camera refresh, providing a robust VMS. A VMS that's integrated with what we provide or we can also have a VMS solution that sells into competitive cameras as well.

We acquired a mobile video solution in the form of WatchGuard is the brand here in the States, Edesix or Edesix the brand in Europe. We just won the French MOI which was \$17 million or \$18 million. 30,000 plus body-worn cameras for MOI in France through Edesix. And I think of the mobile video business, where the incumbent, the leader there has traditionally not – historically not been challenged. We now have a very viable alternative choice for police departments both domestically here and internationally. We do it in a more affordable way. So lower cost, lower cost of storage, lower cost of ownership, and we will also look to now provide the integration that I talked about across our product portfolio.

I think video security is growing by leaps and bounds. I also, as I mentioned earlier, Paul, I think it's further advantaged by many countries and customers concerned about how they want to use Chinese technology. And I think prior to Motorola getting into this business, Hikvision and Dahua, the two Chinese providers number one and number two, had the most market share of the fixed video market.

I think given the concern around national security, our entrance, our organic investment, the more and more we're doing around analytics, and integrating this technology back to our incumbent LMR solutions. I think we're in a great – just a great position. The acquisitions we've made back to your inflection point, the pivot point of that has been around Video Security and Analytics, I call it video security and access control as well as software.

So if I think, Paul, about the acquisitions the company has made in the last six years, it's over \$4 billion – we've spent over \$4 billion, or its \$4 billion for a couple of billion in revenue with about 35% EBITDA margins growing at double digits. So, quite pleased about those inorganic moves, and we'll always be on the lookout to see if there's other acquisitions that may make sense.

<Q – Paul Coster – J.P. Morgan Securities, LLC>: So a couple of questions came in from the audience during that discussion. Can you talk about the access control opportunity, how big is the TAM? I'm curious as well, what are the verticals there, I mean schools, and airports, and stadiums, and have I got it wrong?

<A – Greg Brown – Motorola Solutions, Inc.>: And it's all – it's also all enterprise corporations where you have a card reader. So when I talk about the video security business TAM of \$15 billion it includes access control. I think the sub TAM for access control and that is about \$4 billion or \$5 billion is the number I remember on that. We have an existing access control business today with Avigilon. But as you think about video security, you think about access control.

Here's another great example of the way to think about this, Paul. We made a ventures investment in a company called Evolve, a couple of different venture investments. We're now going to be putting a greater amount of money in a pipe to Evolve, and Evolve is all about frictionless access.

So, you talk about concerts, stadiums where you have airports, and large groups of people instead of going through a metal detector, emptying your pockets, walking through, collecting, we're working with Evolve to integrate access control and video security in a frictionless way. So, you would think of these two eight foot posts, about 10 feet or 12 feet apart, and you just walk right through it. They know – it's Paul Coster, they know you don't have a gun or a small knife. And the ability from a throughput standpoint to manage that – that kind of crowd access and entrance into large facilities in a frictionless way is of significant interest by our customers.

The other thing is more and more people from an access control standpoint they don't want to use this. Why wouldn't they be able to use mobile credentials for a cloud-based solution with two factor authentication for video i.e. Paul Coster is walking in an office building from the bathroom back to your office, it says – that's Paul Coster. How do I know – because I know his phone. And then the video camera says, yes, that's Paul Caster – Paul Coster because they see the video facial verification.

So when you think about video security, and access control, and the kind of things that we could do to upgrade and modernize the process for existing access control, I think that market is larger, and will be larger over time, and will offer itself well on the kind of solutions and product portfolio that we're looking to develop.

<Q – Paul Coster – J.P. Morgan Securities, LLC>: With respect to the contact center – not contact center, the Command Center, and the PSAP, 911 kind of single pane of glass solution. It feels to me like the easy bit, the easy bit isn't easy, which is presenting it all in an integrated manner to the agent, but, of course, behind the scenes you're trying to complete the almost like an ERP system for the emergency services, right.

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

<Q – Paul Coster – J.P. Morgan Securities, LLC>: Tell us, if this was the scope correct? (00:28:16). But also, how is it going in terms of adoption around these 6,500 PSAPs that you're presumably going after in the US alone?

<A – Greg Brown – Motorola Solutions, Inc.>: So, so in 60% of the 6,000 or 6,500 whatever the accurate number is, in about 60% of those cases Motorola Solutions has a product or a module that's installed. To your point, we're the only vendor that provides the ecosystem, you call it the ERP of the 911 command center from an end-to-end standpoint. We offer on-prem solutions. We've also cloud enabled the majority of the portfolio. The last part of the 911 call handling cloud enablement will be done probably mid to end summer.

So customers can buy an on-prem. They could buy cloud, they could buy a point product or they can buy multiple products as a part of the suite. So we have a foothold in more than half of these 911 centers, and we are seeing greater adoption of customers buying two or more modules together. Again, it is a North American centric strategy. It's about a \$5 billion addressable market. We think in 2021 it's going to grow approximately 20%. So another really nice – and the other important part, Paul, about Command Center Software is the integrated workflow that it provides us access to.

So I like us to be – the magic of Motorola is in our end to end systems orientation. Part of the reason we made the decision to get out of these phones, and out of this business, is it's a commodity. Now, this is when we made the decision in 2008, it's a commodity. We don't like the commodity business. We like the systems business. We like it being hard to disintermediate. And we like to have the ability to integrate, differentiate, and customize feature sets and

workflow to make that customer more dependable on the Motorola product whether it's LMR or Command Center Software that we're selling. So incumbency is our friend. Having a larger installed base of LMR is a favorable flywheel to growth for some of these other enhanced higher growth areas that we're pursuing in addition to that.

<Q – Paul Coster – J.P. Morgan Securities, LLC>: Also you're, sort of, getting close to \$1 billion now in software and SaaS related revenues. I may be off a bit, you're welcome to correct me. But it's pretty sizable. It's growing pretty rapidly. And how much of it is now SaaS and recurring rather than sort of perpetual license business?

<A – Greg Brown – Motorola Solutions, Inc.>: Well, so, it's still both. But the way we take a step back and we report the business in two segments, product and installation or product and SI, and software and services. We look at software and services as more or less a proxy for recurring, and last year, I believe that was 37% or 38%. It's not all recurring, it's a proxy for it, but it continues to grow. So – high installed base, higher recurring revenues – sticky end-to-end solutions providing differentiating integration and incumbency, that's the strategy of the company.

<Q – Paul Coster – J.P. Morgan Securities, LLC>: A couple of questions here, who's replacing Andrew Sinclair to lead the cloud and software business?

<A – Greg Brown – Motorola Solutions, Inc.>: So Dr. Mahesh Saptharishi is running all – and he's the CTO and he's running all of our software business now. He came through the acquisition of Avigilon. So he's doing all Command Center Software. We'll pick up the organic investment on cloud enabling as well as doing all mobile video, and the CTO the company. He's taking on a more prominent role. We just had him present to the board, and I couldn't be more happy with his impact.

<Q – Paul Coster – J.P. Morgan Securities, LLC>: Yeah. Another question here regarding the Command Center Software, can you give us some sense of customer retention rate, and maybe some sense of the up sell each year. I don't know how you quantify that, but how much are existing customers spending each year or on follow on modules?

<A – Greg Brown – Motorola Solutions, Inc.>: I don't have that figure. But I would – I would say that it is a longer sales cycle because you think about these 911 centers that are quite entrenched and rigid in terms of the way they dispatch, the way they do workflow. So I would say it has historically been, Paul, a very on-prem oriented longer sales cycle adoption. On the other hand, with COVID, I think and people literally being forced to work from home, it's accelerated the interest in cloud enablement. And I think that more and more customers will move to cloud. But we'll also see a healthy number remain on-prem. I would characterize that as just more steady state growth.

<Q – Paul Coster – J.P. Morgan Securities, LLC>: I think we got a minute or so left for an important question, but you are, as you said earlier on, you've turned this company around in terms cash flow as well. And you've therefore been able to execute some interesting M&A, what's ahead in terms of capital allocation?

<A – Greg Brown – Motorola Solutions, Inc.>: So we think of it in terms of 50%, 30%, 20%. 50% of operating cash flow being fungible between acquisitions and share repurchase, 30% for dividend, 20% CapEx. That is a framework that's not a prescription in a normalized balance sheet which we believe we are. By the way we just took on \$500 million of more debt because we have the ability to do that. The debt to EBITDA ratios we're generally comfortable with. We just refreshed and upscaled the revolver at very attractive rates. So our balance sheet's strong. We have the firepower to continue to invest internally, do share repurchase, but also look surgically for acquisitions.

Jason and I, all the time, every month, look at the discounted cash flow of the firm against the terminal value in the backdrop of the LRP. So where we're buyers of the stock and where it makes sense to deploy the capital, Paul, one of my favorite things is we have since Motorola Solutions in a decade approximately purchased about \$12.5 billion to \$13 billion of stock, buying back, reducing the float by over 50% at an average price of \$61.98. So, we're serious stewards of capital. We have great opportunity in front of us organically to return to the shareholder, and to contemplate inorganically, so stay tuned on as to how things develop.

Paul Coster, Analyst, J.P. Morgan Securities, LLC

Right. We'll stay tuned. Thank you so much for participating in the JP Morgan TMC Conference today. We wish Motorola well.

Greg Brown, Chairman & Chief Executive Officer, Motorola Solutions, Inc.

My pleasure, Paul. Thank you.

Paul Coster, Analyst, J.P. Morgan Securities, LLC

Thank you so much.

Gregory Q. Brown, Chairman & Chief Executive Officer, Motorola Solutions, Inc.

Thanks for having me.

Paul Coster, Analyst, J.P. Morgan Securities, LLC

Thank you. You're welcome.