



## Barclays Global Technology, Media and Telecommunications Conference

Wednesday, December 7, 2022

### PARTICIPANTS

#### Motorola Solutions Executive Participant

---

**Greg Brown** – Chairman and Chief Executive Officer

#### Other Participant

---

**Tim Long** – Analyst, Barclays Capital (U.S.)

### OPENING COMMENTS

**Tim Long – Barclays Capital:** Everybody, thank you for joining us here at Barclays' TMT Conference. Tim Long here, IT Hardware Comm Equipment Analyst. Nice to have you all here for Motorola Solutions Fireside Chat. We're very lucky to have Greg Brown with us, Chairman and CEO. He has been in that role for, I think, 15 years or so. I think a lot of you know Greg, he's in my view one of the best CEOs out there and one of the best that I've ever interacted with in my space. So looking forward to the discussion.

So I'm going to sit next to Greg. Maybe I'll throw the first question here and then go over there while you're talking, Greg.

### QUESTION AND ANSWER SECTION

**<Q – Tim Long – Barclays Capital>:** Motorola has been, it's been a lot of iterations over the year. Maybe if you can just kind of talk a little bit about the evolution of where you got to today with the company, because I think it's really meaningful as you guys are set up pretty well heading into the next multiple years here.

**<A – Greg Brown – Motorola Solutions>:** First of all, Tim, thank you for the kind words. Thanks for having me. Just very briefly, when I first came into Motorola, it was a conglomerate. I wasn't the CEO, it was run by one of the Galvin family descendants. And long story short, and the identity of the firm was the cell phone, which, of course, Motorola invented. But when I looked at the portfolio, mobile devices, which was cell phone before smartphone, there was no Android. There wasn't even an Apple iPhone yet. CDMA wireless infrastructure, GSM Semiconductor, although that was decided before me, I thought there was one really good business inside the firm, and that's this business.

So we decided to split the company, spin off the cellular business, the handset business. It went to Google. They got out of it and sold it to Lenovo. We struck a brand agreement, a patent agreement. And I said we're going to be all things public safety and build on what I called the hidden jewel of the company because it was embedded in this conglomerate that no one really truly understood, the end-to-end orientation, the encryption, the device, the coverage, the durability and the significant customer and brand equity.

So we built on public safety. And then as you know, Tim, we've gotten into adjacencies around video security and access control and command center software. So we went from a diversified conglomerate to a, I guess you would say pure play, public safety LMR firm, building on the 13,000 plus or minus LMR Motorola networks that are around the world, monetizing the services, building on video security and access control, capitalizing on the presence of 6,000, there's 6,000 911 PSAPs in North America, we're in 3,500.

So the firm today, fast forward, we have more salespeople in video security than we do in LMR communications. 60% of our employees, of our 20,000, are new to the company in the last five to six years. We've done 40 acquisitions since 01/01 of 2011 as MSI became created. And we've more than tripled, almost quadrupled the TAM of the organization since the initial split to over \$50 billion. Love our position. Love the execution. We still have a lot of room to run in terms of the share we have against the respective opportunity.

**<Q – Tim Long – Barclays Capital>**: Excellent. Good backdrop there. And within their movement from Schaumburg to Chicago, it kind of signifies a cultural change as well.

**<A – Greg Brown – Motorola Solutions>**: We're asset-light, really got out of all the real estate. We had a 137-acre campus, didn't need it, moved on to Chicago and Tim and I were also talking and I think the other thing that's been beneficial to me is we've had activists, we've had Icahn in the company, we've had ValueAct in the company, and now Silver Lake has two seats on this board. They put in a \$1 billion pipe they monetized, they put in another \$1 billion pipe. They're three or four years into it.

You got Durban and Greg Mondre, the Co-CEOs, sit on the board. And I think, first of all, they've been a fantastic partner. But I think the activist private equity engagement has catalyzed management, that's certainly made me a better CEO, particularly Silver Lake, and a great partnership. So I think we're the beneficiaries of that and I think the execution and the performance of the firm kind of in part reflect those partnerships.

**<Q – Tim Long – Barclays Capital>**: Okay, Greg. Great. Maybe you could just talk a little bit about looking out the next few years here, kind of strategic priorities for you. You mentioned video and software. I'm sure that's a key part of the strategy. But maybe break down for us the few things that you're really focused on?

**<A – Greg Brown – Motorola Solutions>**: Yeah. So right now, I take video security software and services and they comprise now almost half of our overall revenue. That was unthinkable several years ago when we were hardware oriented, LMR device and infrastructure oriented. So I love the change of that composition. I think that we have record backlog coming out of Q3, \$13.5 billion. Over 90% of that backlog is government.

You look at the \$1.9 trillion Recovery Act in the beginning of this year, ARPA, \$350 billion is allocated for state and local. \$170 billion is allocated for education. Education outside of government is arguably the most important vertical we're serving both in LMR and video security, fixed video security and access control. Unfortunately, school safety has moved to the very top, but you'll see us continue to deploy capital to execute. We've put feet on the street for video. We've done product refresh.

So when you think of fixed video security and access control, \$20 billion of our \$50 billion TAM, we're doing camera refresh. We're doing high end and low end cameras. We're doing purpose built cameras with the acquisition of video tech. We're doing, I think, best of breed analytics. And we're the beneficiaries of the National Defense

Authorization Act, NDAA, that says Hikvision, Dahua, Hytera, ZTE, Huawei are banned from using a federal agency. And they're banned for using their equipment for new equipment purchases with any federal funds.

Tim, more recently, the Secure Equipment Act from the FCC names those same five companies and bans new authorizations for critical infrastructure or publicly owned facilities. So I think we continue to move chips on the table, into the table on all things video security and access control, prem and cloud, refresh the product portfolio, have the integration and orchestration to make the portfolio work, and develop what we think is the best-in-class ecosystem for public safety and personal security.

**<Q – Tim Long – Barclays Capital>**: Okay, Greg. Great, yeah. I want to dig into that in a minute, but maybe just one more kind of high level. Talk a little bit about macro. Obviously, at this conference here, there's going to be a lot of companies with much more enterprise or other exposure than what you have at MSI. But maybe just touch on what you think from your customer base, what a declining macro environment looks like, how defensible is your backlog and your....position within the different verticals you play?

**<A – Greg Brown – Motorola Solutions>**: You know, this is an interesting one because as we sit here today, I don't see indications of a recession or any demand slowdown. Today I don't, it's December 8 or whatever it is, the 9th, 8th. Having said that, look, I saw Jamie Dimon and McMillon from Walmart and Darius from Honeywell yesterday and people are believing recession is imminent. Maybe, I don't know. I think we're in a great position in terms of potential recessionary impacts.

I mentioned the backlog, which is a record, over 90% of it is government. Funding environment, which I referenced. The funding environment that came from the government allows for that money to be spent through the end of 2026. So I've never seen a funding environment in North America against the backdrop of what we do at Motorola Solutions. There's never been a funding environment this strong.

We've managed this firm through cyclical ups and downs. You talked about 15 years in the job. We had The Great Recession of 2008, great – yeah, recession, financial, Lehman moment. In a previous life, I was running a public company when the dot-com bubble busted. I liked the defensive characteristics of what we have, the durability of backlog, the fact that we're a need to have, not a nice to have in terms of mission critical LMR public safety. I talked about our verticals outside of government, education, healthcare, public venues with stadiums. So we want to secure perimeters. We want to integrate video security, perimeter detection, anomaly detection, link it with access control, do automated alerts with radio alerts, trigger a call to 911.

So in the typical environment, when you look at enterprises that look at eye candy and multiple screens, looking at video SOCs, the system operations centers, what we're doing replaces that. Nobody has to monitor anything. The solution will trigger the alert. The license plate recognition, the perimeter detection, the anomaly detection will automated alert the video security, access control, trigger the radio alert onto the LMR radio device, send an automated text or call 911. So, we're looking at kind of changing the equation around public safety and security, where you don't have to monitor, the solution and the ecosystem will monitor an alert and we manage the outcomes.

**<Q – Tim Long – Barclays Capital>**: Right. Okay. Great, great. Yeah, you mentioned ARPA and spending. It seems like that money was allocated but took a little while to get going. Where do you see your customer base now in the process of like actually starting to deploy some capital that comes from these programs?

**<A – Greg Brown – Motorola Solutions>**: I think they're obviously engaged in using the available funding. On the last earnings call, Tim, I mentioned – Molloy and I talked about we can track about \$200 million of orders that can be tracked to the funding or ARPA. Is it more than that? Probably, it's more than that. But I think even if it is more than that, against the backdrop of the available funds...

**<Q – Tim Long – Barclays Capital>**: Right.

**<A – Greg Brown – Motorola Solutions>**: ..I still think we're in the early innings of customers using the available federal funds to further deploy and upgrade equipment and solutions that we provide.

**<Q – Tim Long – Barclays Capital>**: Okay. I do want to get into – you mentioned the \$170 billion for education. I know, as you said, that's a key vertical for you guys. What are your views there on timeline? It seems like access control, it really plays into a lot of your portfolio and a lot of the higher value, more analytics pieces. So how do you see that transpiring? And it also seems like a segment where you guys have a really strong competitive position as well.

**<A – Greg Brown – Motorola Solutions>**: I think our competitive position around the integrated ecosystem, and we have a product inside called Orchestrate that allows the integration of LMR or PCR in a school with fixed video and whatever Avigilon or Pelco cameras with access control solution, with radio alert and automated notification into 911. So I think we do things in education that no one else does today. And I like that position. It will take time. Customers take time to apply for the grant money. They'll take time to make the decisions. The ASPs on education are not necessarily nearly as large as some of the other things that we sell. But I love the position that we're in and I think it's a multiyear runway that we can satisfy and make K-through-12 and also secondary education and campuses much safer.

**<Q – Tim Long – Barclays Capital>**: Okay. And then maybe just more broadly on video, I think it's kind of 25% grower for you guys this year. You've done a lot of M&A, but you've kind of rolled it in and it seems to all had been pretty accretive. So when you look out the next few years, is this going to maintain a really high growth rate? And with the NDAA and FCC moves, I'm assuming market share is a good piece of this. So maybe if you can just kind of touch on growth opportunities from here?

**<A – Greg Brown – Motorola Solutions>**: Yeah. I mean, I think we've raised our outlook once or twice on the video security technology. To your point, Tim, we're now expecting annual growth of 25%. That's a multiple of the market growth. So we're taking share. We have segments, Product and SI, Product and Systems Integration, Software and Services. Underneath that, we unpack it through financial reporting of three technologies: land mobile radio, product and services, command center and video security and access control. Video security and access control, we expect 25%. LMR all in this year, probably mid-single digits. Command center, low-double digits. But even when you look at the growth we're having, our share is still pretty small against the overall market.

The characteristic of command center, software and video security and access control has been fragmentation. So we deployed capital, particularly in video with multiple acquisitions; have a high-end end-to-end solution with Avigilon; have a strong lower-tier camera with a global brand called Pelco; have purpose-built devices that

withstand significant strenuous weather and element in Videotec and overlay that with superior analytics. So, and as I mentioned, we have more salespeople in Motorola solutions on the video side than we do on the "traditional communications" side. We've never had that characteristic.

So, the addressable market is growing robustly. Our position I think is getting stronger. And even though we had high expectations and I did of video security this year, I'd have to say we're outperforming the expectations I had at the beginning of the year.

**<Q – Tim Long – Barclays Capital>**: Okay, great, great. Maybe the last on video. Body-worn gets a lot of attention because someone else is in the market as well. You guys seemed later to the market, but doing really well, particularly in international and other markets. How important is that to you? And obviously, it's got the software tie, you have the command center, which makes that really important...

**<A – Greg Brown – Motorola Solutions>**: I think it's important. Look, the incumbent there had open field running and virtually no competition for years. We entered through acquisitions a few years ago. So, we have small share. The thing I like about it is we have small share. And since the incumbent pretty much was with open field running, the customers didn't have a competitive alternative.

**<Q – Tim Long – Barclays Capital>**: Right.

**<A – Greg Brown – Motorola Solutions>**: I think a lot of companies and customers want a competitive alternative, so they're willing to entertain Motorola.

In North America, 80% plus of the police officers already have a body-worn camera. So I think there's still available market for us to take on Tier 2 or Tier 3 customers. But to your point on international, we've done very well. Finland, Sweden, Scotland, Countrywide Awards, I think that our growth, I think, we'll probably index more on the international side.

And to your point on back end software and digital evidence management, we have a very straightforward, lightweight, affordable solution that's very competitive, particularly internationally and also the Tier 2 or Tier 3 that haven't deployed yet. So I think we'll be a viable competitor and that'll be a growth area for us as well.

**<Q – Tim Long – Barclays Capital>**: Okay. Great. Maybe just pivot over to command center software you mentioned it a few times. Also some acquisitions in there, you've kind of built up a suite of technologies over the years, probably been a little bit more uneven from a growth standpoint than the video side of the business. So maybe talk a little bit about kind of lessons learned there and how we can see a little bit more of a durable growth rate from that business?

**<A – Greg Brown – Motorola Solutions>**: I think it's a very good business. The addressable market is about \$7 billion in command center software. You can contrast that. These are TAM markets for this year against \$20 billion

of video, but it's also command center software is where you touch the nervous system of public safety. You are in 911 command center workflow. So any technology, any piece of software, any upgrade, it has to be flawless. You can't have disruption or dislocation. It's literally people's lives. That's number one.

Number two, it's very lumpy. So we've had some big orders. I was going to reference one. I'm not sure if I'm allowed to say the customer on the 911 side. So sometimes we'll have a quarter where it's 15% or 16% or 18% growth and then it could be 7% or 8%. It doesn't change the overall characteristics that we, Tim, still expect for low double-digit growth over time. We think the market and command center software is growing high single digit. So we continue to take share there.

We're offering prem, cloud. The thing also I would say is the rubber meets the road on implementation. You can have all the PowerPoint and slide where you want, but you have to have a trusted provider that has the sophistication around the provisioning, customization of software and the resources to fix whatever breaks either in implementation or thereafter.

I think the advantage we have is the brand we bring to public safety and that our North American customer base, particularly around LMR which is quite high, has the relationship, the resource deployment and the believability for us to then also provide a 911 command center software. Remember, we do 911 call handling, CAD dispatch and records and evidentiary management.

Of the 6,000 PSAPs or public safety answering positions in North America, we Motorola have a product in about 3,500 of them. So it's lumpy and slower growing, decision making is longer sale cycle but it's also very sticky and as we're more successful turning more of them over and then building out the interoperability of the ecosystem I talked about in the other parts of the portfolio, I think our position will be quite solid.

**<Q – Tim Long – Barclays Capital>**: Okay. When you think about those, I guess the higher growth in the market share, you get in more than 3,500 PSAPs and then I assume the strategy, you kind of land and expand. Maybe talk a little bit about you got one module in one of these PSAPs and then CAD or records management comes up, how does that process work?

**<A – Greg Brown – Motorola Solutions>**: So the fact that we're in the customer and have an existing relationship as opportunities come up, we know about them and we can be first and foremost to present an additional module to do that. The other thing I'd mention, Tim, that's important as you kind of bake in the segments, the technologies and you extrapolate the firm's growth is we're moving pretty much to all subscription based.

So that's another thing that will moderate the overall growth rate down, but that's purposeful. That gets into annuity recurring revenue stream, which is better for the firm from a lifecycle management standpoint and a total cost of ownership. But that's the purpose of what we're doing.

**<Q – Tim Long – Barclays Capital>**: Okay. Great. You referenced this. I was hoping you can get into a little bit of you have this very, very strong LMR position, whether it's radios, networks, databases. How powerful is that when a new 911 or command center software deal comes available or a set of downtown radios for a downtown that they want to put a security system in.

Talk a little bit about the Motorola brand and relationships that you guys have that position you better than others in these fragmented industries to win those new deals?

**<A – Greg Brown – Motorola Solutions>**: Well, even if you go back, you asked me in the very beginning about kind of the mini-history of Motorola, if you think about the land mobile radio business which is the core of what Motorola Solutions is, think about who we had tried to compete with us, GE, and this is oftentimes before I got there.

**<Q – Tim Long – Barclays Capital>**: Yeah.

**<A – Greg Brown – Motorola Solutions>**: Ericsson, Tyco, now L3Harris, these are well-heeled, at the time, very well-capitalized firms. The things that make this unique is we have a superior product. I mean, the one thing that Motorola Solutions and you talk about the brand and what it stands for, I think it stands for excellence and superior audio quality and reliability, end-to-end, always-on, secure communications. By the way, if you think about MSI today, Motorola Solutions today, it was built literally at the beginning of the company on this public safety orientation for land mobile radio.

So, our incumbency, our superiority on product quality, the existing relationships that we have in towns, cities, municipalities, counties, states, long-standing, high domain expertise overlaid now with video experts, with analytics and access control, we have the tentacles and we have the relationship. Most importantly, we have the credibility with the customers, not just presence.

I was with a large city chief and his team a few weeks ago, and he literally talked about the multi-decade relationship. You can go right down the list of name-by-name resources we've had inside this customer over the years. And I think that is almost impossible to replicate from a competitive standpoint.

The other thing, one other thing I'd say, remember, these are not just walkie-talkies. It's not just a device like a cellphone, or a smartphone, rather. You pick a radio from Motorola, a P25, our most current APX NEXT, you get LMR and LTE, if you roam out of the coverage area, you now get software upgrades over the air, you don't have to bring the radios back.

You have the benefits of both LMR and LTE coverage. The best audio quality and the product in the radio is customized with each city municipality around the individual call groups and workflows that they want. So you could pick another device because P25 is an open standard, and we can mix and match radios. But oftentimes if you pick a competitive radio on an existing P25 North American deployment typically, you may very well sacrifice quality and/or sacrifice all of the feature sets that are embedded in the workflow that we've customized to begin with on this end-to-end solution.

So these networks are superior devices and sophisticated edge devices with infrastructure, with encryption, with an end-to-end customized workflow orientation, where disintermediation at the device level, just to replace one for the other is harder, because of the quality and the excellence in the feature sets that we've built in to the end-to-end implementations we've had.

**<Q – Tim Long – Barclays Capital>**: Okay. Great. Great. I got to ask on Airwave, after that, if anyone has a question, you can jump in. Otherwise, I'll go back. But maybe just obviously, we're all kind of waiting to see what is going to happen with Airwave. And you guys have made some proactive moves. Oops, sorry, I'm sorry – made some proactive moves as well. Just talk a little bit about how you think about planning around outcomes and what could transpire in the UK business.

**<A – Greg Brown – Motorola Solutions>**: Yeah. The CMA opened up an investigation about a year ago. It's around two principles. They were looking at our returns on Airwave and the dual role that we had in providing both Airwave and what they call ESN, the UK Home Office. You could think of ESN. It's not like this. But metaphorically you can think of it as more like FirstNet here in the States. But ESN is a broadband network that the Home Office has said they would like ESN to replace LMR over time. So the CMA says, I want to make sure I understand the returns that Motorola has had on the Airwave acquisition, which by the way, they approved in 2016. And I want to understand this dual role. Is it a structural conflict?

We announced, Tim, at the end of Q3 on the earnings call that we plan to exit our work on the ESN contract. We have not signed an agreement with them yet with the Home Office. We're working on that. So we, with the customer, think it's the right thing to do for us no longer to participate in ESN. That allows a little bit more clarity and autonomy for what they want to do on ESN. As it relates to the investigation overall and their inquiry, I think we've been consistent and I clearly respect the CMA, but I think their argument is legally and economically flawed. I think it's unprecedented and I think it's overreaching.

We saw the provisional report that came out. We've given our reaction to that. They, the CMA, have said that they are targeting a final decision in February. We will do what we need to do to defend our position and defend what we believe. We'll see what the final decision looks like.

There's then this thing called remediation implementation process, which is to say it will likely take a few more months after a final decision to tick and tie what the remedies implementation needs to be. But if we need to defend and fight legally and appeal, we will exhaust every legal opportunity or avenue in front of us to defend the position.

**<Q – Tim Long – Barclays Capital>**: Okay. Sounds good. Anyone have a question or – yes?

**<Q – Audience Participant>**: Yes. So can you talk a little bit about the international opportunities. We see you have all these great skill sets, you have actionable intelligence in the United States. Can you just talk about what that could look like internationally and particularly not just developed markets but emerging markets?

**<Q – Tim Long – Barclays Capital>**: Yeah. So let me just repeat it. So the question was talk a little bit about expanding a lot of the strength that in the US to international markets both developed and emerging.

**<A – Greg Brown – Motorola Solutions>**: I think it's a great opportunity internationally. To dimensionalize, again, this is back of the cocktail napkin, the company is about 70% North America, 30% international in revenue, 75% government, 25% enterprise if you take a vertical cut.



But the nice thing about international, not just in the body worn opportunities that I referenced, but fixed video security and access control. So we talked about the NDAA, the National Defense Authorization Act that bans Hikvision and Dahua, and the Secure Equipment Act. But we've also seen other countries internationally take a skeptical or concerned view around Chinese electronics or Chinese public safety or security. Canada, it's North America, Germany, the UK, Australia and others.

And I think as more and more countries, particularly democracies with a Western orientation, kind of NATO-like, are concerned around video security and access control and, for that matter, deploying land mobile radio and mission critical communications. That's a structural tailwind that I think is helpful to us. It's not new. It's been getting traction over the last year, but it will get more and more momentum, I think, going forward, too.

**Tim Long – Barclays Capital>**: Okay. Great. I think we are just out of time. So, Greg, thank you so much.

**Greg Brown – Motorola Solutions>**: Thank you, Tim.

**Tim Long – Barclays Capital>**: We appreciate it.

**Greg Brown – Motorola Solutions>**: Appreciate you having me.

**Tim Long – Barclays Capital>**: Keep up the good work. And thanks, everyone, for coming.

**Greg Brown – Motorola Solutions>**: Thanks for coming in this morning.

**Tim Long – Barclays Capital>**: Thank you.