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Wednesday, September 4, 2013 at 10:30 am EDT

## **PARTICIPANTS**

### **CORPORATE PARTICIPANTS**

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**Greg Brown** – Motorola Solutions, Inc., Chairman and Chief Executive Officer

### **MODERATOR**

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**Jim Suva** – Sell-side Research Analyst, Citi Research

## **PRESENTATION/FIRESIDE CHAT**

### ***Jim Suva - Citi - Analyst***

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Good morning and thank you for joining us here on the second day of the Citi Global Technology Conference. This fireside chat is with Motorola Solutions. I am Jim Suva, IT hardware and technology supply chain analyst here at Citi.

Joining me here on the stage is Greg Brown, the Chairman and Chief Executive Officer of Motorola Solutions. This is not a canned presentation. It is a fireside chat about business trends, because most of you are very sophisticated technology investors.

I'm going to start things off by talking about some bigger picture questions. But, importantly, we have reserved the majority of the time for you as investors in Motorola Solutions to be asking questions to the CEO of Motorola Solutions. Accordingly, we will ask that you wait for the microphone to get to you so everyone can hear your question, as this is also being webcast.

First of all, I want to personally thank Greg Brown for joining us. Thank you, Greg.

### ***Greg Brown - Motorola Solutions, Inc. - Chairman and CEO***

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I appreciate the opportunity.

### ***Jim Suva - Citi - Analyst***

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Can we, Greg, first start talking about big picture macro? You sit in a very interesting position in seat at Motorola Solutions as CEO as well as a lot of pulses on globally what is going on. Can you talk to us about what type of global demand trends that you are seeing there for your Company?

### ***Greg Brown - Motorola Solutions, Inc. - Chairman and CEO***

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I think that you all know we have two businesses in the firm -- our Government and Public Safety business and the Enterprise business. Jim, I think that demand drivers -- let's take the Government business first -- remain strong in terms of aged infrastructure. I think about 60% of the installed base are analog systems from a Public Safety standpoint.

We have talked a lot about our professional and commercial radio business, where the overwhelming amount of the installed base north of 90% remains analog. We have a very competitive portfolio. We believe we have the best portfolio that positions us to moving toward digital, yet also preserving and maintaining strong margin profiles; the continuing need for interoperability, the high critical nature and prioritization of mission-critical public safety.

Internationally, we see strong demand. We are very proud of the award in L.A. recently, LA-RICS for \$280 million over 15 years, which was the culmination of about 4.5 years' worth of work. So I think that is strong.

In the Enterprise business, you know it's been more challenging for us. The business has contracted for five consecutive quarters. There's elements of good news to that as well. I think that the category commensurately has shrunk as well. So generally, we are holding share.

I believe that companies and enterprise clients are sweating the assets longer as it relates to mobile computing. IT hardware spend is not what was originally contemplated at the beginning of the year. And there is a Microsoft element from an OS transition standpoint that I think has allowed customers to pause a little bit longer than normal.

Having said that, it is a strong portfolio with very good return on investment characteristics. The portfolio is industrial mobility, primarily, so things around warehouse manufacturing, industrial scanning, those kinds of inventory management remain constant, but there is no question that Enterprise has been a more challenging year for us. It's a bit of the tale of two cities for us.

**Jim Suva - Citi - Analyst**

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And then, recently -- well, I have actually known your Company before, when you were part of Motorola before the breakup, so I have known you for years and years.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Indeed.

**Jim Suva - Citi - Analyst**

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I feel like we are getting old together here through this journey. But, I have known you for years. But, recently, you had a little bit of management changes within your Company. Can you update investors on the status and what prompted some of those changes?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Sure. Ed Fitzpatrick is the CFO. I think was the right guy at the right time for us when we separated the Company and I think -- I applaud Ed and his team in doing many good things -- process, controls, the tax -- the creation of the tax entity, the investment grade rating.

Having said that, as I said to many, I was taking about a change for a while. It was not a sudden decision or a snap decision. Looking forward, I think I would look for a CFO to be strong operationally, be a strong communicator with the Street, and drive some transformational change, not only within the finance function in Motorola, but beyond.

So I'm very grateful for Ed, and everything he has done. Gino Bonanotte is here with me this morning, our acting CFO who, without a doubt, is the strongest operationally grounded person in the finance organization. He has hit the ground running. He is a candidate for the CFO job, although it is more likely than not I will go outside and that search is very vigorous and engaged.

**Jim Suva - Citi - Analyst**

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Great. Well, just to let you know, I'm very happy here at Citigroup so you don't need to be giving me a call.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Shelley, take the name off the list (laughter).

**Jim Suva - Citi - Analyst**

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Greg, this is our second day of our technology conference here. And yesterday the theme overall was kind of relatively stable visibility, not getting worse, some pockets of strength, some pockets of softness; globally and overall kind of a muted environment.

If we, indeed, are in a muted environment, does Motorola Solutions have any internal levers it can pull for margin enhancement or EPS growth, whether that is cost-cutting; whether that's labor; whether that's procurement; whether it's restructuring, stock buyback. Can you walk us through what you would run the Company as CEO in kind of a more muted environment? And if this Enterprise continues to be challenged?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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So I would concur that the environment is generally muted. I think that there are levers we can pull, particularly on the operating expense side. We have talked about that, to date, we have taken action that commensurately would likely be reflected in \$50 million of annualized cost savings from a 2014 standpoint.

We have also mentioned that even -- we are still targeting 18% operating margin, even in a difficult growth year of flat to 1% on the full year. There's levers we can pull in terms of continued operating expense reductions that would be surgical and impactful, but never impair the long-term characteristics of the business. And there are variable incentives as well.

So, obviously, since we are growing less than what we originally thought, budgets that we had for sales compensation will come in lower than we had originally projected. And, quite frankly, the annual incentive program or the management bonus structure will be an incentive lever that, if we don't perform to where we originally projected, that, too, is a variable expense driver as that drops to the bottom line.

I think that we have demonstrated some strong operating leverage. We had 14% operating margin in 2011; 16% or 16.7% in 2012. And we have every expectation that operating margin will continue to expand.

In terms of the deployment of capital, I think we have been good stewards of capital. Coming out of the gate, post-separation, established a share repurchase program a little over two years ago. Through Q2 we have purchased [4.5 million] of shares at an aggregate price of [\$49 million] and change, shrinking the outstanding share count by 23%.

And we established the dividend and then raised it 18% last year, and just recently raised in 19%. So capital allocation remains first and foremost and we are in a position where we still have excess cash. We mentioned the fact that we'd move toward a net debt position by the end of 2014, so we have more firepower there.

Now, having said that, we always watch the amount of cash in the US. Of our total cash balance, we had 37% in the US coming out of Q2. And we have repatriation plans to bring back foreign cash by the end of this year, although through the first half of this year, repatriation has been very small, as planned. The bulk of our repatriation, Jim, is in the second half of the year.

**Jim Suva - Citi - Analyst**

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Great. Yes, indeed, I have got to commend you. You have really done very well about your capital, post spin-out, of the dividend and the buybacks. So I think investors have really welcomed that.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Thanks.

**Jim Suva - Citi - Analyst**

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Greg, you know, I have a whole laundry list of questions, but for those on the webcast, just to know, it's literally standing room only in this room. So just absolutely fabulous attendance, which is great.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Thank you.

**Jim Suva - Citi - Analyst**

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So I think, rather than me continue down my laundry list of questions, I think it would be appropriate to maybe open it up for some investor questions.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Sure.

**Jim Suva - Citi - Analyst**

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If you have some questions, please raise your hand and the microphone will get to you. There was a question here in kind of the middle of the room, and please wait for the microphone to get to you so everyone can hear your question, please.

## **QUESTION AND ANSWER**

### **Unidentified Audience Member**

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Hi. A couple of questions. First, is just a little bit more detail on the stock buyback. What do you currently have authorized right now left?

### **Greg Brown - *Motorola Solutions, Inc. - Chairman and CEO***

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We have authorized, coming out of Q2, \$2.5 billion left. So we have purchased \$4.5 billion; the board extended a \$2 billion repurchase authorization, taking us from \$5 billion to a total of \$7 billion since inception.

### **Unidentified Audience Member**

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Okay. So \$2.5 billion left. And in terms of how that plan is being implemented, is it something where you guys can adjust it in a material way? Or have you adjusted in the past in any significant way, depending upon business fundamentals currently?

### **Greg Brown - *Motorola Solutions, Inc. - Chairman and CEO***

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We have adjusted it and we continue to do it quarter by quarter. We purchased \$550 million in Q1; \$357 million in Q2 -- actually, maybe that is inverted. It is \$357 million in Q1; \$550 million in Q2.

I have said that those are reasonable reference points in terms of how we're thinking about it from a share repurchase standpoint. We do update every quarter.

Our long-range plan, which talks about the growth of the firm in 2014 and beyond, we do discounted cash flows back. Obviously, it assumes a certain cost of capital, but I think we are pretty diligent about how we have done share repurchase to date and it remains a high priority.

### **Unidentified Audience Member**

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Okay. And then, last question, just concerning -- correct me if this is wrong. I thought Government business, overall, is roughly 70% of revenues. Is that about right?

### **Greg Brown - *Motorola Solutions, Inc. - Chairman and CEO***

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Government is what?

### **Unidentified Audience Member**

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Government is roughly two-thirds of your business.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Oh, I thought you said 7%. Yes. Roughly, yes.

**Unidentified Audience Member**

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Okay. How much of that is domestic, roughly, and how much of what is domestic is focused on local? And then, I just have one quick follow-up.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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So our Government business is -- the majority of it is state and local. Our federal business is about \$600 million. So the Government business, domestically here, is significantly driven by state and local.

**Unidentified Audience Member**

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And then, how have you guys been able to stabilize, at least, revenues of that business if it hasn't grown a little bit, given just the budget constraints that we have had and are likely to be ongoing for a while? And do you still anticipate that that business can be relatively stable despite those budget constraints?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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I do think the Government business can be relatively stable. I actually think the disposition of state and local is stronger than it was two or three years ago comparatively. Our federal business, as I mentioned, is about \$600 million.

I think the federal budget is probably a little bit more challenged than I would call the state and local business. Obviously, at the federal level there is sequestration and the debt ceiling and a whole host of other things that are going on at the federal level.

I think the majority of our -- our federal business is split between civilian and defense. And we will keep our eye on our federal order business, but state and local business, I think, is pretty solid.

**Jim Suva - Citi - Analyst**

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And as the microphone makes its way to the next investor here, I do have to say I live in California. And the property tax collector is a lot happier today than they were two years ago.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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That's right.

**Jim Suva - Citi - Analyst**

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And they are quickly spending the money.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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That's right. No, I think tax receipts are better. And the good position of the Government and Public Safety business is, it remains a high priority within the allocation of available spend within a state and local jurisdiction. So that's a positive for us.

**Unidentified Audience Member**

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Greg, would you talk a little bit more about that Microsoft OS transition, more details as to what exactly that is and the timing of it, and what you expect after that?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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So I think that the overwhelming majority installed base of our Enterprise mobile computing business is Microsoft, whether it is Windows CE, Windows embedded handheld, Windows Mobile 6.5.3. And what Microsoft customers have wanted that want to stay with Microsoft is a mode roadmap of the next generation of OS.

I think the announcement of Microsoft Nokia recommits, clearly, Microsoft to the consumer smartphone base of business and solidifies their interest in prioritizing Windows Mobile 8 or derivatives and enhancements thereof. I think that is positive to us because, typically, what Microsoft does is they prioritize the Windows Phone version for the consumer, and then the enterprise derivative follows.

So -- but it has been in that transition and the elongated transition of the next generation of Enterprise OS for Microsoft that some customers have hit the pause button, waiting for the availability of that next OS.

Now, having said that, we have moved full steam ahead on Android; we've got products -- our MC40; our ET1 on Android 3.0 and, soon, Android 4.0 or 4.1. We have also invested inorganically in a small acquisition about 18 months ago or two years ago for an HTML 5 layer of application development that is agnostic of the OS.

So we can deliver Microsoft product; we can deliver Android product; and we can deliver HTML 5 product. But Microsoft-centric customers interested in staying with Microsoft are waiting more clarity on the future functionality of the next OS.

**Unidentified Audience Member**

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And the Microsoft-centric customer installed base that you have is the vast majority of your installed base. Is that correct?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Without a doubt. Yes. That doesn't mean, necessarily, they have a preference to stay with Microsoft. But, yes, this space of mobile computing for Honeywell or us or others are predominantly Microsoft.

**Unidentified Audience Member**

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So -- I'm sorry. Just so that I better understand, it is trying to take Windows Mobile 8 from -- that is already out in the consumer side and implementing that in the Enterprise?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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What Microsoft has typically done is they release the consumer OS first, and then an enterprise-grade version built off of that.

**Unidentified Audience Member**

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Okay. So what do you know about the timing of the Enterprise-grade version of that?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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At the moment, I would characterize it as mid-2014.

**Unidentified Audience Member**

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And then just one other question. Is there a risk that some of your Enterprise customers are using consumer-based handheld appliances with scanner features and software applications to kind of displace the core Enterprise assets that you have?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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So we have seen very little of that. If I think of our mobile computing business, I think of it in three large buckets -- primarily industrial computing, then field mobility computing, and then customer-facing. We have seen some customer-facing experimentation with smartphone deployment. It is pretty small in nature and, in fact, in a couple of the cases where customers have rolled that out, they have actually returned in the discussion to us and entertaining consideration of the Motorola Solutions product.

So I think it is pretty small. I think we have articulated in the past that 10%, or 10% or 15%, as best we can estimate, would be potentially vulnerable. But the overwhelming bulk would not be. Thank you.

**Jim Suva - Citi - Analyst**

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Additional questions in the room? It's a packed room. There is a question here towards the back and then we will get to you next.



**Unidentified Audience Member**

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In terms of the wisdom of the continued buyback strategy versus M&A, they've seen a lot of industrial companies do M&A. And you have a great channel into the government, that you haven't really done a lot of M&A as part of the strategy. Why continue to buy back so much stock if the return doesn't seem to be that great?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Because of what was the last part?

**Unidentified Audience Member**

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The return on the repurchase hasn't been that great.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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What makes you say the return on the purchase hasn't been great? Just out of curiosity.

**Unidentified Audience Member**

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Stock is \$56 and you have been buying back at \$49 over three years.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Well, I mean, I take the point, but it is certainly better than having the inversion. I think that, in terms of M&A, we have been pretty surgical about it.

Psion was a good tuck-in. I liked it because it solidifies our number one position in mobile computing. It is a logical extension without product duplication that gets us into manufacturing, cold storage, other form factors we did not offer.

The companies were culturally compatible, so the synergy cost targets that we expected to achieve were at or tracking about them and it is right in the sweet spot in our core. Because of the position that we have in a couple of markets as number one, acquiring or rolling up other assets are largely not available to us, given the strength of our market leading position.

And, at the end of the day, I still think either investing in the business organically from an innovation and R&D standpoint, things like LTE where we have invested probably about \$100 million over the last three years, that results in a leading edge LTE position on the infrastructure as well as devices, is capital well deployed. And I obviously think that the business will return to stronger growth in the future, which, then, married up against the shareholder return against where we buy back the shares in aggregate, will look even better than the way it looks today.

**Jim Suva - Citi - Analyst**

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There is a question, I think, towards the very back here.

**Unidentified Audience Member**

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Hi. Just on the Enterprise, I mean, just thinking a year or so out, two questions. One, would you ever consider selling that business? And, secondly, as some of your clients move to iOS and Android, would you consider perhaps shifting to a more managed services or a VAR type role where you just help, let's say, Home Depot or Lowe's sort of manage those devices?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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So, the second one first, we do entertain more managed services engagements or what we call MLM -- mobile lifecycle management. We have done it on the device side. We have also done it more intently on the wireless LAN side to change the value proposition and try to compete a little bit more effectively in this segment of the business that is challenged.

In terms of the focus on Enterprise, our focus is on improving the business and returning it to growth. First of all, returning it from an improvement standpoint, even if it is negative X to negative Y, showing a trajectory where the nose of the plane is up; getting traction with new products; having the vertical orientation by which we go to market in North America to get traction, and that is our primary area of focus.

Now, having said that, at the end of the day, I think that we as management, especially given our history at Motorola, we took the decision to spin off mobile devices. That was a huge decision. Then made the subsequent decision to attach connected home to it, which was not contemplated in the original configuration of spinning the business off as we monetized the networks business for \$1.1 billion with Nokia Siemens.

We exited the backhaul business, the unlicensed backhaul business, which is a good business, but not for us. So I think we have demonstrated kind of a dispassionate view of ways that are available to us to maximize shareholder value and a quick we will continue to evaluate that in kind.

**Unidentified Audience Member**

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And just a quick follow-up. Are you guys seeing ASP pressure on the Enterprise side as more people experiment with white box Android devices or iOS devices?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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We don't see ASP compression, but we see -- if you get some of -- more of that substitution, you will see a mix difference, but not necessarily ASP contraction.

By the way, one thing I should have mentioned when you asked me the levers on the expense side, was pension. And I meant to mention that. Pension has been a favorable benefit to us this year from an expense standpoint.

We are likely to contribute -- at the moment our current thinking is approximately \$200 million toward the pension, given the move of interest rates. The US pension, exiting 2012, had about a \$2.8 billion liability,

and that has improved with interest rates going up by a little bit more than \$1 billion. So that is a favorable trend. So I just wanted to mention that one as well.

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**Unidentified Audience Member**

You are not getting ready to cash in on your own pension, are you? (multiple speakers)

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**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

I don't have pension. I don't have a pension. And, no, I am not.

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**Jim Suva - Citi - Analyst**

Okay. That's great. There was a question here in the middle of this room and then we are going to get to this half of the room, immediately following your question.

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**Unidentified Audience Member**

Thank you. You mentioned the prior CFO at the time of the split was very strong on investment grade debt ratings. And would that be a criteria for whoever you choose as a new CFO? Or would you want to be more aggressive on your debt ratings?

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**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

No. I think the investment grade rating, the focus was getting it and establishing at a BBB. I think our balance sheet and the inherent performance of the business gives us a lot of flexibility.

I don't have any intention or haven't thought about lowering the investment grade. I think that is important. From a competition standpoint, it is important to have that solid balance sheet and be able to compete all over the globe. I would have no intention of changing that.

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**Unidentified Audience Member**

Thank you.

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**Jim Suva - Citi - Analyst**

And then let's shift it over now to this side of the room because we have focused over here. So why don't we come to a question right here in the front row?

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**Unidentified Audience Member**

So given the competition on the Enterprise side from iPads, et cetera, what product innovation are you guys thinking about to rejuvenate that segment such as extending -- sort of rejuvenate it, get at more wins?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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So we have a new product called the MC40 that is, for lack of a better term, it looks more like a consumer iTouch, if you will, with the ruggedization, with industrial scanning, with optimized voice for WLAN connectivity. We are engaged with a number of customers on that product. It is Android-based.

That is one new product. We have a new Smart Badge -- what we call the Smart Badge 1, which is in trial with a handful of customers that is more or less a lapel mic, if you will, or badge that can do scanning, inventory lookup, push to talk. We have the ET1 LAN and WAN tablet, also Android-centric, that can be customized from a form factor standpoint and branded with the individual Enterprise client. That is more of a ruggedized nature product.

Those are a few of our new products. We are continually refreshing the MC series. We have had good traction with the MC67, with different distribution customers and postal. So there is a number of things that [device] is doing on the product refresh side to make us more competitive.

And to get into some of the expansionary products that you are describing, where maybe smartphone substitution would be -- so instead of just acquiescing to it, we can have a product or two that compete for that expansion grade that won't contaminate the industrial nature of the majority of the portfolio that we have.

**Jim Suva - Citi - Analyst**

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And then there was another question on this side of the room. I know I saw a hand go up.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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By the way, the other thing I did want to mention -- and I know a lot of questions on Enterprise. You know, our iDEN segment is in the Enterprise. We have talked about it being approximately \$185 million of revenue in 2013. As we look forward in 2014, we think the iDEN business will be closer to approximately \$75 million.

So Sprint has obviously shut down the iDEN network. We continue to serve NII and some other international clients in Latin America and in other theaters abroad, but that is also some disability we have that should be incorporated into the thinking for 2014.

**Jim Suva - Citi - Analyst**

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And we have a question over here.

**Unidentified Audience Member**

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That mic badge product that you talked about, do you expect to take that into the healthcare or hospital environment? There is a small company, Vocera. Would that be competitive with that product or--?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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So I don't know the exact product from Vocera, but, I guess, I think it is applicable as well into healthcare. The early trials that I am thinking about now are all retail, but I think it will have applicability in healthcare as well.

**Jim Suva - Citi - Analyst**

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Additional investor questions? There is a question here. And the microphone will make its way to you in one quick second.

**Unidentified Audience Member**

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All right. So just one more question on the share buyback. So you guys are generating, I think it's a really healthy amount, something like \$800 million or \$900 million a year in free cash flow. But the buyback run rate is significantly above that.

Are you guys -- how are you guys thinking about things in terms of amount of share buyback relative to free cash flow? Or is that not a metric that you look at? And then, in terms of shares outstanding, I imagine it's declining, given to how aggressive the buyback is, but if you give me a little bit more detail on that so I can compare it to share option grants.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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So the share count has declined 23% since the inception of the share repurchase. I believe the shares outstanding coming out of Q2 -- my IR guy is -- [276 million? 266 million]. I don't know the amount issued from a share standpoint, but I know that that net-net we can continually contract the share base. What was the first part of your question?

**Unidentified Audience Member**

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(inaudible - microphone inaccessible)

**Jim Suva - Citi - Analyst**

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(multiple speakers) relative to cash flow.

**Unidentified Audience Member**

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(inaudible - microphone inaccessible)

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Right. So I think that, obviously, the share repurchase outstripping the cash generation is a reflection of the excess cash we have, and the disposition in the US and its paste to the amount we can repatriate without friction cost. Obviously, over time, that levels out a bit. Yes, sir?

**Unidentified Audience Member**

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Greg, I wanted to ask about the operating margin target for the year. Are you guys on a calendar year?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Yes.

**Unidentified Audience Member**

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So what has been the operating margin for the first six months of the year?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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So it was 16.7% (sic) last year -- full year. And, Jason, what is it first half? Sorry. 17.3% was last year. 16.7% was two years ago. 17.3% was last year. What is it through the first half? 15%? 15%. Now, we are seasonally always heavy in the second half of the year.

**Unidentified Audience Member**

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Okay.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Particularly in Q4. So I think you will see more operating leverage given the higher volume in the second half coupled with the expense controls, coupled with the variable incentives, which are levers to pull on sales and the bonus plan. Question over here on the left. Right over here.

**Jim Suva - Citi - Analyst**

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Can you wait for the microphone, please? Thank you.

**Unidentified Audience Member**

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I just thought we could talk broadly about how you see the competitive dynamic in the Government business, what it has been historically and maybe how you see it unfolding over the next year or two. Any updates there would be great. Thanks.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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So I don't think there is any material change in the competitive landscape for the Government business. Our primary competitor here in North America is Harris. In London or in the UK or internationally, it is more EADS, which was Cassidian, which, I guess, is going to rename themselves Airbus.

We compete on the subscriber side on TETRA subscriber with a small company named [Sapporo] out of the UK. The professional and commercial radio business -- the competitors remain the same in ICOM and Kenwood and Hytera. So I don't -- all in, on the P25 business, the TETRA business and the PCR business, I don't see any material change as it relates to the traditional land mobile radio business. Thank you.

**Jim Suva - Citi - Analyst**

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Additional questions?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Over here on the end; first row.

**Unidentified Audience Member**

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Greg, I was just curious about the Enterprise business. It is something core what the Company does, obviously two-thirds of the Company from the public safety side, the Government side. So any long-term thoughts on the Enterprise business, since it is structurally somewhat different from the --

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Since it is what?

**Unidentified Audience Member**

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Since it is structurally a little different from the Government side.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Yes. I think at the end of the day, we have a great -- we have two core businesses, one great and one very good. It is always tough to compare any other business with the dimensions of Government and Public safety, given the installed base, the margin profile, the portfolio that we have, the domain expertise, the distribution channels and with the breadth.

Having said that, I still think the Enterprise business is a very good business. Our focus is on operationally and financially improving it. I think the portfolio, reference the earlier question around new products, is getting stronger.

Having said that, I think the synergies between the two businesses are relatively low, but we have every expectation that we could improve the trajectory of growth going forward on the Enterprise. By the way, it is not lost on me that it is all proof is in the pudding and we can talk all we want. But from a credibility standpoint we have to restore some management credibility vis-a-vis our performance and that is not lost on us.

**Jim Suva - Citi - Analyst**

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We have time for two more questions. One, in the middle the room and then the last question will be all the way here in the back.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Maybe three quick ones. Yes. Three quick ones.

**Jim Suva - Citi - Analyst**

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Okay.

**Unidentified Audience Member**

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And so from a margin perspective, can you help us think through -- for the back half, the implied ramp up is pretty significant. So if you can kind of help us think through, from a Government perspective, how much margin increase we should be expecting, and then similarly from an enterprise perspective, and what the drivers outside of the headcount reduction would be.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Well, the only thing other I would add beyond -- from an operating margin standpoint -- the levers that I have described is backlog is healthy. And particularly, aged backlog when we came out of Q2 -- aged backlog is up \$100 million in Q4, giving us greater visibility around some of the stronger performance that we are expecting in the back half, in particular Q4.

**Unidentified Audience Member**

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And so the aged backlog, that is primarily on the Government side?



**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Primarily, Government, yes.

**Unidentified Audience Member**

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Okay. So should we be thinking the contribution to the increase in the back half, predominantly from Government?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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I think you should think about our business in the second half anchored in Government, yes, and the strength that affords us, largely anchored in Government. There was one question here and then one question there.

**Unidentified Audience Member**

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How long do your products typically last at a customer installation, like a handset or something like that, before it either breaks or is replaced? And how long do you have to keep the same product in production so that the customer has a stream of replacement parts?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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So, on the Government and Public Safety side, some of our systems are 15 and 20 years old. On the Enterprise mobile computing side, I think -- and Gino may correct me here, but I think that, on average, we are seeing about four or five years lifecycle of a mobile computer.

It's a little bit of a mixed blessing. Part of the reason, I think, customers sweat the assets is the longevity and durability of the products that we make. And my comment is more grounded in the Enterprise side, since I think that is where that they are sweating the assets longer.

I think that, as state and local tax receipts improve, and the disposition of state and local improve, and mission-critical voice and land mobile radio, for interoperability remains a high priority. We are seeing a healthy backlog and a good consistent drumbeat of demand on the Public Safety side.

**Jim Suva - Citi - Analyst**

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There is a question all the way in the back.

**Unidentified Audience Member**

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So, just thinking long-term about the impact of LTE on your Government business and specifically referring to the Queensland contract and the LA-RICS, contract, how do you see LTE impacting device sales into non-mission-critical voice?

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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So, just since you mentioned Queensland, Queensland is not an LTE award. It is a land mobile radio award. It is roughly \$400 million. We do not have the award yet, but Queensland announced their intention.

Telstra is the prime. We are the subcontractor that does all the LMR over 15 years. Think of our piece of the \$400 million as roughly half.

I think of the LTE business as the biggest growth opportunity in our Government and Public Safety business outside the core. I think of it as incremental. I think of it as worldwide, although I have said that I still believe that the international opportunities will be greater in the short-term over domestically here in the US, as FirstNet sorts through both the spectrum license agreements and the BTOP grants.

By the way, I think First Net is working very hard and has all the right intentions of moving forward on a nationwide broadband network. And I think that First Net will look to one or two early customers to be completed, largely, probably, BTOP customers to see if there is a way that the customer and First Net and others can come to an agreement to get early implementations and a reference point for LTE.

I think, to your point around devices, I think they will -- LTE will afford a second device to a land mobile radio or a converged device that could be band class 14 for a carrier or band class 13 for private networks. But I think the overall opportunity is net-net positive, both on infrastructure and devices. And the domain of expertise in public safety and all the interesting and unique characteristics that first responders need play well to our hand to capitalize on that growth opportunity.

**Jim Suva - Citi - Analyst**

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Ladies and gentlemen, I want to thank you so much for your time here in joining us for Motorola Solutions as well as for having Greg joining us. Thank you.

**Greg Brown - Motorola Solutions, Inc. - Chairman and CEO**

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Thank you.