Motorola Solutions, Inc.
Financial Analyst Meeting
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Gregory Q. Brown
Chairman, Chief Executive Officer and Chairman of Executive Committee

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PRESENTATIONS

ROOM ANNOUNCEMENT:

Ladies and gentlemen, Motorola Solutions Vice President of Investor Relations, Shep Dunlap.

Shep Dunlap
Vice President of Investor Relations

Thanks. Thanks for joining us today in balmy Chicago. I'm just going to read the Safe Harbor briefly and then take you through the agenda and a couple logistical items and then we can get started.
A number of forward-looking statements will be made during this presentation. Forward-looking statements are statements that are not historical fact. These statements are based on the current expectations of our Motorola Solutions, and we can give no assurance that any future results or events discussed in these statements will be achieved. Any forward-looking statements represent our views only as of today and should not be relied upon as representing our views as of any subsequent date. These statements are subject to a variety of risks and uncertainties that could cause our actual results to differ materially from the statements contained in this presentation.

So we've got a good agenda today. You're going to hear from all the business leaders. Greg will give you a high-level, strategic overview and talk about some of the things that have changed since the last time we got together. Bruce Brda will talk about the Systems & Products organization. We'll move then to Bob Schassler to talk about Solutions & Services. And then Mark Moon will talk about go to market. We'll have a Q&A session dedicated specifically to the 3 of them to really focus on operations and the business. And then Gino will come up and talk about the financial overview and then we'll have a final Q&A with everyone. So hopefully, there's plenty of time for Q&A. So have your questions ready. That'll conclude the formal piece. We'll break, we'll have lunch ready. We also have a few demos in the back. So in the very back, we'll have our systems and -- sorry, we'll have our Solutions & Services and we'll have some things around network monitoring, intelligence -- intelligent-led police safety. Then we'll have, by the car, we'll have some systems and product demonstrations, some of our latest purpose-built devices. And then over to the left here, we'll kind of have our innovation or innovating the future things, so things around MSI development in terms of internal kind of future-looking R&D as well as some MSI ventures items. So I'd encourage you to spend some time. We've got some pretty senior experts back there who are very deep in that subject and they can answer any questions you might have. And with that, we can get started.

ROOM ANNOUNEMENT:
Ladies and gentlemen, Motorola Solutions Chairman and Chief Executive Officer, Greg Brown.

Gregory Q. Brown
Chairman, Chief Executive Officer and Chairman of Executive Committee

Good morning, everybody. Thanks for joining us today, and as Shep said, coming from the West Coast or the East Coast or other parts of the Midwest on obviously a little bit of a difficult travel day with weather.

It's been 22 months since we last had a financial analyst meeting. So there's a lot to cover and we look forward to getting into the detail by segment, as Shep articulated, but also, and more importantly, answering your questions and getting into the detail around how and why we believe this business is poised and well positioned for growth.

I think it's an opportunity to gain further perspective on our end from you. We've had the number of conversations with virtually all of you leading up to today and hopefully we've incorporated that into our thinking. As Shep mentioned, we will have Bruce Brda talk about Systems & Products; Bob Schassler on Solutions & Services, which is a growing and more important area for us moving forward around differentiation and what I would call lifecycle annuity revenue and stickiness with our customers. Mark Moon will review the changes made in go-to-market and then Gino, of course, will summarize with the financials and we'll get into some Q&A.

I wanted to start with this. So the last -- since we were last together, it's been quite the journey. The last time I was in front of you in this setting, we talked about 2 core businesses: one great one, this one; and one good one, the Enterprise one. Obviously, you know we took steps to monetize the Enterprise business. We believe we got a fair and full price for that deal, and commensurately, it allows us to take that cash, invest in the business, return it to shareholders in a timely way, but also we get the benefits of being a pure play.

And there's -- I don't think there's any question that, as a result of being a pure play, we have gotten after the cost reductions in a way that's been more specific and more accelerated that, perhaps with 2 businesses, might have taken us longer. There's no doubt that when you're the only business and you move from a division to being a public company, stand-alone public company, the accountability as well as the visibility is helpful in driving the growth of the business. The thing we're excited about and I like about this business and always have is this is the strongest leadership position. It allows us -- it's got a very heavy backlog and the opportunity to sustainably differentiate is the most significant in the new Motorola Solutions. I think that differentiation stems from an end-to-end orientation, infrastructure, software or applications and devices. You know our position in LMR, or land mobile radio, and the investments we've been making in Public Safety LTE is to replicate that end-to-end systems orientation. That gives us greater strength. It gives us, I think, superior interoperability between the component parts, and as Bruce Brda will mention, since Public Safety LTE is additive to LMR, over time as those broadband networks get built out, the voice push-to-talk interoperability between LMR and Public Safety LTE, we think, is a distinct advantage.

I think the 3 things you'll see throughout the day is growth, operating leverage and cash flow generation. Growth, operating leverage, cash flow generation, which we think creates a bit of a flywheel for total shareholder return I think that the business is well positioned to capitalize on.
A lot's changed. So as RemainCo, and you know the journey to get here. We've spun off Mobility, we sold off the automotive business, we exited Enterprise, we sold the Networks Infrastructure business to Nokia. We did that because we were not well positioned in those other businesses and we did that because reinvesting in this core business with this kind of shareholder return, with the ability to return this cash base and contract the shares as this business returns to growth, we think, is the best opportunity for sustainable differentiation and value creation for the business. I think that when you're RemainCo only and you strip away all of those other segments, we are always burdened with stranded costs of RemainCo. We've gotten after that. But when you have a white light on only the stand-alone business now, redundancies, duplications, inefficiencies, inefficient processes are easier to get after and I think we're doing just that.

We've also made quite a number of changes on the new talent side that may or may not be as evident to some of you. So as we've gone from 2 years ago to 2 businesses to the pure play mission-critical communications with market leadership, both in narrowband LMR, end-to-end, and the proactive investment on Public Safety LTE and emphasis we're making on Services, we have new talent leading us. We have three. We're going to talk about the business, by the way, in 5 regions under Mark Moon. Three of those leaders, North America, Jack Molloy; Latin America, Mike deVente; and Asia Pac, Iain Clarke, are all new to their positions in the last year.

If you drill down even further within North America, Jack Molloy runs 5 regions in the States and 4 of the 5 leaders there are new. In the West, Mark Schmidl; in the Central, John Zidar; in commercial markets, Scott Schaple [ph]; and in Federal Markets, Mark McNulty. So an upgrade and a revamp of talent. We have 2 new finance leads in the Gino organization: Jason Winkler tag teaming with Molloy in North America; and Akash in Asia Pac with Iain Clarke who's an outside hire that came to us from General Motors and was very instrumental, by the way, in restructuring the pension work. We have Rob O'Keef join us from Treasury maybe 18 months ago. Rob O'Keef and Akash have been fantastic in the U.S. and U.K. pension restructuring that has allowed us to derisk this business from a liability standpoint and also have a P&L where there's no cash funding required for U.S. pension for the next 5 or 6 years. We've brought in a woman, Natalie Bosse [ph] from AT&T, to run customer care and quality who works for Mike Cost. Mike Cost joined us from a distributorship in Latin America. Mike is also new and Bob Schassler has brought in a couple of Services people from Intel and Nortel. 21 of our 70 vice presidents are new to their position in approximately the last 18 to 24 months or such since the time we've been here.

On the cultural transformation side, we continue to drive a better detail and better management of the business. We have a better handle around the drivers of growth. We have a better linkage around what Gino's implemented in what we call a 6-quarter rolling forecast of the business and interconnecting it to both the operations and financial of the business around orders, aged backlog, quick turn, the disaggregation of aged backlog between Product & Services and that visibility has improved. We launched that implementation Gino did 12 months ago. It began February of last year. And we've also completely revamped, completely, our approach to research and development not just in reducing costs, but as Bruce will talk to you about, the way we're structured, platforming the business, eliminating redundancy in a 40% SKU reduction in products by the end of this year. One other example is taking 7 audio labs and consolidating it to one. All of these inefficiencies that, as a singularly focused company with new talent-- and by the way, Schassler and Brda swapped jobs about 1.5 years ago and Bruce takes a new view and while he is a longer-term Motorolan, he's not a long-term person to this business. He came out of mobile devices, quick cycle, intensely competitive, consumer-driven, margin-sensitive, and he also spent extensive time in the Networks Infrastructure business where we had to take costs out on an accelerated basis because we were #5 in the business with subscale market share and it was a harvest, not invest and we had to thoughtfully but aggressively take costs out. So Bruce brings an orientation of a little bit of experience in our business, the Network Infrastructure business, the device business with an eye toward cost and efficiency in a way that, I think, is advantaging us and a new set of eyes and ears that are driving improvements that might -- perhaps we might not have made on our own.

So kind of taking stock. Here's what I think we've made progress and here's where I think we missed. So again, we're very pleased and I remain very pleased about divesting the Enterprise business. It's a good business. It's not as good as ours. And quite frankly, it had limited synergies, and as time went on, I thought the businesses were diverging.

The competitors to the Enterprise business are more along enterprise competitors that you would think. The traditional competitors of Honeywell or HHP, but over time IBM, IBM's relationship with Apple as they do enterprise applications on Apple product, and it's a completely different competitor base than what we do, which is traditional land mobile radio competitors and occasionally some systems integrators. But competitors are different, synergies were about 10% at best and things that we thought, and quite frankly, I thought we would gain on go-to-market by combining the businesses didn't materialize. So it made sense to sell that business. It's in good hands with Zebra. Zebra has benefits of having mobile computing as well as mobile printing, a lot of shared distributorships and a management team that focuses only on that.

We continue to be very aggressive on capital return. I think we've been good stewards of capital. I'll dimensionalize that more specifically in a minute as will Gino, but we've been very aggressive returning capital. And I think we have been significant in the transformation of the balance sheet, not just in the work done on the pension, both U.S. and more recently U.K., but we expect to be in a net debt position, we were right before as we committed to -- right before the sale to Zebra. We expect to be returning to net debt either Q2 or Q3 of this year and would look to remain in that position.

And on cost, we continue to get after it. $205 million last year, approximately $150 million more this year despite accruing for incentives back up to 100%. So our focus is to lower the cost structure, lower the fixed cost base. By the way, not incurring growth, but getting it as low as possible. So as growth returns, the leverage kicks in, there's margin expansion, there's free cash flow generation, we contract the share base and we're very mindful of free cash flow per share and we think that creates significant growth.

What we missed. We missed called U.S. narrowbanding. We thought that some of the business was attributed to that, but quite frankly, we didn't fully appreciate or understand how much accelerated purchases took place in 2011 and 2012. We should've, but we didn't. But we also believe we're coming out of that, and as I've said more recently, I think narrowbanding is largely behind us and will be by probably the middle of this year. But we missed it.

We missed the timing of Public Safety LTE. This one was a little harder. We had a contract for BayRICS, it was canceled. We had a contract for Mississippi, state of Mississippi, it was stopped. There were $380 million approximately of BTOP grants before the formation of FirstNet, a significant amount of that money ended up not being spent. And then with the formation of FirstNet and then the change of leadership at FirstNet, things have been elongated. I'm not sure we could have done anything differently on this one because I think the events there were harder to see. But in retrospect, we thought United States Public Safety LTE would be sooner, it's not. We've recalibrated and adjusted both for 2015 and I think in a multiyear planning period to incorporate that in our growth projections.

And lastly, we missed Asia Pac for a combination of reasons, but we missed it. Number one, we didn't execute well, as well as we could have. And as Mark will talk about more specifically in Asia Pac, it was more an issue around Australia and China, more specifically. We've had a change of management in the channel organization. We have a brand-new leader in Iain Clarke. We think those issues are being mitigated and you'll see in our projections going forward on Asia Pac. By the way, the good news is backlog was built nicely in Asia Pac and we're also working on a couple of larger orders here that Mark Moon will reference. So I think that -- I think things are on the mend.

We've also had -- given the size of Asia Pac, there's some lumpiness as well in the business, specifically in Australia. But nonetheless, when we look in the mirror and said, what progress have we made? What could we have done better? In particular, the U.S. narrow impact call and Asia Pac, specifically, are those learnings for us.

We wanted to gear today not to what we think, but to what is most important on your mind. We've coalesced these points around 5 key points of input from all of you. What is the growth profile of this business? How should I think about growth? Where does it come from? Is it sustainable? Do you think there's anything secular or cyclical or structural? What's the impact of Public Safety LTE? Do you think you've appropriately allowed for it now, both domestically and internationally? Remind us of your revenue visibility and forecasting given the challenge to the issue in narrowbanding and what we had last year. What does -- what do you, management, think the appropriate cost structure is? Do you think it could go lower? How do you think about the cost structure? And then lastly, capital allocation. In terms of return, what's the framework for return, finishing up the proceeds from the Zebra sale. These are the top 5 things we and I've heard you say and it's our intention to go through these items to your satisfaction with the entire team presenting.

So as a result of that, we will emphasize our competitive strength and differentiation on this business: what is the historical growth rate, why do we think it can grow, why do we think we can sustainably differentiate over time and what are the differentiation points. Again, reinforcing the end-to-end systems orientation of LMR, the end-to-end systems orientation of Public Safety LTE, some of the newer things that we're going to get into extending from the core into Smart Public Safety around command center transformation, Next Generation 9-1-1. I think about -- think about narrowband LMR and end-to-end. It's the end-to-end system that carries mission-critical voice and we lead in every part of the world to do that. What we're building in Public Safety LTE is the end-to-end ecosystem -- sorry, the end-to-end systems orientation for fatter pipes to do data and video, narrow -- interoperable narrowband voice, interoperable broadband data and video and we have that infrastructure.

The Smart Public Safety component talks about the content or applications or hosting around Next Generation 9-1-1. So Public Safety LTE kind of has 3 dimensions to it: the equipment in end-to-end system, the content in Smart Public Safety and the complementary services that encompass that new delivery of Public Safety LTE that we think is additive.

We'll talk about market trends, things we're hearing from our customers and why, if we think, it's favorable. We'll dimensionalize the size of the addressable market and why we believe these markets are attractive. Again, reemphasize how we'll grow and speak more around cost reduction, operational efficiency leverage, but again, accenting the point of cash flow generation and capital return.
So this is 2014. You know we do the segment reporting, Product & Services. Bruce Brda will talk about Products, $3.8 billion, and he will get into the individual components around systems, accessories, software. And you know we sell 3 primary hardware systems on the radio products area. ASTRO end-to-end, TETRA, end-to-end and PCR both infrastructure and devices. And he will talk about also Public Safety LTE and what he is doing and what Bob Schassler is doing to provide a level of differentiation and why we're ready as that materializes.

On the Services side, you're going to see a new level of detail of services disaggregated. Integration services or what I would call installation.

Lifecycle support services, that's hardware maintenance and software maintenance. And when you see the attach rates both for hardware and you see the attach rates, which are very low, for software, it's a reasonable opportunity for us to pursue that would accrue to the growth rates in the core that we think we're better positioned as systems get upgraded and as compensation has been realigned with the go-to-market organization and that we could spend more time on higher attach rates for both hardware and monetizing software features and annuity software maintenance and upgrades.
Managed Services. That could be built on and operate, it could be owned and operate or it could be us running a network for a customer. I think the last time we were together, we showed you about 8 or 9 of these. Bob Schassler is going to show you 22 of them now. Both -- that cross both Public Safety customers, as well as commercial customers in oil, gas, petrochem who were managing networks on behalf of customers and we see that interest growing over time.

And then lastly Public Safety LTE Services. Smart Public Safety, which I include Next Generation 9-1-1, command center transformation, CAD software, which is a business we're in today.

And then iDEN. Although admittedly, you won't hear us talk a lot about iDEN given that it's kind of off to the side. We've talked about it declining approximately $25 million to $50 million this year. In the Q1 earnings call, I think it was $105 million in total last year. So it's a stand-alone, as you know, proprietary segment. And while it's incorporated and feeds our total growth, it goes down over time. We're going to just focus on the other areas of the business that we think are much more attractive.
So $9 billion is the size of the addressable market that we would characterize for the core LMR and core Services business. $10 billion is an expanded services definition of an addressable market that we think is right for us to pursue that Bob will get into detail on and $6 billion would be the Smart Public Safety,

Public Safety LTE, Intelligent Data Services in the third bucket.

It's also important to note that despite this journey of spin from 2011 and some painful moments along the way on our miscalling the business, we have held or gained market share in the major product areas going back from spin to now: aggregate LMR, ASTRO, TETRA, PCR. We still believe and I still believe when-- if someone were to say what do you think the biggest growth opportunities for the company are from a dollar standpoint, I still think it's the core and then I would characterize Public Safety LTE as the next biggest opportunity and that includes the hardware, Smart Public Safety that goes with that and Services. And again, the way we're thinking about this business is growth, operating leverage, cash flow generation. Growth, operating leverage, cash flow generation.

From a trend standpoint, here's what we see and hear. Now the mounting security threats, both the issues in Ferguson and New York and other places in the United States, and it's the first time I've ever seen the emotions so high in the U.S. around policing for a variety of different reasons, but that, I think, reinforces the criticality of modernized technology in mission-critical communications and ensures and reinforces the fact that interoperable voice, and over time, interoperable data is top of mind and front and center. If you go internationally and geopolitically, whether it's Paris or Australia or the most recent terrorist attack or what appears to be or what might be a terrorist attack in Copenhagen, these things we see in engagement and in funnel and in dialogue with customers, mission-critical public safety stays at the top.

In terms of this shift to services, and I was thinking about how best to communicate this, I think that over time, given the technology complexity of these networks, of the networks that we build, LMR going to digital, going to IP-based and over time Public Safety LTE as well as the acknowledgment of the capabilities of the end-user customer, I think the complexity of technology and these systems being more IT-like and the limited capabilities in certain cases of our customers is driving a services discussion more toward us in a variety of dimensions. Maybe it's Managed Services, maybe it's software maintenance agreements, but we're having more and more services discussions and you'll see, as Bob points out to, backlog is at very high levels in Services and the annuity revenue from Services remains pretty high.

We're also seeing the proliferation of data sources. And by that, I mean not just a situational awareness at the crime scene, but the amalgamation, consolidation and dissemination of information in the command center. So calls come in to a 911 command center and they've been historically voice. But now 911 centers have to accommodate texts. They have to accommodate data. They may have to accommodate pictures. They may have to accommodate social media or streaming video. Part of the reason we bought Emergency CallWorks just a few days ago is whether it's cloud-based or server-based, we think they bring us a nice extension into the command center that helps us capture this growing need around the proliferation of more and more data sources.

The next one is digitization of fueling software growth, and by that I mean simply as systems go from analog to digital and those digital systems are upgraded, the opportunity for us to monetize software features in them and then provide long-term software user agreements around them is an opportunity that is front and center and we're in a better position for it today than we were 2 years ago.

And then lastly is the emerging markets and their prioritizing mission-critical communications. So as some of these theaters go from emerging up the stack to developing an emphasis on modernizing infrastructure and having more current state-of-the-art technology and mission-critical communications is critical.

Sources of growth. So today, we'll be blowing out these 4 sections. Brda will talk about the core Products & Systems, Schassler will talk about the Services and Smart Public Safety and both of them will actually talk about Public Safety LTE.

So I get a lot of questions on growth. What do you mean by growth? How do you think about growth? And we still believe that this is a low- to mid-single-digit growth business. I'll dimensionalize it a little bit further. As this business returns to its growth rate, its growth rate profile of the last 10 or 12 years is 3% to 4%. I think that's a useful anchor point for you. From management's perspective, currently from a planning perspective, we're planning more around 2% to 4%. Could it be more than that? It could be. But the reason we're doing that is we want to size the organization to the low end of growth or what we perceive to be the low end, size it accordingly and as growth returns to historical growth rates, whether it be 3 or 4 or some of these newer services on the bottom get traction beyond, we want the flywheel of leverage in operating margin expansion and free cash flow per share to kick in. That's the way we're thinking about that and I'm sure we'll have a lot more conversation about it. On cost structure. This is the journey over the last 3 years. We took out $145 million in 2013. A bigger number in '14 as we were preparing for the segregation of Zebra and we had overhang costs and we had the wait to take out certain costs until there was this extraction of 4,500-plus people. We still have IT and other system TSA agreements between us and Zebra that run between 12 and 24 months. And then as Gino and I articulated on the earnings call just a week or 2 ago, our intention to go after another approximately $150 million. So we're getting after the cost structure of this business.

Could there be more? There could be. Do I view it as a cap or ceiling on, this is about it? We don't. But this is primarily the heavy lifting behind us. But we always, and my management team knows, that we'll always look for continued inefficiencies on those things that avail themselves for us to lower the breakeven, to increase the operating leverage, operating margin expansion and cash flow per share generation as well.

On capital, I think you know these well. We've returned $8.7 billion between share repurchase and dividends since the spin. As importantly, or maybe more importantly, we're very mindful of the share count and we've contracted it 36%. We would expect it to contract further this year and beyond as well. And we've had a healthy dividend increase of 54% over the last 3 years-plus.
So before I turn it over to Bruce, I think you're going to see presentations and narrative through the whole thread of this morning that reinforces this. This is the way we're thinking about the business: growth, get it back to low- to mid-single digits; historical growth rates 2% to 4%, whatever you're most comfortable dimensionalizing, whatever it is; and then get the operating leverage flow-through with $500 million of reductions out by the end of this year that allows for margin expansion and then the cash flow generation or free cash flow per share, which then makes this even more interesting from a total shareholder return standpoint. We think there's a lot of value to be created, by the way. We're very mindful and not confused that it's dependent on execution and pragmatic planning and delivery. And I think we've incorporated both those into our thinking and to our intentions.

Again, I really thank you for coming this morning. We'll have a Q&A with Mark Moon and Bruce Brda and Bob Schassler. After the middle piece, Gino will come up and then I'll return for Q&A more broadly at the end.

Thanks for listening and I'm going to introduce Bruce Brda.

Bruce Brda
Senior Vice President of Systems & Products

Good morning. So I will cover Systems & Products segment, and just to kind of frame that a little bit, that is our ASTRO, TETRA and PCR businesses, which include devices, infrastructure and applications as well as the investments we're making in Public Safety LTE. What I'll really cover is 3 ways that we're trying to achieve sustainable growth. Number one is leverage the scale that we have in the market. We compete primarily with players who are much smaller than we are. And number two, leverage the installed base that we have. We have over 12,000 land mobile radio systems deployed around the world that gives us a great platform to build off of. And then number three, leverage innovation both in LMR and beyond LMR, specifically solutions enablement and LTE to ensure long-term growth.

So again, along the themes of scale. We are the scale leader. We lead in each of the technologies in LMR in every region of the world. We're #1 in share. Period. We ship over 5 million devices across the technologies. And the scale we get from that, again competing with smaller competitors, gives us an advantage. We have the ability to implement once and leverage that investment across technologies.

Our competitors who compete in a very small segment of the market don't have the ability to gain that leverage. What that allows us to do is not only execute against the standards faster than our competitors, but it also affords us the ability to invest in what I would prefer to as beyond standards capability, which really are what differentiate our offers in the market. And I'll talk about those in a minute.

From an installed base perspective. Again, the 12,000 systems we have installed, you should really look at those as a platform that we can monetize. We spend a significant amount of time and energy ensuring that we can easily upgrade those systems from analog to digital and beyond in the easiest, least disruptive way for our customers. Again, what that ensures is that whether you're upgrading your device fleet or your infrastructure, we always ensure forward and backward compatibility and make the Motorola-to- Motorola upgrade path the easiest and most cost effective and least disruptive for our customers.

And then finally from an innovation perspective. This year, we'll invest $635 million in R&D. That's across an R&D footprint that's global in nature with 5,000 design engineers who have a level of domain expertise in our Public Safety and commercial markets that can't be touched in the industry. The investment that we make ensures not only ongoing LMR leadership, but as our customers transition beyond voice-centric operations to voice data and intelligence, we've made the investments in LTE as well as Public Safety -- Smart Public Safety solutions to ensure that we capitalize in the transition our customers make going forward.

A quick breakdown of the business. About half of our business, half of the $3.8 billion in 2014, came from ASTRO or the P25 standard. P25, although it's a North American standard, we've deployed ASTRO technology in about 60 countries around the world. So North America-centric, but it does have a very large global footprint.

TETRA, the smallest of our businesses, is about 9% of our total revenue. Again, TETRA is a European standard, but that technology as well has found its way around the globe. We've got TETRA equipment deployed in 120 countries around the globe and we have 30 nationwide deployments of TETRA infrastructure.

PCR. Unlike ASTRO and TETRA, PCR, our professional and commercial radio, isn't a standard, it's a collection of standards. DMR or digital mobile radio is the more predominant, but it's actually a collection of standards from around the globe and we sell PCR products into literally every country we do business in, 180 countries.

The other category is made up predominantly of our out-of-box accessories business. In ASTRO, TETRA and PCR, you'll find a significant complement of accessories that we put in box. We also have a significant out-of-box business, which is about 10% of the total revenue in the accessories category. From a regional breakdown, the only real shift since the last time is a slight shift out of North America. So 1% or 2% has shifted from North America into the non-North American regions.

I want to stress that what we do is unique. The products we make could not be further from consumer-grade products in any way, shape or form. They're purpose built for our consumers and the applications that they have jobs that they do. Obviously, incredibly rugged; ability to withstand high impact; temperature extremes, both high and low; incredibly rough environments with dust, dirt, water; our product also operate in extremely noisy environments. If you think of LMR radio, audio is the killer app. Voice is the killer app and there's nothing more important than high-quality audio. So we've invested significantly in microphone technology, noise cancellation technologies, speaker and amplifier technology. Again, to ensure no matter where the speaker or the listener is, the audio comes through loud and clear. The final thing on devices that I want to mention is usability. And if you think about the way our customers use our devices, they're often in high-stress environments and the use of our devices can't be difficult. It must become second nature. So how we position the emergency button, for example, allows an officer to never look at the radio, they know where it is. The positioning of knobs, the APX 7000, the green radio in the center of the screen with the angled knobs, allows for a firefighter wearing heavy gloves to be able to manipulate the radio without looking.

So usability and how our products are built for this specific use case becomes a key factor that differentiates us in the market. As we migrate into broadband and Public Safety LTE and much more data is brought forth to the user, how we present that data, what data is presented at what time to what user becomes key, and I'll talk about that in just a moment.

The other point I want to make before I leave this slide is on the networks themselves. Land mobile radio networks are incredibly resilient. If you think of a P25 network that would be used here in North America, if the core or the equivalent of the switch were to fail, the network would continue to operate on a site- by-site basis. If the sites all failed for whatever reason, officers will continue to communicate device to device. That level of redundancy or resiliency simply doesn't exist in commercial networks. That's what our users expect, that's what are products deliver.

We spend a lot of time working with our customers to really understand their businesses. And again, the deep relationships we have with our customers, many of them date back decades, gives us access that our competitors don't have. So we do the job with our customers. We have a team of researchers under Paul Steinberg, CTO Organization, that literally goes to work with firefighters. They gear up, suit up and understand how our products work in the real environment. They observe those customers in day-to-day operation, as they do their jobs, to identify not only what they can tell us, but what they can't tell us but can show us on how our products can better serve their needs.

We do joint exploration with our customers, rapid prototypes and then test the heck out of our products as we roll them out. This innovation that you see on the screen here has led to literally hundreds of what I would characterize as beyond standards capabilities that we've built into our products. Each one of those features, which is used by one or many of our customers becomes an integral part of how they do their job day-to-day, and it becomes a significant differentiator for us and a barrier to entry for our competitors.

Our ASTRO market, P25 standard. What we call TETRA, is the TETRA standard. What we call PCR is the DMR standard. All of our products fully comply with the standards and they'll interoperate with any competitive product that conforms to these standards as well. But the beyond standards capabilities that I mentioned are really what differentiate us. And when a Motorola device works with a Motorola infrastructure, you're often going to get better performance because of the beyond standard investments we've made.

Just a couple of examples, in the upper left, you see ASTRO enhanced data. The P25 standard allows for relatively low-speed packet data that pass through the devices and network. We've implemented some technology that allows that throughput to increase significantly when it's Motorola device and

Motorola infrastructure. So for many of our commercial users who leverage our infrastructure from machine-to- machine, this becomes a big differentiator.

Down in the lower left, LTE push-to-talk interoperability. Again, the LMR standards don't call out a method for LMR to talk to broadband devices, but we have implemented a method to do just that with both -- across the portfolio: PCR, ASTRO and TETRA. The heart of that investment is the Twisted Pair acquisition we made a little over 1 year ago.

And in the lower right, you see dynamic control channel management. Because we've designed, built and operate the most complicated, most sophisticated TETRA networks in the world, we've also stressed TETRA beyond the point anybody else in the industry has. We know where the limitations are in the standard and we've had to do some things to tune up the capacity of that network to meet the needs of our customers. That's what dynamic control channel management is. When our customers begin to rely on these beyond standard features, again, it creates a barrier of entry for our competitors and a significant differentiator for us from a device and infrastructure perspective.

We're very confident in the position that we have in LMR and we're confident that that's a sustainable leadership position. But we're not stopping there. We've got really a four-point plan on growth to grow beyond our core business. And I'll hit on each of these, but it really is ongoing innovation in LMR to drive network and device upgrades more rapidly. Accelerating software revenues that we can pull from our installed base, again, think of the 12,000 systems as a platform we can monetize; system and software enablement. This is really the ability for our customers to go beyond voice-centric and into data plus intelligence and we can enable that both on land mobile radio networks as well as LTE. And then finally, the responsibility that I have for LTE is the purpose-built products, so devices, applications and infrastructure. Those 4 points are really where we're investing heavily to ensure sustainable growth in our Systems & Products business.

So 12,000 systems installed, 45% of those systems are on analog. So much like cellular evolved from 1G, 2G, 3G and 4G, so did or does LMR. And you can think of 45% of our systems, 45% of our installed base still operate in a 1G mode or an analog mode. That's an opportunity to upgrade. Secondly, whether it's analog or digital, over half of our networks, roughly half, are older than 5 years old. So again, an opportunity to refresh. We need to provide customers enough value in our new systems and new devices to incent them to go through that journey. Again, ensuring that a Motorola upgrade from analog to digital is the smoothest, the easiest, is key to our strategy here.

We continue to innovate, as I said, to incent customers to make that journey to the next technology. You'll see a number of products that we have rolled out and will continue to roll out, that include multiband capabilities. Multiband is -- allows radios to work on multiple frequencies. It's operational efficiency for our customers. But from a Motorola perspective, this provides significant manufacturing efficiencies. Whether we sell in a multiband mode or single band, we can manufacture a single device. Next-generation battery technology. We have the industry's leading battery technology today for land mobile radio, and we'll be rolling out in the next several months a capability which extends the life of our batteries by roughly 60%, will continue to push us further and further into the lead.

TETRA interoperability. So the ability for TETRA systems by Motorola to talk to any other TETRA system in the industry. This is a key deliverable we have for our Norway largest TETRA deployment -- largest TETRA project we have, key deliverable that we're rolling out as we speak.

And then finally, as more and more of our customers want to leverage their investment in LMR for data, primarily commercial users, we've built some M2M products that allow for cost-effective machine-to-machine communications.

Key technology leadership. Again, things that we're doing from a scale perspective: designed once, build once and deploy it across the whole portfolio. Bluetooth in a secure, low-power and high-power modes, being implemented across our device portfolio. WiFi, very cost-effective way to bring broadband capabilities into our land mobile radio portfolio. You can think of simplifying the upgrade process of radios or the ability to move large pieces of data on and off a device, such as images or video. What's listed here as Gemstone is really an in-house design set of chips. Chips that goes in our LMR portfolio from the bottom end to the top. Gives us not only the industry's best RF performance, but also gives us economies of scale that nobody can touch.

And the last thing I'll highlight here is secure and encrypted communications. We've built an encryption framework, complies with all of the standards, but is very flexible and allows for our customers who want to implement their own encryption algorithms into our framework to do just that. It has been a significant differentiator on LMR, and what you'll see in just a moment, it's also been a key selling point for a couple of our LTE customers as well.

Second step. Once we upgrade customers from analog to digital, we can easily attach lifecycle services to keep them current, and Bob Schassler will talk about that in detail next. But more importantly, from my perspective, is we have the opportunity to sell additional software features to our customers. So if you think of the evolution as easy upgrade pass, convert from analog to digital, sell lifecycle services to customers who are always operating on the most current and most capable software, and then we have the ability to attach more software features. When I mentioned the co-development we do with customers, we have hundreds of features we've developed, but the penetration rate is very low. So this is a great opportunity for us on that continuum of upgrade, lifecycle and then sell additional software features.

As you know, our business historically has been very hardware-centric. We've placed a lot of the value in what we deliver in hardware. So we've launched the program to, I guess, accelerate the transition from a hardware-centric business to one that is much more focused on software and services. This is really a project that Bob Schassler and I jointly own. It enables the transition, whether it is from hardware to software or hardware to services. So think of CapEx models migrating to more OpEx models. Think of perpetual software licenses to more annual software licenses. Or think about customer-owned to hosted- cloud or managed environments. This program will enable and accelerate that transition.

We call that, internally, Project Renew, and there's 3 pillars. One is to ensure the systems are there to enable the operation in this mode. So do we have the ability to -- an engine to license, to monitor software licenses on a customer-by-customer basis, for example. Number two is the offers. Have we structured the hardware software and services value split appropriately to maximize our long-term opportunities. And the third pillar is to enable our go to market teams to effectively sell the software offers to our customers. This, today, is a small business for us. This in the future will grow to be a very big business. And again, the R&D has been done. We've developed hundreds and hundreds of features, as I said. We've already acquired the customers. We have a 12,000-system platform that we can monetize. This is about pursuing this in a more rigorous way.

The next growth initiative I want to talk about is what I've termed Systems & Software enablement. Again, this is our customers migrating from a voice-centric world to one that's more voice data and intelligent- centric. Once on digital platforms, the ability to expand the ecosystem becomes very easily -- very easy.

I want to take you through a couple of charts, and I'll admit that they're a little tough to follow, so this is where you have to pay attention in my presentation.

If you think of the business that we have today, $3.8 billion of system and products, it really comes from the center of this chart, PCR, TETRA and ASTRO infrastructure and devices. $3.8 billion really in that very confined space on this chart. Customers are beginning to use LTE, both private systems as well as carrier- based solutions. You see that in the next couple of blocks up the center. What we're trying to do is enable our customers to make these transitions easily, number one, but ensure that Motorola remains in a key control point as our customers evolve their networks.

So the first goal you see here is, number one, is to create a voice bridge so that we can have push-to-talk interoperability between any LMR technology and LTE technology. The -- again, I mentioned the Twisted Pair acquisition we made at the tail end of 2013, that's the heart of this enablement. This is commercially available today, bridging LMR to broadband devices in a push-to-talk mode.
Second is to expand the reach of our networks beyond our infrastructure and our devices. On the left-hand side of this chart, you see an interface to a number of smart peripherals. Again, you can think of these as smart data centers or the public safety Internet of things. They need a mechanism to connect back to the Internet. Through secure Bluetooth, they can connect to our devices. And I'll come back to that in a moment.

Number two on the right, what's labeled Intelligent middleware, is to give third-party application developers access to the information that comes from our devices, that comes from our systems, as well as the peripherals, the smart peripherals that I just mentioned, and doing that in a manner that it doesn't matter what technology that information is coming from: ASTRA, TETRA, PCR or LTE. So an application developer can write once for Motorola interface and that application will work across the whole technology, independent of how our customers evolve what they do.

The third is to build out an ecosystem of smart peripherals and application developers. This is well underway. We have a 450 application developer ecosystem today, primarily focused on PCR but we're leveraging that to accelerate this. We've also used our Mot ventures investments to accelerate some of those smart peripherals you see on the left.

And the fourth objective of this is to ensure that Bob Schassler's organization, responsible for Smart Public Safety Solutions, has all the information they need from our systems as well as the ability to reach back into our system and control certain elements of the users. I want to maybe just paint a picture here to try to better describe this environment.

So imagine an officer-in-charge of a fleet of officers in a command center, central location. If that officer could see the location of all of his police officers, his staff, whether they're in the vehicle or out of the vehicle, whether they're on the move or stationary, whether they're upright or have gone down for some reason, whether they're gun is in their holster or drawn, whether that their gun's been fired or not, whether their heart rate and respiratory rates are elevated or normal. So all of that information combined from a command center perspective provides incredible situational awareness for our customers. That's what this ecosystem enables.

And everything that I just described can be done today with LMR, small data pipe. What you can do with a large data pipe and LTE expands. But if we do this well, it will take the discussion away from the technology, is it LMR or is it LTE, and focus it really on the application. And there are hundreds of applications that can be enabled today effectively through LMR, many more when you're at a broadband pipe.

The fourth growth investment we're making is in Purpose-Built Public Safety LTE products. Three areas: devices, applications and infrastructure. Again, don't think consumer-grade product here. Think of devices that are rugged, have all the attributes I mentioned with LMR, purpose built for the application, highly rugged, dedicated push-to-talk button, high audio with the security you would expect in a public safety environment, with an encryption framework like I mentioned on LMR that enables us to harden these devices and secure the communications.

As I mentioned, we have won 3 very large LTE deals globally, 2 of them in the Middle East. And this encryption framework was one of the key differentiators or key win factors for us in both of those cases. Converged devices. So LMR and LTE in a single converged package. You get the best of both worlds with the resiliency of LMR voice and then the broadband capabilities that come along with LTE.

And finally, on top of these devices, we put what we refer to as Public Safety Experience, or PSX. This is a context-aware way for the user to engage with the device. This cuts across devices and equipment we have in a command center, as well as equipment that we have in officers' hands, whether they be tablets or handheld devices. And it provides just the right information to the person at the right time based on their role and the context of the environment that they're in. It's very tough to explain, but what I'd recommend, we've got a demo to the side here that will take you through our public safety experience in a very effective way.

Applications. Push-to-talk is the most important application on LTE and our wave platform is the engine that enables that. But the solutions, architecture that I showed on the last few slides, will also enable dozens of application for LTE.

From an infrastructure perspective, I'll switch to the next slide here. We have chosen Ericsson as our RAN supplier, so Radio Access Network supplier for LTE. We have a 10-year agreement with Ericsson and we have the ability to prime all public safety deals on a global basis. If you look at the graphic on the right of this chart, what you'll see is Ericsson provides that Radio Access Network in the middle. On top of that, we layer on public safety prioritization or quality assurance to ensure that an officer always gets capacity when they need it, in the unique environment that they need it. So that LTE starts to work like LMR in terms of grade of service.

In addition to that, we built out the entire ecosystem, as you can see, purpose-built devices, public safety, LTE services, integration with LMR, as I said, and a set of broadband applications to round out the ecosystem. So if you think of the environment we've created, the company with the most public safety domain expertise, Motorola, combined with the global leader in LTE, gives us huge economies of scale on leveraging Ericsson's R&D, as well as the manufacturing scale that they enjoy. We're confident this is the best way for us to go to market.

So from an execution perspective. How do we get it done? What I have done in the last 12 months is reshape the organization to be much more focused on the efficiency of our R&D spend. So unlike our competitors, which would line up or stack up by technology, we've consolidated all of our systems investment under one umbrella, and all of our devices investment under one umbrella. From a product management perspective, when the product management organizations look at investments, they do it across all technologies and the breadth of the business. And when the engineers execute, they look at it not from a singular technology but how can they execute once, implement once and leverage that investment, the R&D, across our entire portfolio. We've done that for both systems and devices, and it's delivered huge savings for us, which I'll show you.

Then we've also extracted the applications, as I said, and created the Systems & Software enablement organization. Again, to ensure that if an application developer writes an application once, it will work on any Motorola technology across the board. This has delivered a significant benefit. As Greg mentioned, SKU reduction. We will reduce the number of SKUs by about 45% over a 12-month period. We're already in that cycle today. This has also allowed us to consolidate the R&D footprint that we have on a global basis to focus centers on specific areas of expertise, which again drove efficiencies for us. This has allowed us to shift investment away from LMR and into a number of the growth areas that I spoke about and Bob will speak about in a minute.

So from a high watermark of $752 million of spend in 2012, we've taken out $117 million. The core investment, which is predominantly LMR, is really more than $117 million investment because at the same time we've increased our investment in growth. So the dark blue, you should really think of as Public Safety LTE, Smart Public Safety Solutions and Solutions enablement. The light blue, you can think of as our core business LMR.

During this time of reduction, we also refreshed the entire LMR portfolio. And I'm confident we have the world's leading portfolio today, most complete, most innovative. So we've got, at this point, about 28% of our R&D focused on growth and the balance focused on our core LMR business.

To wrap up, I'd go back to the points I made. We're leveraging our scale, we're leveraging our installed base and we're leveraging innovation, both in LMR and outside of LMR, to ensure we've got a long-term sustainable growth profile for the systems and products business. I'm confident in the strategy.
And with that, I'd like to introduce Bob Schassler, Executive Vice President of Solutions & Services.

Bob Schassler
Executive Vice President of Solutions and Services

Good morning. I'll be covering our Services segment of the business. And just to give you a feel for the relative size of the business. Historically, our Services business has been made up of Integration Services and hardware maintenance. Hardware maintenance is the largest component of Lifecycle Support, new growth areas for us that we really started over the past couple of years. Software maintenance, which makes up the second component of Lifecycle Support. Managed Services and Smart Public Safety Solutions, all new and growth areas for us. iDEN, as Greg mentioned, a headwind for us in services.

The majority of the iDEN business right now is more services-related type of business. From a regional perspective, as you would expect, regional perspective proportional to what Bruce showed on the Products side of the business, and we really see good growth across the board in each of the regions as we move forward.

We are very, very encouraged, enthusiastic about, really, just the foundation that we're building in the Services business. We've got really strong backlog, about $4.6 billion of backlog build up, about 6% of growth, a really strong solid foundation. But what we're also seeing, and Greg mentioned this, we're seeing a trend that a lot of our Services business is coming from more recurring revenue type business model for Managed Services, from Lifecycle Support, over 50% of the revenue last year coming from more of a recurring revenue type of a business.

And we are clearly seeing, and Greg highlighted this a little bit as well, Bruce talked about it, as we're migrating our customers from analog land mobile radio systems, that are relatively lower technology, to a much more sophisticated IT digital network. And I think that's the way that it would be helpful to think about our networks now as much more of IT networks, because that's really what we're providing. But a much higher level of sophistication.

Our customers are looking for much more features, functionality, data applications, becoming much more critical to overall customer operations, security enhancements, cyber security, much more paramount of importance. And just, in general, just to operate, maintain and run these systems on a much, much more capable and sophisticated, they're driving much more of an outsourced type of the business model that our customers are asking them to help and support them with.

As I mentioned, our core services business historically has driven the majority of the Services business, about $1.7 billion last year. And we expect that to continue to grow at the trends that have been historical rates, about 2% to 3%. The areas of incremental growth or the new expansion areas for us, a much more meaningful portion and growing at a more rapid pace, as Greg mentioned, about $400 million of our total revenue last year, and we expect that to continue to grow at more rapid paces over a multiyear time frame.

We've mentioned on several occasions our Nodnett project. I wanted to speak to you a little bit our Norway project. It's the single largest project that we've had in the history of our company. Certainly, the largest integration project that we've had. And this is a project that will provide public safety service for all of Norway, the entire country of Norway, about 2,000 sites we're deploying. And it's been a tremendous project for us, a great project, a great customer. Not without some challenges as we've deployed the northern half of Norway. A lot of the sites tend to look like the picture that you see on the right. So getting power and just access to those sites have been challenging, but we worked through it. We will go live on the Norway system in -- this year with all of the users, about 60,000 users on that system. As Gino mentioned on the last earnings call, creating some headwinds, though, for us from a growth perspective. With a -- as we roll off our integration side of our business, about a $50 million drop in overall integration business, which does not include the FX impact of it. But overall, Norway has been a great success story for us as a company.

So some of the key growth drivers in integration, and Bruce talked a lot about this and as you would have expect, a couple of the areas in the core. From just our migration of analog systems, we have over 12,000 systems out there. So just as we see that growth, on the product side of migrating those analog systems over the digital. We also see that driving Integration Services for us. And also just the ages of those systems as we refresh those systems, we'll continue to see that drive more Integration Services. And that's historically, as I said, just growing that business, that 2% to 3% as we've historically seen.

But incremental growth areas in Public Safety LTE and the consolidation of the command and control centers. We have 5,900 what are called public safety answering points in the U.S. alone. And those PSAPs are getting consolidated, which is driving a lot of integration business for us. I'll talk a little bit more about that when I get into the Smart Public Safety segment of our business, which is heavily focused around the 911 centers in the U.S. and around the globe.

Now shifting over to Lifecycle Support. Lifecycle Support is about an $800 million business for us today. Again, made up of hardware maintenance and software maintenance. We see this clearly having a lot of growth opportunities and being a business that goes well beyond an $800 million business for us in the future years. And if we just aggregate and talk about the 2 components that make up Lifecycle Support, hardware maintenance and software maintenance. And we've taken a close look at the attachment rates for hardware maintenance and software maintenance, and if we start on the top, just look at the attachment rates, so these are the total number of contracts that we have to the systems that we have. And if we look at North America specifically, 89% of the systems that we have out there have some form of hardware maintenance attached to it. So you would think, "Well, North America seems like it's fairly well saturated." But as we've looked, actually, just in North America, a lot of the contracts that we have are actually small in scope, small dollar amounts. So we actually see still a lot of growth opportunities just within North America, within those existing contract vehicles that we have. And then, obviously, lots of opportunity as you can see across all of the other regions, as we get more and more focused on overall Lifecycle Support and hardware maintenance.

Software maintenance is a program that we really just started a couple of years ago. We started it here in North America. Launched in North America, getting a lot of good traction in North America. We're now ready to roll that out across the other regions. We see that as a significant opportunity. Focused teams working on both hardware maintenance support and software maintenance support. If we look at software maintenance individually, we see this as being a $275 million plus type of a business, recurring revenue kind of a business for us. Last year, we did $90 million in software maintenance. As you would have imagine, very, very strong margins associated with it.

We have -- just to be -- just look at our existing installed base, about a $360 million SAM of just the systems that we have. It doesn't include any additional Public Safety LTE networks that we continue to deploy. And this is extremely strategic for us as a business. So all of the software feature functionality that Bruce talked about, having software maintenance vehicles in place is really the vehicle for us to continue to refresh our systems and continue to have our customers take advantage of those additional features and functionality that Bruce talked about.

Just to give you a feel for the -- some of the more recent wins that we've had in Lifecycle Support contracts. As you can see, some pretty large contracts, typically 5 or 10 years in duration. And we really got after this in a very, very significant way. Mark Moon and his sales organization, very, very focused programs to grow our Lifecycle Support contracts. Growing almost 50% year-over-year of backlog just in 2014 alone. We signed 63 new software maintenance contracts last year alone. So we feel really good about the progress that we're making, the focus that we're putting in Lifecycle Support, both hardware and software, and really just the growth opportunities that it creates for us.

If I shift over and talk about Managed Services, and the best way, I think, to think about Managed Services is it's really the next phase of a support agreement. So what we do in support agreement, hardware and maintenance contracts are a subset of Managed Services. But now our customers are asking us to just operate their entire network for them. They're giving us the keys to the car, if you will. We are creating the network operations center, customer care, subscriber provisioning. So we look to the customer as really a cellular operator, and we see this trend more and more.

The Norway project is actually a Managed Services contract. We'll now enter into the managed service portion of that contract. It extends until 2026. And we see this as clearly a very, very significant opportunity and a trend in the marketplace. We've got, as Greg mentioned, 22 managed service networks today. $200 million of revenue from -- in 2014 alone. And again, these are long-term contracts. We continue to see this grow. We've got a very, very healthy pipeline of opportunities for Managed Services that -- on really a global basis with all of the systems that we have out there.

Last 2 segments that I want to talk a little bit about, and it's been mentioned on several occasions, is Public Safety LTE and Smart Public Safety Solutions. And I think it's instructive to think about Public Safety LTE and Smart Public Safety Solutions as adjacent opportunities for us that are very, very complementary to one another. Because the reason customers are deploying Public Safety LTE systems is because they want to take advantage of Smart Public Safety type solutions that are very, very media intensive, heavy- video requiring, really a Public Safety LTE type of a pipe. And I think it's a very powerful value proposition for us that we have both ends of the solution, the LTE systems. And from the infrastructure devices, applications and services around it, that Bruce talked about. And also, the Smart Public Safety Solutions as well.

There are 3 Public Safety LTE contracts, large contracts in the world today. And the 3 that you see here, and we've been fortunate enough to win all 3 of them. And our 2 Middle East projects will start the implementation phase later on this year. They'll extend for the next 2-plus years. Our L.A. project is in the implementation mode. We'll go live on that system in August of this year. And I know some of you are looking at the picture trying to figure out where that is, but we can't tell you right now, but they are great projects for us.

And really, the most important element for the success of our Public Safety LTE business right now is really making sure that we're successful on these projects. That we execute flawlessly, so we can showcase our technology to the world. So our customers can start seeing all the benefits, all the features and functionality that we've developed. We've been at this for several years now, as you know. And customers will start to realize some of the features functionality, some of the areas that Bruce talked about.

Last segment that I'd like to talk about has been mentioned on several occasions, Smart Public Safety Solutions. And what I'd like to do is just help give you an understanding. When we say Smart Public Safety Solutions, what is it? Why is it so important to us as a business? Why is it so important to the industry?

And just what kind of market size is it for us? And I'll start by just talking a little about the transformation that's happening in the 911 centers here in the U.S. as well as on a global basis. Historically, 911 centers has been very, very voice-centric. Voice call goes in, it's 50-year-old technology that's in most of the 911 centers around the U.S. and around the world, a big move to transition out to be much more of all multimedia rich type environment. There's so much more information, Greg talked a little bit about it. Social media information, video information, sensors, next-generation 911, all of these information that is available for public safety to do their jobs better.

And I think a good way to think about Smart Public Safety Solutions is going from a very reactive type of a public safety environment to a much more sophisticated, proactive, preventive type of a public safety operations. And you can imagine all of the IT back-office systems, analytics, software integration that goes along with this just to make this happen.

Greg mentioned our acquisition of Emergency CallWorks, a very, very critical component to Smart Public Safety Solutions. They have a next-generation 911 application. And for those who aren't familiar with next-gen 911, it's really just getting a multimedia information into a 911 call. It will start with just simple text moving to pictures, moving to video. But you would imagine, all of that information now it's going into a 911 center has to get stored, has to be -- it will be analyzed. It has to be the back office IT systems to handle all of that information, and that's something that the marketplace right now is trying to work through. And we see it as, clearly, a large opportunity for us as a business.

Smart Public Safety Solutions is a subset of the overall smarter Government business, which is a much larger component or much larger business around the world. We're specifically interested in the public safety or smart public safety aspect of it. About a $6 billion SAM for us. Most of the public safety answering points that I talked about, the 5,900 here in the U.S., look like the picture that you see on the left of your screen. Again, relatively low technology, very, very voice-centric in smaller cities.

What we're starting to see is this consolidation of 911 centers becoming much more sophisticated multimedia centers, more like the picture that you see on your right. But what's happening is we see these systems becoming much more regionalized, countywide, statewide type systems. It's still a debate here in the U.S. as to how many should there be. Will it go from 59 to 1,000 or 2,000? No one's really sure right now. But we clearly see there's an opportunity in an area that our customers are really looking for us to help support them and really aggregate that larger fragmentation of business.

So a couple of closing comments that I think are relevant for this group. First off, the items that I talked about and the strategy that I'd laid out here and the areas of focus, it's not just a services-oriented strategy, this is a strategy that is really across our entire company. You heard Bruce talk about it, Bruce and I are completely aligned, its alignment across all of the senior management in this company. And I think that's really what it takes. And it takes the sponsorship of Greg, as our CEO, to transform a company that historically has been very hardware, product-oriented to a company that is now moving into much more of a solutions services software-oriented company.

Secondly, the areas that I've highlighted and the areas of focus. We have very, very specific teams and people that wake up every day and this is what they're focused on. Very, very clear lines of accountability, whether it's from Managed Services, Smart Public Safety Solutions, software maintenance. Very, very focused teams. We've changed out the skill set as required. Hundreds of employees that have more software-oriented skills or IT skills. Within Bruce's R&D organization alone, 63% of our R&D engineers are now software developers or software engineers.

So I feel great about the progress that we're making, great about the alignment that we've have, and really just very, very good about the overall growth opportunities that we have in the Services segment.

So thank you, guys, for giving me some time and listening to me, and I think we're going to take a break at this point. Thank you.

BREAK

ROOM ANNOUNCEMENT

Ladies and gentlemen, Motorola Solutions' Executive Vice President, President Sales and Product Operations, Mark Moon.

Mark F. Moon
Executive Vice President and President of Sales & Product Operations

Good morning. I just want to spend a few minutes talking to you about the go to market organization. Before I do that, though, I would say Greg started the day with conversation around segment to stand alone, the journey we have been on the last couple of years, the lessons we've learned. And all of those things, as I was listening to him talk, all of those things were running through my head because we certainly have. As I listen to Bruce and Bob talk about products and technology and services and solutions and execution capability, they rang very true to me because to really be a solutions provider for our customers, it takes a three-legged stool. It takes having the best products and technology. It takes having great services and partners that can execute and deliver and integrate. And it takes a very strong go-to-market organization that can bring customer needs back to those two functions so we make sure we are doing what's right for customers. But also so we can tell the story because the fact of the matter is the story we want to tell about Motorola Solutions to our customers is a different story than what we told several years ago. It's fortunate for us that we have customers that have been with us for a very, very long time. But the fact of the matter is just like us with you, I tell my sales team every day, we have to earn their business every day. We don't have a right for them to just choose Motorola. We have to make it essential that we can help their operations be better by partnering with Motorola. That's kind-of been our purpose. We help people be their best in moments that matter. Everything we do is designed around making sure we do that. As I talk a little bit about the journey we've been on, it really makes me happy. Greg even mentioned that Bob and Bruce have swapped jobs. You know, I've been involved in these customer relationships and building the solutions and capability for really all my career here. But we've really gotten to the point where we're acting different. We're being different. Our customers are seeing us different. In fact, I was with a customer in Mississippi about three weeks ago and we were actually talking about smart public safety solutions. A sales person was in there, and this particular person was a supervisor of a dispatch operation, came out afterwards and said, "Mark". I've known her for a number of years. She said, "This is the Motorola I remember. This is the Motorola I need you to be." And as I left there, I said, "Wow! I wish Greg would have been standing there." But what I really wanted was, I wish our entire organization could be there because the cultural shift he talked about was critical. We have to be different. As we go forward, we certainly are going to focus on total shareholder return as Greg said when he wrapped up his presentation. But we can get that by focusing on our customers. And folks, how we make them be their best. So why do customers choose Motorola? And again, as I said, it isn't something that doesn't just come out of our rich tradition. That certainly helps because it helps with our relationships. But when you think about where we are today, safety and security has never been any more prevalent and a big concern. Everywhere you go around the world, this is an issue. And this pressure-tested resources that I talk about beside it doesn't mean that because it's a huge concern, that there's going to be a whole lot of extra resources thrown at it. What many of our customers tell us is, "Mark, I don't just have to do more with less, I've got to be better with less." And to do that, I need your technology to be a force multiplier. I need you to be able to take information and make it actionable. Make it so my folks are smarter or better than ever.

It's also an issue around the resources that, as Bob said, we're moving to IT networks. It's no longer the old radio shop that can maintain and manage these networks. It's complicated. And they need to move to us to help them do that as we shift to services, and Greg talked about it, moves right into the place where we are to help our customers be more successful.

We also have an unrivaled brand. It's easy for our customers to say, "I trust Motorola because we've been there for years." And we're also the market leader. Bruce mentioned that in every market we serve, all around the world, we're the market leader. We have world-class product portfolio, as I said. And not only is it a world-class product portfolio, we've taken the steps, while reducing costs, to also make sure we're reinvesting and refreshing that portfolio and setting the stage to move from more of a hardware-centric company to a software-centric company. And I'm very proud of the fact that our ability to innovate throughout the organization and execute is evident.

Certainly, we stub our toes with some of our customers, but they know they can count on us. The capabilities that Bob Schassler is building as we get into more complex situations will allow us to innovate and execute better than ever.

And then finally, as I'll talk about, the sales organization has to change. It has to grow. It has to be different. But it's a huge differentiator in this marketplace. Our presence with our customers around the world and our domain expertise is clearly a differentiating factor for what we do.
If you look at the markets we serve, and I think it's easy sometimes to say, "Okay, I think of Motorola Solutions, I think of police and fire." And by the way, I find myself sometimes when you're at a place and someone says, "What you do?" And you say you work for Motorola Solutions and what is that? Well, police and fire radios. It's really a terrible descriptor because we do so much more. We just talked to you about unbelievable solutions that just build from that police and fire radio legacy.
It's also important to know that 70% of our business today is in commercial markets, nongovernment markets around the world. And by the way, this is a huge opportunity for us to continue to grow. I'll talk about it a little bit when I talk about each of the regions. But in some of the regions, North America, in particular, it's a focus area of growth for us with how we move beyond just government accounts into more commercial accounts.

I wanted to also give you a view kind of around the globe, how we're organized. Greg mentioned we have 5 regions. We're managing each of the regions separately. The reason is, while customers are similar in a lot of ways, they're also very different. Having local domain knowledge, understanding the cultures, understanding how to do business with a partner community that's there, understanding the contractual vehicles it will take to extend our business for years and years. Critically important. So as I think about the business and we show '14 sales, I also want to give you a little color as we think about what we think this year looks like.

We talked about growth in North America. We returned to growth in fourth quarter. We've talked about narrowbanding being substantially behind us at this point. But North America, Greg mentioned Jack Molloy, and I'll talk more about him in a second, but very proud of the fact that we knew coming into the year in '14, we were not in a good position with backlog and we knew we were going to be very back-end loaded with demand from our pipeline. But we actually, executed Q2, Q3, Q4 exactly where we wanted, and actually, in the fashion that we expected, in fact probably more orders in Q4 than we even expected, which we were fortunately able to convert to revenue. But a good trend, turning around, and I feel good about growth for this year.

Latin America, also growing. Kind of mid-single digits for the year, less the iDEN decline. When you think about iDEN, we've always talked about Nextel International being a drain on that business. And it will be. It will be down slightly for the full year in total, but less iDEN in the core business. Still good growth.

Europe & Africa, we said, will be down this year given the headwinds of FX as well as the Norway implementation rollout. Europe & Africa has grown for the last 3 years, and phenomenal growth in Western Europe despite all the things we've been reading about austerity and other things. With constant currency, actually, Europe would be flat going into this year. So, again, still good demand for customers.

Asia Pacific, as we've talked about for the last couple of years, has been disappointing in the way that we have actually not executed and not been able to return that business to growth. But we are saying it would be flat this year. We do see the business has stabilized, and as I go through a more regional span, I'll talk a little bit about the reason I believe that to be the case.

And then finally, the Middle East, huge growth area for us. It's a small number today, but it has big potential. In both Asia and the Middle East, we're in our best backlog position we've ever been in. And we've got great opportunities in the pipeline to continue to grow both those regions. So I'm excited about what we're doing. And as we've said, we bifurcated the 2 regions to get distinct focus on each. I think it's important because they're very, very, very different in the way we'll be successful in each of those regions.

The go-to-market team, we've mentioned all the names. But the reason that I would say I wanted to show this slide is we have about a 2,000-person sales organization. And over this past year in '14, we actually reduced selling and marketing cost by 5%. But we increased customer-facing selling heads, in other words, those folks are on a sales incentive plan, calling on a customer and gets paid for making a quota by 10%. So we reduced cost 5%, increased our faces in front of customer by 10%.
We've got 3 new leaders, as I said, Jack Molloy, who started the first of last year; Mike deVente, the first of last year in Latin America; and Ian Clark moved from Western Europe, which I just described has had phenomenal success for the last couple of years, he's moved to Singapore to lead that region; and Mohammad Akhtar now will singularly focus on the Middle East, of which, we're already showing good signs of success, we've announced the big LTE win there.

The other important piece of this chart, though, beyond those 2,000 sales heads are the 7,500 partners. This is an extension of the Motorola sales organization. In fact, it's part of our sales fabric. They really are proud to be part of Motorola. And just like I said, we have to earn our customers' business everyday, we have to earn their business everyday, too. Because they're key to what creates strong differentiation. We have a renowned PartnerEmpower recognition program that actually rewards and recognizes certification, competencies. We want them to be, as we move up the solution stack, we want these partners to move up the stack with us. Because we don't just want to serve a small number of focused accounts, so to speak of, we want to serve the marketplace, both government and commercial.

So as I move now to look at each of the regions, we talked about North America. We talked about -- and what I'm trying to do on this slide is to give you a little more transparency with the way we think about each of the regions is on the side, it's also how we're organized with leadership under that leader. So for instance, in North America, we're actually managed across the country in a state and local government sleeve. We manage federal government separately. And just this last year, we created commercial sleeve. That commercial sleeve actually grew 20% in North America last year. And I would just say, it was the reason, it was lack of focus before. This speaks to exactly what we're doing differently and lessons learned. We had Motorola salespeople. I had Motorola salespeople calling on commercial accounts. But unfortunately, salespeople sell what they're comfortable selling. And they were calling on a mostly about mobile computers. Because that's where they came from, from Symbol and then the RFPs. What we did was we created a go-to-market organization that focus on our portfolio. And just last week, we had Exxon Mobil in our customer design center. We're actually, one of their key suppliers and we're having an executive scorecard review. And that customer said; "At one moment in time," I said, "what we want to do is avoid a CNN moment." And I said, "Wow, that could be just talking to one of our police chiefs or fire chiefs. But you think about what they do. They have mission-critical demand every bit as much as any government entity. Security, concerns are everywhere. And their ability to need to integrate solutions are getting compounded. But they may not always speak of Motorola. That's why I say we believe that market space is a big growth area for us.

Federal, also I'd say, fortunately stabilized, actually slightly grew last year. And we believe it will grow again this year. We're not looking for a huge bounce back, but we believe low single-digit growth is very approachable. And it seems like that environment is coming back around.

Latin America. Latin America has been a very steady growth business for us for a number of years. It's smaller in size and sometimes lumpy with large projects here and there. But -- oh, I'm sorry. And, I'm on Europe & Africa already. Let me go to that first.

So Europe & Africa. Great business. I talked about it declining. I talked about the reason it's declining being over FX. And when we think about the business, Western Europe has been phenomenal the last couple of years. Good growth, we've now, even as we are today, have good opportunities with some large country system refreshes. Several of them, those of you -- many of you know about the Airbus announcement, and by the way, several customers in Western Europe for Airbus infrastructure accounts, they need to be refreshed. We see that as a big opportunity for us. You'll hear me say it again when I talk a little bit about Latin America.

Eastern Europe. Kind of a mix bag. Russia, clearly economically has been down but our business in Ukraine and some of the others has increased. And we really have a lot of infrastructure interest in the stand. Again, there's resources and there's a need. So we see that area that can be a real growth area. And overall, Israel and Africa. Israel continues to overindex for us. It's been a great customer for many, many years. But Africa, also, has good investments. And it's a place where we've actually moved more go-to-market resources. We're working hard to develop more channel capabilities. And I think as you look at those regions, we also have the ability -- we have a big services footprint as Bob talked about, managed service opportunity throughout Europe. We had a chance to further that as we go forward.

Now in Latin America. As I said, Latin America for us will really come down. We think about it as Brazil, Mexico and the rest of Latin America. Brazil, I believe, has opportunities for us to really grow. There's a lot of things going on in Brazil despite the political environment. As we think about the about. It's generating a lot of infrastructure pieces. There's again this need for safety and security. We've actually had some really good success with a public safety LTE deployment there with the Brazilian Army that we think we can further expand our relationship with the federal government there as well as we go forward. Mexico is an area where, if you just look at the size and economy of Mexico, we haven't performed as well as we should. The reason for that primarily as certainly always some execution region. But primarily, it's because they have a competitive proprietary system from the ADS or now Airbus. That system has been in place 15 to 20 years, it's currently up for a refresh. It gives us a great opportunity to go take over the public safety infrastructure in Mexico and we'll work there very hard. There's also a lot of political reform going on around telecom and a lot of talk there about Public Safety LTE, which we're continuing to be actively engaged in.

So all in all, I think our, again, our ability to grow services in Latin America a good opportunity. The ability to expand in other verticals and continue to push that in Latin America is roughly 50-50. If you will, government and commercial. I think we can continue to grow that because there are a lot of dependence on how we can go serve them. So we look for Latin America core business to continue to grow, as the iDEN business continues to decline.

And then Asia Pacific. Asia Pacific, as we've talked about and I'll say right upfront and I've said it as I've talked to many of you, I've been disappointed in the fact we hadn't returned to growth quicker in Asia Pacific. When we think about Asia Pacific, there is a lot of things that have happened, we created some new leadership over there, expanded, we brought it together with Asia Pacific and the Middle East a couple of years ago. We knew we had a backlog position there, but we felt like we could turn it around. It was really factored in 2 things in my mind: China continues to be tough as they push for indigenous competitors; they've also created a new radio standard called PDT, of which we weren't initially allowed into the alliance. We have since been allowed, but clearly gave indigenous competitors a headstart. And what it did, even though there hasn't been very much PDT equipment sold in China, it froze the sales out of our TETRA equipment. So we saw a decline in that place -- in that space. And always, in China, the low- end market is going to be a tough place to compete.
Now with that said, we declined over 20% last year in China. But we see China stabilizing as we go forward. We're not expecting China to have huge growth because of what I just described. But we do see it stabilizing.

Australia was a little bit bigger surprise for us the last 2 years, which led to a big, big piece of our decline. Australia has always been a country that we've over-indexed with and always performed very, very well. For the last 2 years, we've declined almost 20% in Australia each year. And that was driven by a couple of things. First, we had some execution issues in our channel. And we lost some share, quite honestly in our low end. We lost some people and some share in our low-end radio product in Australia. Greg mentioned we have a new leader in the region. We have a new leader within Australia. We believe we've turned that tide. But at the same time, they were also experiencing a number of economic issues as mining and minerals and energy market kind of went down. And we saw that whole market go down.

As that was happening, several large projects, fortunately for us, we didn't lose, they slipped. We expected to get 2 or 3 large projects at the beginning of last year, which was why we thought we would grow last year. And fortunately for us, we got a huge project in Victoria in December. We were then 30 to 60 days of another over $100 million award in Australia that will happen. We're currently the only awardee and in final negotiations. And another larger project in Queensland later in the year. So I see that business has returned, and Australia will return to growth because of that.

And then our final focus in Asia, and I really believe Ian will bring the energy because we got to move some resources into the emerging areas. When I think about Indonesia, Sri Lanka, Myanmar, there's places where, for us, that's really growth that we're not getting today and nobody is. It's not going to just happen. We need to go drive the market. So we're re-shifting resources to make sure we can capitalize on those emerging markets.

And then finally, the Middle East. As I said, I've asked Mohammad Akhtar to go back and just focus on the Middle East. He's from the region. He knows the customers well. The Middle East is a place where, clearly, we need the right relationship. But it's also a place where a U.S. company should have strength. So we also, in addition to Mohamed, asked Paul Miller, who run our U.S. Federal Government business for the last 3 or 4 years, to move to Dubai and also lead the day-to-day operations there because we need to link back, when you think about everything that's going on in that region, all the safety and security issues, there's clearly going to be a U.S. presence there. How do we leverage that as a U.S. company for us to do business there? There's also, as we've said, we've announced 2 big public safety LTE awards within that region that will fuel other growth. The good thing about the Middle East is they have spectrum, they have funding. Those are 2 very critical factors for us to be able to grow. So while the number is there, we see it growing strong, strong double digits for the next several years. And we've actually got the backlog in place for this recent order. As I said, coming into the year, we had the highest backlog we had had. We've announced a $200-million-plus order since then that will go into backlog. So we're in a very good position to grow that region as we grow -- go forward.

So finally, as I think about the sales team and I think about where I started this conversation about the journey, about lessons learned, about do differently, so to speak of, 4 things kind of jumped to my mind. And the first was, how do we increase our sales capability? And we've been working hard on that. Part of that is new talent. Part of that is talent in places where we weren't before. What we did -- what we found was we had lots of resources in places like North America, Western Europe, U.K. particularly, sitting in Singapore instead of other places where we had our offices and where we generally in Australia where we've done business, we had a lot of resources. We needed to bring and we've been working on ourselves a coverage model to get our partners up to speed in a lot of those places. And we've got to go develop new partners in new areas and also put some resources there. Again, we're taking costs down because we're taking non-selling heads costs down, getting more efficient and effective with tools and adding more selling heads in the places where we need to be.

We also worked on better alignment of resources. And again, I think this is a credit partially to what Greg said about pushing single-purpose, pushing culture. But Bruce, Bob and myself have worked together for a long time. In fact, we've worked on the same team for a long time. And when we stepped back, we said as we think about simplify and growth, we think about all the things we're doing. People are working hard, but are they working on the right things? So let's be very clear about role clarity and who's responsible for what. What does the sales team do? What does the product team do? And what does the services team do? And for instance, there's no reason for each of us to have competitive intelligence on each of our teams. There's no reason to have pre-sale people on each of those teams because we have a sales team that sells. We're going to actually, and we did, we moved several hundreds of people from one organization back to get focused, and actually, that allowed us to reduce some non-selling heads to be more efficient because we're going to put the responsibly where it belongs, we're going to tell our organizations we believe in it and we're going to make sure that we stand by as we go forward.

The other thing aligning incentives for growth for the sales team, and I learned very early in my sales career that salespeople are motivated by what you pay on the sale. And so you need to make sure you asked them, "Do the right thing so you don't end up with unintended consequences." We've been focused for a long time on orders, revenue and profits. And we've always moved profits down as low as we could within the leadership organization of the sales team. But one of the things we saw similar to what I told the story on the enterprise salespeople selling what they know around selling mobile computers is they'll also sell what they know, what's easiest to sell.

So we've been on this journey about solutions and growth for a couple of years, but we weren't getting the traction we felt like we needed. So beyond the training and the investment, some new talent, we also changed the incentive plan this year for our salespeople to have a piece of that on focused growth initiatives. The things that Bob and Bruce just talked about, and we actually made them different for each region because smart policing may be much more prevalent today in North America but expanding on service attachment rates on some of the other places, big opportunities you saw in some of the other regions. So we're paying them differently to focus on these growth initiatives.

And then finally, at the same time, while we've been reducing cost and we'll continue to do that, we're investing back in the sales teams and better tools. That's better tools like we have a Motorola sales way. It's about sales methodology, doing things more predictably, how we go. We leverage salesforce.com better. We've created some new forecasting tools. All of that really to create more time for salespeople to be more effective in front of customers. But the other piece is about we need to be better in understanding our business and how we call it. One of the things that Greg mentioned earlier that we missed over those time.

So we have a much better understanding of our pipeline, where it is, the velocity that's moving through the pipeline and what our sales teams truly view as something that I need to work is an upside and something that's very comfortable that I can commit for commitment for revenue.

So we've worked all these things to say, at the end of day, we needed to be different, we needed to be better, and I think we're doing those right steps to do that. It's still a journey. And we're going to wake up everyday putting pressure on ourselves to earn the business and to get better. But at the end of the day, I believe we're positioned for growth because we clearly have domain expertise and a presence with our customers. They count on us to be successful. We're trusted partners with our customers, and it's an enviable position if you're trying to compete with us. The market trends that Greg spoke about earlier point to now is the time for us to leverage trends that are going on in the industry that will help our customers deal with those trends and be more successful.

And then finally, we're making the organizational changes that I described in creating new talent to make sure that we don't just do things the way we always did it, we do things the way it needs to be done for the future. So together with these trusted relationships with our wonderful partner community, with our customers and with each other, I see a really great chance for us to continue to build on this good business and create sustained revenue growth.

So with that, I'll wrap. I will invite Bob Schassler and Bruce Brda to join me up on stage so that we can take some questions. Also, I would say that Greg and Gino will come back after Gino's piece for another question.

<u>QUESTION AND ANSWER</u>

Timothy Long
BMO Capital Markets Canada

It's Tim Long at BMO Capital Markets. You mentioned 3 of the large public service LTE contracts that the company has won. I'm just curious if you can give us a sense of what you think the pipeline will look like for those megadeals maybe over the next year or 2. Do you think those will be case studies or is there a lot in the works now for other governments to be looking at larger-scale deals? And do you think we'll start to see kind of a quicker flow to deployment as we build some critical mass of these initial deals?

Mark F. Moon
Executive Vice President and President of Sales & Product Operations

So I'll start, and if Bob and Bruce want to add. I mean, certainly, the execution of the deals we've got is our top priority. Because as we think about the deal in LA-RICS and the 2 deals that we have in the Middle East, the quicker we can execute and other customers, as well as those 3 customers, can see the benefits of this technology, I think that's the best sales tool we'll have for further, if you will, engagement from other customers. With that said, the funnel around the world has been fairly healthy.

FirstNet, as we've talked about, has been delayed further than we expected. We always said we felt like the U.S. would lead and international would follow. That's kind of changed. Really, we see international kind of leading. I think FirstNet will continue to follow their process. But beyond FirstNet, in each of the regions, we got some key customers that are doing, as you said, not in the big effort like the 3 we described. But certainly, trialing this technology, levering it, putting in spots to augment their existing radio network.

And in fact, that's the important point. With all 3 of these and even with these folks that are trialing, they don't see this as anything that replaces LMR. In fact, they see it completely complementary. They see the mission-critical voice is something they have to have, but they see this data and situational awareness and what you could do with this much larger pie, is something that would allow them a whole different level of capabilities and information, ability to be much smarter in a situational awareness and do things differently. So all in all, I think we have been -- we've said, for next year, we think the business will at least double. We clearly, given our position that we just described, most of that business is already in backlog. And I think, as we go forward, without executing on those, we believe other customers around the world will continue to express their interest in that technology.

Robert C. Schassler
Executive Vice President of Solutions and Services

So I would just add 2 points. If you look at those 3 deals that we have, that's about $500-million base. But it's important to understand that, that really is infrastructure and the integration of both systems. So more applications, devices, and really, continuing to build out that infrastructure I think, just starting with that base, will continue this to -- just to see good growth just within those 3 projects that we have. And secondly, Mark touched on this a little bit, but it would be so critical to this particular business once our customers actually start using the networks in the rest of the public safety community, start seeing the benefits that come out of it. And we have the opportunity to travel around the world and meet with a lot of customers. And I can't tell you how many customers around the world asked me about what's going on in L.A., what's happening, wherever I go, when are you launching new products, so everybody is laser- focused on that initial deployment. And that's just only going to help drive this business at a more rapid pace.

Ehud A. Gelblum
Citigroup Inc, Research Division

Hey, it's Ehud Gelblum at Citigroup. A couple of questions. One, I love the pie charts that you've broke out and showed the -- where you are in terms of, especially on the service side, breaking out how large lifecycle support is versus integration, Smart Public Safety, 911 types of things, and Managed Services.

Where do you expect those pie charts to go 5 years now? As Managed Services, I'd assume it's going to be larger than 10%. Smart 911 Call Centers, probably larger than 3%. Could you give us a sense as to what the trajectory on those -- what does that pie chart look like, let's just say, 5 years from now? And then the -- and the same thing on the product side. if you can give a sense as to kind of your breakout looks like 5 years so we can get a sense of the moving pieces and how large they get to. Related to that, in some of those areas, is there a new competitive environment? Specifically, I'm talking about the command-and-control and the smart 911 call centers. Are there different guys in addition to [indiscernible] who you will now see in that environment that you don't see right now on devices? And then finally, on the LTE side, as more of a Mark question. Can you just kind of overview us, what is really happening in terms of as I build out LTE, are governments around the world really going to overlay LTE -- brand-new LTE networks on top of the commercial networks that they're right now. Because $7 billion in the U.S. probably is not going to do it. So how much LTE network around the world is going to be leaning on the commercial horizons, AT&Ts, O2s, et cetera, versus rebuild from scratch. Just give us a sense as to how that business...

Robert C. Schassler
Executive Vice President of Solutions and Services

So I'll take the first part of the pie chart and the lifecycle. If we first start with just hardware, and the pie charts were hardware, as I said, we see a lot of growth just within North America, just on the existing contract vehicles that we have. And that's very powerful ones, that we have 89% with contract vehicles already in place. So as I mentioned, we see good growth within there. The other regions that are down more 30%, 40%, we see that not really getting to that 89% of North America, but reaching more like a 60%, 70%. The reason is, in the other regions, we, as a business are a little bit more dependent on channel partners to provide service that are going direct, but we clearly see more and more opportunity. And frankly, it's more and more challenging for even our service providers to provide some of that service direct. On the software component itself, we -- that has to go to us. And more and more as we migrate our customers from analog to these digital systems and more of the CIO-type start to be in those decision-making roles. We see that getting to be 70% to 80% of the eligible systems that are digital systems that you're going to want some kind or some form of a software maintenance contract. Our systems that we build right now were extremely software-intensive. So as I said, we see that being a $275-million-plus. That's an ongoing annuity kind of a business stream for us. On the Smart Public Safety element of it, I think you should think about us in that space as a more specialized system integrator with some really good content. So I think we will compete more with the system integrators in that space because it's a space that is very, very fragmented, there are lots of application providers. Our strategy is we will have some really good content such as emergency call works, we'll have some analytics engines, we have voice consoles. So we'll have some content, maybe 30%, 40% of the content that goes into a command and control center. But then forming some other very, very strong partnerships and alliances but customers are really looking for somebody like a Motorola to come in, and really, pull together all of that fragmentation in the marketplace. So it won't be our traditional competitors but, again, more of the large-scale system integrators in that space.

Bruce Brda
Senior Vice President of Systems & Products

From the product perspective, there's a component to stop their. Could they, I said we're very hardware- centric, meaning we embed a lot of the software value in the hardware price. We will, in the future, start to break those out so that we have a greater opportunity from an annuity perspective on the software. But that really is an incremental dollars, that's more repartitioning value. On optional software features, the ability to up-sell software features. Today, we're in the tens of millions per year of revenue from that. When you look at the number of features and the reasonable penetration rate, we think that, that rate can roughly triple over the next couple of years when we really get the engine going, selling optional software features to our customers who are on lifecycle and upgraded to current software releases.

Robert C. Schassler
Executive Vice President of Solutions and Services

And I'm sorry, Ehud, I didn't answer your other inquiry on Managed Services. On Managed Services, it's about a $200 million kind of a business for us right now. And we really see that growing on a long-term perspective at a double-digit type of a growth rate. And we're getting to significant amount of demand, and we see the overall opportunity there very, very high.

Mark F. Moon
Executive Vice President and President of Sales & Product Operations

So the final piece that you asked about is it truly incremental. And the 3 customers that we referenced, those 3 large ones. Clearly, it is incremental with them. They all 3 in a needs to be very large procurement. You know about LA, they've also purchased that LMR system. The award we just announced in the Middle East for over $200 million actually is actively putting out an RFP for a TETRA network as well. And earlier when we announced, they're just recently put in. So it really, and most of those large areas, it is going to be incremental. But to your point, the carrier networks will still have a play in this piece because they'll put critical infrastructure where they need it but they'll certainly be coverage requirements beyond where it makes financial sense to put in all of these sites. So there'll be an ability to roam to a carrier network which is part of why in some of these places, we formed relationships with the preferred carrier in those particular regions to be able to do that. The other piece you mentioned was the $7 billion for FirstNet, which I think everyone would acknowledge that it's not enough to build out a nationwide public safety network. So there'll be some combination of both unless that $7 billion gets unfunded.

Obviously, the recent auction certainly funded the $7 billion, provided some funds that could go beyond that. But I think there'll be a combination but in each of these pieces, mission-critical communications is here to stay for a while. So I think the LMR build-outs, we'll continue to see that everywhere, and most of our largest customers have talked about, they see it for the next 10, 15-plus years still needing to have that. At the same time, many say, "Let's get the capabilities going for LTE, and let that technology above over time."

Bruce Brda
Senior Vice President of Systems & Products

Just one more comment as well, having spent a couple of decades working on carriers. A typical carrier site, has a 2-hour battery backup, if you think of a typical land/mobile radio site, you got a generator with days worth of fuel. So it's more than just the equipment capable. If you truly need mission-critical operation, you've got to build the network very differently than the way carriers build their networks today. So if this is nice-to-have data and not built into a workflow, mission-critical workflow for our customers, carrier is acceptable. But the second you start to build it into mission-critical operations, those networks no longer really have the resiliency. The business model is not there for them to be built with the resiliency that public safety or our users require.

Keith M. Housum
Northcoast Research

Keith Housum with Northcoast Research. You guys have spent a lot of time talking about software and the future possibilities with that. Can you provide, I guess, more examples, some country examples, some of the software offerings that you guys envision that public safety agencies will purchase? And then in days where -- I mean, budgets have been tight for public safety agencies forever, but how do you go about proving the value add? So in addition to the hardware, what's the enticement for them to sign up for some of the software offerings that you guys have thought about now and are planning for in the future? Again, some -- starting off with concrete examples would be great.

Bruce Brda
Senior Vice President of Systems & Products

So maybe the best example is for TDMA. That's an option on P25 on both the infrastructure and the devices. P25 adds capacity to the network. Capacity allows the customer to put more users on the network without building sites, that's a very concrete example that you can do a value trade-off. That's one of the areas. And by the way, we've got a disconnect on the penetration of that feature with devices and with infrastructure. So when I talked about as we look at the opportunity and try to quantify it, leveling that disconnect between infrastructure and device penetration of TDMA would clearly be one of the areas of low-hanging fruit for us from a revenue perspective. But that would be a very easy example.

Robert C. Schassler
Executive Vice President of Solutions and Services

A couple other examples, I think, are getting a lot of traction in the marketplace as well. Tied to TDMA, we have a feature called -- it's called Dynamic Dual Mode. It's the ability for one of our devices to roam seamlessly from an FDMA technology to a TDMA. And that's a specific software feature. We have a specific software feature for cryptology or software-based encryption that our customers are taking advantage of. We have software features to actually program radios over the air so, what we call over-the-air programming or OTAP. And also, over the air, we're king for changing the encryption algorithm. So we really have dozens and dozens, if not hundreds, of these features and functionality, but -- and we've been developing these, quite honestly, for probably 5 to 10 years now. But we never really productized them and we never really monetized them. We just bundled them in the system and the customers just got what they got, and this has been a program that we really started about 5 years ago. And we really had to step back and look at the way we've developed these features. Because in the past, whenever had the capability even to turn the features off or on. And we really didn't have a good mechanism to license these features, and it's something that we've -- it's been in the works for about 4 years now and we're really just getting to the point where we're launching that program. And as I said, that's why the overall software maintenance program that we're rolling out it's -- while it's good for us from a revenue or just getting that software maintenance revenue, it's very, very strategic for us because Bruce developed a new software release on each technology every single year that has additional enhancements and functionality. And that's really the vehicle for us to add on those additional features and functionality.

Stuart Jeffrey
Nomura Securities Co. Ltd., Research Division

It's Stuart Jeffrey from Nomura. Two, please. In terms of the analog-to-digital upgrade momentum that you're seeing, could you talk about the pace of that, that you're seeing so far? And whether you see that accelerating in terms of number of installed sites moving to digital? And then on China, you said you think it might be stabilizing, and I was hoping you could expand on that, if there is such an incentive to try and push the domestic manufacturers we've seen in mobile and cellular, international guys have been squeezed significantly year after year. Why would you start to stabilize?

Robert C. Schassler
Executive Vice President of Solutions and Services

Let me take the analog-to-digital. There's a couple of moving parts, so I'll try to address it. Nearly, everything we sell today new is digital. So we've got an ongoing deployment of new systems into the market. But if you look at the deployed systems, we reported 20 months ago at the last FAM, 60% of the base was analog. Today, we're reporting, it's 45% of base. So there's a fairly aggressive conversion. We probably got a bit of a spike in that conversion due to the narrowbanding bubble in '12 and the first half of '13. As customers needed the narrowband, they took the opportunity to upgrade their networks as well. But there's a pretty steady space about at the rate that I described, 60% down to 45% over a couple of year period.

Mark F. Moon
Executive Vice President and President of Sales & Product Operations

I'm sorry. So the comment around China stabilizing, what I would say different then what I said about Australia. Australia, which slid for 2 years, most technology companies, even in China slid for 2 years. We actually grew here before last slightly in China. Last year, as I said, we declined about 20%. A view that we've got for China is that we don't want to be overly optimistic because I'm very familiar with what they're doing with pressing for indigenous competitors and with what they're seeing in other parts of the world. But with that said, we still got a lot of customers, and even beyond the public safety industry. When you think about commercial customers like Rail in China, very heavily adapted to our TETRA technology, and we continue to be very successful there. I think that will continue. We also, and I happen to know that we're going to this year, we have a couple of good major opportunities that we will win this year that also will then give you backlog that's shippable backlog in this year that will stabilize for as we think about this year. So that's really the comments around it. I'm not trying to be overly optimistic about China because I realized there will always be headwinds for a U.S. company in China. But again, we've been there a long time and a lot of our customers want to continue with the technology. So while new adoption of the newer technology will be slower, our systems that we've been selling in the past will continue and we got a couple of really good opportunities that we're poised to win.
Yes?

Ashwin Kesireddy
JP Morgan Chase & Co, Research Division

This is Ashwin from JPMorgan. Mark, my first question is on the Airbus refresh opportunity you talked about. Is that included in the addressable market numbers you gave out this morning? And second is on your sales payment. You said you are paying sales differentially. Now is that specific to any regions and how is it different from your existing payment structure to sales? My third question is on R&D. Are there expected emerging R&D to be more than 28% of total R&D spend? Can you help us understand some of the differences in terms of development process between LMR and LTE? I know it's a broad question, but any specifics you give there will be helpful.

Mark F. Moon
Executive Vice President and President of Sales & Product Operations

So let me take the first piece and then I'll let Bruce talk about R&D. The comments about the system refreshes, so what I would say is, these are aging infrastructure similar to what we talked about that happen to be competitive aging infrastructures in a couple of places, Spain, France, Mexico, that are TETRA pole, so proprietary where the customers have already expressed interest in moving to TETRA. Now we look at that as an opportunity no matter what. But we the recent announcement of Airbus, we see it as even a better opportunity to go back right now, take advantage to embed ourselves into winning those refresh opportunities. We're going to actively compete for any deal, wherever they are. But these are accounts that, while they haven't been our accounts, we've been very close to a number of years. We continue to work very closely with many of the entities within those countries that are our customers, even though the national system is not. So those are just things we see as opportunity. And certainly, we expect to win our fair share of them as we look at what we're trying to do going in to this year and beyond. As you would think about it normally for a large countrywide deployment like that, there will be opportunities to win this year. Most of the revenue would probably be beyond this year once you win them because they'll be big deals. But certainly, we're very actively pursuing all of those opportunities. For the second piece?

Bruce Brda
Senior Vice President of Systems & Products

From an R&D perspective, so if you look at the bar chart that I showed, we've taken down total spend by $117 million from 2012 to '15. If you look at the LMR portion or the core portion, that's really more like about $150 million reduction because we bumped up the expansion and growth areas. The expansion and growth areas, the single biggest contributor to that piece is LTE. And remember that we heavily leveraged the Ericsson R&D from our relationship. Ericsson is spending in the several hundreds of millions of dollars of R&D a year on the product that we source from them. We don't have to spend that. So we've really built a model where we focus on where we can add value and we leverage Ericsson where they have the best-in-class solution. So what I would expect is you'll continue to see a shift in percentage of R&D spend into more growth, but the LMR today, as we talked about, really pays all the bills for the company, and we got to be careful on how we throttle that R&D spend as well.

Mark F. Moon
Executive Vice President and President of Sales & Product Operations

The other piece for your question was around sales incentives. I'm sorry I knew I missed one. Traditionally, what we've done is we paid our new orders, revenue for that customer and a profit goal for as low as we can get it on the organizational profit. Everybody is based on a new order goal, because we want to continue to grow or protect our backlog position. And obviously, we want to turn it into revenue. This year, the sales incentive plan will continue to have those 3 measures, but we've added what we're calling a focus growth initiative which will look like an adder [ph] that says if you're -- for some of these deals, when you think about Smart Public Safety or some things we said, they're seeding deals that will be bigger for us in the longer range, but they may initially not be a big dollar volume. So it's just like software sales. So we want to incent them, though, because we know that once you get those behaviors going, this is really new, new business for us. And just like the software features, it's business that we've already spent R&D on, it doesn't require any new investments. So you get tremendous leverage if we can get those sales. So that's really the difference that we've done for this year. Up front, here. Yes.

Benjamin James Bolin

Cleveland Research Company

Ben Bollin, Cleveland Research. When you look at the installed base, the 12,000 systems, you commented 50% of those are more than 5 years old. What do you think the average age is? What should that be? And then, within that, what's the software attachment look like based on the age of the system? And as you grow that reoccurring revenue, what are the revenue and margin implications?

Bruce Brda
Senior Vice President of Systems & Products

Do you want me to take it? So roughly 50%, as I said, less than 5 years old; roughly 50-ish, older than 5. We've got that Paretoed out, and some of those systems are as old as 20 years. The analog systems don't have the ability to get on a life cycle program, or to sell optional software features. So again, from an R&D perspective, what we focus on is smooth, easy migrations, upgrade to digital, digital enables life cycle services, life cycle services keeps software current and enables us to attach software features. So all of the software attached dollars, or life cycle dollars for that matter, go along with the digital networks, the 65% of the systems that are digital.

Robert C. Schassler
Executive Vice President of Solutions and Services

The only thing that I would add is, in the past, we used to have -- to do a migration. It was really a big forklift change out, a wholesale change out so it was it was very, very difficult. The whole state would have to build the whole system side-by-side and then turn one off and then turn one on. And we've really focused on our overall migration strategy to allow systems to be able to be interoperable both on the infrastructure and on the device side, so we're now starting to see customers really starting to where they might wait 15 or 20 years, now starting to do those migrations on portions of their network at a much earlier time frame, more like a 10-year time frame. And then they might take 4 years to migrate or 5 years to migrate it, but it'll happen over an extended period of time, and our migration strategy with a forward and backward compatible devices and infrastructure allows them to do that.

Bruce Brda
Senior Vice President of Systems & Products

So what you'd expect is the revenue to be less lumpy, less batched up around these very large deals and be more steady trickle of revenue within the period of the life of that system. That's really the life cycle goal.

Mark F. Moon
Executive Vice President and President of Sales & Product Operations

So one last question then we'll take a break and then come back for more questions at the end.

Paul Silverstein
Cowen and Company, LLC, Research Division

Paul Silverstein, Cowen. Returning to the question Ehud asked earlier. On the Public Safety LTE front, your relation with Ericsson, I understand the advantage, but service providers lean on the commercial deployment to one extent or another. Does that handicap you in non-Ericsson, where Ericsson is not one of the incumbent suppliers versus Nokia or ALU, and such a network? Or is that a disadvantage for you?

Bruce Brda
Senior Vice President of Systems & Products

So when we deploy a private dedicated spectrum dedicated network, we'll, obviously, leverage Ericsson's infrastructure as part of our end-to-end solution. If there is a case where it leverages a carrier solution, we'll add our capabilities on top of whatever the carrier has deployed, and that could be multiple manufacturers. Again, our strong preference and the way we've optimized our system is around the Ericsson Radio Access Network, but there's no reason we can't work on top of other's infrastructure if that's what the environment called for.

Mark F. Moon
Executive Vice President and President of Sales & Product Operations

If you think about most carrier networks that you're familiar with, they're mostly mixed systems anyway. Very few are 100% Ericsson or 100% Huawei or 100% ALU or Nokia, so we've anticipated this all the way through. I think, again, the way we optimize public safety features on our offering much better with the work we've done with Ericsson because we've invested substantial R&D on our side, working hand-in-hand because we knew that it wouldn't be as effective trying to do that with everybody. But as you do decide to roam to a carrier, we don't see that as an issue.

So we're going to take a 15-minute break, then we'll turn -- is that Greg, Shep? And then we'll turn it over to Gino and then another Q&A. Thank you very much.

BREAK

ROOM ANNOUNCEMENT

Ladies and gentlemen, Motorola Solutions Executive Vice President and Chief Financial Officer, Gino Bonanotte.

Gino A. Bonanotte
Chief Financial Officer and Executive Vice President

Good morning, again, everyone. Thank you for coming back. I'm going to spend the next few minutes talking about principally 3 things: growth, OpEx and leverage associated with the OpEx reduction as growth returns, as well as cash flow generation. Those are the 3 items that I'll spend most of my time on, items reflected in what I'll go over. I'll start with a little bit of a financial overview and end with reaffirmation of capital allocation framework and what the return strategy is.

So starting in the upper left-hand corner, the cumulative revenue through that period is it comports to what our historic growth rate has been. But clearly, the impact of narrowbanding shifted when that revenue occurred. So the '11 to '12 growth rate of 12% as well as the '12 to '13 growth rate of 1% representing a very strong first quarter, first half dampened by the federal sequester and government shutdown in the second half of the year in Q3 and Q4, shifted revenue within that period to '11 -- to '12 and '13. Despite that shift in revenue from an EBITDA perspective, we've been able to sustain 21% EBITDA margin in 2014 in light of the contraction, the 4.4% contraction of the business, excluding the -- excluding iDEN.

From an OpEx perspective, Greg touched on it -- actually, Bruce touched on it, Bob touched on it, and Mark touched on it as well, $500 million reduction from $2.13B which was our -- which was the high point in 2012, exiting 2012 to the guidance of an incremental $150 million reduction beyond the $205 million reduction in 2014. From an EPS perspective, and the EPS here excludes the benefit of tax holdco in 2013, $1.25 benefit of tax holdco, but you see growth in EPS and the expectation that we got it for a week ago and the EPS for 2015.

Greg mentioned 6-quarter rolling forecast that we implemented in February, began implementing in February of last year and have worked on implementing together with Mark's team, in lockstep with Mark's team from a forecasting perspective and the buildup is based on funnel, backlog, and opportunities in that funnel. However, I thought it interesting to provide a view of what regionally-weighted GDP growth was.

So the black line here, the solid black line, is the regionally-weighted GDP growth. The dotted black line is forecasted, IMF forecast for growth '14 through '17, and the blue line is our historical revenue. So you see, the R squared at 91 (sic) [0.91] is obviously very, very tight. And you can see we hover around that line and the narrowbanding impact in '12 and '13 is clearly evident, as well as the Nextel rebanding impact in 2008.

As we build our forecast, we incorporate -- we triangulate different perspectives. We triangulate certainly with this perspective. We have correlated factors that we look at as an example. In the U.S., we look at state and local IT spend as the correlated factor for P25, and we look at retail sales for PCR.

Internationally, we look at GDP for TETRA and retail sales as well for PCR. So we have some factors that we triangulate around a forecast number now. This is process that began last February, and we're working through it -- we continue to work through it right now.
From a backlog perspective, our backlog is the highest backlog on record. Importantly, we've grown product backlog the last 3 quarters, and we've ended the year with a backlog -- higher backlog aged in 2015 by approximately $125 million, as well as higher backlog in product. And clearly, higher backlog in services driven by the multiyear service agreements that Bob Schassler mentioned earlier.

Our backlog position right now equates to about 1/3 of the year of 2015 in backlog right now. Certainly, better than last year's position and on par with our historical performance as we enter the year.

As we look at the sources of growth, and I'll just summarize what you've heard through Bob, Bruce and Mark this morning. So core products and systems growth driven certainly by normal replacement in the core as well as software opportunities to mine the existing installed base. And some of the features that Bruce discussed actually, I think there was a question, Keith's question earlier on what those opportunities are, they're real. We have feature sets that are deployed in many of our customer instances but they're not deployed universally. We now have the ability to monetize those features and be able to turn them on and off and sell them. We believe that provides an opportunity for growth in the core.

Core and expansion services. Managed Services provides an opportunity; Lifecycle Support, both in terms of hardware and in terms of software as well as systems integration. And the Smart Public Safety as well as Public Safety LTE growth is layered on top of the core and -- core product and core services.
Moving on to operating expense, and I'll -- there's a few -- I'm sure you guys all flipped ahead. And again, thank you for coming back. We did reduce OpEx $500 million from the $2.1 billion base. We don't view that as a ceiling. We certainly don't view the incremental $150 million opportunity that we talked about on the call as a ceiling. And I think it's important to note inclusive -- the $150 million is inclusive of incentive pay set at one, which is approximately a $70 million headwind. And it's important to note that the majority of the actions required to achieve that $150 million have been executed in the fourth quarter, in 2014 and in the fourth quarter.

Just a couple of notes on the approach that we've employed. It's not only a cost reduction, although certainly it is a cost-reduction program, but we don't view it as a singular event where we necessarily went through cost reductions based on being a pure play, more of a change, and Greg mentioned this, in culture and the way we approach things. And I'll share a couple of examples in a minute on some of the things we've done. But really, a change from a large conglomerate, which is oversight, governance versus more entrepreneurial at every level of the organization, understanding that everyone is here to drive incremental revenue and drive operating margin. So that's really the reference to the clean sheet approach.

If we look at, now, I'm going to pivot this 2013 and 2015, the numbers that you see on the bottom are -- relate to the $350 million reduction from '13 to '15 that we talked about earlier, and it dimensionalizes where those reductions occurred. We talked about the 45% SKU. Bruce mentioned that 45% reduction in SKUs as well as a common platforming that he spent several minutes on. But I think it's important to reiterate it, to leverage the scale we have versus our competitors the participate perhaps only on TETRA infrastructure or TETRA subscribers or ASTRO, leveraging that scale across all technologies by platforming is an important part of, not only reducing cost, but being able to provide products at a faster pace and being able to be more competitive in the marketplace.

From a G&A perspective, it's across-the-board real estate footprint. The level -- frankly, the level of service that each of the functions thought they needed to provide to the business, it's just -- it's starting

from scratch, understanding exactly what the value that a particular organization has and how it should be sized according to that value. I'll give you an example -- a couple of examples in a minute.
And selling and marketing. Mark talked about the reduction in non-bag carrying people in the regions and redeployment, rebalancing and the coverage model between indirect and direct.

From a G&A perspective, the pension, I'm sure is a question that many of you have, what's the impact of pension in that $350 million. The impact of pension in the $350 million is approximately $70 million, offset by a $33 million increase in incentive pay. So net-net, the net of the 2 is about a $30 million reduction included in the $350 million.

Some examples of some of the things we've done over 50% reduction in square feet. I think many of you probably saw the cranes coming in the southeast corner of the campus that was -- there was a building there, that was a little over 1 million square feet, 1.2 million square feet, that was empty. We monetized 30 acres in the corner of the campus for approximately $30 million, look for more of that. We are down to 4-owned locations, significant reduction from where we were in 2012, so reducing fixed costs as part of the cost-reduction initiatives.

The 175 reduction in P&L. So we had in 2014, actually, 178 fully allocated income statements, all the way down. So you think about that, what's the big deal about that? Well, the big deal about that is the structure around 178 people that -- I'll say, general managers, that perhaps were suboptimizing a decision based on this constructed P&L to the detriment of the entire organization. So you can think about perhaps ops reviews and everything that is structured around those 178 P&Ls, we reduced it to 3: total MSI, services and products. A 50% increase in distribution, outsourcing to approximately 70%. And we talked about several times, several of us have the $205 million reduction since -- in 2014, ending 2013 versus 2014.

As part of the simplifying initiatives and starting with a clean sheet of paper, pension -- and I know this is a little bit of old news, but we reduced the liability by $4.1 billion. And I just thought it was an interesting view of what would have happened had we not enacted the pension changes last year. So the unfunded dollar amount at the end of the year was $1.2 billion, which is approximately the same as it was in -- at the end of 2013. Had we not enacted the changes of the pension, that unfunded amount would have been $2.1 billion. Obviously, cash flow, our ability -- visibility of cash flow out would be compromised. So through those actions, right now, we don't anticipate any cash funding requirements for the next 5 or 6 years related to the U.S. pension.

The -- a metric that I think is interesting that we will continue to refer to is free cash flow per share. In the earnings call, we guided to approximately $1 billion of operating cash and approximately $800 million of free cash flow. And that comports to a free cash flow per share amount of $3.65 to $3.85 per share in 2015. Obviously, providing flexibility for continued share repurchase, dividends, acquisitions to drive growth.

So look, so we talked about growth, how we think about growth, the sources of growth, how we aggregate what we think our growth rate is and how we triangulate around it based on other data sources. OpEx and the leverage, we will get when we grow again. We talked about growth rates low to mid-single digits, pick a number 2% to 4%. It's important to note that in the numbers we saw on cash flow and EBITDA percentage for 2015, we guided to flat to down 2%, inclusive of FX headwinds, yet we're increasing EBITDA.

So when we think about how we structure the organization, and the cost structure of the organization, is at the lower amount, at the 2%, arguably at flat. And operating leverage when growth returns is substantial, and that's a flywheel that Greg mentioned, both in EBITDA and cash flow generation.
So if you look at what we've done with that cash, 54% increase since 2011, $1.30 a share in dividends in

2014 and share repurchases, $7.8 billion in share repurchase since we initiated the program in 2011; and combined share repurchase and dividend, about $8.7 billion return, which is approximately 50% of our market cap since 2011. Obviously, very importantly, $4.2 billion left on the current authorization and the ability to generate significant cash.

So an update to the deployment, the capital deployment framework. It hasn't essentially changed, 50% of operating cash dedicated to share repurchase or acquisition. Clearly, if we look at what we've done from a share repurchase perspective, $2.5 billion in 2014, over half of that in the fourth quarter of 2013 -- of 2014, I'm sorry, clearly, far more than 50% of operating cash flow for the year. But as we return the capital for the enterprise transaction and the excess cash on the balance sheet, that will be oversized.

Capital return will be oversized, certainly for 2015.
So the -- what I want to leave you with in summary are 3 things. Growth, stable growth profile. The core growing at low-single digits. The reasons we've talked about: analog-to-digital migration, software features as well as additional growth in services and Smart Public Safety and LTE. So a stable growth profile with upside. We've seen -- our differentiation remains intact. So if we look at growth rate from 2014 -- from 2004 to 2014, we don't expect a significant difference in that growth profile because the defensibility of our business -- of the core business hasn't changed. And the additional – compounded with the ability or the view of the market for Smart Public Safety as well as for Public Safety LTE provides additional upside to that stable growth.

Strong profitability. The $500 million in OpEx reductions provide us the ability for significant operating leverage when growth does return. 21% EBITDA in 2014 holding the 2013 EBITDA despite a 4% reduction in revenue and room to grow from the 21% EBITDA. And significant leverage, as I mentioned, as growth returns. And robust cash flow, $1 billion in operating cash, $800 million in free cash flow from a free cash flow per share perspective as share count continues to be reduced. Significant opportunity for growth in free cash flow per share as well as for dividend growth.

Importantly, cash tax rate at 15% through 2019 and effectively prefunded the pension in 2014 for the foreseeable future, 5 to 6 years. So what we concentrate on as a management team: growth, continued operating leverage, the OpEx reductions are not complete, and robust cash flow.
With that, I'd like to invite the rest of the team, Greg, Bruce, Bob and Mark, up for Q&A.

QUESTION AND ANSWER

Gregory Q. Brown
Chairman, Chief Executive Officer and Chairman of Executive Committee

Questions? Yes, over here.

Andrew Spinola
Wells Fargo Securities, LLC, Research Division

It's Andrew Spinola from Wells Fargo. One of the -- trying to put together 2 of the commentaries that you've been talking a lot today. And one of those is the 1% to 3% growth long term in the core business, and then the $150 million step-down in R&D in the voice business over the last several years. I know that there's been some optimization of that footprint and the SKUs and the common platform, but that's a very substantial step-down in that spending. And Mark, you made a comment about how your government customers think 10 to 15 years from now, LMR will last that long. I'm just getting the sense that maybe LMR, you're starting to treat it as a cash flow business, and that it's ultimately in long-term secular decline whereas I used to think of the voice and data businesses being separate longer term. So

I'm just wondering how these different signals play out together.

Gregory Q. Brown
Chairman, Chief Executive Officer and Chairman of Executive Committee

Sure. So a couple of things, we do not view the core business in secular decline. Full stop, we do not. We think it's growing and will return to growth. Remember, even in Brda's narrative of taking R&D down, he also said that he, along the way, has refreshed the portfolio and it's the most comprehensive it's ever been. In addition to that, the spend on the new piece, you got a question about maybe the new piece somebody thought should be higher, but remember the sunk investment we've made of $250 million plus on Public Safety LTE for the last 4 to 5 years. So by no means, by no means, do we think the core business is in secular decline. We think it will return to growth. If I go back to Hudi's [ph] question, which is shared by some of you -- but well, let me make sure this Public Safety LTE thing and are you really sure that it's additive to LMR and when we showed that slide of the big 3 on Public Safety LTE, one of them in the Middle East is continuing to add to its LMR. In Los Angeles, the 2 separate bids are for brand new systems, LMR, which I don't thing they would do if it was in secular decline in Public Safety LTE. And the third one, in the Middle East country we can't mention, Mark Moon referenced the fact accurately that we will start deployment this year, and that they'll be a tender for a new TETRA network, LMR, either later this year or early next year. So that's a lot to think about. Remember what we said about, and we disaggregated the growth. We believe this business is a low- to mid-term single-digit growth business. I'm asked all the time, what do you mean by that? I point you to 2 areas. The historical growth rates over the last 10 or 12 years of 3% to 4% as one anchor point. And from a planning perspective, we're planning currently 2% to 4%. We want to size the business to 2%. Do I -- I'm sure, and I'm reasonably confident it can grow beyond that, maybe it's 3%, maybe it's 4%, maybe it's not down by that. But from a planning perspective, currently, we're thinking 2% to 4%, size it to 2%, build the backlog, convert, have core continue to return to historical growth rates, get the flywheel of growth of the number area software monetization, Managed Services, monetizing the software features and Public Safety LTE, and that's how you comport to the full long-term growth rate. Thank you for asking that. What else? There got to be more. Sorry, yes.

Ashwin Kesireddy
JP Morgan Chase & Co, Research Division

This is Ashwin from JPMorgan. Is there any update to your acquisition or getting acquired strategy?

Gregory Q. Brown
Chairman, Chief Executive Officer and Chairman of Executive Committee

Well, 2 things. Number one, I guess, at some point, it's to the expected, that kind of rumor and speculation of whatever it was a week or 2 ago now that we're a pure play with the attractive attributes we talked about. Having said that, it's a bit frustrating as well because I don't want the people of Motorola Solutions or this team distracted by the rumors and speculation of what may or may not happen. As you could see from this morning, we're all in and committed to growth. And we believe there's a path forward, irrespective of the growth rate at the top, to drive substantial value here on -- because of the operating leverage and the free cash flow per share. So others will speculate. The interesting part is, we are taking share in North America. Look at our growth rate in North America, Jack Molloy posted 4%.

You can contrast that to the public safety revenues of our primary competitor. And ironically, at the same token, Airbus announced they're selling their assets and exiting the DMR business, which Mark Moon referenced, I think is an opportunity for us to pursue. That's what we're focused on. It is executing on our plan and continuing to seize on both those opportunities. Yes, sir, in the back.

Timothy Long
BMO Capital Markets Canada

Tim Long at BMO, again. Just wanted to go into the commercial business a little bit. I think from one of the slides you've showed that it was actually a little bit lower percentage of the total in North America than is globally. So could you talk a little bit more about the specific opportunities in North America for commercial? And then related to that, is there a different level of investment that will be required for Motorola where it's a little bit more fragmented, maybe not as high a share position compared to the government vertical that would be required for you to be more successful in the commercial enterprise?

Mark F. Moon
Executive Vice President and President of Sales & Product Operations

Yes, so your comment is correct. In North America, we highlighted overall 70% government, about 30% commercial worldwide. North America's more 80%, 20%, as you saw. Part of that really in my mind is certainly there's plenty of commercial customers in North America that are headquartered here, both global customers as well as in general. So I would characterize it really as a lack of focus. It wasn't our focus before and I can now describe a little bit of that. Where I can rationalize it, that we had an enterprise sales team. But when we came back to being singular-focused, it's one of the first things we did. Years ago, we used to have what we call the special markets sales team that really focused on petrochemical, utilities, Fortune 200. And we really said, let's look at that concept. We had kind of turned that customer base in North America over to our partners, and our partners will still serve many of them. But many of these customers really wanted mission-critical communications just like we sell to public safety. So what we saw last year, we had very good traction in oil and gas. We had very good traction in some of the industrials. We had very good traction with several automotives. We talked about Toyota, General Motors, and it really was just getting back focus and then leveraging what we got. As we go forward in some parts of the world, you see a much higher mix. So one of the things we're focused on is re-shifting some resources. So I don't see it as an expensive investment, but I see it as a distribution of investment. The other things we've really done is we've taken the marketing organization now and said, let's pick 2 or 3 verticals and let's go get good collateral that allows us to take our portfolio and solutions and go deliver what we've got today to these other verticals. So it's really -- it will help our partners being more successful. It'll help our sales people to be more successful. So we're clearly making some investments in that commercial vertical because we see it as a growth area, but I really see it as, again, taking some investment from other places that quite honestly we would do in some of the things we just always done, and then we didn't need to do it, and now refocusing it back in that space.

Gregory Q. Brown
Chairman, Chief Executive Officer and Chairman of Executive Committee

I think just one more, just one more comment I think is important to add to what Mark said on the investment. On the PCR space and what we do in commercial, Bruce talked a little bit about it, but we are developing a large third-party independent software vendor ecosystem. We have over 400 signed up now. So a lot of the software development and investments for manufacturing or utilities, a lot of that is happening by these ISVs, if you will, and then will create their overall solution. And then I think the second point that's important to note, and Bruce touched on this a little bit, but tying back to this gentleman's question on the cost of the business, we have spent a lot of time platforming across our portfolio, which allows us to really leverage that investment. There's 2 things that we learned on the mobility side. One was it's very, very costly unless your platform, your product is very well documented, 27 different hardware and software platforms. We really got after that 5 years ago, and so everything that we're doing now on infrastructure and devices, hardware and software is platformed so we can really monetize that investment. We really just completed that effort. The second thing that we learned from the mobility side is we did not transition -- they did not transition.

We are a company that have high-cost design centers to lower-cost design centers. We started doing that 5 years ago, too. So that's another good reason why it might seem like we're kind of going down in R&D at a cost of the LMR business, but in reality, we're just much, much more efficient because of the moves that we started taking 3, 4, 5 years ago.

Paul Silverstein
Cowen and Company, LLC, Research Division

Paul Silverstein, Cowen. So within the context of that greater efficiency that you all been articulating, process improvements, the fact that this is not one time in the OpEx reduction, as you contemplate going back, if you go back to 2% to 4% growth, what -- I'm sure you've thought about this. What is your peak efficiency in terms of OpEx to revenue ratio? What can you get it down to? It's obviously not going to 0. You've done a phenomenal job already. What -- how much more is there you can ring out of the cost side of the equation if you go back to that 2% to 4% growth?

Gino A. Bonanotte
Chief Financial Officer and Executive Vice President

So I struggle with quantifying it because if we knew it, we would quantify it, and we get after it right now. We do know that the $150 million, the incremental $150 million, is not a ceiling. And really, when you talk about revenue, it's really dependent on where the revenue comes from. So as an example, Public Safety LTEs. As that ramps, many of the investments required, arguably, most of them, they are required, we've made already. So that will -- we should be able to lever that incremental revenue far more. Now if we're talking about geographic expansion, perhaps, where we don't have a footprint, that may cost a little bit more for that incremental revenue. So given what we've articulated that's in front of us right now, we believe there's significant leverage based on Public Safety LTE and Smart Public Safety to grow EBITDA with the revenue.

Unknown Attendee

So if I may assume with each passing year [indiscernible]

Gregory Q. Brown
Chairman, Chief Executive Officer and Chairman of Executive Committee

Certainly. So the question was, going forward, it would be -- it's far more difficult to ring that much out. Absolutely. I would not suggest there's another $500 million to ring out right now. But I do know that the way we've approached what we've done this year hasn't been in a onetime singular event effort around cost reduction. It has been fundamentally changing. I know that sounds trite, but it has been fundamentally changing the way we do business. And it's palpable if you walk the halls, people talk about -- that's not the spirit of simplify or that's not making decisions. So I think, there will be more opportunity and the more we dig into it, I think we'll identify more opportunity.
Hudi [ph].

Unknown Attendee

You can actually do something called Six Sigma, something that you guys probably know nothing about, nothing to do with Motorola ever. A couple of questions. Greg, let's go to the other side. Let's assume that growth has not returned and at what point do you either go to new areas? Do you acquire other businesses to expand scope, or geographic presence, or go into distribution? Or are you happy with saying that this is another matter? If it is a flat business, then it's a flat business. It's perfectly fine, you can manage that. You generate like you said $800 million of free cash flow a year and call it a day. Or what would happen -- what is your plan B in case there isn't growth over the next couple of years? That's one.

Mark, can you walk us through what you've done with the sales force, because, as you said, you need new sales force, you were going to software and services. It's a different type of a sales force than you used to have before going after hardware, and we used kind of -- was there a replacement of 20% of the sales force? Was it just the leadership? Did you have to cycle through a larger percentage of your people, something like that? Anything would helpful. And Gino, just on the total aside, the fact that your pension deficit is $900 million less than otherwise would have been. Nothing to do with Motorola, does that mean that Prudential basically has a $900 million loss on that? I just don't know how that works?

Gino A. Bonanotte

Chief Financial Officer and Executive Vice President

I wouldn't comment on Pru. I think it's a question for them. I think the -- we're happy with the timing of the transaction and when we did the transaction. It's a reflection of discount rate, certainly, at the end of the year as well as mortality changes that we addressed when we announced the program.

Gregory Q. Brown

Chairman, Chief Executive Officer and Chairman of Executive Committee

So on -- let's go to your first one on growth. We would not, and I wouldn't be happy if this remained a no-growth business, so let's full stop that. Second, if you look at our M&A activity in the last few years -- well, first of all, 2 things, Hudi [ph], and I know you know this, but we've spent an extraordinary amount of calories and time to get to this business. We did that and I did that because I did believe and I still believe that this is the best business to be in. I believe it through the lens of Motorola, maybe that's the wrong lens, okay, in terms of portfolio of businesses, forget Motorola, forget modern Motorola. In terms of differentiation, backlog, stickiness, end-to-end orientation, difficult to disintermediate. This business has a lot of positive characteristics. Where we've acquired so we've gone to a pure play. In the meantime, we've tuck-in applications -- excuse me, tuck-in acquisitions. Brda talked about Twisted Pair. Now Twisted Pair is IPR [ph] around push-to-talk, and it was significant in my view, not in size, but in culture, because push- to-talk is what Motorola is all about. That's what we're all about. But this company had some interesting IPR, some talent that I thought would be additive and we bring them in what do we do? A, I want to keep it separate and not destroy the company because we would suffocate it otherwise. And b, take the former CEO and anoint him to lead us through Smart Public Safety and software. And it's a very interesting and not-so-subtle feature that we talk about these LMR systems and these LTE systems and the interoperable push-to-talk bridge between those 2 will be led by him, outside acquisitions tuck-in. Second tuck-in, Trident Micro Systems, small, fills up a whole in actually in TETRA R&D. We could have, historically, what we would have done? Let's do it ourselves. This is our business, TETRA. Let's spend the money. Time-to-market, existing partner, we tucked them in. I think that's, culturally, I'm not sure we would have done that a few years ago. And third tuck-in, Hudi, is Emergency CallWorks, which we like, and Schassler talked about, next-generation 911, command center transformation, more data sources coming in to the command center, and the advantage position that I think we're afforded through interoperability and growth in that area. Do I think that we would consider other acquisitions in our core, or directly adjacent to our core? We may. By the way, regardless of what the growth rate is. If there's some opportunities that present themselves that maybe a little bit more material, we might consider that because we've worked so hard, and we continue to build in this business, and there's multiple levers of growth. There's LMR, there's going from analog to digital, there's refreshing aged systems, whether it be 10 or 15 years old.

There's the upgrade to digital networks that then allows for the software monetization forfeiture, that then allows for the attach rates for software maintenance contracts where we weren't thinking like that 2 or 3 years ago. We were thinking sell the iron, sell more devices. We still do that, but we're delayering the profitability and profitable growth envelope of this business at a level we didn't do when we were combined with the enterprise business. I think there's Managed Services opportunities. And we want to do that generally within the capital -- CapEx envelope that we're outlining today. We've talked about Public Safety LTE. I could tell, by your questions, just a couple of other points I'd make on that. Number one, we believe it's additive. Number two, when you look at those big 3, our focus on Public Safety LTE is to -- overarching focus is to deploy those, number one. Number two, expand those into some more devices because as Schassler I believe pointed out, those 3 are largely infrastructure-only, some have devices.

Well, there's another incremental set of orders on top of deploying those 3 that would feed into our growth rate, of what we contemplate through the long-range plan. So the other reason for the partnership with Ericsson is we don't want to spend the R&D, and that's not our business. So as we're building with our customers, these private broadband networks, Ericsson is the right partner. We got out of the network infrastructure Radio Access Network business, and we put that component in. So I think, Hudi [ph], we would not be pleased at all with a flat growth business. We continue to drive cost out of it. We think there's operating leverage to pursue. And that's how we're thinking about both core growth and inorganic growth.

Mark F. Moon
Executive Vice President and President of Sales & Product Operations
So the question on the sales force, I think, is a very good question, Hudi [ph]. It's something fortunately, that we didn't just start thinking about 2.5 years ago. We launched something I called sales 1.0, going to 2.0, going to 3.0 kind of from a product sales organization, which is really what we were, to more of a solutions sales organization to match the new company, to ultimately more, if you will, consulted, trusted partner. And conceptually, we launched -- because I wanted the organization to know we're going to be different. There's going to be changes afloat. We're going to make some investments that I've talked about earlier today. We're going to change the tool sets. You're going to be expected to use them and leverage. We're going to create this expanse around sales-wide methodology that will allow you to be better sales people. But the relationship we've had for all these years, they're wonderful. But they won't last as some of our customers turn out. The difficulty with that concept through is both my sales organization and our customers are at different levels of maturity in different parts of the world. So when you think about our portfolio, the core portfolio still has a lot of runway in Asia, parts of Latin America, certainly as we think about Africa and some of these expansion areas. So I really don't even want them to get so focused on how do I get -- because you can go everyday and wake up and find a new customer to go sell what we've got. North America, different situation. We got to figure out how to get more of the wallet for the customers we've already got that are trusting us for more. So in North America, for instance,, we turned over 20% of the sales population last year. And I think it was good changes. By the way, changes are always tough and people going out the door. But we know we need some different types of salespeople, and that's what we've done. We also have restructured in each region, but North America is a great example because the demand is there, which sells overlays. So as you think about different kinds of salespeople that wake up everyday thinking about how do I sell more Services, or the next guy says, I wake up everyday saying how do I sell software features? How do I get, if you will, collateral from marketing that helps a sales guy know how to go talk to his customers better and use me a subject matter expert. And that's when we did the 3 things I did the 3 things I said from Bob, Bruce and my team to say, we have people, they may be calling themselves business development managers or maybe -- we have people scattered up through the organization. Let's gather all those people, let's put them into sales, let's rationalize who's doing what so -- and now, we're going to give them a sales quota and let them wake up and help these teams do it. Same way with the acquisitions that Greg just discussed. Those folks coming in bring a whole different perspective. They immediately -- instead of killing them and say let's make you a big part of the Motorola team, we let them stand alone and say, what we'd like you to do is be part of this subject

matter expertise on the different way of selling because the way they sold for Emergency CallWorks or Twisted Pair was very different than a big company like us. So we're making that transition at different paces, North America the quickest, for this got the most mature market and we got the best capabilities right here. A little bit quick in Western Europe. And in some of the others, we will let that customer base grow to maturity before we go there. But we're clearly making very active steps in making reductions and changes in our overall talent.

Gregory Q. Brown
Chairman, Chief Executive Officer and Chairman of Executive Committee

The only other thing I'd add is the use of overlay people. So we have a Public Safety LTE group of specialists that -- and so Mark's team calls them in on opportunities. They have a deep domain expertise. They could speak to a level of detail about Ericsson. They could talk about the content around what people are being -- doing around Public Safety LTE networks, and the same is true around Smart Public Safety. So these overlay groups complement the go-to-market in addition to the changes Mark described. Yes?

Keith M. Housum
Northcoast Research

Keith Housum from Northcoast, again. Mark, as we look at the LTE kind of I guess a funnel going forward, I mean, you guys have announced the past few months these 3 large wins for $500 million. Obviously, there's very long negotiation cycle to get into these LTE contracts. As you look at what's on your plate in terms of RFPs for LTE, how would you describe that? Are you looking at potential LTE deals out there in the billions of dollars in time frames of 2 or 3 years out? I guess, just a little perspective of the LTE market, not from what you signed, I guess from the RFPs that you're currently looking at. And then, second, we can all agree about voice over LTE and different status communities talking about that being possible in a few years versus 10 to 15 years. You guys have given us examples of at least 3 LTE engagements that are still looking at LMR as a next-generation still. So voice over LTE for these guys are several years out, at least. But that talk a little bit about, like, the regulatory standards about voice over LTE and where's it at now, perhaps the misconception that's happening in the market right now.

Mark F. Moon
Executive Vice President and President of Sales & Product Operations

Okay. So interestingly enough, there's not a whole lot of active RFPs on Public Safety LTE. And I think that's really driven by we, as a market leader, and the work we've done with Ericsson over the last 3.5 years and the investments we made calls us to really be driving that demand. The other folks are chasing it with their normal commercial offerings. So if there is a request, the traditional carrier kind of providers, ALU, Nokia, Huawei, they'll try to respond, but they're not really driving the market because they really haven't done what Bruce described earlier, providing a differentiated public safety offering. Now with that being said, we've got a lot of activity, as I've said, throughout the world. And those 2 of those big deals that I've described really won't let me write a RFP. They were, let me really decide what I'm trying to accomplish. And really, we set it down. And as you said, this has been several years in the making with other vendors actively trying to compete for the business. But where they evolved, this is the solution they need. So I think, as we go forward, again, when you see active execution of our implementations and what that accomplishes, that looks firm RFP activity. Certainly, as we discussed at the break, if FirstNet moves forward with their RFP process depending on how that shapes up, that can spurn more RFP kind of activities, depending on which way it moves. But in general, we really are driving the market, and that's why our focus really is on executing these big deals. These 3 deals have lots of add-on potential, as we said, both its devices, applications, services. So we'll continue to work it, and I think you'll see some other early adopters move forward. But you won't see big, if you will, RFP activity for some period of time. From the LMR perspective, I think the question was around...

Gregory Q. Brown
Chairman, Chief Executive Officer and Chairman of Executive Committee

It was voice over LTE and mission-critical voice over LTE.

Bruce Brda
Senior Vice President of Systems & Products

So let me just start, today, I talked about a voice bridge between LMR and LTE. So today, you can do voice over LTE but it's a non-mission critical manner. A lot of the carriers are selling voice over LTE to their consumer base as well. 3GPP recently established a working group to define mission-critical voice on LTE that the standardization is a ways out and then the implementation of those standards will be even longer. We're talking in terms of years. That's one aspect. The second aspect is what I mentioned, and it's the integrity of the networks that provide the voice. So even when the mission-critical voice has been standardized and implemented, the -- today's current carrier networks, which are massive, as you know, just aren't built, from a resiliency perspective, to handle mission-critical voice. So the example I would give would be a carrier site which has 2 hours of battery backup versus an LMR site which has a generator and a week's worth of fuel. Those are dramatic differences. And it won't be quick, certainly. It may not be possible to take a carrier network with 50,000 cell sites nationwide in the U.S. and harden it in a way that LTE has been -- I'm sorry, LMR has been hardened, purpose-built, start from scratch in a reasonable geographic area. Absolutely, you could harden it when the standards are available that will deliver high- quality voice. But that's really -- it's years out from this point.

Gregory Q. Brown
Chairman, Chief Executive Officer and Chairman of Executive Committee

I think the only other point that's important to understand from an economics perspective is, once that standard is developed, the network manufacturers have to decide, do they want to invest in building it? And to build in a capability for mission-critical voice, they have to decide, is there a good return on investment to develop that functionality when really public safety is 1% of the overall market for LTE on a global basis? So we'll wait and see how that plays out as well.

Bruce Brda
Senior Vice President of Systems & Products

We'll see you in the middle.

Judson H. Brooks
Harris Associates L.P.

Judson Brooks, Harris Associates. The 4 -- the graph on the growth, and you have like sort of 4 little boxes...

Gregory Q. Brown
Chairman, Chief Executive Officer and Chairman of Executive Committee

Quadrants, yes.

Judson H. Brooks
Harris Associates L.P.

Yes. Can you put an actual existing revenue number in each of those boxes? Is it -- does it make sense to do that? Or are, like, the 2 boxes down at the middle is so small that you don't argue that?

Gregory Q. Brown
Chairman, Chief Executive Officer and Chairman of Executive Committee

Well, I mean, I think that -- Gino, why don't you take a shot and I'll add.

Gino A. Bonanotte
Chief Financial Officer and Executive Vice President

Sure. So clearly, the boxes on the bottom, we have put a revenue number to Public Safety LTE. We talked about what the '14 number was and our expectation of doubling that in 2015. Smart Public Safety is clearly nascent. We think it's an important business for us. We think as data becomes more and more important, as it moves from a nice-to-have, not mission-critical to mission-critical, we think that's a significant opportunity from an ecosystem perspective, from an apps perspective. But at this point, it's a relatively small number.

Gregory Q. Brown
Chairman, Chief Executive Officer and Chairman of Executive Committee

Right. So it's more enabling the above quadrants.

Judson H. Brooks
Harris Associates L.P.

And then the core products in systems is, basically, you would put all of your existing revenue in there right now as opposed to somehow splitting out core in expansion Services?

Gino A. Bonanotte
Chief Financial Officer and Executive Vice President

Yes. I think of it as the top 2 quadrants...

Gregory Q. Brown
Chairman, Chief Executive Officer and Chairman of Executive Committee

Or the bulk of what we do.

Gino A. Bonanotte
Chief Financial Officer and Executive Vice President

Together, right.

Judson H. Brooks
Harris Associates L.P.

Okay. And then the other question is about share repurchase. How sensitive is the buyback activity to the share price?

Gregory Q. Brown
Chairman, Chief Executive Officer and Chairman of Executive Committee

You want to take that?

Gino A. Bonanotte
Chief Financial Officer and Executive Vice President

Yes, so 2 things. We've talked at the earnings call in terms of directionally pacing at -- in the $600 million range per quarter. That's what we said whenever it was 2 weeks ago. We do, do all the time a DCF analysis on the intrinsic value of the company. And we follow a grid and look about the price sensitivity where it makes most sense. And obviously, the stock has run up a bit in the last, I don't know, several weeks. I'm not going to give any more granularity around that in terms of where we're a buyer or not, but we're still -- we still believe it's useful to reference approximately $600 million a quarter range at this point in time today. Thanks.

Gregory Q. Brown
Chairman, Chief Executive Officer and Chairman of Executive Committee
Okay. Let me just say a couple of things. I really appreciate you coming in today and doing this. We would never normally wait 22 months between our financial analyst meetings. So thank you for your patience and your understanding with last year. As we were thinking about it, and Anders and I agreed on the Enterprise deal and then we were forecasting a September, October, November type close. It didn't make any sense to bring all of us together with that kind of extraction of that division. So we waited. So thanks -- but thank you for the patience. I would love your feedback formally, informally, written or verbally in terms of the quality of what you didn't like, what you'd like, what you like, didn't like and ways to improve. We're trying to drill down with more granular detail around what we mean by services. So we talk about Integration Services; Lifecycle Services, both hardware and software maintenance; Managed Services.

We didn't talk a whole lot about nontraditional systems integration. We disaggregated Public Safety LTE. Mark Moon gave more detailed color on the regions, direct, indirect, directional, color in terms of regional breakdown from a revenue standpoint and the trends. We gave you more detail around backlog, not just product and services, but the annuity backlog revenue of $1.1 billion in services. Gino dimensionalized about 1/3 of the backlog is revenue for this year in '15. So we are trying to provide more transparency to you that will be more useful, and informing you in terms of ways to think about this business, its inherent growth profile, the operating leverage that affords and our thoughts around our capital return. So I hope you felt it was a very good morning. I encourage you -- we have launch afterwards. We also have demos. So before running out, it may be worthwhile, I would encourage you to do some of those. Thanks for coming, and thanks for continuing to believe in us, invest in us and investing the time. Thanks.