MOTOROLA SOLUTIONS

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PARTICIPANTS

Motorola Solutions Executive Participant

Greg Brown – Chairman and Chief Executive Officer

Other Participants

Pierre C. Ferragu – Analyst, Bernstein Research

MANAGEMENT DISCUSSION SECTION

Pierre Ferragu, Analyst, Bernstein Research

Thank you very much for making the time again to spend some time with us at this Strategic Decision Conference. So Greg Brown is the CEO of Motorola Solutions. I'm pretty sure most of you are familiar with him. And maybe Greg as a starter, if you want to give us a quick overview, a quick update on the business and then as you can see, I have a very long list of questions.

And of course I have questions, but my priority is your questions. So if you do have questions, you have question tags, question cards on your table and please fill them in. Someone is going to walk around, gather them and I will take them as well.

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

Pierre, thank you. So I think kind of for context and background, the company is doing very well. You know that it's been quite a journey for Motorola Solutions. We're the worldwide leader in public safety communications, mission-critical communications, our markets, our market opportunity remains sizable. We continue to grow the business. We've reshaped the portfolio over the last several years, exiting non-strategic businesses and emphasizing durability of earnings, durability of cash flow, competitive advantage and differentiation and we view this business as a platform business. There's thousands and thousands of systems installed domestically and internationally. We view that installed base as an opportunity to grow and monetize not only on software, but on managed and support services.

Very high level, Pierre, exiting 2016, 60% of our revenues are product, 40% are services. If we were to rewind the tape several years ago, our recurring revenue was around maybe 10% or so, now it's 25% to 27% annual recurring revenue, which is the model that we like, and we think that the opportunity and emphasis to move more toward managed and support services, infrastructure as a service, software as a service affords us not only a sizable market opportunity, but the opportunity for more recurring revenue as a percentage of our overall revenue mix.

We had a very good 2016, had a strong Q1, exceeded top-line, bottom-line, very strong cash flow generation, ended the quarter with a record backlog. We grew organically, Q4 of last year, grew organically Q1 of this year. We do expect organic growth for the full year in 2017 and that is in the face of $50 million – approximately $50 million headwind from iDEN, which has been kind of a legacy piece of business with us for a long period of time. At the end of this year, I think iDEN is pretty de minimis, $20 million or $30 million total in revenue, so I think it's the last significant headwind we have from that line of business. But I think the demand drivers, Pierre, are solid, backlog is up. We've done a very good job in winning business and growing market share, particularly in North America.

If you dimensionalize our revenue, we're about two-thirds North America, one-third rest of world. North America grew in 2015, North America grew in 2016. We believe we're winning market share on the system side in North America and we expect that anchor tenant geography to grow for us again. Just one other, two other points, the managed and support services business is about $1.6 billion, it's run by Kelly Mark. We put him in charge of it a year, year and a half ago to put emphasis around our offers, our packaging and monetizing and up-selling our services capability off of the installed base that I referenced. More recently, we just hired Andrew Sinclair out of Microsoft, specifically, he used to work at Skype. We worked closely with our partners in Silver Lake, who were involved in recruiting a software executive to bring into Motorola Solutions.

I think Andrew will rationalize the software assets that we have, which represent a variety of different point solutions to platform the business. But I think it's also a marker of our commitment to emphasize command center software. So if you think about our business, we have these thousands of systems or platforms installed around mission-critical communications, so think public safety for first responders. We believe that there's a significant opportunity to marry mission-critical communications with mission-critical intelligence. And I use that as a descriptor around the software opportunities in the command center or 911 centers which is representative of some of the acquisitions we more recently made.

We continue to make inorganic actions in the command center as well as around managed services. We, in Q1, completed the acquisition of Interexport, which is the public safety systems and networks for Chile. We think those businesses are excellent businesses for us to acquire. They're accretive from an earnings and a cash standpoint and we will look to do more, if they're opportunistically available to us.

So high level, Pierre, I think the business is performing well. The core business is doing well. Managed and support services continues to march forward at a top line multiple of the core. We're active more and more in command center software and of course, Public Safety LTE has been a positive story for us as well. There's been five major awards, five of the largest awards in the world, we have benefited from all five, we won all five most recently, FirstNet working with AT&T. AT&T is the prime contractor, we're a sub. We've been working with them for a year and half or so, have had conversations with Randall on a number of times and we're both obviously optimistic about the opportunity. I think the important part there is FirstNet is new business for us. It's incremental business for us. I view the overall opportunity. Now it's caveated with how fast the network gets built, what's ultimately the penetration or take rates for subscribers, but I view the FirstNet opportunity as reasonably significant over a multi-year timeframe. If I look into 2018 and its early days and it has a few dependencies and assumptions around take rate, but next year, it could be $40 million to $60 million of new incremental revenue for us on the FirstNet side. So we're pleased with the AT&T relationship and I'm very pleased with the work that we've done there.

There's four opportunities for us to monetize, in a Public Safety LTE opportunity. Number one is public safety mobile applications, number two is services, third is interoperability between Public Safety LTE and land mobile radio and then lastly would be next-generation devices. So all things considered, I'm pleased with our performance, a lot more work to be done, but we continue to march forward and grow earnings, grow cash flow, operating margins and top line and I think the overall indicators of the business are pretty solid.

QUESTION AND ANSWER SECTION

<Q – Pierre Ferragu – Bernstein Research>: Thanks, Greg. Maybe before we come back to like this – all this long-term and like long-lasting growth opportunities around Public Safety LTE and Public Safety Intelligence. Coming back to your product portfolio today, so to simplify the picture, your clients use a system, so it's a network with an infrastructure in a series of software and systems around it, they use devices, that's the product side of your business. Now you can help them run and maintain this infrastructure or these devices at the product side and – service side of your business. And there is this new part of your business emerging software as well.

So could you maybe take us through historically and maybe it varies from one geography to another one or one technology to the other one, how much of your revenue was historically coming from devices, from the infrastructure itself? And how your move towards services, managed services is changing the overall go-to-market, so how much of that is like a new opportunity, you're going after like a new segment of the budget of your clients or the cost base of your clients, how much is transforming your business model in a different way to make money out of your platform?

<A – Greg Brown – Motorola Solutions, Inc.>: Yes. So, as I said, 60% of our business last year was product, 40% services. The mix, Pierre, between infrastructure and devices varies quarter-to-quarter. So I think that that's less important. I think what's more important is that we have formalized basically a line of business and an executive around managed and support services. Now, that takes the form of three different things as we pursue that market, and we think that's a very sizeable market, as big or bigger than the $9 billion addressable core for product and installation that you referenced. But first, I think that we are looking now at the lifecycle value of a customer and the continuum of services that that may include.

Kelly Mark and his team hired Glenn Graves from Ericsson, hired a product management executive [ph] Nupur from Juniper, building that team with outside talent to look at the offerings and the standardized packages around services that we can sell into. Before, I think it was too custom, it was more ad hoc a few years ago. We put structure around product management, the offering from a clarity standpoint and that's one opportunity.

The other is inorganic opportunity. So we bought Airwave, which was an excellent acquisition, closed on it a year-and-a-half ago. Gino and I talk frequently and Chris that we are always scanning the globe for "mini-Airwaves". Companies with existing contracts, annuity revenue, a business we know, in many instances, if not most, we built the network, Interexport being a good example in Chile. So the other opportunity for us is inorganic acquisitions around managed and support services and we will continue to look at adding those where we see fit and where we believe that there is solid earnings, cash, revenue and accretion.

The third opportunity is, a lot of the systems today are self-maintained. So we like the opportunity with Jack Molloy's go-to-market, working with Kelly Mark's team, to go to customers and as these networks grow, as they get more complex, as they're IP-based, as they have to be cognizant, more cognizant of the complexity of the network, the encryption and protection of the network, having technology refresh and current architecture around their deployments that often times customers may want to turn the management of that network over to us.

In about two dozen cases around the world, we operate and sometimes own these networks, Australia, Airwave, Austria, State of Illinois, State of South Carolina, Chile, the nice thing about this is the installed base, as I mentioned, is large, the domain expertise is in-house. We have a great product portfolio and we understand the serviceability and provisioning as well are better than anybody else, so that's kind of the third leg of stool of opportunity around managed and support services.

I think that's one of the best opportunities we have in front of us, and over time, I see the revenue mix growing as a – recurring revenue growing as a greater portion of our revenue, again, as I mentioned, it was 10% back to the separation of Motorola in 2011, maybe a year or so before that. We finished the year 25% recurring revenue…actually in Q1 a little bit because of the revenue, total revenue was a little bit less from a linearity standpoint, we were upwards of 30% recurring revenue.

So using the installed base, using the power of the product portfolio, having the brand, unmatched, go-to-market distribution reach, using the IP portfolio, doing all those things to serve and elevate the servicing and maintenance of public safety better than anybody else.

<Q – Pierre Ferragu – Bernstein Research>: Thanks, Greg. Before I move to software, the investors, when they see tech companies moving towards managed services are always very concerned about the impact on profitability, the fact that the heavy like work aspect of those managed services can mean much lower return on services, it's not a concern for you, or is it? Do you have like a huge, a very strong pricing power in services, and an expertise to leverage for that?

<A – Greg Brown – Motorola Solutions, Inc.>: Well, it's not a concern around moving into managed services because we're not moving to a bridge too far. We're very focused on what we're looking to manage and serve and it's public safety systems, it's the core of what we do. So some companies put out the flag and say we're going to do software and services and services can be all-encompassing. I think back to what I described with what Kelly Mark has done as an executive. He's been very focused on the specific offerings, what's in scope for us to do. I think we're very disciplined in sizing up more acquisitions and whether it makes sense to take ownership of that network. So we're doing managed services, managed and support, but we're doing it in the core of public safety; that's what we do. That's the 80-year history of the company. So I don't think we're swaying or going beyond our swim lane into areas that we don't know well. I think that's a big difference.

<Q – Pierre Ferragu – Bernstein Research>: Now, if you get to your recent initiative to create like a software division, so there is an element is there where there was already a lot of software in your technology and are you trying to repackage it and how much of that initiative is actually going after additional opportunities in software?

<A – Greg Brown – Motorola Solutions, Inc.>: Yes. I think the opportunity is pretty significant for us. It's nascent. I think Andrew Sinclair brings structure and a single point of leadership around software as an enterprise for us. We've made a number of different acquisitions around data analytics, around CAD software, around 911 call taking and I think that among other things, Andrew can organize those assets and those engineers, first things first in a more efficient way. I also think that as we've built out the capability and competency around Public Safety LTE, specifically FirstNet, we were looking to develop some public safety applications around really three things: push to talk, messaging and mapping, having them unique to public safety, and having them uniquely integrated in a way that can be provisioned for a complementary broadband LTE network.

Other than that, our goal is to have a software development toolkit and a set of APIs that third-party developers can write into because we'll do some things in software, but we're not an application software company and we're not going to be one on any kind of scale. So the key is to develop what we think is differentiating, have an open architecture with APIs that invite third-party development and then have a flexible architecture that accommodates that innovation and then we integrate that back into our LMR system.

<Q – Pierre Ferragu – Bernstein Research>: Thanks, Greg. A quick word about your clients, so you have like a lot of clients in the U.S., fairly local, but Federal is also a reasonable chunk of your business. On international markets, your clients tend to be larger, if you could take us through that and investors often have questions about how much it influences the quality of your business model, so is it easier to make money with smaller clients? Are you largely more profitable in the U.S. than in the rest of the world, if you could take us through those specifics.

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah. The good news is we literally, to your point, we have thousands and thousands of customers and thousands and thousands of contracts. So we don't have the vulnerability, in my view, of being over-weighted or concentrated in any particular customer or with any specific market. We are North American-centric in that that represents two-thirds of our business. But I think our customers are pretty dispersed and non-concentrated with any single contract vehicle. Now there's been a lot of discussion more recently about the federal vertical and some announcements by other companies that saw softness or headwinds in vertical; we are not seeing that. So as I mentioned on our earnings call, the federal business for us, Pierre, is roughly $500 million or so. I think we will be comparable to that this year, but we haven't seen any indicators around slowdown or sluggishness in that vertical like some other companies have had.

I think that in addition to the diversification in healthy markets that we serve in the states, city, county, municipal, state and then geographically, internationally more country-wide systems, the demand and the criticality for public safety remains very high. So, in the U.S., it's high to modernize the infrastructure, to make sure that public safety is well equipped from an always-on reliable interoperability standpoint to handle some of the urban and city unrest that have been present in the U.S. the last few years.

I think that the trends for border security generally are favorable to us, that's not a political statement. It's not a prescription around pro or anti-immigration, it is simply to say that under this administration, there has been more focus around securing the borders. That could be electronic, that could be more border patrol agents, that could be more ICE investment, that could be money to the Department of Homeland Security. So in this administration, I think that's a positive trend. I think in Europe, unfortunately given the terrible things more recently in Manchester and with some of the continuing migration challenges that they have in a variety of theaters in Europe, that too highlights and reinforces the criticality of public safety communications. So I think diverse markets, strong demand overall – by the way, I should mention, Latin America that for the last two or three years has been very tough for us, primarily around macroeconomics.

The Brazilian economy has had the most difficult time in arguably 100 years. Latin America grew I think 17% or 18% for us in Q1. Now normalized for acquisitions, it still grew 8%. So, Mike deVente and his team in Latin America, I believe that theater, while small for us, overall represents some opportunity in 2017 to grow for the first time in a few years. So, North America is growing, I think Latin America can grow, EMEA and Asia-Pac remain solid as well.

<Q – Pierre Ferragu – Bernstein Research>: And in your client base, corporate clients form like a decent trend. Can you take us through who your corporate clients are, why do they need your mission-critical technology and how they use it and do you expect that part of your business to grow faster in your mix?

<A – Greg Brown – Motorola Solutions, Inc.>: I do. It's a very good question and we always talk about public safety, but the product portfolio that we have is extensible and does extend to critical infrastructure, commercial customers, utilities, oil, gas, mining. Jack Molloy in North America has put emphasis on what we call commercial markets, which is what you're describing in North America.

In the last two years, two and a half years, we've tripled the size of that group. It was a small group to begin with, but we've added a number of direct reps and think of this around critical infrastructure for Fortune 500 to go – be in front of these decision makers and be more direct, less channel-centric, and it has grown robustly, it has grown higher than the core public safety business. And I think the opportunity for that – for us in that market will be to continue to grow and likely at a rate above the overall growth rate for the company. I think Jack and John Kedzierski, Scott Schoepel, that group in North America in particular has done a very solid job and it's a good market opportunity for us.

<Q – Pierre Ferragu – Bernstein Research>: Okay. Thank you. So we've been talking about your products, your clients, about Motorola. We haven't heard about competitors, do you have competitors?

<A – Greg Brown – Motorola Solutions, Inc.>: Sure. Sure. Harris is our primary systems competitor in North America. We have taken share from them pretty consistently. It's a great company, but public safety, as we estimate, probably is about 7% of their overall revenue – of Harris' overall revenue. But we've – they were installed in Iowa, we were awarded Iowa to replace them, they were installed in the State of Pennsylvania. Several months ago, we were awarded the State of Pennsylvania. We are battling now for the State of Florida where they're the incumbent and we think we have a solid opportunity there, we'll see. That decision will be in Q3 or Q4 of this year. So we've done well against Harris.

Outside of the U.S., primary competitor of TETRA is Sepura. Sepura more recently, just recently got acquired by Hytera, Chinese firm, which we'll see what happens on that front. Hytera is more of a PCR, professional and commercial radio competitor to us. A Chinese firm, we sued them here about a month ago or so, we had sued them in four different lawsuits, two in Northern District Court of Illinois, one at the ITC in D.C., and one in Germany. Hytera, in our view, has been pretty egregious around patent infringement, trade secret, misappropriation, and I think we have very strong evidence that demonstrates a multi-year systematic campaign to steal from our company. I feel very good about our case, that will take time to play out this year and next year, but I'm very confident in our position. Now the fact that the Chinese acquired Sepura is interesting.

We'll see what that ultimately means. There is some countries that understandably will be reluctant to do business with a Chinese company in the area of public safety or national security. And while the deal with Hytera acquiring Sepura was approved, I know in the UK, the UK approved it, but apparently they approved it with certain conditions that we're not privileged to see, but ultimately, we'll see what happens on that front, but I feel good about our competitive position.

<Q – Pierre Ferragu – Bernstein Research>: Maybe can you help us understand complexities around the competitive game in public safety, where we hear about like Harris competing with, for instance, much lower priced devices against you and you winning with higher prices? And how do we reconcile that with the fact that you all do P25, so the – that their technology is fairly identical, very standardized, but you still can justify much higher price points and win businesses in most circumstances. So where does this right to make money you guys have come from, where is that in the technology, in the platform in what you do?

<A – Greg Brown – Motorola Solutions, Inc.>: Well, two comments. I think generally speaking, ASPs have been comparable. So we continue to sell at reasonable levels and I think can withstand certain pricing disruptions at different points in time. I think what makes us unique is the end-to-end system orientation. So we talk about these "11,000 or 12,000 public safety systems," but we, Motorola Solutions, sell the infrastructure. We sell the devices. We sell the systems software and each one of these systems has individualized, customized, what I would consider, public safety workflow applications. So when you buy Motorola at the State of Iowa or Pennsylvania or an individual city, you're getting, in our view, the best product portfolio. So, either together or as a point solution, I think it's the best of the best.

You have the domain expertise. We spend more in R&D in this space than our competitors combined. You get the brand, you get the IP portfolio. You get the high touch distribution and you get the individual workflow public safety applications that are very hard to replicate and therefore make it hard for someone to disintermediate because we are honoring the existing applications and oftentimes, Pierre, that means being backward-compatible on legacy workflow applications. So we typically have installed it. We've customized it. We've tuned it. We've provisioned those apps, in addition to the hardware, in addition to the encryption in addition to the system software release, in addition to the configuration of the infrastructure. I think that's what makes us very unique.

<Q – Pierre Ferragu – Bernstein Research>: So if I understand correctly, when your clients buy from you they don't buy like a bare P25 technology. There is a lot more technology that is specific to Motorola so that there are features and services you find in the Motorola technology you can't find on competitors' platforms, and as you say, the backward compatibility is a very strong driver of value as well. Thanks.

<A – Greg Brown – Motorola Solutions, Inc.>: Indeed...I should also mention, Pierre, which we haven't talked about the balance sheet. So since we split Motorola in January of 2011, in the last six years, we're Remain Co., we spun off the smartphone business. It subsequently got acquired by Google, they held it less than two years and then flipped it to Lenovo. But if you look at Motorola Solutions, we came out of the split, we had excess cash and we have had a 150% total shareholder return over the last six years, which we're proud of. That's been a combination of execution, top-line growth, pretty ferocious cost management where we've taken roughly a third of real cost out of the OpEx structure. I think in 2011 or 2012, our OpEx or below gross margin was above $2.1 billion and now it's around $1.5 billion or $1.45 billion is the number that comes to mind.

So we've normalized the balance sheet. We bought back 52% of the shares at an aggregate price of $58 and change. We've grown operating margin, we've grown cash flow, we're back to organic growth, we're making inorganic acquisitions that are accretive. So we've set this up, we're more asset-light and we've set it up where there is a nice flywheel of operating leverage that even with a couple of points on the top line, given a fairly controlled OpEx structure, there is strong flow-through and margin and earnings expansion. So, combination of a lot of great work by Gino and his team and a lot of the operating executives in the company.

<Q – Pierre Ferragu – Bernstein Research>: And so it's a very good transition to talk about like your growth, growth prospect going forward. So you have kind of like your traditional, not legacy, but historic business, that's a fairly mature business. So what drives demand for products today, how much growth can you expect in the long run from that part of that of your business, and what are the drivers for your clients to refresh, to buy new infrastructure?

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

<Q – Pierre Ferragu – Bernstein Research>: And then if you can take us through how you think services can boost your growth, and then maybe touch on additional growth.

<A – Greg Brown – Motorola Solutions, Inc.>: So we kind of – we look at this business and think of it in four buckets, think of it as the core product of infrastructure, devices. We think that's a low single-digit growth business, and again it varies by year. But the drivers around that, Pierre, are the age of – there's a number of public safety systems that are greater than 10 or 15 years old, so the age of infrastructure will push upgrade and modernization. Being in the most current software release from a security, encryption and hacking standpoint, will drive system software upgrades, newer subscribers, newer radio subscribers, spectrally efficient, more data throughput, better power management will drive – we continually see a subscriber or a device refresh.

Generally speaking, even though these radios are designed and some have been in the field for a long time, we see the longevity or lifecycle of a device to be generally 8 to 10 years. So, device refresh on those platforms will be a source of growth as well. So think of the product category, category one of being 1% to 2% low single-digit. You then go to the second bucket of managed and support services, which we think is a multiple of growth off of the base, 2x or 3x, and that's consistently demonstrated that growth in the last several quarters and in the last couple of years.

The third bucket would be command center software that I described, is nascent for us. We're getting organized around it, combining organic development and inorganic acquisitions in a more coherent architecture strategy and rationalization, that's higher growth than bucket one and bucket two, and then Public Safety LTE, again which I think is reasonably significant to us over a multi-year period and additive to land mobile radio, not replacement.

So, the FirstNet idea here in the U.S. is to build an interoperable broadband network for data and video around LTE to deliver video and situational awareness information to an incident in combination and interoperating with the land mobile radio mission-critical communications where we are largely the incumbent there.

So, as I stratify the growth – product growth, low single digits, managed and support services growth at a growth multiple higher than the core, command center software, nascent market for us, even higher growth than bucket two and Public Safety LTE, which is a greenfield opportunity for us in terms of size and incremental.

<Q – Pierre Ferragu – Bernstein Research>: Great. I'd love to come back a bit later on the public safety opportunity.

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

<Q – Pierre Ferragu – Bernstein Research>: Before that, on your service, managed service growth opportunity, so as you've mentioned several times, the inorganic aspects of that opportunity is very significant. If you look back at what you've achieved over the last few years, how do you evaluate your acquisitions in that field? How happy are you with the ones you've achieved so far? How have they contributed to your top line and to your bottom line and how do you see them contributing going forward? And maybe if you could give some specific comments on the situation in the UK with Airwave's acquisition of a contract coming to – potentially end of life, but opening up to actually very, very good long-term opportunities as well?

<A – Greg Brown – Motorola Solutions, Inc.>: So, on the acquisitions we've made, I'm thrilled with them. Happier after acquiring them than when we were looking to acquire to them, that's important. I think they've exceeded our expectations from what we've built in the plan, which is positive. The only thing I would say and Gino and I kind of kid about this, I wish there were more of them to do. Airwave was a great acquisition, Chile, while new, looks to have all the characteristics and attributes to be a very winning acquisition. There's another one in Europe that might be available to us. We'll see whether we're able to secure it between now and the end of the year but, Pierre, love the acquisitions. By the way, what I like..A) they're in our core business, back to the – not a bridge too far, we've pretty much built and designed the system, so we know what we're buying. It's right in our power alley of expertise from a system, software, device and infrastructure standpoint, so we know it very well. And I think it's gone very well.

In the UK, we of course acquired Airwave, the existing land mobile radio system, and then we also won ESN which is, think of it as the UK's version of FirstNet. So we've won both, or we have both. ESN was delayed nine months, and so the project got elongated. The UK Home Office continue to work through different issues there of what makes the most sense from a timing standpoint. I think there'll be a period of time that they have to evaluate what makes the most sense to roll out when. We are serving them on both fronts. Obviously we continue to provision and provide the land mobile radio system in the form of Airwave and we're meeting our deliverables for ESN, the broadband contract and they ultimately will determine what makes the most sense in terms of when ESN turns on, or when it turns on, what does it do. My sense is, it is more likely than not that they will be complementary networks for a period of time, just like it's being contemplated here in FirstNet. So we'll serve the UK Home Office on either front and be sensitive to their needs and they will determine ultimately what's best for them.

<Q – Pierre Ferragu – Bernstein Research>: So am I right thinking Airwave standalone, was a beach head for you into this managed service opportunity in the UK. But if you look at the combined opportunity of Airwave and ESN over a very long period of time, it's still a good source of growth – contributing to growth of your business?

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah. The other – the answer is yes. And the other nice thing about Airwave was by making that acquisition much like we did with Interexport in Latin America, you not only get the networks and the recurring revenue, but you get the infrastructure, if you will, the NOC and the SOC, the network operation center, the security operation center that doesn't need for us to organically build it, we acquire it. So they can – Airwave can be a hub for other managed services and support contracts for Europe, just like Interexport can be a hub from a center standpoint to add other Latin American opportunities to that. Very pleased with Airwave, very pleased with the future of Airwave as well.

<Q – Pierre Ferragu – Bernstein Research>: Excellent. So moving more into detail on the public safety opportunity, what is sometimes considered like a potential threat by investors in this competitive landscape. So let me start with the competitive aspect? So LTE means Nokia, Huawei, Ericsson, so you have like a long-lasting partnership with Ericsson. Nokia is relatively vocal about the public safety opportunity. Can you describe from your perspective how your competitive landscape evolves as you capture that opportunity?

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah. I look at Ericsson and Nokia as partners in this.

<Q – Pierre Ferragu – Bernstein Research>: Both of them?

<A – Greg Brown – Motorola Solutions, Inc.>: Yes. I do. I mean, our relationship is with Ericsson. So, that's clearly – the relationship with multiple years left is Ericsson. If we were in a situation where a customer demanded a Nokia RAN, I'm pretty confident we'd find a way to work with them. But I remind you all, we got out of that business. So we wanted no part of the wireless network infrastructure business, Alcatel, Nokia, Ericsson, Huawei. It was a traditional business at Motorola, but it made no sense from a differentiation standpoint and a durability standpoint, so we exited. So I look at the cellular infrastructure players as partners. So I'm not interested in providing the RAN, the radio access network, they can do that and we'll partner with them and capture the margin opportunity that I think is more substantial.

In terms of Huawei, Huawei has been disruptive in wireless infrastructure and some other businesses as well. But again, going back to, Pierre, the Chinese dimension, and Huawei is a big company, they've been very successful, they've been very aggressive, working closely with the Chinese. But there are a number of established markets, developed theaters that will be very reluctant in my view to provision

Chinese infrastructure in a public safety network, different than in a cellular network for consumer usage. So I don't view those as core threats to us.

<Q – Pierre Ferragu – Bernstein Research>: Very good. Now, if you look at it from like a technology and product angle, it's often a difficult question to address, but we very regularity hear people talking about Public Safety LTE replacing...

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

<Q – Pierre Ferragu – Bernstein Research>: ...land radio system, which can you help us understand how much...

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

<Q – Pierre Ferragu – Bernstein Research>: ...these are very different products, the radio is not a phone and a phone is not a radio, and if a radio has not been replaced by 2G and 3G, and 4G, it's not going to be replaced by 5G.

<A – Greg Brown – Motorola Solutions, Inc.>: Well, a couple of points. So there has been push-to-talk over cellular for 20 years – 25 years and it has not replaced...

<Q – Pierre Ferragu – Bernstein Research>: Exactly.

<A – Greg Brown – Motorola Solutions, Inc.>: ...core public safety systems. Second, take Nextel or iDEN, pretty sophisticated push-to-talk by the way. Motorola was the beneficiary in selling all the infrastructure and handsets and it was popular and very successful, but not in core public safety.

So, you look at the smartphones we have and we are addicted to them, but there's two things that our first responders tell us consistently, consistently in whatever product we develop. Eyes up, hands free. Before you get to the 3GPP architecture hardening redundancy, eyes up, hands free, and when you use a smartphone, your eyes are down and your hands are engaged, either tapping or scrolling.

So, for a whole host of reasons, just taking the device itself, a fireman is not going to run into a burning building with an iPhone and gloves on, he or she is not going to do that. So it's an entirely different device for different consumption needs, consumer-oriented, before you get to the nature of the network itself. The reason these public safety networks are private networks with 99% coverage usually, hardened, encrypted, secure, power backup is the nature of the design of the network is always-on, reliable, so that if everyone of you in this room is an NYPD cop and you went on your radio all at the same time, it's designed to work with instant latency and no disruption, that's not the way cellular networks are designed.

And so the LTE opportunity, let's make it an American example, this FirstNet opportunity, LTE already exists today. So, first responders today, police officers today have a radio and a smartphone, and their smartphone is either AT&T, Verizon, T-Mobile or Sprint. This public safety LTE opportunity is designed to put that second device, that cellular device on AT&T, away from Verizon, away from Sprint, away from T-Mobile. We believe hence the relationship with AT&T, we can help AT&T increase the number of broadband LTE subscribers through next-generation devices, through the interoperation of this new FirstNet network into the installed base of LMR, which is critical for mission-critical voice and for dimensions of architecture, technology and device design will not be replaced, will be complemented. That's the reason behind the opportunity and the partnership with AT&T. This is an incremental additive opportunity.

<A – Greg Brown – Motorola Solutions, Inc.>: I understand the bear thesis. By the way, Pierre, the best thing I could tell you too is in the five instances where Public Safety LTE has been awarded, Los Angeles, two countries in the Middle East, the UK, Airwave and ESN, and now FirstNet. In all cases where Public Safety LTE, LA being the best. The public safety LTE network is deployed, largely deployed and fully compatible with FirstNet. They're buying new LMR, land mobile radio from us right now and I think they'll continue to do that. They would never do that with 10 and 15-year maintenance contracts under the possibility that that capital would be stranded and replaced.

So it's a bit of a philosophical debate that isn't even worth having if you, in Jerry Maguire, follow the money, the money is clearly being deployed to continually invest and refresh land mobile radio in these instances where LTE is being deployed or contemplated as well as Public Safety LTE, that's the best example I can give you.

<Q – Pierre Ferragu – Bernstein Research>: Excellent. I like your very tangible perspective. So if we take like a sworn officer today, he or she will have like a radio hands free...

<A – Greg Brown – Motorola Solutions, Inc.>: Eyes up, hands free.

<Q – Pierre Ferragu – Bernstein Research>: ...and a smartphone and in 10 years, this officer will still have the radio system for the hands free, eyes up need. And then hopefully the smartphone will be more like suited to public safety than it is today, which means supported by a better infrastructure, which is not necessarily your focus and then supporting public safety.

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

<Q – Pierre Ferragu – Bernstein Research>: ..critical applications, which is more of your focus. Maybe one last quick question...

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

<Q – Pierre Ferragu – Bernstein Research>: ...on public safety LTE. So you mentioned next year already impacting your top line, you mentioned like four ways to make...

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

<Q – Pierre Ferragu – Bernstein Research>: ...positively. You mentioned four ways to make money there, applications, devices, services.

<A – Greg Brown – Motorola Solutions, Inc.>: Public safety applications, services. LTE, LMR interoperability and next-gen devices. And again, it depends on the penetration rate for FirstNet in 2018. But as we kind of size it today, we see an incremental opportunity of roughly 80 basis points to 100 basis points, $40 million to $60 million of incremental FirstNet revenue that I think is available for us to take advantage of in 2018.

<Q – Pierre Ferragu – Bernstein Research>: If you were to rank these four opportunities, which one is the most important, which one has the strategic focus, which one has the most value, and which one would you position last?

<A – Greg Brown – Motorola Solutions, Inc.>: I'm not sure I would deemphasize any. Clearly, one of the most important is the LTE, LMR interoperability. I think the mobile – the public safety mobile applications are important because they will in large part – they will in large part, in addition to AT&T's

pricing decision on the FirstNet package, be what determines whether someone switches to FirstNet or not. So I think that that is a leading indicator and very critical for us. The managed services opportunity is substantial because I think that the opportunity in the core that I described, in the land mobile radio business, in a new broadband world has significant opportunity that's new ground for us to pursue and of course next-gen devices. The reason I like next-gen devices is today, in that environment where a law enforcement police officer has a radio and a smartphone, we provide the first device, we don't provide the second. Well, we could provide the second in a purpose-built, ergonomically severe conditioned design device, not smartphone, not getting back into the smartphone business, have no interest in a commodity business. But next-gen devices is an opportunity for us as well that we don't have really any presence in at all from a second device standpoint. I think all four are pretty important.

<Q – Pierre Ferragu – Bernstein Research>: Thanks, Greg. One concluding question, so we've talked about how strong your core historic business is, how much additional growth opportunity you have on top of that. You've touched on your cost base, you've touched on your balance sheet, how much leverage can investors expect from you growing sustainably, revenue is going forward?

<A – Greg Brown – Motorola Solutions, Inc.>: We're about 2:1 leverage today. We're investment grade BBB minus, I think that serves us well. We just - Gino was successful in renegotiating a $2.2 billion revolver on better terms, but I think that we will continue to be opportunistic. If there is something for us significant to consider, we would give a consideration. I think though overall the leverage that we're at now is generally appropriate give or take with – in a normalized set of conditions.

<Q – Pierre Ferragu – Bernstein Research>: Thank you, Greg.

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

<Q – Pierre Ferragu – Bernstein Research>: Thank you, everybody.