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Other Participants

Pierre C. Ferragu – Analyst, Sanford C. Bernstein & Co. LLC

MANAGEMENT DISCUSSION SECTION

Pierre C. Ferragu, Analyst, Sanford C. Bernstein & Co. LLC

Okay. So thank you, everyone, for joining us this morning. So we are very pleased to welcome Greg Brown, the Chairman and CEO of Motorola Solutions, this morning. So we'll have like what they call a fireside chat. I'm not too sure where the fire is.

Greg Brown, Chairman & Chief Executive Officer

Where's the fire?

Pierre C. Ferragu, Analyst, Sanford C. Bernstein & Co. LLC

I hope you have that under control. And I have a very long list of questions. They're all very straightforward and I aim to go over all what I think matters about Motorola Solutions. If you guys have questions, please fill in the question cards you have around you. Someone will be walking around gathering them and bringing them to me, and I'll do my best to introduce your questions into the flow of what I ask.

So, Greg, maybe as a word of introduction on MSI, could you maybe first tell us about your story since like Motorola broke up in...

Greg Brown, Chairman & Chief Executive Officer

Sure.

Pierre C. Ferragu, Analyst, Sanford C. Bernstein & Co. LLC

...2011, and maybe an overview of what you're doing today.

Greg Brown, Chairman & Chief Executive Officer

Sure. So, we – Motorola Solutions, we split the company in January 2011. We spun off the cell phone business. At the time, it was cell phones and our set-top box business, formerly known as General Instruments, so we successfully spun that firm. Eight months later, that SpinCo was acquired for \$12.5 billion by Google. Google stayed in the business less than two years. They then sold that business to Lenovo for about \$2.9 billion. So Lenovo has what we call the Motorola Mobility cell phone assets and patents that sit with that company.

In the meantime, were RemainCo, so we'll be 88 years old in September. And when we spun, at the time we had a network infrastructure business or wireless infrastructure, cellular infrastructure. We had Symbol Technologies, which we acquired eight or nine years ago out here in Long Island, and then we had the core mission-critical communications Public Safety business.

Along that journey, Pierre, we monetized the cellular infrastructure business to Nokia for – I think it was \$1.1 billion, which was a wonderful deal because we were subscale. We were the number five player competing with Huawei, Alcatel-Lucent, Nokia, Ericsson in a declining market with gross margin pressure. So, we monetized that. And also then we decided to exit the Symbol Technologies or Enterprise Mobile Computing business, sold it for just under \$3.5 billion about a year – a little over a year-and-a-half ago, which was about what we paid for it eight years earlier.

In the meantime, when we split, we had – I think we were well capitalized. We have, by the way, royalty-free – this is important – royalty-free perpetual use of the Motorola patents before split. So there were 33,000, as I recall, patent families.

So even though patents went to Lenovo and we sold other patents with other businesses, we have perpetual-use, royalty-free use of that patent portfolio, which was quite extensive for our use. So, now, Motorola Solutions, number one provider of worldwide public safety systems, kind of high level about \$6 billion in revenue, now 13,000 employees. And we have made substantial progress, returning the company to top line growth, primarily driven by a recent acquisition of Airwave. So we provide these public safety systems and these mission critical radio communication systems. There's about give or take 12,000 systems installed around the world. About 70%, 75% is government public safety, 25% to 30% is more corporate or enterprise use, I think gas, utilities, mining, critical infrastructure.

And in the meantime, given the durability of earnings and cash generation, we have reduced the float by 49% of the shares outstanding since separation of January of 2011. So we've been aggressive and shareholder-friendly in returning capital because we can afford to do that, while at the same time taking down our operating expenses, roughly \$700 million, by the end of this year over the last four years. So we've sized the company. It's poised, I think, for pretty strong operating leverage. So as the business returns to top line growth, we think that we can do it with approximately below gross margin cost structure that we have.

Our business is a durable business. I would call it a sticky business. So what I like to hear is we've gotten out of commodity businesses. There's very little differentiation and, in my view, sustainability in terms of earnings and cash. So set-top boxes, cell phones. Instead, we're an end-to-end systems business. So, we sell these radios but we also sell the commensurate infrastructure as well as the systems software and in many times, the individual workflow management that customizes these systems that make our position unique to the customer, get us embedded in the customer's workflows, and makes it hard for us to be disintermediated against in a number of large systems.

So, that's kind of the high-level dimensions of what we do.

Pierre C. Ferragu, Analyst, Sanford C. Bernstein & Co. LLC

Great. Thank you.

QUESTION AND ANSWER SECTION

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: So, you mentioned that 75% of your business is public safety and 20% to 25% is more like corporate use of your LMR system. Could you just give us like a couple of examples of how large corporation use your infrastructure, what's the use case, why do they need it?

<A – Greg Brown – Motorola Solutions, Inc.>: So, one that comes to mind is oil rigs. So, think of critical infrastructure requirements where cellular coverage may or may not be there. And the durability of the instant-on experience needs to be industrial grade. That's one application. Another, when I think about a number of different countries, is rail. So, a lot of transit, bus or rail, will use radio communications for instant access and always on communications that cellular may or may not provide in certain applications of congestion. So, those are just two.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Okay. Very good. That's talk to that. And in the public safety business per se, so who are your clients and maybe who are your clients in the U.S. in your domestic market? And is that different in international markets?

<A – Greg Brown – Motorola Solutions, Inc.>: So, in the U.S. primarily, our customers are for public safety, state and local, as well as the U.S. Federal marketplace. So individual cities, towns, counties, municipalities, states. I think in the U.S., Pierre, there's 34 or 35 statewide P25 public safety systems and all the requisite constituencies that go with that are our customers. When I think of internationally, the UK, Portugal, Germany, there are number of European and Asian customers where we have either the infrastructure, or the devices, or we may have TETRA subscriber devices on competitive infrastructure. So it is the local and federal governments of international theaters as well.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Okay. Great. So, now if we look at your competitive environment, so you have a very strong market position. What's your estimate of your market share into U.S. and into the rest of the world? Is that something you can share?

<A – Greg Brown – Motorola Solutions, Inc.>: We don't disclose market share. It's strong. Worldwide, we're number one. The U.S. position is even stronger than our global average. From a competitive environment, we generally compete here for public safety in the U.S. against Harris Corporation. Outside of the U.S., our primary competitor or competitors would be Airbus or Airbus' subsidiary division which was called Cassidian, I believe is now called SCL, Secure Land Communications or SLC. That business, I think, Airbus has mentioned a year and a half ago that they are looking to exit that business and sell. So, we'll see what happens there. Sepura is also a competitor in the UK that does TETRA subscriber and infrastructure. So, those are our primary competitors.

If you go, Pierre, to the low end of the market, our PCR business, our professional and commercial radio, primarily Kenwood would be our chief competitor here in the U.S. and in Latin America. And Kenwood and Hytera would also be another competitor in the European and Asian theaters, primarily. There's more than that, but those are the primary ones.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: The primary ones. And to give us an idea of your competitive position, so how big are you compared to Airbus? How big are you compared to Harris?

<A – Greg Brown – Motorola Solutions, Inc.>: So, roughly, you think of our business, again, all-in being in the ZIP code of about \$6 billion, Harris public safety is a very small percentage of their portfolio. Pierre, our best estimate is it's probably around \$400 million or \$425 million, is what Harris' public safety business would be, plus or minus. Airbus, it's very hard to tell. They don't break out the financials, but it would be – our estimate is it would be around \$300 million, and Sepura much smaller than that.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Yes. So just a side comment, someone is asking what does TETRA means.

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

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Maybe if you can...

<A – Greg Brown – Motorola Solutions, Inc.>: ...public safety systems, there's P25 and there's TETRA. If you go back and rewind the tape back in the world here in cellular when there were CDMA and GSM. Think about it as that. P25 is the LMR, Land Mobile Radio standard for interoperability in the U.S. and in many other countries. I think we have P25 systems in 60-plus countries. But P25 is the Land Mobile Radio interoperable standard for the United States and I think of North America. TETRA is more of the European standard or international standard. So, they're really standards defined and represent different radio technologies to comply with those standards.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: And TETRA with an A?

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

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Okay. Thanks for the clarification. So you have a very strong market position. You're like several times larger than your nearest competitors. How did you build such a strong position over time? And it feels like it's really challenging to compete against you. So why is that?

<A – Greg Brown – Motorola Solutions, Inc.>: I think that we have great brand equity. We have significant channel distribution both direct and indirect, and Pierre, these systems have been installed for literally a decade. So, let's take the UK Home Office where we just completed the Airwave acquisition which serves the UK Home Office for first responders. And we also were just awarded the LTE contract called ESN, but we've been in the UK market for almost 50 years.

We've been in Israel for 50 years. Motorola was one of the first U.S. multi-nationals with the Galvin family in the 1980s to go into China. So, the nice thing about this business is it's a platform business. These systems are highly required and multi-purpose devices with unique in their characteristics, very, very hard to displace or replace. And the market position is an accumulation of us investing and competing and winning for literally decades. So ironically, we talked about in the very beginning the journey of Motorola where we were as a conglomerate and where we are now as a pure play.

When I joined Motorola 14 years ago, I remember one of my first conversations with Chris Galvin being – of the portfolio, and I was new to the team, I thought the best business by far was this business. Earnings, cash, domain expertise, patent portfolio, and it's a systems business, not a commodity business. And it's a mission critical high need business. So especially both domestically with some of the things going on in local policing, when you think about whether it's terrorism, unrest, natural disasters, migration for secure

communications on borders. There's a lot of external factors that continue to keep mission critical public safety or mission critical communications top of mind and top of priority from an investment standpoint. And our incumbent position and best technology and product portfolio affords us to take advantage of those situations.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: And maybe a clarification. So you have these two standouts P25 and TETRA, but you're very adamant you are a system business. It's not a commodity business. So what is it that makes your installed base so valuable? Why do people prefer you from a technology standpoint? What is it that you deliver on top of the standardized technology?

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah. It's great question. So, P25 is the standard, as I mentioned, here in North America. So, what that means is you have infrastructure, P25-compliant infrastructure and then P25 devices. And you can mix and match different devices, manufactured devices on that infrastructure or vice versa.

And the same is true with TETRA. What I think makes Motorola Solutions unique is we invest R&D and develop software and features above the standard. So, P25 has requisite requirements for interoperability, but we develop features above and on top of the standard. So, what that means, Pierre, specifically is if you go into Las Vegas, Nevada, and I don't know the features set in that system release but let's say it's 250 or 260 features. Many of those features are above the standard that we, Motorola, developed that's embedded in the workflow of the provisioning and delivery of public safety dispatch and communications.

So, it's not just I want to buy a radio and have a voice call push-to-talk button on the side with infrastructure, it is what is the unique workflow features of the City of Las Vegas PD, and we capture that. So, while we're interoperable and standards-compliant, we are customizing the feature set and software in a way that maximizes the experience for each individual customer. And what that also means is as we introduce new radios because of that above-the-standard development, we can provide a level of backward compatibility with legacy investment that perhaps our competitors cannot. So, the position the same.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Very clear. Last couple of questions on how your business switch, so you've mentioned like the lower end of your business PCR. Could you maybe explain us what is PCR against LMR? Are the two competing against each other on the margin? And how much of your business is PCR? How much is it growing? How's that compared to the main LMR business?

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah. So, think of an easy, more simplistic way to think about it is P25 and TETRA are basically public safety systems. And PCR is largely the 25% or 30% of enterprise or corporate usage. It's not exactly that way, but it's close enough.

So, PCR really doesn't compete because it's not a public safety interoperable standards-based system. It's a lower end system designed more for hospitality, construction, individual vertical uses that I talked about that is ...

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Okay. Very clear. And is it like – well, maybe if we transition to your growth drivers. So today, how does your business split between products and within products like infrastructure part versus the device part of the business

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

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: ...and services?

<A – Greg Brown – Motorola Solutions, Inc.>: So, of our top line revenue, about 40%, a little bit more than 40% is services and 25% of our overall revenue is recurring. So think again for back of the cocktail napkin, \$6 billion of total revenue, a little more than 40% is services, the remainder being product. If I go back to the \$6 billion, about \$1.5 billion is multi-year service agreements recurring revenue. We like that for obvious reasons of predictability, stickiness, the annuity relationship with our customers. I think that it would be our desire to grow, Pierre, the recurring revenue piece proportionately more higher than the 25% that it is today.

Airwave was a key factor there. So in the Airwave acquisition, we are the operator of the second-largest public safety network in the world. So, we have the \$450 million of revenue for this year that we've guided to that's recurring, and about \$250 million of EBITDA that comes with that acquisition, and we like that recurring composition.

So Managed & Support Services, which is the \$1.5 billion against the \$6 billion, is we think a pretty significant growth driver for our company. We think Managed & Support Services can grow at a multiple of our product revenue, because these systems will need multi-year maintenance contracts. They need software user agreements, and we could sell more and more added services. By the way, if we move all the way to the end of the spectrum, it could include taking the network over and managing it on behalf of the customer.

I think we have 22 networks in the world where we're managing the network for the customer. The UK, Airwave, example being the largest. In the United States, we manage the state of Illinois for the customer. We also manage the state of South Carolina. But as you think, Pierre, growth drivers and you think of the platforms that are installed, and these networks are growing in sophistication and complexity because they're IT-based, we believe we have the service delivery, operational understanding, and management capability to take the management of some of these networks over for these customers which would represent some nice incremental growth for us.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: And on the product side, how does that split between the infrastructure and handsets roughly? And how do you grow in that part of the business for example you mentioned that business is very mature? These installations have been in the ground for many, many decades.

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah. We don't break out the composition between infrastructure and devices. But what I would tell you is there's still a reasonable amount of analog infrastructure that's still out there both domestically and internationally that would be upgradable to digital. There's technology and systems software release upgrades that come with that infrastructure. And there's newer radio feature functionality: Quad Band, Wi-Fi-based, limited data, and video capability.

There's radios that are more spectrally efficient. So, if we can continue to refresh the device product portfolio that improves the total cost of ownership for the customer, it gives them an incentive to churn, to use something that's more effective, more feature-rich while simultaneously lowering its total cost of ownership.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Okay. So, is that fair to say – so you have this analog to digital transition, and then introducing additional features is a primary driver offshore business on your traditional, I would say, product business.

<A – Greg Brown – Motorola Solutions, Inc.> I think that's right on the core business. But then we take the Managed & Support Services business, the recurring piece, \$1.5 billion, and I think there's ample opportunity to monetize incremental growth opportunities in addition to the product area.

And then the two other areas of growth I think about are Public Safety LTE and the command center or what we would call Smart Public Safety/command center we use interchangeably. So think of the Land Mobile Radio business, which are these LMR systems plus systems integration or installation, we think the addressable market is about \$9 billion.

If you look at the Managed Services & Support addressable market, we think it's another \$9 billion, of which we – as I mentioned, we have \$1.5 billion of that roughly \$9 billion today, so ample opportunity to grow. There are other studies, by the way, that would say that this service and support opportunity would be substantially more than \$9 billion. We think \$9 billion is reasonably conservative.

Public Safety LTE, which again is additive, so you have all of these Land Mobile Radio systems installed, 12,000 approximately. They're doing mission-critical narrow-band interoperable voice. Public Safety LTE interoperable broadband are additive networks that will coexist with Land Mobile Radio networks. So in Los Angeles, we won the four largest public safety LTE awards in the world, about \$800 million of total life cycle revenue, primarily infrastructure. So there will be opportunities to add devices and application software to those systems.

But in every case, Public Safety LTE is additive to Land Mobile Radio. LA-RICS or Los Angeles, \$100 million, \$110 million Public Safety LTE contract is additive to the investment they're making in P25 land mobile radio. In the UK Home Office, Airwave is the existing land mobile radio network that we now own, and at the same time, they have extended those contracts through January 1 of 2020, with us and there's provisions to extend beyond that, and that LTE award in the UK, we won for \$430 million of lifecycle revenue multi-year.

And more recently, the customer just gave us a significant award for a piece of software we call Site Link to interconnect Land Mobile Radio, i.e., Airwave with the new ESN LTE network which contemplates some period of co-existence for those two networks. And in the two other last countries where we won in the Middle East public safety LTE awards, they too, Pierre, are refreshing. In fact, one of them is putting out an RFP later this year for a brand new TETRA network.

So public safety LTE is another growth driver for our business beyond the core radio business and technology and hardware refresh, beyond the Managed Services & Support Services opportunity of a TAM that would be comparable to the core, Public Safety LTE, and then lastly, command center.

So Motorola, as you'd see in New York and many other locations. With first responders, we've got typically the radio infrastructure on scene, at the incident. We call it incident management, radios, infrastructure, mobile communications in police cars or fire engines.

The command center, or 911 center sits capturing all this information for situational awareness, location, video surveillance, social media feeds. We believe we're better positioned than anybody to take our muscular position in incident management with thousands of platforms installed and system software for what we capture for mission critical voice and marry incident management with situational awareness in the command center.

So you take our platforms, software and services and provide some bi-directional flow between what's coming into the 911 center in a broadband environment that could be the distribution of video or other

critical information of the first responder on his or her belt beyond just the radio. So, there are ample levers that we think we can grow.

We think the business Motorola Solutions is a load of mid-single-digit business. I would characterize that roughly as a 2% to 4% top line growth business in a steady state environment that would probably be inclusive of normalized tuck-in M&A, but that's kind of the profile of the business.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Okay. Maybe before we go a bit deeper into next generation LTE and command center, coming back to this opportunity in services, you mentioned it is \$9 billion market opportunity, of which you got only \$1.5 billion today. Where is the other \$7.5 billion? Is that mostly your clients running things by themselves...

<A – Greg Brown – Motorola Solutions, Inc.>: It is. It's largely competitor self maintaining. And we're seeing the discussions with our go-to-market organization as the press of their budgets continue and the complexity of those networks continue. Since we are the scale provider, things like having Airwave as a nucleus for our European managed services opportunity, there was no reason why in Europe we couldn't add other networks and manage them out of the Airwave infrastructure, out of the systems operations center, out of the billings – a billing infrastructure that has been developed there.

That was part of the reason, in part, why we like the Airwave acquisition. They've done significant investment, and it's a well-run operation that would be cost avoidance for us in terms of upfront expense. And we've made initial investments here in the U.S. as well.

So we have the infrastructure. We have the scale. We know the networks because we largely built them. So we think we're uniquely positioned to go into these networks that are largely self-maintained, Pierre, to your point, and give them a value proposition and incentive to move over, to have Motorola Solutions do a greater services content for them.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Have you met any significant competitor in that field so far, like specifically managing this Public Safety infrastructure, or is for the moment the value proposition you bring is fairly unique and for your clients it's about getting it managed by Motorola or managing it internally mostly?

<A – Greg Brown – Motorola Solutions, Inc.>: I think it's primarily unique to us. What we may find is if a customer wants to manage more than just LMR, and they want a broader SI engagement, then more likely they might contract with a prime systems integrator, but that systems integrator would likely come to us to sub the managed networks opportunity for P25 or TETRA.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Okay. And so this service opportunity, you've started probably talking about it like maybe a couple of years ago or something like that. So that has been one of your big focus to get growth, and that's where like most of your, I would say, immediate growth is going to come from, I would assume. So what can you tell us about momentum you are gathering at the moment? What can we read from your backlog, for instance?

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah. So a couple of things. Managed & Support services has grown high-single digits for five quarters in a row. It grew 30% in Q1, that's with Airwave, but 6% without Airwave organically. We think, as I mentioned earlier, that this services opportunity grows at a multiple of the product opportunity. And of the \$8.3 billion of backlog exiting Q1, 70% is multiyear services revenue. So, the backlog continues to grow. Airwave is a transaction we would do all day long. One of the frequently asked questions I get, Pierre, when people understand what Airwave is, is – are there more Airwaves for you to buy. And I would say, there are many Airwaves. Airwave was pretty unique. It took us

16 months or 17 months from cradle to grave to do the deal. It was a pre-packaged bankruptcy. There were 17 different bondholders. It was complex. But – and I complement the team from Motorola that stayed with it and the close relationship we had with the UK Home Office. But between backlog, the expertise that we've developed in the company and the opportunity that I think is emerging with our installed base, I think it's right time and right place. And if there are other inorganic acquisitions to make – there are some, but they're much smaller, we would complete – clearly pursue them if it had the right return on invested capital, which a couple of these do.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: And would you qualify that on the inorganic front as your main focus, so developing like the managed services base?

<A – Greg Brown – Motorola Solutions, Inc.>: I would say both services and software would be the priority. Clearly, Pierre, to your point, if there are managed services opportunities – they're typically a little bit more complex to a longer sell cycle, but that would be a priority. But I would put equally high software acquisitions in the command center as well.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Maybe one last question on services. How does that impact your economic model? So, what's the return on invested capital in services? What's the gross margin? What's your contribution margin? What do you aim for in this managed services?

<A – Greg Brown – Motorola Solutions, Inc.>: So, that's kind of a nice thing because at the end of the day, dimensionalizing the business as a whole – our gross margins as we move from this year to next year – I think our total company gross margins will be comparable to slightly down which represents primarily a mixed shift more from product to services and yet the operating margin of those segments are very comparable. And we believe that we can grow top line overall even with a slight contraction on gross margin as we mix shift, but still grow operating margin and still grow free cash flow per share. And with the backlog having higher and higher multi-year revenue to provide the engine for multi-year growth beyond, that's the way we think about it.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Okay. Let me come back to Public Safety LTE, you've already commented a lot on it. I had a couple of more specific questions. So, the first one is maybe can you give us a quick – Public Safety LTE has been discussed now for over five years.

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

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Can you tell us first what's the use case, why would we need it? And maybe you've addressed most of it, but if you can give us like a historic perspective. And then my second question would be, it seems like it's actually developing relatively slowly so far.

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

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: So, what's your perspective on that?

<A – Greg Brown – Motorola Solutions, Inc.>: So, here's what I would say. The way to think about it as it relates to our business; first and foremost, Public Safety LTE is additive to what we do in this business. That's a very important point to make. Two, it depends largely – the pace of its rollout globally depends on available spectrum, for the most part. There are now 29 countries in the world that have dedicated spectrum, and by that I mean dedicated or allocated, that they would say is earmarked for public safety use. So, commensurately, the overwhelming number of those countries around the world still don't have that. So, it's a bit nascent.

In the U.S., FirstNet has taken longer to roll out or come together than contemplated three years ago. That would be the biggest driver because FirstNet, as a market, represents the largest opportunity. So having said that, though, there's been four largest awards in the world; Los Angeles, the UK, and two Middle East, which we won four out of four. I think that when I – and also just to give you a dimensionalization of revenue, last year's Public Safety LTE revenue for us was \$130 million. It will be comparable this year. It's more a reflection on what's in the funnel and what new awards will be built or recognized.

I think that FirstNet has said it is their intention to make an award by the end of this year or early next year. So that's TBD. If I put FirstNet off to the side, there's two or three much more modest Public Safety LTE activity, two in Latin America that come to mind, one in Asia that I think we're actively working and well positioned, but they're not of the size of the top four that I referenced. Mexico, we'll look at a spectrum there as well to do something that's probably been pushed to sometime in 2017.

But here's the other important point. It's additive to what we do. So, think of first responders, just take the United States, and they have a radio on their belt. Typically, they have a radio on their belt. That police officer is already using LTE today. They're using commercial LTE. Sprint, T-Mobile, AT&T, Verizon, they have a smartphone. So, they have a smartphone and they have a radio. That dual device scenario, we believe, projects for a long, long time, hence the additive.

The LTE opportunity for us is to go after the carrier LTE market in the U.S. Said another way, let's put applications. So, just like mission-critical voice is not on a cellular network. It's not because it's not hardened. It's a public network versus a private network. Public safety networks, private networks have different levels of systems end-to-end encryption. It's designed from a power management and a redundancy and one-to-many talk groups with system software and all the customization I talk about where cellular couldn't replicate cost effectively a public safety experience.

So, therefore, LTE in the United States, we want to take Public Safety LTE, private network LTE, and go after what is consumer-grade smartphone and carrier minutes of use today. In a public safety network, usage is zero, it's zero. So, if a first responder has a smartphone on their belt, they're paying a data rate of X, they paid a phone cost of Y, and they're paying for applications usage probably embedded in the monthly. If we can provision mission-critical public safety applications, if we can do that with a multi-purpose rugged device, if we could do that with no usage fee and no data plan, and if we could do that provisioned over dedicated, allocated spectrum, that's the market opportunity for us. Now, I think it's going to take a long time to develop, but that's the additive new opportunity that we're going after.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: So you're going to take market share from public networks?

<A – Greg Brown – Motorola Solutions, Inc.>: We would expect to take some.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Oh, share of wallets, money that is being...

<A – Greg Brown – Motorola Solutions, Inc.>: Share of wallet. Share of wallet.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: ...spent by public safety.

<A – Greg Brown – Motorola Solutions, Inc.>: Share of wallet is a better way to think about it – some.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Okay. That's very useful. That's a very useful clarification. Maybe if you could come back to some – the points you made about public network technology not being able to replicate public safety voice in a cost efficient way. That's often an area of confusion.

<A – Greg Brown – Motorola Solutions, Inc.>: Well, I think that – look, the public safety networks are high site networks, significant power, they're hardened, they've got redundant power management. So, when either a natural disaster or an emergency happens, cellular networks get clogged. There's reasons for that. They're designed to certain levels of congestion. Private networks are designed to be on, assuming every single user goes on it at the same time. So the latency, the design requirements, cost, coverage, capacity and so on are entirely different. In a natural disaster, cellular networks likely go down. These are hardened. They have redundant facilities. They have redundant sites; Hurricane Sandy, Hurricane Katrina, the earthquake and natural disasters in Japan.

Private networks typically stay up. So it is not economical to design a cellular network to be always on, always up, power managed, redundant, hardened, encrypted. It's just not cost effective and that's not the market they pursue. This is a much smaller, much smaller niche market where billions and billions have already been invested. So why wouldn't you use? Typically, you'd say high market share, low opportunity. This is one where high market share represents the incumbent platform to monetize services and provide interoperability with these additive LTE networks that we think is advantageous for our position.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: That's very clear. The 3Gs, LTE public safety world that you just described where you go after this opportunity of the LTE device of the first responder...

<A – Greg Brown – Motorola Solutions, Inc.>: ...where they have spectrum today. So in the U.S...

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Yes.

<A – Greg Brown – Motorola Solutions, Inc.>: ...not really other than Los Angeles. And we have Harris County, Texas. There's not many to go after. We have to wait for FirstNet. In the UK – and interestingly in the UK, UK doesn't have dedicated spectrum. So – but they are going to look to build an LTE network vis-à-vis what they call ESN. And their intention is to use the mobile operator EE network and have us do the software and the services. So there's different models to think about.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Okay. And so, what happens to your mode in that kind of environment? So the introduction of public safety, does that mean it's easier to compete against Motorola Solutions? Do you think it's actually going to make it even harder for your competitors to play against you? Does that mean like new competitors are going to show up in your environment? How does that play out?

<A – Greg Brown – Motorola Solutions, Inc.>: Well, I think there will be different competitors. It will be a different – so we have an exclusive arrangement with Ericsson and with several years left on that contract. So, if you think about, Pierre, building these private networks, right, building a private LMR network, but in this case, building a Public Safety LTE network that is private, we are using the Ericsson base station because we got out of the cellular infrastructure business. And we'll harden it to put it on the edge of the network for roaming interoperability, but still providing the required security.

So, in areas where there's not dedicated spectrum, I think we'll compete with other providers. I think Harris I think will look to compete in Public Safety LTE. Nokia will likely look to compete in Public Safety LTE. But I still think our competitive position both with traditional competitors and ones I can think of in an LTE environment are favorable to us.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Okay. And one last question on Public Safety LTE, so based on the four initial projects you've mentioned, so how would you qualify the role of MSI? Because, as you say, Ericsson is involved in the infrastructure. Out of \$100 million of Public Safety LTE, where is the money going roughly and how much of that do you capture?

<A – Greg Brown – Motorola Solutions, Inc.>: So, in those four, they are primarily infrastructure awards. Now, let's put ESN off to the side for a minute. So, in Los Angeles and two in the Middle East, we were awarded and are building that private new LTE network for public safety. It's largely infrastructure and associated systems integration. We expect add-on opportunities for devices as they come on to those three. In the case of the UK Home Office, they don't have dedicated spectrum. So, they're using EE as the mobile operator.

So, our role there in that \$400 million-plus contract is around software and services. EE will provide the backhaul, the base stations, the network, but we'll do public safety applications software, and we'll do, quote-unquote, services, around customer and services management, billing and provisioning device management. So, the content is a little bit different in ESN. But by the way, that, too, then will have device opportunities that we will pursue in that fourth network, too.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Okay. Maybe just – you mentioned like next-generation public safety, the command center and the opportunity there. Could you just briefly describe to us how you see that opportunity evolving? How big is it, and how do you see Motorola playing – which role Motorola will play in the – like the rise of new use cases and like more advanced public safety tools?

<A – Greg Brown – Motorola Solutions, Inc.>: I think of it in a couple of ways. So if you think about – there's a call-taking function in the command center. There's a software dispatch function in the command center. There's typically unique CPE, Customer Premise Equipment, to do the call-taking and the dispatch. And then, there is analytics that is required in the command center to decipher all this information. So, more and more cities and municipalities are using video surveillance for situational awareness. How do you capture all the video? How do you extract it and localize it to the necessary information per incident? We expect to help with that. The CAD marketplace, the dispatch marketplace is very, very fragmented. We participate on the high-end, it was through an acquisition over a decade ago, for more custom software. I think there's an opportunity to be more cost-effective in the provisioning of CAD, Customer Aided Dispatch (sic) [Computer Aided Dispatch], without heavy customized R&D that would afford itself to do that kind of dispatch in a higher software content way.

On the analytics side, command center has to take video, Twitter, Facebook, social media; take all these feeds and in real time, see if there's any useful information to push to a first responder in the incident, we think we can help in that area as well around analytics. If you look at the command center and all of the components in that, I think we size that at about \$1.5 billion to \$2 billion addressable market, a lot of different small providers. But I think that there's a way for us to play a bigger role and the use case, Pierre, for us is we can make the integration of some of these activities within the command center and between command center an incident to be easier to provision and use for our customers. That's the way we're thinking about it.

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Makes sense. Maybe one question to wrap up, going back to your financial performance. So as you've described, you've done a lot over the last few years adjusting your financial leverage, returning a lot of cash to shareholders. How do you feel today that your balance sheet, your level of leverage and – from like the 2% to 4% revenue growth you talked about, what's your target range for free cash flow growth?

And then I have one additional question from the room. I don't know what you can do from that, but you've had a couple of fairly active investors involved in the last few years at Motorola Solutions. What can you tell us about the experience? How healthy was that?

<A – Greg Brown – Motorola Solutions, Inc.>: Let's take the second one. Let's take the second one first. So I am a proponent and this is my ninth year as CEO. We've got two activists in the stock. So seven of my eight years, we've had activists in the stock and in the boardroom, Icahn originally and more recently ValueAct. They both were significant value add.

Now, my wife says I have Stockholm syndrome, but they have significant value add. Icahn was critically important to ensuring the company got split. It was 300 legal entities. It was \$30 billion in revenue at the time, 30,000-plus patent families, a lot of interconnected conglomerate parts. And Carl was extremely helpful and persistent, and I think he and Vince Intrieri and Keith Meister were very impactful in successfully executing that separation.

He exits. We buy him out in a block trade. ValueAct comes in, Jeff Ubben and Brad Singer. I think they came in primarily with capital allocation in mind because they – this is my view, they saw it as a misunderstood company, franchise company, platform business with significant earnings and cash generation. So future capital return opportunities which I think contributed to – in part to reducing the float by 49%.

They were very helpful. Brad Singer was a great partner in working with the – exiting the Enterprise business and selling it to Zebra. We took that \$3.5 billion in cash just under, returned it back to the shareholder. So, now, we have this business where we still have excess cash in the balance sheet. We have about \$1.9 billion exiting Q1.

Gino has talked about – our CFO – of needing about \$800 million or \$900 million steady state to run the business. So we have excess capital. The business is generating significant amounts of cash. And if you look at this year, there's about \$110 million suppressing operating cash flow that's unique to incentives, interest and taxes that I think get normalized going forward, and we have \$65 million of CapEx which is more one-time in nature this year for ESN that we don't have going forward.

So the earnings and cash position of the company, I think, remains strong. You could plug in whatever top line revenue growth number you have there, 1%, 2%, 3%, whatever you're comfortable with. But in any of those scenarios, with us taking cost out and our expectation is to keep OpEx flat for next year, then you get very good flow-through. We've guided to \$4.75 to \$5 free cash flow per share. It's not a crazy scenario to see us beyond \$6 free cash flow per share in the relatively near term, given the OpEx cost structure, the operating leverage, the backlog position, and what we think we can generate going forward. So...

<Q – Pierre Ferragu – Sanford C. Bernstein & Co. LLC>: Makes sense.

Greg Brown, Chairman & Chief Executive Officer

Thank you, Pierre.

Pierre C. Ferragu, Analyst, Sanford C. Bernstein & Co. LLC

Thank you very much.

Greg Brown, Chairman & Chief Executive Officer

Thanks for coming this morning.

Pierre C. Ferragu, Analyst, Sanford C. Bernstein & Co. LLC

Thank you, everybody.