PARTICIPANTS

Motorola Solutions Executive Participants

Chris Kutsor – Vice President, Investor Relations
Greg Brown – Chairman and Chief Executive Officer
Gino Bonanotte – Executive Vice President & Chief Financial Officer
Jack Molloy – Executive Vice President, Products & Sales
Kelly Mark – Executive Vice President, Services & Software

Other Participants

Walter Piecyk – Analyst, BTIG LLC
Keith Housum – Analyst, Northcoast Research Partners LLC
George C. Notter – Analyst, Jefferies LLC
Vijay Bhagavath – Analyst, Deutsche Bank Securities, Inc.
Adam Tindle – Analyst, Raymond James & Associates, Inc.
Paul Silverstein – Analyst, Cowen and Company LLC
Jim Suva – Analyst, Citigroup Global Markets, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon and thank you for holding. Welcome to the Motorola Solutions’ First Quarter 2019 Earnings Conference Call. Today’s call is being recoded. If you have any objections, please disconnect at this time.

The presentation material and additional financial tables are currently posted on the Motorola Solutions’ Investor Relations website. In addition, a replay of this call will be available approximately three hours after the conclusion of this call over the Internet. The website address is www.motorolasolutions.com/investor. At this time, all participants have been placed in a listen-only mode.

I would now like to introduce Mr. Chris Kutsor, Vice President of Investor Relations. Mr. Kutsor, you may begin your conference.

Chris Kutsor, Vice President, Investor Relations

Thank you and good afternoon. Welcome to 2019 first quarter earnings call. With me today are Greg Brown, Chairman and CEO; Gino Bonanotte, Executive Vice President and CFO; Jack Molloy, Executive Vice President, Products and Sales; and Kelly Mark, Executive Vice President, Services and Software.

Greg and Gino will review our results along with commentary and Jack and Kelly will join for Q&A. We’ve posted an earnings presentation and news release at motorolasolutions.com/investor. These materials include GAAP to non-GAAP reconciliations for your reference.

And during the call, we reference non-GAAP financial results, including those in outlook, unless otherwise noted. A number of forward-looking statements will be made during this presentation and during the Q&A portion of the call. These statements are based on current expectations and assumptions that are subject to a variety of risks and uncertainties. Actual results could differ materially from these forward-looking statements.

Information about factors that could cause such differences can be found in today’s earnings news release and the comments made during this conference call and the Risk Factors section of our 2018
Annual Report on Form 10-K and in our other reports and filings with the SEC. We do not undertake any duty to update any forward-looking statements.

And with that, I’ll turn it over to Greg.

Greg Brown, Chairman & Chief Executive Officer

Thanks, Chris. Good afternoon and thanks for joining us today. I’ll share a few thoughts about the overall business before Gino takes us through the results and the outlook.

First, Q1 was an excellent start to what I believe will be another strong year with first quarter records for sales, operating earnings and ending backlog. Revenue grew 13%, earnings per share grew 16%, and we generated operating cash flow of $251 million.

Secondly, I’m pleased with our results in Products and Systems Integration and Services and Software. We reported double-digit growth in both segments, driven by the Americas and EMEA. At the same time, we did grow backlog year-over-year by almost $800 million.

And finally, demand remained strong across our platforms in LMR communications, command center software, and video security and analytics. And we continue to invest in our unique mission-critical ecosystem that we’re building for long-term growth.

I’ll now turn the call over to Gino. He’ll provide additional details on Q1 results and outlook before returning for some closing thoughts.

Gino Bonanotte, Executive Vice President & Chief Financial Officer

Thank you, Greg. Q1 revenue of $1.7 billion up 13% versus last-year, including $137 million of revenue from acquisitions and $38 million of currency headwinds. Organic revenue, which excludes acquisitions was up 4%.

GAAP operating earnings were $229 million, up $58 million and operating margins were 13.8% of sales, compared to 11.6% in the year-ago quarter. Non-GAAP operating earnings were $315 million, up $55 million or 21%. And operating margins were 19% of sales, compared to 17.7% of sales in the year-ago quarter, driven by higher sales in gross margin, partially offset by higher OpEx from acquisitions.

GAAP earnings per share was $0.86, compared to $0.69 in the year-ago quarter. Non-GAAP EPS was $1.28, up 16% from $1.10 last-year. OpEx in Q1 was $466 million, up $50 million due to acquisitions.

Other income and expense was $36 million, compared to $27 million in the year-ago quarter, driven primarily by an increase in net interest expense of $9 million. The Q1 effective tax rate was 20% compared to 19% last-year.

Turning to cash flow. Q1 operating cash flow was $251 million and free cash flow was $185 million. Operating cash flow was higher by $751 million and free cash flow was higher by $726 million, compared to the prior-year.

The year-ago quarter included a $500 million voluntary pension contribution. Excluding the pension contribution, Q1 operating cash flow was up $251 million, on timing of annual incentive payments, improved working capital and higher earnings.

Capital expenditures were $66 million, up $25 million compared to last-year, primarily related to Airwave and ESN network investments, as well as Avigilon.
Capital allocation for Q1 included acquisitions of $445 million of cash and equity for VaaS International Holdings and $136 million in cash for Avtec; $145 million of share repurchases at an average price of $118.98, largely offsetting the dilution associated with the VaaS acquisition; $93 million in cash dividends; and $66 million of CapEx.

Moving to segment results; Q1 Products and Systems Integration sales were $1.1 billion, up 12% driven by the Americas and EMEA. Revenue growth from acquisitions in the quarter was $75 million. Q1 Products and SI segment operating earnings were $147 million or 14% of sales, up 70 basis points from last-year and higher sales and gross margin, partially offset by higher OpEx from acquisitions.

Notable Q1 wins in the Products and Systems Integration segment include: a statewide P25 radio system for the state of North Dakota; a $25 million P25 win with the New South Wales Telco Authority; and an $8 million TETRA order for a utility customer in Chile.

Moving to the Services and Software segment; Q1 Services and Software revenue was $588 million, up $72 million or 14% from last-year, driven by growth in the Americas and EMEA. Revenue growth from acquisitions in the quarter was $62 million and currency headwinds were $21 million.

Services and Software operating income was $168 million, or 29% of sales, up 240 basis points from last-year, driven by higher sales and gross margin expansion, partially offset by higher OpEx from acquisitions.

Some notable Q1 highlights in the Services and Software segment include: a $17 million managed services contract with a mining customer in Latin America; a $7 million computer-aided dispatch and records contract for a large government customer in California; a $5 million order for video services renewal with the City of Chicago Office of Emergency Management.

Looking at regional results; Americas’ Q1 revenue was $1.2 billion, up 17% on growth in both segments. EMEA Q1 revenue was $363 million, up 7% and also driven by growth in both segments. And in Asia-Pac, Q1 revenue was $129 million, down 5% or $6 million due to currency headwinds and continued expected declines in China.

Moving to backlog; ending backlog was $10.4 billion, up $781 million, or 8% compared to last-year, inclusive of a $222 million unfavorable change in currency rates. Services and Software backlog was up $885 million, or 14% compared to last-year, driven by EMEA and the Americas. Sequentially, Services and Software backlog was down $25 million due to Airwave revenue recognition.

Products and Systems Integration backlog was down $104 million, or 3% compared to last-year due to several large system deployments during the past-year in the Middle East, and Africa. The Americas backlog was up $31 million year-over-year. Sequentially and similar to last-year, Products and Systems Integration backlog was down $185 million, on typical North America seasonality.

Turning to our outlook; we expect Q2 sales to be up 4% to 5% with non-GAAP EPS between $1.55 and $1.60, this assumes $35 million of FX headwinds at current rates, a weighted average diluted share count of approximately 176 million shares and an effective tax rate of approximately 24%.

For the full-year, we continue to expect revenue growth of 6% to 7% with non-GAAP EPS now to be between $7.60 and $7.72. Full-year operating cash flow is still expected to be approximately $1.7 billion.

The full-year outlook assumes approximately $90 million of FX headwinds at current rates, up from approximately $65 million of headwinds in our prior outlook; approximately $250 million of revenue from acquisitions; and effective tax rate of between 24% and 25%; and a weighted average diluted share count of approximately 176 million shares.

I’d now like to turn the call back over to Greg.
Thanks, Gino. And let me just close briefly with a few thoughts. First, our Q1 performance positions us for another year of growth coming off a record 2018. Second, we continue to invest in our unique mission-critical ecosystem by expanding our LMR, command center software and video security and analytics platforms. And I expect Services and Software to comprise about one-third of our full-year 2019 revenue, up from approximately 31% last-year.

And finally, for the full-year 2019, I continue to expect us to deliver higher gross margins, operating margins, EPS, and cash flow. And as these durable cash flows grow, you should expect continued discipline and rigor around capital allocation for long-term shareholder value.

And I’ll now turn the call over to Chris.

Chris Kutsor, Vice President, Investor Relations

Thank you, Greg. Before we begin taking questions, I’d like to remind callers to limit themselves to one question and one follow-up. So, we can accommodate as many participants as possible.

Operator, would you please remind our callers on the line how to ask a question?
QUESTION AND ANSWER SECTION

Operator: The floor is now open for questions. [Operator Instructions] Thank you. The first question comes from Walter Piecyk of BTIG. Please go ahead.

<Q – Walt Piecyk – BTIG LLC>: Thanks. Just want to focus on Products and Systems Integration. The growth rate 12%. Correct me, if I’m wrong, because I may have misremembered this, but wasn’t there – can you share – was it in the last quarter or the March quarter of 2018, didn’t have some larger-than-expected revenue? I think it was Q1 and Q2, so is it fairly difficult comp to put that growth rate on? And if so, what does that mean, as we kind of head into Q2 and Q3. Is there something you’re able to maintain? Or was there also similarly some kind of one-time or just particularly large contract that end-up getting realized in the quarter? Thanks.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Yeah, Walt. This is Gino. You do remember correctly, Q1 last-year, did include a large order, a large revenue from a California customer. If you look at Q1 for P&SI and look at it on an organic constant currency basis, it’s approximately 6% in the quarter.

Our expectation for the full-year has not changed. We’ve talked about constant currency growth for the full-year at approximately 4%. And we talked about the year shaping up similarly to last-year and that’s what we’re seeing so far.

So, for the first half, probably a little closer to 5%, full-year at approximately 4%. Really what drove Q1, were a couple of orders in our fed division. And that’s really what drove the over-performance, about a 6% organic constant currency growth rate.

<Q – Walt Piecyk – BTIG LLC>: Right. Sorry, I meant the 6% and just 12% obviously has some of the acquisitions, so – okay. And then on...

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Well, I’m sorry, just one more thing. It’s important to note that Q1 is our smallest quarter in the year, when you look at a seasonality perspective, Q1 is the smallest quarter, Q2 and Q3 are comparable and Q4 is the largest quarter. So, that 6% is coming off of a smaller number in Q1.

<Q – Walt Piecyk – BTIG LLC>: Got it. I just thought it would have – because of the difficult comp maybe started, it would have been flip-flopped from what you said – maybe start a little tougher in the first half and then strengthened from there. But I guess, we’ll see how the year progresses.

And my follow-up is for Avigilon, obviously, continuing a lot of press, in terms of the amount of the focus on Huawei and how their components are in competitors’ cameras. Just curious on has that resonated – has that started to resonate with customers in that segment? Do you see any actual pickup in, whether it’s interest or actually order flow as a result of customers rejecting some of your competitors, because of the componentry that they have in there from Huawei? Thank you.

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah. Walt, I think, it has resonated with some of our customers. And as you know, the concern about Huawei and more specifically, Hikvision and Dahua in the video surveillance space, which is in the National Defense Authorization Act, obviously, it’s a concern with the federal government, because they’re prohibited – any federal agency is prohibited from procuring vendor equipment by that brand.

Specifically, from a component standpoint, you’re right. Huawei has a silicon chip that is in also another – a number of our competitors. But if you look at the federal government and then critical infrastructure, which has many of the same attributes, yeah, I think it is a growing concern.

I think the NDAA takes effect in August of this year. But, it’s clearly favorable in terms of what we’re doing with Avigilon. Avigilon grew – I think it grew well in Q1, ahead of the market. We still expect it to grow at about 15% and with a little bit more traction in fed government, state and local in the second half.
<Q – Walt Piecyk – BTIG LLC>: What are these companies doing on the sales front? Are they pushing back or saying that they’re going to rip this componentry out of their products? Or like what’s their defense? And why a public safety customer would buy their products versus yours?

<A – Jack Molloy – Motorola Solutions, Inc.>: Yes. Walt, a lot of what you’ve seen with the Huawei – the computer and the chips aren’t really in public safety. A lot of those are enterprise-type customers...

<Q – Walt Piecyk – BTIG LLC>: Right.

<A – Jack Molloy – Motorola Solutions, Inc.>: ...and there’s concerns there, but it’s not the same – and there’s not the same regulations and stipulations as to what they buy as you’ve seen in the National Defense Authorization Act. So, it’s a little different approach in the enterprise versus government and critical infrastructure space.


Operator: The next question will come from Keith Housum of Northcoast Research. Please go ahead.

<Q – Keith Housum – Northcoast Research Partners LLC>: Good afternoon, guys. Gino, I just want to talk about gross profits here. Obviously, a nice step up year-over-year and according to my back of the NOL calculation, it looks like Services and Software were a big driver of that. Can you talk about the sustainability of that throughout the year, as usually the first quarter of the year is your weakest gross margins? Can we expect that to continue ramping up throughout the year?

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Yeah, Walt, I’m sorry, Keith. Our view hasn’t changed for the full-year. We talked about margins in the Services and Software segment gross margins approaching 50% and operating margins approaching 30% for the full-year. That continues to be our expectation. No change to the P&SI as well on margin expectations. We expect to expand margins in both segments in 2019.

<Q – Keith Housum – Northcoast Research Partners LLC>: Great. Thanks. And just as a follow-up. Greg, perhaps a little bit of color on the strategy of making the Avtec acquisition during the quarter?


<A – Jack Molloy – Motorola Solutions, Inc.>: Oh, Avtec, yeah. So, the Avtec – we’re excited about Avtec. It does two things. Fundamentally, number one, it expands the commercial markets we serve. It’s a dispatch solution, but it actually extends us into the airport, seaport and rail markets, which are new markets for us. So, we’re excited there.

The second thing is, as we look at our R&D portfolio, we’re planning on next generation dispatch for commercial. There was some economies in terms of bringing the company on and we like what they’re doing from a development standpoint. It’s a very well-run company out at South Carolina. We’re excited to have them as part of the family.


<A – Gino Bonanotte – Motorola Solutions, Inc.>: Keith, just to add while we’re on the Avtec subject. For the full-year, revenue expectation is approximately $20 million, and we expect it to be slightly dilutive for the full-year.

<Q – Keith Housum – Northcoast Research Partners LLC>: Okay. So, did you say $20 million or $28 million?

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Approximately, $20 million.

Operator: The next question will come from George Notter of Jefferies. Please go ahead.

<Q – George Notter – Jefferies LLC>: Hi, guys. This is George. I just wanted to, I guess, digging on the effort on the command center software business. There’s a big initiative I know going on in the company around platforming those products and pushing them onto more of a SaaS model. Can you kind of talk about where you are in that transition and the integration of the different software pieces you have there? And then, what kind of milestones do you have in terms of getting into a subscription-type model next year? Thanks.

<A – Kelly Mark – Motorola Solutions, Inc.>: Hey, George. It’s Kelly. So, we’re making great progress on it. We’ve already launched a number of our products into the cloud or selling them as a service specifically, if you think about Kodiak or VaaS. So, we’re making good traction on that.

We expect the materiality of our portfolio to be cloud-ready by the end of 2020. I will note though, even though as we move towards cloud, our software products will continue to be available either to our customers on-prem or in the cloud. So, that transition will be gated based on our customers’ desire and how they want to execute on deployment. But we view it as moving along quite well, with the business. And the milestones we look for, which you will see in announcements like you saw this past quarter on CommandCentral Aware, which is another one of our products, which we recently made available in the cloud. You’ll see more of those announcements come between now and end of 2020, as we make them available in the cloud.

<Q – George Notter – Jefferies LLC>: Got it. And what’s customer receptivity like on that? Do you – obviously, you’re asking people to kind of buy product in a little bit different model there. Again, it’s a customer option, but talk about sort of the circumstances under which you see customers’ kind of consuming that way. And how does it affect the model for you guys going forward? Thanks.

<A – Kelly Mark – Motorola Solutions, Inc.>: It’s early days on that as we make it available. And based on the products we have right now, we’ve had high amount of customer receptivity to that. There are going to certainly be certain issues, we might get into for government related to whether or not they actually can store their data in the cloud, which will be something that we’ll look at and watch as we deploy it.

But they’ve been relatively receptive to it. It certainly helps in regards to security and keeping the systems up-to-date and managing uptime versus when you have it and what we call an on-prem deployment. But, it’s early days in regards to launching that. But initially for the customers who are receptive to that, it’s been going quite well.

Operator: The next question will come from Vijay Bhagavath of Deutsche Bank. Please go ahead.

<Q – Vijay Bhagavath – Deutsche Bank Securities, Inc.>: Yeah. Thanks. Yeah, hey, Greg, Gino. I get asked this question quite a bit from clients, which would be around command center software portfolio. You know you have kind of interesting building blocks called management command control records, evidence and on and on. So, the question that I get to asked and like to get your view is, do you have companies who compete with you across the software command center portfolio architecturally? Or is your competition more under the piecemeal - the individual building blocks? And then I have a follow-up. Thanks.

<A – Greg Brown – Motorola Solutions, Inc.>: Sure. Hey, Vijay, we feel very good about the components that we have and the width and breadth of what we have acquired to include as you referenced 911 call handling get dispatch records and evidence management.

And we do not believe that competitively anyone else has the width and breadth of the suite that we are building. It’s a fragmented marketplace. There’s different competitors, depending upon the element that’s being evaluated.
But I think Kelly and Andrew Sinclair and team are doing a really good job on building out the suite, cloud-enabling the portfolio and its respective components, increasing SaaS subscriptions and moving away from perpetual license. And I like our competitive position.

To the earlier question by George, I think we have high interest. More customers remain interested in buying components of the suite. But given the buying habits of state and local, I think it will be gradual, but that’s okay. But very much like what Kelly and team are building there.

<Q – Vijay Bhagavath – Deutsche Bank Securities, Inc.>: Yeah, perfect. A quick follow-on would be for Gino in terms of use of cash and also just the investment strategy in the company both internal and inorganic? Thanks.

<A – Greg Brown – Motorola Solutions, Inc.>: Actually, Vijay let me just jump. Gino and I work very closely, quite frankly, the whole team on the deployment of capital. I think it’s the most important thing we do.

As you’ve seen, we’ve done a combination of increased organic investment, inorganic acquisitions surgically to build out the command center software suite; add video assets that we think are strategic in video security and analytics and also returned capital to shareholders. Loved the fact that we did – we’re able to do $145 million of share repurchase in Q1, at $118 a share. Gino has been very consistent in our capital allocation framework 50%, 30%, 20%. 50% to be used for share repurchase or acquisition, 30% dividend and 20% CapEx.

Given our performance to-date, we have about $500 million approximately available to us between now and the remainder of the year, which is fungible between either share repurchase or acquisition. We also expect to pay down the short-term loan associated for $400 million, associated with the Avigilon acquisition that we made last-year. We expect to complete that by the end of the year.


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

Operator: The next question will come from Adam Tindle of Raymond James. Please go ahead.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: Okay. Thanks and good evening. I just wanted to start on the 2019 EPS guidance. I know it comes up by a couple of pennies, but just beat Q1 by $0.15. You’ve got tax rate lower, share count higher, but I think the net of it is that your profit dollars’ assumptions are generally unchanged.

So correct me, if I’m wrong there. But if so the business seems to have a lot of momentum. You’re talking about strong backlog. I guess why wouldn’t forward quarters be raised a little bit more? Just talk about the thoughts to the guidance build up.

<A – Greg Brown – Motorola Solutions, Inc.>: So, we feel very good about the year, the full-year and the remainder of the year. As Gino talked about, we look at the year and our overall performance and focus on organic growth, more specifically, organic growth constant currency. So, we did have a strong Q1, driven largely by a couple of orders in fed. But we’re less concerned around the individual linearity within a quarter, but stick to the full-year. And we believe with overall backlog up, aged backlog comparable to slightly up for the remainder of the year that our full-year guidance on top-line remains prudent.

I’ll also remind you that we have $25 million of incremental FX headwinds from the last time we spoke, that’s incorporated and contemplated into our full-year guidance. When we look at the EPS, it is largely a flow-through associated with a lower tax rate. But there is some – a couple of pennies associated with improved business performance overall. We love the start. We feel comfortable about our respective
ability to achieve what we stated and it’s performing as expected. But we think the guidance is prudent at this point in time.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: Got it. That’s helpful, Greg. Thanks. And just as a follow-up, I think, to your point, it implies continued year-over-year operating margin expansion. Just hoping that you can maybe just touch on the composition of this? I think, previously, you had thought 100 basis points to 200 basis points from the Products and SI segment. And I know that was supposed to be more back-half weighted, but you had 40 basis points year-over-year improvement in Q1. So, I’m just trying to determine if maybe the Products and SI margin expansion is down a tick and Services and Software are up a tick? Or are we still 100 basis points to 200 basis points on the Products and SI side?

<A – Greg Brown – Motorola Solutions, Inc.>: I think the Software and Services’ operating margin is consistent with what we’ve told you before as is P&SI. Just to put a finer point on it, I think that probably operating margin in the 22% to 23% range for the full-year seems to make the most sense at this point in time.


Operator: The next question will come from Paul Silverstein of Cowen and Company. Please go ahead.

<Q – Paul Silverstein – Cowen & Co. LLC>: Thanks. I appreciate you all taking the question. First off, some of your compadres in the com-equipment market, albeit focus on the commercial sectors as opposed to public safety has cited weakness in Germany and the UK, and cited Brexit and cited a big downturn in the automotive industrial sector in Germany.

Again, I recognize 80% of revenue comes from public safety, but did you see any of that weakness? Is there any impact or visibility? And then, I’ve got a follow-up question.

<A – Jack Molloy – Motorola Solutions, Inc.>: Hey, Paul. It’s Jack. So, with regards to – obviously, we’ve seen some slowdown on the commercial side in Europe. But I would caveat – and I think it’s important to note that our European business is largely insulated, due to the fact that we’re largely a managed service company. If you think about Airwave and the other nationwide networks that we manage, we’ve got – the preponderance of our business is recurring revenue in managed and support services in Europe. So, we – as Greg alluded to and Gino in the opening, we had a solid Q1. We expect comparable growth to 2018 in Europe, Middle East, and Africa this year.

<Q – Paul Silverstein – Cowen & Co. LLC>: All right. And then, if I could ask on the Avigilon piece, you also – you had that early April announcement about the integrations of command and control software platform. It sounds like it’s on-schedule relative to when you did the deal back in early 2018. So, that takes you to the public safety market. I assume that – the big – the firing gun in terms of entering the public safety, Avigilon, if I recall, at the time of the deal was just the commercial sector, they had their hands full and didn’t try to address the public safety market.

Greg and Gino and Jack, does that not – should that not translate to an acceleration of the revenue growth from video analytics and surveillance and the associated hardware? If I recall at the time of the deal, I think, they were doing mid-teens growth. The first quarter out, you referenced acceleration. I haven’t heard that reference again since in the handful of quarters since the deal. But now that you’re taking some public safety market, I would think there would be strong receptivity and that would actually accelerate the growth of that still relatively small base?

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah. I think the gating factor or in terms of going after public safety and state and local is more about channel and sales cycle. Remember Avigilon was a commercial enterprise video company, which was great and they’ve done a great job. But Molloy has done a very good job of redirecting investment, mainly sales coverage and heads and the channel program to redirect it to be more public safety. So, I don’t think it was a product interoperability issue with
command center software. I think, its channel investment that takes time. And I think, its sales cycle on competitive RFPs that take time.

We still expect strong growth to your overall point, which is why we stated upfront that we think Avigilon can grow 3x the market at about 15%. So, we do expect to get more traction. But at this point, we think on a larger base, it’s prudent to leave that guidance consistently at about that level. But good progress.

<Q – Paul Silverstein – Cowen & Co. LLC>: Got it. Thank you.

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

Operator: [Operator Instructions] The next question will come from Jim Suva of Citi. Please go ahead.

<Q – Jim Suva – Citigroup Global Markets, Inc.>: Thank you. And I have a question for Greg, kind of bigger picture and then kind of a financial question for – probably for Gino. But Greg, when you think about and just looking kind of the overall economy with strong employment, housing prices going higher, should lead to more inflows to government, municipalities, police forces and first responders should be using your products. Is it fair to say that these are leading to more healthier discussions today for your new products? Or is there a little bit of, I want to say, a diversion of police forces trying to retrain their staff to make sure that they don’t end up with a black sore eye from – public, social, media responses.

And then for Gino the question, it looks like you’re – while you’re raising EPS for the full-year, it looks like it’s fully accounted for from the lower tax rate of 24% to 25% versus 25% earlier. So, you’d mentioned, you know, you’re also increasing your outlook due to organic, but I’m just trying to make sure that I’m not missing something. Or are you investing a little bit more? Thank you.

<A – Greg Brown – Motorola Solutions, Inc.>: I’ll just answer the second one real quickly, just because I mentioned it a few minutes ago. But the tax rate difference or the lower tax rate we think is worth about $0.05 and we raised the high end from $7.70 to $7.72. So, the EPS guidance raise, you’re right, is because largely of lower tax rate, but not solely, there’s also some business improvement that comes from that.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Just to add to that Jim, keep in mind the share count change from 175 million to 176 million shares. And as mentioned earlier, the acquisition, the Avtec acquisition is slightly dilutive. As you’re going through your math and model you have to incorporate those as well. And as Greg mentioned earlier, the increase in FX, the $25 million increase in FX from FX headwinds from our prior view.

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah. And Jim as it relates to kind of overall macroeconomics, I think the very good thing about this business among other things is the consistent demand for what we sell, in a real strong economy or in a more tepid economy. We see consistent strength in North America; and also strength, because the markets – the addressable markets that we’re playing in have been expanded. So, if you rewind the tape and you know this very well, we were more traditionally a mission-critical radio communications provider.

As we continue to invest organically and inorganically, we’re doing – we’re playing in so many other areas beyond that. We’re playing in command center, software space with the respective components and an addressable market there, that’s $5 billion to $6 billion. We’re in the video security and analytics market now with Avigilon, which we think is about $12 billion-plus, completely zeroing out China.

And of course, Kelly and team continue to build out the services around that. So, I think the strength and the continued performance of what we’re doing is because of the width and the breadth of our product portfolio, led by a healthy economy in North America, but also reflecting at its fundamental base, the criticality and consistent demand for land mobile radio.

We’ve talked about wins in Iowa and Pennsylvania. Historically, we have the award here in Florida. It’s not contracted for yet. Airwave was extended through the end of 2022. But in a variety of different
theatres, where Molloy and team compete, land mobile radio demand, and the criticality of mission-critical communications is pretty consistent. That’s what I think is continuing to drive us along with coverage and execution. I don’t know, Jack, if you want to add anything.

<A – Jack Molloy – Motorola Solutions, Inc.>: Just one other thing Greg. And I think I picked up and Jim you talked about more training. And with the state of plays – with respect to state municipal funding, how is that money being prioritized. Greg made a key point. We’ve made inorganic and organic investments around software and video because of this.

One of the trends that we’re seeing and we followed this closely with our law enforcement customers, is less people taking the test, which lends itself to increased demand for complementary technologies to give them investigative tools that they wouldn’t have.

So, ultimately, how do they do more with less? And the simple answer is, technology. And yes, as Greg said, it’s our continued demand for land mobile radio. But it’s also driving and it’s going to continue to drive video in command center software opportunities for us. And so, that’s why some of the kind of investments and debts that we’ve made over the last – of the course three years, will really start to come to pass because we have less and less law enforcement officers, they need greater technology to keep the public safe.


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

Operator: This concludes our question-and-answer session. I will turn the floor back over to Mr. Chris Kutsor, Vice President of Investor Relations for any additional or closing remarks.

Chris Kutsor, Vice President-Investor Relations, Motorola Solutions, Inc.

No additional comments. Thanks everybody for your time.

Operator: Ladies and gentlemen, this does conclude today’s teleconference. A replay of this call will be available over the Internet in approximately three hours. The website address is www.motorolasolutions.com/investor. We thank you for your participation. And ask that you please disconnect your lines at this time.