PARTICIPANTS

Motorola Solutions Executive Participants

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon and thank you for holding. Welcome to the Motorola Solutions third quarter 2018 earnings conference call. Today’s call is being recorded. 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, and the line will be open for your questions following the presentation.

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. Good afternoon and welcome to our 2018 third quarter earnings call. With me today are Greg Brown, Chairman and CEO; Gino Bonanotte, Executive Vice President & CFO; Jack Molloy, Executive Vice President, Products & Sales; and Kelly Mark, Executive Vice President, Services & 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. 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 2017 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 statement.

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

Greg Brown, Chairman & Chief Executive Officer

Thanks, Chris, good afternoon, and thanks for joining us today. I’ll now share a few thoughts about the overall business before Gino takes us through the results and the outlook. First, Q3 was another strong quarter. We grew revenue 13%, grew EPS 27%, and generated more cash compared to last year on continued strength in both segments.

Second, I’m encouraged with our continued backlog growth, which is up over $0.5 billion compared to last year, and now sits at a Q3 record ending $9.5 billion, and does not yet include over $2 billion of expected backlog, related to the Airwave and ESN extensions, or the State of Florida award.

And finally, based on our Q3 performance, we’re raising our earnings outlook again for the full year. We now expect earnings per share to be in the range of $7 to $7.05.

I’ll now turn the call over to Gino to provide additional details on Q3 results and outlook, before returning for some closing thoughts.

Gino Bonanotte, Executive Vice President & Chief Financial Officer

Thank you, Greg. Q3 includes revenue of $1.9 billion, up 13% from last year, including $145 million of revenue from acquisitions, and $19 million of revenue related to the adoption of accounting standard ASC 606. Organic revenue, which excludes acquisitions and the accounting changes, was up 4% in constant currency. GAAP operating earnings were $294 million, down $53 million from last year, due to an increase to a legacy environmental reserve. Non-GAAP operating earnings were $452 million, up $40 million, or 10% from the year-ago quarter on higher revenue. Operating margins were 24.3% of sales, down 70 basis points from last year, due to acquisitions.

GAAP earnings per share were $1.43, up 14% from $1.25 last year. Non-GAAP EPS was up $1.94, up 27% from $1.53 last year on higher revenue and earnings, as well as a lower tax rate. Ending backlog was $9.5 billion, a Q3 record, and was up $572 million, or 6% compared to last year. Products and Systems Integration backlog was up $277 million, or 9%, and Services and Software backlog was up $295 million, or 5%.

Q3 Products and Systems Integration revenue was $1.3 billion, up 10%, primarily on acquisitions and organic growth in North America. Q3 Products and SI operating earnings were $276 million, or 21.4% of sales, down 290 basis points from last year, due to acquisitions.

We expect full-year 2018 operating margins for the segment to be approximately 21%. Products and SI segment backlog ended the quarter at $3.3 billion, up $277 million, or 9% versus last year, with growth in all regions. Sequentially, Products and SI backlog was up $118 million, or 4%.
Q3 Services and Software revenue was $574 million, up $103 million, or 22% from last year, with growth in every region. This includes $49 million from acquisitions. Services and Software operating earnings were $176 million, or 30.7% of sales, up 370 basis points from last year, driven by higher sales and favorable gross margin mix.

We expect full-year 2018 operating margins for the segment to be approximately 28%, and continue to expect full-year 2019 margins of approximately 30%. Services and Software backlog ended at $6.2 billion, up $295 million, or 5% versus last year, driven by the Americas and Asia-Pac. Sequentially, Services and Software backlog is down 1%, including approximately $135 million of Airwave revenue recognition.

Total OpEx in Q3 was $464 million, up $78 million from the year-ago quarter, due to acquisitions and ASC 606. For the full year, we continue to expect OpEx of approximately $1.8 billion.

Other income and expense was $43 million, compared to $41 million in the year-ago quarter. Net interest expense was $59 million, compared to $52 million a year ago. The Q3 effective tax rate was 18% compared to 30% last year, due to 2017 tax reform, return to provision adjustments booked in the quarter, and tax benefits related to share-based compensation.

Turning to cash flow, Q3 operating cash flow was $338 million, compared to $270 million last year. The increase was driven by higher earnings and improved working capital. We continue to expect approximately $1.4 billion in operating cash flow for the year, excluding the $500 million pension contribution in Q1.

Free cash flow was $292 million. Capital expenditures were lower by $39 million compared with last year on lower spending in IT and real estate. Additionally, we repurchased 20% of the Silver Lake convertible note for $369 million. The $200 million of principal was repaid in early Q4 with new senior unsecured debt, and the $169 million conversion premium was paid with cash in Q3.

We also fully repaid the remaining $300 million revolving credit facility associated with the Avigilon acquisition, $200 million was repaid during the quarter, and $100 million was paid subsequent to quarter-end. Additionally, we currently expect to repay the $400 million bank term loan associated with the Avigilon acquisition in 2019.

Looking at regional results, Americas revenue was up 16% on growth in both segments. The region saw strong demand for LMR products and services, command center software, and video solutions. Q3 backlog is up approximately $480 million year-over-year. EMEA revenue was up 12% and was also driven by growth in both segments. Q3 backlog is down approximately $100 million compared to last year, inclusive of over $500 million of Airwave revenue recognition. And in Asia-Pac, revenue was down 1%, with growth in Services and Software offset by Products and SI. Backlog is up approximately $200 million.

Turning to our outlook, we expect Q4 sales to be up approximately 13.5%, with non-GAAP EPS between $2.50 and $2.55. This assumes $25 million of FX headwinds at current rates, a weighted average diluted share count of approximately 173 million shares, and an effective tax rate of approximately 25%. For the full year, we continue to expect revenue growth of approximately 14.5%.

We now expect non-GAAP EPS of $7.00 to $7.05, up from $6.79 to $6.89. This assumes a weighted average diluted share count of approximately 172 million shares and an effective tax rate of approximately 22.5%. Our guidance reflects an expectation of minimal impacts from tariffs, given our very limited exposure to China.
Finally, I’d like to end with some notable highlights. During the quarter, we were awarded a contract valued at over $50 million to replace an existing TETRA network in Europe; a $21 million P25 network and device order from the City of Indianapolis and Marion County, Indiana; an $18 million order from Chesterfield County in Virginia to upgrade our computer-aided dispatch and records management solution, providing a unified experience across emergency call handling, command and control, and management – the management of records and evidence; and a $19 million 10-year contract from the City of Las Vegas for our CommandCentral Vault digital evidence management solution. CommandCentral Vault integrates with our customers’ existing software applications for computer-aided dispatch and records management, and now consolidates evidence and content from a wide variety of sources into a single platform.

I would now like to turn the call back over to Greg.

Greg Brown, Chairman & Chief Executive Officer

And thanks, Gino. Let me close with a few thoughts. First, I’m very pleased with our Q3 results that were led by North America. We see strong demand across land mobile radio products, services and software, and the Avigilon acquisition continues to perform ahead of our expectations.

Second, I like our momentum in the Services and Software segment. Q3 was another strong quarter for our Services business as well, and we’re seeing continued traction with recent command center wins that highlight the power of our end-to-end software suite. And while there’s more work to do, I remain excited about the recurring revenue, margin expansion, and earnings potential of this segment going forward.

And finally, as I look ahead, I feel good about our competitive position. We have a compelling portfolio serving vibrant segments of large addressable markets. We have a strong team focused on consistent execution, a healthy balance sheet, and durable growing cash flows that provide flexibility for continued shareholder returns.

I’ll now turn the call back 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 a follow-up, so that we can accommodate as many people 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. Our first question is coming from George Notter with Jefferies. Please go ahead.

<Q – George Notter – Jefferies LLC>: Hey, thanks a lot, guys. Hey, I wanted to maybe start off by looking at the Q4 guidance. If I look at your revenue guidance, the tax rate, shares, earnings, seems to imply something like a 28% operating margin. And as I look back to a year ago or even two years ago, you guys were operating at somewhat higher operating margins in Q4. I get it. It’s a seasonally strong quarter, but can you walk through kind of where that operating margin kind of math looks in your eyes. Is that 28% number about right? And then is it conservatism, or is it some of the costs you’re carrying with some of these M&A deals? Just kind of talk through profitability there, that would be helpful. Thank s.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Yeah, George, this is Gino. That looks about right, and I’ll remind you that the acquisitions, operating margin percentage is down obviously. Earnings are up, it’s related to acquisitions and a little bit of ASC 606 as well.

<Q – George Notter – Jefferies LLC>: Got it. Okay. Got it. And then on the tax rate, you kind of talked about it, a little bit higher tax rate than you guys put up certainly here in Q4, and then I think maybe even your modeling for Q3 and then what you’re modeling for Q4. Can you just talk about kind of what’s going on in tax rate and how you see the outlook there going forward? Thanks.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Yeah. So, from a tax rate perspective, maybe it’s instructive to start with Q3. So Q3, 18% versus 30% last year. About half of that, George, is related to the tax legislation. The other half is split between return to provision estimate and deemed dividends and stock compensation. So as we look forward, we guided the 22.5% ETR for the full year, and as we look into next year a little bit, the tax rate, our expectation is somewhere 24% to 25%. So, Q3 was a little bit lower rate based on those couple of items.


<A – Gino Bonanotte – Motorola Solutions, Inc.>: Thanks.

Operator: Our next question comes from Adam Tindle with Raymond James. Please go ahead.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: Okay. Thanks and good evening. I just wanted to start, first to acknowledge that Q3 profit dollar growth was still very solid, but non-GAAP OpEx is growing faster than gross profit dollars, and guidance suggests this will continue. Maybe you could just talk about the drivers to this and how you think about the timing to reverse this trend. It sounds like there’s some leverage on operating margin in Services and Software, but maybe touch on Products margin as well, since it looks like that’s where the margins have been declining. And then I have a follow-up. Thanks.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Sure. Adam, this is Gino. So we’ll start from an OpEx perspective. Really, the increase is related to acquisitions. There’s also a little bit of the ASC 606, but it’s acquisition-related, and clearly, as we continue to grow revenue in those acquisitions, that will offset the incremental OpEx. The base business, the expectations haven’t changed from the beginning of the year. We continue to drive cost reductions frankly in the base business, offset by increases in OpEx.

From – the second part of the question was operating margin for P&SI (Products & System Integration). Yeah, so the way to think about P&SI is obviously P&SI now includes Systems Integration, and it also includes some of the acquisitions and the additional costs in the acquisitions, both from a BGM (below
gross margin) perspective, and frankly, from a gross margin perspective as well based on current volumes. So we do expect P&SI gross margin to expand, and we expect to end the year – I think I mentioned in my prior comments – to end the year at approximately 21%. We expect that to expand anywhere between 100 and 200 basis points in 2019.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: Okay. And just as a quick follow-up, Greg, I wanted to ask a little bit more on Software. How integrated is that business into the rest of the company? I know you’ve got some new segmentation, would imagine there’s some separation there, and if the market’s not giving you credit for it, would you think about strategic optionality, whether that’s an IPO or a sale or something like that?

<A – Greg Brown – Motorola Solutions, Inc.>: No, I think, Adam, it’s pretty integrated with our business. And I think it’s – I think of the Software and I think about the critical importance driven by command center software. So, I think of three legs of the stool, I think of our land mobile radio business, I think of our command center software business, and I think of our video business through Avigilon, and then services that integrate or wrap around all three.

So as we’ve said, that segment is pretty much a proxy for recurring revenue of the firm. I think Andrew Sinclair on the Software side, Kelly obviously inherits now the entire segment with Bruce Brda’s retirement. I feel good about this segment and its integration and interrelatedness with our business as a whole, and you saw the strong performance in Q3, and as Gino talked about, I think there’s gross margin and operating margin expansion for sure in 2019, and quite frankly, beyond. So, I think it’s a very key part of our strategy, and I think about it in an integrated way from a company perspective.

<Q – Adam Tindle – Raymond James & Associates, Inc.>: Got it, thank you.


Operator: Our next question comes from Keith Housum with Northcoast Research. Please go ahead.

<Q – Keith Housum – Northcoast Research Partners LLC>: Good evening, gentlemen. Thanks for the opportunity to take this question here. Just as we think about Avigilon, it’s been in your hands now about six months, two quarters, plus some, thoughts on how that business is progressing. Obviously there’s been some challenges within the Chinese competitors, given a competitive advantage, but a little bit color on how that business is doing, and thoughts about it going forward.

<A – Jack Molloy – Motorola Solutions, Inc.>: Okay. Keith, it’s Jack. So in terms of Avigilon, obviously we announced the acquisition in early February this year, through two quarters, a little bit more than two quarters of business, frankly has exceeded our expectations. So the market’s about $12 billion ex-China, which has been growing at a 5% growth rate. We’re essentially tripling that growth rate in the market. We are making investments in go-to-market, and continue to make investments in the portfolio as well, and we see continued leverage and growth for that business into 2019. So it’s performing very well.

<A – Greg Brown – Motorola Solutions, Inc.>: And I’d add that – especially with the recent legislation around the National Defense Authorization Act, that prohibits the procurement of Chinese content with video surveillance, specifically Hikvision and Dahau, the opportunity is even greater than we’ve originally thought, I think, both for the Federal market, for sure, and we haven’t had any traction, so to speak, given the sales cycle on state and local. So I’m pleased with the way Jack is running it. Remember, we’re operating it as a fully contained subsidiary, but it’s also important to note we’re investing. We’re investing in go-to-market distribution, and we’re investing in development to further extend our portfolio and product lead. Feel very good about that acquisition.
<Q – Keith Housum – Northcoast Research Partners LLC>: Great. All right, just kind of a follow-up to change gears slightly here for the ESN, how should we think about the ESN and when you might be able to monetize that? Is there anything that we can look at as factors about when it will start?

<A – Greg Brown – Motorola Solutions, Inc.>: So we still anticipate signing a contract for Airwave, ESN extensions. We’re targeting by the end of the year. I mentioned that in my backlog comment. None of that is – the extension pieces are not reflected in backlog. Airwave is about – and I know you talked about ESN, but just to put a marker down, Airwave is about $1.45 billion through that three-year extension. And ESN, the extension, what they call the can agreement, would be signed at the same time.

I think our expectations for ESN specifically, which is your question, is reasonably modest for 2019. I think it will take some traction to get utilization and final definition and agreement, but the Airwave extension is pretty cut and dry and clear for that three-year monetization of $1.45 billion. A lot of great work by the team here with the UK Home Office. Feel good about both of those deals.


Operator: Our next question comes from Jim Suva with Citi. Please go ahead.

<Q>: Josh Kehoe – Citigroup Global Markets, Inc.: Hi, this is Josh Kehoe on for Jim. Thanks for taking our questions. Can you provide some more detail on what drove the year-over-year growth in Americas and EMEA? And are you seeing any heightened competitive pressure in APAC?

<A – Jack Molloy – Motorola Solutions, Inc.>: Okay, Josh. So, obviously, for the Americas, continued, really it’s across the board. I mean, great performance in both Products and SI. We’ve grown and that’s the LMR portfolio both to the government and commercial space, as well as Avigilon. And then the Software and the Services business, really that North America’s the anchor point of that business, and it performed very well in Q3, really it’s performed very well all year. So obviously, backlog is up 9% there, but good traction in the Americas. In EMEA, it’s really been the story of Avigilon, and then the Products and Systems Integration, they’re up as well. So pretty balanced story in both of our largest theaters really.

And Asia-Pac, frankly, the business has performed. We’ve grown in Asia-Pac this year. In fact, we plan to grow every theater that we operate within, but we’ve had some pressure in China, frankly, but I would remind everybody that our largest business in Asia-Pac is Australia. Australia performs exceptionally well for us. Australia, in fact, is really, frankly, more than twice as big as China for us in the region. That’s our anchor tenancy in Asia-Pac, and so a little bit of competition in China and the surrounding area, but frankly, we continue to perform well in Asia-Pac as well.

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah, and I think that’s the key. I think our Asia-Pac strategy is led largely by Australia. As it relates to China, and as anticipated, it’s not really significant against the overall composition of the firm. China represents about 2% of our overall revenue. We have about 170 employees in Mainland China, and as a part of a very concerted multiyear effort, we do not do manufacturing in China. We don’t do product development. It is more about sales and sales support and go-to-market distribution.

<Q>: Kehoe – Citigroup Global Markets, Inc.: Great. And are you seeing any change in the duration of your backlog? Thanks.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: No, Josh. This is Gino. No change to the duration of our backlog as we began offering the service – multiyear service offering. So we did see a little bit of a duration extension in Services, as that represented revenue that would be realized over multiple years.
But no change certainly in 2018 to our expectation of the duration of backlog in either Products and Systems Integration, or in Services and Software.

Operator: Thank you. Our next question comes from Vijay Bhagavath with Deutsche Bank. Please go ahead.


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

<Q – Vijay Bhagavath – Deutsche Bank Securities, Inc.>: My question’s on – I had just a bigger picture question. The software Command/Control in the context of managed services and also the Avigilon business are clearly the pillars or the drivers of growth heading into next year and over the next few years. So give us just some qualitative lens of how should we think of these two important growth drivers as we head into the new year. Thanks.

<A – Greg Brown – Motorola Solutions, Inc.>: Yeah, actually, I think we’re growing across pretty much all of our platforms. You talked about Software and Services and Avigilon, but I’m very pleased with the land mobile radio business as well. Look, we’re not going to guide specifically on 2019, but the way we think about it currently is the segment of Product and Systems Integration is generally a low-single-digit revenue growth business. Services and Software, all in, is a high-single-digit business.

And our current thinking, I feel very good about our momentum, feel good about our record Q3 backlog, but our current thinking is organic revenue growth constant currency next year can be comparable to this year. And that’s with about $80 million of FX headwinds for next year, and that current thinking also contemplates no meaningful first net revenue contribution next year.

Now, having said that, from a linearity standpoint, we always have Q1 being much lighter than normal, as we look at the full year, and I think that that kind of performance for 2019 will be comparable to 2018. But that’s our current thinking.

<Q – Vijay Bhagavath – Deutsche Bank Securities, Inc.>: Okay. Very helpful. A quick follow-on for...

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Vijay, this is Gino. Just very quickly, the preponderance of that FX headwind is in the first half next year.

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

<Q – Vijay Bhagavath – Deutsche Bank Securities, Inc.>: Okay. Gino, a quick follow-on on how should we think and what’s your thought process on OpEx as percentage of revenue once again heading into next year? Thanks.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Yeah, so Vijay, I’m not sure we’re going to guide on all the elements of 2019, but I think you can expect more of the same. As Jack and Greg both mentioned, investments in the acquisition, specifically in Avigilon in terms of go-to-market and in terms of R&D, but you can continue to expect very rigorous and disciplined attention to OpEx as we go forward into 2019. And on the next call, we’ll give you a more detailed view of what 2019 looks like.


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

<Q – Paul Coster – JPMorgan Securities LLC>: Thanks for taking my questions. Couple of picky ones, please. Amongst the pro forma adjustments, there’s an environmental reserve expense, so I see that some other charge number jumps this quarter. Is this something that we’ll see more of? Perhaps you can just give us some sense of what this is about and summarize it.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Yeah, Paul, this is Gino. No, you should not expect to see any more. This is a longstanding EPA site related to one of our legacy businesses in Scottsdale, Arizona. And really, what it represents is, if you look at the $57 million, about $20 million is additive costs, but from a cost perspective per year in 2019, the additive cost is about $800,000. So the cost is really related to an extension beyond 2039 of monitoring that we need to do in Scottsdale, both groundwater and vapor intrusion monitoring.

And then there’s also a change in the discount rate that we used. So from a cash perspective, you shouldn’t expect any different cash-out position anywhere in the near term, and certainly we don’t expect any additional reserves on this particular item going forward.

<Q – Paul Coster – JPMorgan Securities LLC>: Okay, got it. And then we got this $25 million quarter of reorganization charges. So I think that was in both Q2 and 3Q. How long does this go on for? Why should we consider it sort of one-time in nature rather than an ongoing expense?

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Yeah, it’s really related to restructuring, Paul, and certainly we don’t expect, for the organizations that we restructured, we don’t expect that to recur again. So that’s why it’s in the callout.

<Q – Paul Coster – JPMorgan Securities LLC>: so we shouldn’t see that again after this point?

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Yeah. Certainly, I mean...

<Q – Paul Coster – JPMorgan Securities LLC>: Okay.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: ...there may be other restructuring we may do, but certainly not the restructuring that we did in Q2 and Q3.

<Q – Paul Coster – JPMorgan Securities LLC>: Okay. Got it. All right. Thank you very much. That’s helpful.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Certainly.

Operator: Our next question comes from Tim Long with BMO Capital Markets. Please go ahead.

<Q – Tim Long – BMO Capital Markets (United States)>: Thank you. Just wanted to ask on the LMR business, just a two-parter there and then a follow-on for Gino. Just, you know the Florida deal was obviously a large one. Any other big deals out there that are being contemplated at this time? And related to that, any – I think in the past quarter or two, you’ve talked about some new product launches or opportunities in the LMR area, any comments on that? And then just follow-on for Gino, as we continue to move to a little bit more Software here, when should we start to see a little bit more inflection or improvement in the gross margin line? Thank you.

<A – Jack Molloy – Motorola Solutions, Inc.>: Hey, Tim, it’s Jack. I’ll take the first one and then pass the baton to Gino. So first of all, I think the first part of the question was related to big deals. Obviously, in
Greg’s intro, we talked about the State of Florida, which is frankly the biggest state-wide project. It was a legacy Harris customer that we’ve been awarded. So we have that and we have multiple other state-wide upgrades that we’re in pursuit of.

The LMR project business remains, frankly, it’s very robust. I would tether that comment to the fact that the team’s executed very well with the portfolio that we’ve got a couple new product introductions. We have not announced the new product yet, but both from a command center software, we’ve got a lot on the horizon there, but also some nice things here in 2019 related to our devices as well. So, the sales team is very poised, very excited to take that to market. But so I think the culmination of the market drivers, state and local revenue, receipts being up, very good Federal budget situation for us, coupled with new product on the horizon, it’s exciting times, I think, in the Project 25 and PCR business.

<A – Gino Bonanotte – Motorola Solutions, Inc.>: And Tim, this is Gino. On gross margin, the question was specific to Services and Software, is that correct?

<Q – Tim Long – BMO Capital Markets (United States)>: Yes. Yeah, it’s kind of just overall, but, yeah, particularly in – as that mix improves, how do we think about...

<A – Gino Bonanotte – Motorola Solutions, Inc.>: Sure. So let me start with Services and Software. We clearly expect gross margin expansion in 2018 versus last year, 250 basis points. And we expect continued expansion into 2019. We talked about our expectation for operating margin to be approximately 30% in 2019 versus 28% in 2018. That’s a combination of both, but we clearly expect to see continued margin expansion as we move forward in Services and Software. And that will result in margin expansion overall as well.

<Q – Tim Long – BMO Capital Markets (United States)>: Okay. Thank you very much.

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

Operator: I will now 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.

That will conclude today’s call. Thank you 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. Have a great day.